

An Analysis of Future Road Map of Goods and Services Tax in Indian Scenario

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Abstract: Indirect tax is the economic backbone of the central government since from independence there are several developments have been taken place among those introduction of GST is served as historical unimaginable reform in indirect tax arena of India. Goods and services tax now serving as a greater tool which provides the revenue to the government to undertake socio-economical sustainable developmental activities in the country. The present study is in conceptual in nature carried to analyse the future roadmap of goods and services tax in Indian scenario. For the purpose of study data collected through secondary sources and concludes that GST will give more fruitful benefits to the development of the country than the presently experiencing benefits and makes the country into the favourable place for both national and international business people.

Key words: Goods and Services Tax, Trends, Future prospect

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I. Background

Indirect tax is the economic backbone of the central government since from independence there are several developments have been taken place among those introduction of GST is served as historical unimaginable reform in indirect tax arena of India. Goods and services tax now serving as a greater tool which provides the revenue to the government to undertake socio-economical sustainable developmental activities in the country. Constitution of India had given a right to the central government in collecting GST and distribution among the states. As per Article 366(12A) of Constitution GST is defined as 'any tax imposed on the supply of goods or services. This tax is helpful to the country in bringing the uniformity in indirect taxation system by reducing the diversity in the same. Today central government expected to reach the revenue to one lac crores by imposition of GST by the end of 2018. For the development of the economy in the corner points it is necessary to have sufficient revenue by the government. The indirect tax is one of the important sources which provide regular revenue. This helps government to undertake socioeconomic sustainable developmental activity in the country. Now the central government has taken the greatest step in the indirect taxation arena that is the introduction to GST. This introduction to GST has created a history in indirect tax because it is favourable to all the groups of economies such as public, business community and government. GST was introduced at midnight of 30th June 2017. The goods and services tax is applicable to the entire country and which replaces various indirect taxes levied by central and state government, such as Excise Duty, Service tax, Additional customs duty, State VAT's and Octroi. Subsuming of these taxes into one has created the uniformity in the indirect taxation system throughout the country and its benefits of the government in reducing the operational expenditure of less administrative setup and for tax payers gained the advantage of less compliance costs finally it also benefitted to the consumers in reducing the price levels of things used by them in their daily life. It also promotes the paperless transactions in various aspects such as during the registration process, in filing returns, in

GST is covers entire country including J and K state, imposed based on the supply and consumption of goods and services. It is levied on the value added to the products or services in each stage of its production. Finally the ultimate burden will fall on the shoulder of the consumer. It removes all problems suffered by earlier taxation system. To govern and frame the rules and regulations in relation to imposition of GST a separate statutory body is working that is GST council still now there were 30 meetings conducted in GST council the outcome of those meetings reframed the GST rules, policies, procedures, rates of tax on timely requirements. GST Act 2017 is the Act which lays down the provisions, rules and principles in respect of the GST levy and collection India.

II. Benefits of GST

GST benefits the economy in a number of ways:

- Maintains single tax on goods and services.
- It enhances the Government revenue through improving the tax collection.
- It boosts the development of Indian economy by removing indirect tax barriers amongst states with uniform tax rate.
- It also minimises the compliance problem to the taxpayers because every dealer exceeding threshold limit of turnover must register and file returns only to three taxes such as input tax, output tax and integrated return.

Besides this GST also favours various stakeholders namely:

a) For Business and Industry:

It minimizes the legal compliances on tax matters and which enables ease of doing business. The location of business is immaterial for the taxation purpose under GST. This avoids cascading effect of tax which reduces the hidden costs of doing business. The reduction of hidden transaction costs of the business improves competitiveness of the trade and industry in the market.

b) For the Government:

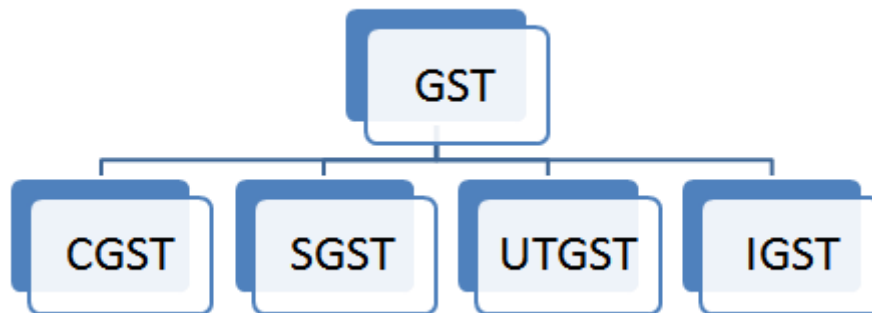
GST provides simpler and easier administrative machinery for indirect tax system. This minimises the operational expenditure of the Government. It also decreases the cost of collection of tax revenue and enhances the revenue efficiency of the Government.

c) For the Consumer :

GST benefits the consumer by providing single and transparent tax which is proportionate to the value of goods and services. It also eliminates the various taxes and minimises the overall tax burden on the consumer.

III. Composition of GST

GST consists of both central and state taxes that are known as CGST which is being levied by central government, SGST which is being levied by state government, UTGST which is being levied by union territories and IGST which is being levied and apportioned by the central government on inter-state transactions.



CGST: it is a tax levied based on dual model because it consists of both CGST and SGST. This is levied on almost all goods and services in India. For instance: if a sewing machine purchased at Rs 1,000 at the 12% GST the total tax will be Rs 120 among this both CGST and SGST are included in the equal proportion that is Rs. 60 is CGST and Rs. 60 is SGST. This is what the dual model of GST.

UTGST: it is a tax levied being levied by all union territories except Delhi and Pondicherry because these two UTs are having their own state legislature. For instance; If any goods and services transacted in UT GST will comprises both CGST and UTGST if a sewing machine purchased at Rs 1,000 at the 12% GST in any UT except Delhi and Pondicherry the total tax will be Rs 120 among this both CGST and UTGST are included in the equal proportion that is Rs. 60 is CGST and Rs. 60 is UTGST.

IGST: it is a tax being levied on interstate transactions as per IGST Act of 2017. This tax is being levied and collected by the central government and apportioned among the states and UTs. IGST comprises CGST and SGST / UTGST. For instance; If the Granites purchased from Andhra to Karnataka at Rs 20,000 at 28% GST, it is an inter-state transaction for this IGST is Rs.5,600 is firstly being collected by central government and then

central government will pay Rs. 2,800 to Andhra government because Andhra is the place in which supply had taken place.

GST on exports and imports:

Some time goods and services are provided from outside India and vice versa. For this we have special provisions for levy of GST.

GST on imports: if any goods and services which brought up to India from outside the territory are deemed to be assumed as interstate sales for that IGST is being levied. In the earlier system for imports countervailing duty (CVD) was imposed along with customs duty to protect the domestic industry but now CVD removed and IGST is replaced therefore now customs duty includes basic customs duty plus IGST.

GST on exports: under GST Act 2017. Exports means any goods or services which bringing or receiving from outside the territory of India. And which are taxed at ZERO rates. This is because to promote the domestic industries.

Taxes which still exist:

GST is subsumed by the taxes which were existed in the earlier taxation system although certain taxes which are still continuing such as

- ✓ Excise duty and state VAT on alcohol for human consumption and on petroleum products.
- ✓ Securities transaction tax
- ✓ Property tax
- ✓ Stamp duty.

Thus we can realise that the GST is a comprehensive simplified indirect tax which ensures single tax to whole country. It benefits for various categories of stakeholders such as business people, government, and public at large. Ultimately it will generate huge revenue to the government to fulfil its socio-economical and welfare obligations on the society. The next section of the paper is organized as Literature review, research gap, and statement of the problem, research questions, research objectives, methodology, discussions and conclusions.

IV. Literature Review

To find the research gap study analysed the following researches

Revathi and Aithal (2018) analysed the challenges faced by the banking sector and its impact on the customers after the implementation of GST in India. They finds that GST is a risky and challenging step initiated by government for sustainable banking and a uniform tax is imposed on all the products and services and it also created burden on the customers while availing various services from the bank.

Namitha mishra (2018) opines that GST leads to eliminate economic distortions in taxation among all the states of the country and also favours in free movement of goods, further it removes the complexity of taxation. It will also beneficial to general public as the prices will reduce due to this new taxation.

Wittwer and Kym (2002) examined the impact of the GST and wine tax reform on Australia's wine industry introduced in 2000. The findings of their study revealed that export-oriented premium segment would gain at the expense of non-premium segment of wine industry. They pointed that such gains rose from increased trend of exports of the premium wine segment.

Kumar et al. (2014) discussed about the benefits of electronic filing of tax to the authorities, policy makers, present and prospective tax payers, e-filing intermediaries, financial software engineers and academicians. The paper focused on the benefits derived by the different sections of the society due to e-filing of income tax returns.

Nishitha Guptha (2014) opines that implementation of GST in Indian scenario will produce the various benefits by removing the drawbacks of VAT and other indirect taxes and also contribute to economic growth of country.

Saravanan Venkadasalam (2014) examined the post impact of GST on the national growth on ASEAN region countries. They opined that majority of countries of ASEAN region are being implemented GST. The study found that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product. But the impact implementation of this tax is not among the selected countries.

Research Gap

From the analysis of earlier studies it is found that majority of focus is on the impact of GST on the economic development and on the general public but no studies were focused on the trends in GST regime in Indian scenario. So the present study is intended to analyse the changing trend in GST in Indian scenario.

Research Questions

Based on the research gap study framed the following research questions

1. What is the changing trend in GST in Indian scenario?
2. What is the future prospect of GST in India scenario?

Research Objectives

Based on the research questions study framed the following objectives

1. To analyse the changing trend in GST in Indian scenario.
2. To examine the future prospect of GST in Indian scenario.

V. Methodology

The present study is in conceptual in nature conducted through secondary data gathered from news papers, research articles, web sites.

Trends in GST in Indian Scenario

- GST is reduced the regulatory compliance burden on the taxpayers by eliminating the various laws this results in elimination of separate compliance under various indirect tax laws such VAT, Entry Tax, Service tax etc. Here the trend is the tax payers are not required to track with the cut-off dates imposed by various authorities
- This taxation is treated as the way of imposing tax in a scientific manner because the fundamental goal of this taxation is remove the double taxation.
- For inter-state transactions it was very difficult to check the trucks and vehicles which are carrying goods across the borders of the state to avoid this GST had introduced e-way bills which provide the greater convenience for the movement of goods across the states. This also minimized the traffic in inter-state borders. But this trend is also suffering from some limitations but the benefits of this trend are more than its limitations.
- In addition to the above e-way bills for intra-state movement of goods from July 2018. This helps in avoiding fraudulent transactions.
- Minimization of number of items in the group of 28% positively impacted on the consumers in consumer's goods segment.
- GST law had given comprehensive provisions for certain transactions which are caused for long-standing legal disputes such as software, works contract, classification issues etc., this had become the great relief to the industry by eliminating the complexities.
- In order to remove hurdles and increase compliance the council of GST is considering representations from stakeholders group. For this purpose Authority for Advance Rulings also started to provide the clarity and directions for various complex provisions. This had caused for the trend in GST that is a centralized link has to be created on the GST Council's website for easy identification of rulings passed by AARs across all the states.
- From implementation of GST the business people are happy with some long-run benefits such as having lesser number of taxes with transparent legal framework with smoother book-keeping mechanism.
- GST enabled the country to move from pen-and-paper environment to digital environment. But still there is a necessity of improving digitisation in case of small and medium sized business group for this both government and industrial people should invest more.

Future Prospect of GST in Indian Scenario

- At present GST have generated an average revenue of Rs.95,000 crore with the compliance rate by the tax payers at 69.5% so the future prospect of the GST is backed by the government initiative in increasing the revenue to 1,00,000 crores and increase the compliance rate by inducing various tax payer friendly provisions in next coming days.
- In the future days GST will become more simplified than present structure of five tax rates to two to three tax rates which is already existing in some of the advanced countries. This definitely removes the cascading effects and enhances the purchasing power of the rupee by reducing the inflation level and this will be the greater benefit to consumers and contribute to increased governmental revenue with minimized fiscal deficit in the country.

- Due to implementation of GST along with domestic business people international communities are also benefitted because it has helped them in ease of doing their business and which will results in attracting more foreign investments in future.
- Immediate action to be taken in future by the central government of India is to initiate the capacity building programme on digitization of GST procedures to SMEs and MSMEs because these group of business is not well equipped and lowly complying with GST provisions. If government gives capacity building programmes to these group definitely in future acceptability rate of GST by SMEs and MSMEs will be wider than present scenario.
- Another important future prospect is giving advisory and counselling services together with hands-on guidance to file the returns by the tax payers.
- Another challenging future issue is to have ideal GST to stabilize the revenue of both central and state government. For this especially central government has to take step forward to stabilize its revenue because state governments are in good condition because they will get sufficient revenue under compensation mechanism. Compensation mechanism guarantees state government 14% growth rate in their revenue.
- To increase the revenue of government there is a necessity of initiating well designed return filing mechanism in which there will be correct matching of invoices with input tax credit (ITC).
- In next five years government should bring the presently excluded items to GST purview one by one. The items which are presently kept outside from the GST purview are petroleum products, real-estate, electricity and alcohol.
- It is also necessary to allow ITC for the items which are presently exempted in claiming ITC such as restaurants, transport vehicles, oil or gas pipelines, telecom tower. This results in having accumulated ITC along with double taxation effect.

VI. Conclusions

GST completed successfully one year with minimum pitfalls as compared to other countries which are already implemented GST. This taxation has made India into a fastest developing country in the world and promoted digital initiative in taxation environment and produced less compliance requirements to be fulfilled by the tax payers and this ultimately made the Indian business environment with great characteristics that is it minimized the legal procedures and produced ease of doing business environment. At present central government revenue is targeted to reach by Rs.1,00,000 crores from GST collection. From the date of implementation of GST India is recognized as the investors and business group friendly country and thereby it is receiving increased amount of foreign investments and minimizing the fiscal deficit and finally it gradually reducing the level of inflation. From this ultimate consumers benefitted with lower price of the consumable goods. The future of Indian GST environment is to gradually including the excluded items in next two to five years to avoid the accumulated input tax credit and to remove double taxation completely. Further it is necessary to have well designed return filing mechanism which enables the GST authority to easy and correct matching the invoices with ITC to be claimed because today net GST payable by the taxpayer is comparatively lower than the amount of input tax credit claiming. This will results in increasing the revenue of central government. Along with this there is also necessary of increasing the GST compliance rate by taking the confidence of small and medium sized business group. Finally study concludes that GST will give more fruitful benefits to the development of the country than the presently experiencing benefits and makes the country into the favourable place for both national and international business people.

Limitations of the Study

No research is exempt from limitations and present study is also suffered from some limitations such as it conducted based on secondary data, it analysed the trend and future prospect of GST in Indian scenario in conceptual way.

Scope for Further Research

Future research can be done by taking into consideration primary data. And also practical implications on the tax payers' perspective can be studied.

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