



# JOURNEY OF GOODS AND SERVICES TAX IN INDIA

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## ABSTRACT:

Goods and services tax has a long way back journey. It has passes through several numbers of years. It has started its journey from UPA government but it implemented from NDA government on 1 July 2017. The concept of GST was started in the year 2003, the kelker task force on indirect tax had suggested a comprehensive goods and services tax based on VAT principle. The proposal to introduce a national GST by April 1, 2010 was first discussion started in the year 2006-07. The proposal involved reforms and restructuring of indirect taxes which levied by both the governments. The finance minister handover the responsibility of preparing a design and road map for the implementation of GST was assigned to Empowered committee. The Empowered committee released its first discussion paper on GST in November 2009 and in the year 2011 GST will was introduced in loksabha and in the year 2016 GST council decided four slab rate GST structure of 5%, 12%, 18%, and 28%. GST is proposed as an indirect tax levy on the manufacture, sales and consumption of goods as well as services at the national and state level.

## INTRODUCTION:

G-Goods ,S-Services, T-Tax.

Goods are a commodity or a physical, tangible item that satisfies some human wants or needs.

Services are an action of helping or doing work for someone.

Tax is a compulsory payment made by citizen to the government without expecting any rewards.

GST is a proposed system of indirect taxation in India merging most of the existing taxes into single system of taxation. The lower tax rate from the GST covering all goods and services, with tax only on value addition and get offs against taxes on inputs /previous purchases. Right now , we have more tax on fewer items ;with GST , there will be less tax on more item ,ideally no goods and services should be tax exempt ,as this will break the input tax chain .

The introduction of GST to replace the existing multiple tax structure of centre and state taxes is not only desirable but imperative in the emerging economic environment . Services and vice versa. Integration of various taxes into a GST system would make it possible to give full credit for inputs taxes collected .GST, being a destination based consumption tax based on VAT principle .which will help to make development of a common national market.

**The introduction of GST would be a very significant step in the fields of indirect tax reforms in India.**

1. One of the major advantages of GST is that it will amalgamate numerous Indirect taxes of central and state government into a single tax i.e.GST.

2. It would also remove the cascading effect and double taxation which is prevailing in India and pave the way for a common national market.
3. Currently indirect taxes are estimated to be around 25%-30%, which is the overall tax burden due to many levies of different kind, which consumer have to bear, so due to GST this burden gets reduced.
4. Many countries around the globe have adopted the concept of GST resulting in the overall economic growth.
5. Due to its simple application and concept it is much easier now administer it, nor like the current senior where the authorities needs to keep a strict tab everywhere.

Due to the two tier government structure in India. GST implemented both at the central and state level. The concept of GST has its beginning in India way back in 1986 when an attempt was made to remove the cascading effect of excise duty with the introduction of MODVAT (Modified Value Added Tax) which later changed to CENVAT (Central Value Added Tax). Prior to this, excise duty was levied on the both inputs used and the output produced. This means that any tax paid on input will be again subject to tax in the final output. This “tax on tax” is the cascading effect of taxation. This issue was tried to get resolved with the introduction of VAT, wherein the tax paid on inputs will set off against the tax to be paid on the final output. Currently all the states have adopted the concept of VAT, With Haryana being the first and Uttar Pradesh being the last.

VAT to a great extent was able to remove the cascading effect, but still there remain same problems which need to be addressed. For example, several central and state taxes were excluded from VAT. Sectors such as real estate, oil and gas production etc. were exempt from VAT. Further, goods and services were taxed differently, thereby making the taxation of products complex. Some of these challenges are sought to be overcome with the introduction of the goods and services tax (GST).

The GST aims to amalgamate most of the indirect taxes under a single tax called GST. It is the tax which is levied only on the value addition at every stage, and will remain same for all goods and services. This is expected to help broaden the tax base, increase tax compliance, and reduce economic distortion caused by inter-state variations in taxes.

### **NEED FOR THE STUDY:**

In order to know the modals of GST from 2000 to 2014 and also to know the objectives and reasons for implementing of GST. How the introduction of GST to replace the existing multiple tax structures of centre and state taxes. The bill aims to eliminate the cascading effect of taxes on production and distribution prices on goods and services.

### **OBJECTIVES OF THE STUDY:**

1. To know the journey of GST in India.
2. To know the GST reforms in India.

### **DATA SOURCES:**

This data is purely based on secondary data. The data has been collected from journals, magazines, news papers, and official websites.

### **THE JOURNEY SO FAR**

The GST Bill, termed as the most radical tax reform since Independence, seeks to subsume all central indirect taxes like excise duty, countervailing duty and service tax, as also state levies like Value Added Tax, entry tax and luxury tax, to create a single, pan-India market.

Here is a brief chronology outlining the major milestones on the proposal for introduction of GST in India.

1. In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.

2. A proposal to introduce a national GST by April 1, 2010, was first mooted in the Budget Speech for the financial year 2006-07.
3. Since the proposal involved reforms and restructuring of not only indirect taxes levied by the Centre but also the states, the responsibility of preparing a design and road map for the implementation of GST was assigned to the Empowered Committee (EC) of State Finance Ministers.
4. Based on inputs from the Centre and states, the empowered committee released its first discussion paper on GST in November, 2009.
5. In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011. As per the prescribed procedure, the Bill was referred to the Standing Committee on Finance of Parliament for examination and report
6. The Parliamentary Standing Committee submitted its report in August, 2013, to the Lok Sabha. Most of the recommendations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised
7. The 115th Constitutional (Amendment) Bill, 2011, for the introduction of GST introduced in the Lok Sabha in March 2011 lapsed with the dissolution of the 15th Lok Sabha.
8. In June 2014, the draft Constitutional Amendment Bill was sent to the Empowered Committee after approval of the new government
9. Based on a broad consensus reached with the Empowered Committee, the Cabinet on December 17, 2014, approved the proposal for introduction of a bill in Parliament for amending the Constitution to facilitate the introduction of GST in the country. The Bill was introduced in the Lok Sabha on December 19, 2014, and was passed by the Lok Sabha on May 6, 2015. It was then referred to the Select Committee of Rajya Sabha, which submitted its report on July 22, 2015.

The empowered committee of state finance ministers (EC) has been working with central government to prepare roadmap for introduction of GST in India. Dr. Amith Mitra, the finance minister of West Bengal, is the current chairman of the empowered committee. After considering the comments of the government EC deliberation, the EC released the first discussion paper on GST in NOV 2009. Thereafter, the task force appointed by the thirteenth finance commission, Government of India, issued a report on Dec 2015, 2009 giving its recommendation on various issues relating to the design and implementation of the proposed GST in India. Department of Revenue also gave its comments on the first discussion paper in Jan 2010.

**The significant documents issued by various authorities with respect to GST are enlisted below:**

- A Model Roadmap for Goods and Services tax in India” by Empowered Committee of State Finance Ministers in April, 2008
- “GST Reforms and Inter-Governmental Considerations in India” by Department of Economic Affairs, Ministry of Finance, Government of India in March, 2009
- “First Discussion Paper on Goods and Services Tax In India” by Empowered Committee of State Finance Ministers in November, 2009
- “Report of Task Force – 13th Finance Commission” by Task force set up by 13th Finance Commission in December, 2009
- “Comments of Department of Revenue on First Discussion Paper” by Department of Revenue in January, 2010
- “115th Constitution Amendment (GST) Bill, 2011” by Central Government in March, 2011
- “Report on the 115th Constitution Amendment (GST) Bill, 2011” by Parliamentary Standing Committee on Finance in August, 2013

- “122nd Constitution Amendment (GST) Bill, 2014” by Central Government in December, 2014 (as the earlier bill lapsed)
- “Report on the 122nd Constitution Amendment (GST) Bill, 2014” by Select Committee of Rajya Sabha in July, 2015
- “Report on the Revenue Neutral Rate and Structure of Rates for the Goods and Services Tax” by Committee headed by the Chief Economic Adviser Dr. Arvind Subramanian on Possible Tax Rates under GST in December, 2015
- Reports of the Joint Committee on Business Process for GST on GST Payment Process, GST Registration, GST Refund and GST Return by Empowered Committee of State Finance Ministers in the year 2015
- **GST Bill Passed in Rajya Sabha on 3rd August 2016 (03-08-2016)**
- **When GST is Applicable – Modi Government Want to applicable GST Bill From 1st July 2017, Due to Some Legal Problems GST Bill is not applicable before 1st July 2017.**

### Benefits of GST

- **Neutrality:** GST would seek to be neutral and equitable between forms of commerce .business decision should be motivated by economic rather than tax considerations.
- **Efficiency:** compliance costs for taxpayers and administrative costs for the tax authorities would be minimized.
- **Certainty and simplicity:** clear and simple law.
- **Effectiveness and simplicity:** less potential for tax evasion and avoidance.
- **Flexibility:** Flexible and dynamic system keeping pace with technological and commercial development.
- **Simple tax structure:** simple tax structure.

### Objectives of GST

- One country –one tax
- Consumption based tax instead of manufacturing
- Uniform GST registration ,payment and input tax credit
- To eliminate the cascading effect of Indirect taxes on single transaction
- Subsume all indirect taxes at centre and state level under
- Reduce tax evasion and corruption
- Increase productivity

### ☐ Opinion about the Journey of Goods and Services Tax:

In my view GST is to be considered as a major tax reform policy in India not a tax burden. It will give more relief to industry, trade, and agriculture through a more comprehensive way.

GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including government departments and service sector shall have to bear impact of GST.

One of the biggest taxation reforms in India –the goods and service tax (GST) –is all set to integrate state economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate increasing the tax base and minimize exemptions.

As like in 2003, the kelkar task force suggested a comprehensive goods and service tax. And the 2010 the national GST proposal is introduced in order to reform and reconstructing of not indirect taxes which levied by the central but also the state, the responsibility of implementation of GST was assigned to Empowered Committee. In 2009 discussion paper released. And bill was introduced in loksabha in 2011. And then the report is submitted in loksabha .As like the journey was stared.

Goods and Services tax (GST) has been identified as one of most important tax reforms post-independence. It is a tax trigger, which will lead to business transformation for all major industries.

Given the passage of the Constitution (101<sup>st</sup>) Amendment Bill, 2016 for GST in the Parliament on 8 August 2016, ratification of the said Bill by more than 15 states by early September followed by its enactment, and passage of four GST Bills in the Lok Sabha on 29 March 2017 with the clear road map being laid down by the Finance Ministry, the Government of India seems to be on course to implementing GST with effect from 1 July 2017.

The GST Council consisting of representatives from the Centre as well as the states, after being constituted, met on twelve occasions to discuss various issues including dual control, GST laws, exemptions, thresholds, rate structure, compensation cess etc. and reached consensus on the same. Council has also recommended four-tier GST rate structure and the thresholds.

The GST bill covers the goods and services tax and shall be the biggest indirect tax reform providing a uniform and simplified way of replaces taxation in India. Once introduction it will replace a number of other taxes like VAT, CST, Service Tax, CAD, SAD, Excise, Entry Tax, purchases tax etc.

## Conclusion

The taxation of goods and services in India has, hitherto, been characterized as cascading and distortionary tax on production resulting in miss allocation of resource and lower productivity and economic growth .it is also inhabits voluntary compliance .it is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade of final consumption .a well designed destination based value added tax on all goods and services is the most elegant method of eliminating distortion and taxing consumption under this structure ,all different stages of production and distribution can be interpreted as a mere tax pass through ,and tax essentially ‘sticks’ on final consumption within the taxing jurisdiction.

## References:

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- “Looking back at GST’s journey; how an idea is now near reality, Indian express, 31 march 2017.
- “GST may swallow all taxes but cess” business standard, 20 September 2016.
- “State on board, GST launch from April 16” newindianexpress.com.

