GST in India Prospective in reference with states

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Introduction

Central and national VAT (VAT) was seen as a major breakthrough in the field of indirect tax reform in India. If the value added tax is considerably higher than the current sales tax at national and state level, the tax on goods and services (GST) is an important step forward. GST is a new revolution that will soon appear in the indirect tax system. Taxes were previously postponed until 1 April 2013 (1 April 2010), when a beautiful entry was made (Raj Kumar, 2009).

Goods and services tax is a broad, simple, extended tax that is imposed at every stage of production and distribution, including applicable compensation with respect to taxes that have been exempted in the previous stage. In short, taxes on the final consumption. In short, GST can be defined as a tax on goods and services that are imposed on the sale of goods and services or on the provision of services that provide services to which the vendor or service provider can provide input. A transparent and complete clearing chain will lead to a larger tax base and better compliance with tax legislation.

This effect is clear. Reduce the burden on the consumer by eliminating the cascade effect of detergents. Currently 140 countries, including India, have taken over the GST pattern. All countries have shown low tax burden for consumers when expanding their tax base. In the first instance this method seems very simple, but it becomes complicated when it is necessary to separate inputs from production costs or to calculate landing costs at the time of tax on sales prices (Asok, 2010). This system is basically designed to simplify the current indirect tax system. According to VAT rules, sales tax is paid at the total sales price including CENVAT. There is no equal compensation here. For example, there are many cascading effects such as VAT in Central Time, VAT and VAT. That is why the government decided to implement goods and services to overcome these problems. India is a federal government that is empowered to levy and collect taxes through appropriate legislation for both the central and the state. Two levels of government have a clear responsibility to implement the division of competences prescribed in the Constitution, for which resources are needed. A double GST structure is defined as a function of central and national functions and responsibilities (Sudarshan, 2010), as can be seen in the report of the joint working group tax on goods and services, a view of the Indian states and governments.

Many studies show that GST has a positive correlation with economic growth and development in various sectors such as agriculture, industry and trade, poverty reduction and employment in India. However, this positive impact depends on the neutral and rational bureaucratic design of GST.

Ravi Shankar (2010) analyzed in his research that the GST not only includes integrated goods and services taxes that are aimed at more extensive indirect taxes and compensation, but can also
increase the income of the center by expanding the dealer network. We have added value in strengthen trade and our compliance. He argued that GST is not a service tax on VAT, but an improvement on previous service tax and separate service tax. It removes the influence of CENVAT on service load. He confirmed that the GST was necessary because the country had the additional power to levy taxes on services and made the system more inclusive by compensatory adjustments. With the tax included in GST, you can eliminate the burden of CST. GST also increases the likelihood of collective interest in industry, commerce, agriculture and the general consumer, as well as central and provincial governments.

GST is expected to bring many benefits to the Indian economy. All these benefits are based on the assumption that the overall tax structure is now more bureaucratic and tedious.

**Indian GST justification**

Value Added Tax (VAT) has made some progress, but the VAT structure is slightly shorter at both the central and the state level. The disadvantage of the CENVAT of the Indian government is that it does not include any central tax throughout CENVAT, such as additional rates, surcharges, etc. Therefore, because a wide tax and service tax support benefits beyond the specifications for the manufacture / dealer and furthermore, the action of the value-added chain of more than the production levels still needs to be taken from the current system of CENVAT. The GST no support is more important in the Indian tax structure. Also the introduction of a goods and services tax would generate tax withdrawn impact fruitful rain, Central Sales Tax, state-level sales tax, years immigration, stamp duty, telecommunication license fees, sales, excise or sales of electricity, goods and services Taxes on freight transport etc Can eliminate the tax hierarchy effect of different stages.

It is expected that the introduction of the GST will reduce the inefficiency of VAT, increase compliance, minimize transaction costs and increase revenues that will drive buoyancy in the Indian economy. This legislation will immediately contribute to economic growth (Ranjan, 2010).

The existing multiple tax structure cannot create a cooperative environment to accelerate economic development. When a multinational corporation wants to do business in India in the era of globalization, a new law applies to each state. We also find a lot of complicated laws and procedures that put a lot of effort and effort into continuing our activities in India. Therefore, the introduction of GST with minimal diversity in tax legislation will ensure the efficiency, fairness and simplicity of the tax structure.

Several tax systems in the manufacturing sector cause a disruption of the allocation of resources and therefore inefficiency of domestic production. With regard to India's exports, this leads to a lack of international competitiveness in the sector, which was relatively efficient to tax distorted taxes imposed on foreign export prices. It has a negative effect on export competitiveness. By allocating production resources efficiently and offering full tax compensation, GDP is expected to return to economic production and export factors. However, full compensation is difficult due to the diversity of taxes. For this reason, India must implement a comprehensive GST. The GST for goods and services is expected to benefit India's GDP.
There is no system-to-system tax relief: there is a separate account for both, the company can receive tax credits paid to CGST and can only be used to pay the export tax on CGST. Similarly, SGST tax reductions can only be adjusted for SGST output. Do not cross the import tax between CGST and SGST.

Weekly GST: IGST is introduced to explain weekly sales. The center collects the IGST on the Interstate Highway from the exporting state and transfers it to the importing country. Producers and customers are eligible for tax relief for IGST.

Tax rate: there are two tax rates for SGST, a lower tax rate for mandatory items and items with basic interest, and a standard tax rate for all other items. There is also a list of special rates and exempt articles for precious metals. For CGST; A double rate structure will also be set for the SGST tariffs. For services, a single rate applies to CGST and SGST.

Governments have not yet reached the GST rate. The Finance Committee's Taskforce estimates the tax neutrality rate (which is expected to be the same for both old and new schemes), with CGST and SGST accounting for 12.5% and 7% SGST respectively.

Threshold exemption: this is intended to protect small traders against the tax network. It is always difficult to follow a high trader, such as the costs of a small trader. Therefore, the tax system sets criteria that are only taxable for certain sales or more. The tax legislation (VAT) uses its own threshold value, under GST an attempt is made to harmonize and maintain a comparable threshold value for each state. The limit considered is Re. 1 million for both goods and services. In the case of CGST, however, the limit is considered as the extent to which goods and services can be "held at an appropriate high level".

GST Council and Dispute Resolution Agencies: - The 115th amendment states that there are two constitutional bodies with GST councils and GST dispute resolution powers. GST Council is expected to make recommendations to the GST-related problems, such as tax rates in both CGST and SGST will be included, such as the GST exemption. The federal minister of finance will nominate the chairman of the ministerial meeting as chairman. Members of the council can also elect vice-presidents from among their members. The dispute settlement body is responsible for disputes between trade unions / states / member states.

In the course of time, the meat is added to the bones to make the reform more comprehensive. GST will probably also move in the same direction.

**How does GST work in India?**

Let's take a hypothetical example (manufacturer, wholesaler and retailer) to understand the work of GST. Let us assume that the GST tariff that manufacturers make Rs 30 products and services with added value for a purchase worth 100 rupees for a 10% stake is used in the production process. If the GST is 10%, the tax rate for import (ITC) is comparable Rs 10 (VAT on purchase value). GST on output is Rs13 (load on the value of the output). Producer, after deduction of Rs10 to a GST pay input (ie input tax credits) of the total of the GST you pay Rs13 deduction of GST Rs3. The manufacturer then make added value when selling to the wholesaler the same product sells goods to a wholesaler (Rs 20) is the net GST of Rs 2 After setting the deduction of input tax of Rs 13 in total GST of Rs 15 to the manufacturer you pay. Similarly, if the retailers
sell the same goods to VAT after they have paid Rs10 to Rs 15 after amortization of Rs 16 in the wholesale price total GST you only pay the net GST of Rs 1. Thus prepared wholesaler and retailer for the value in the whole value chain of producers here retail after previous compensation paid the GST Rs 6 (Rs 3 + R 2 + R 1), you must pay the GST in stages. Therefore, the total load of GST on the product is much less.

First, we will solve the problems that can be removed from existing tax systems and extended GST. There are certain disadvantages in the existing state structure. For example, some taxes are an indirect tax on goods and services that are not yet included in premium taxes, entertainment taxes and VAT. Also in the current VAT system, the CENVAT tax on the goods according to the main budget is included in the value of the taxable goods and contributes to the degree of the cascade effect on the CENVAT element. This CENVAT tax must be removed. In general, all goods are produced on the basis of physical inputs and services, which should be the integration of VAT on the tax at national level services. For this reason, the GST will help to reduce the dominant tax burden at central and state level. This is the essence of the GST and GST is not a service tax plus VAT, but an old VAT and service tax. In order to implement the GST at the level of the state, the state must be empowered to tax all services. This right to introduce service tax has long been in the center. A constitutional amendment that this authority gives to the state must be made. And with the introduction of GST, the burden of central sales tax (CST) has been removed.

Therefore, the national level GST is justified for the following reasons:

- Additional authority to levy taxes on the services of the footnotes.
- Comprehensive settlement system including cascaded CENVAT tax and service tax.
- GST imposes various taxes
- Eliminating the burden of CST (Sukamal and Tamal, 2010).

The elimination of the cascade effect generally reduces the tax burden on the product for GST. However, we see that the government has objected to the implementation of GST in this respect in recent weeks. It is necessary to carefully examine their goals, but it must be recognized that the implementation of GST is focused on a land-neutral income. Apart from these static benefits, economies of scale, efficient production, improved maturity and, more importantly, employment growth will create dynamic profit in the medium term (Kelker, 2009).

The feasibility of GST for a country can be further investigated with a few extra points. In general, the state cannot go beyond the nationally agreed model for GST, but these restrictions also apply to the center. The state can still use free space. They can impose temporary taxes and surcharges in case of emergency and may levy additional surcharges on transport fuels and surcharges for all goods. You can also continue to pay operating costs for services provided to citizens. Spending policy remains a powerful financial instrument for strengthening the financial base and will improve access to capital markets to improve lending capacity. State taxes will increase significantly, including taxes on services and taxes on production. On the other hand, the deterrent from the center will only increase within the range of sales tax. Therefore, we cannot claim that the vertical imbalance in the center will increase favorably. The state will benefit from the abolition of the abolition and will charge an additional surcharge imposed by the current center as the size of the shareable pool increases. Currently this amount is about 15%.
GST Simplified Tax System: Challenges and Remedies

Tax policy is tax administration and there is ample room for improving the efficiency of tax collection through the introduction of the GST. The GST subsidy recommended for this disruption complements the limits of financial autonomy by strengthening the autonomy of expenditure by paying compensation and additional regulated transfers.

GST will further strengthen its partnership in the federal structure with all stakeholders contributing to national prosperity by setting up a national structure with national and Union foundations (Report: 13 Financial Commission, 2009).

Conclusion

GST is a major improvement in the next logical step for India's comprehensive indirect tax reform. The financial history of India indeed has the potential to be the most important initiative. It can pave the way for the modernization of the tax authorities. Make it simpler, more transparent and less impractical. The positive impact of GST however depends on the neutral and rational design of GST. Likewise, a full political commitment to the fundamental tax reform of the system, including the weighing of interests of the various stakeholders, including constitutional changes, will be a major step forward in the indirect taxation system and will also generate a new momentum for GST. Economic changes in India. Some 140 countries have already introduced GST in one form or another and become the preferred form of indirect taxation in the Asia-Pacific region (Satya and Ethical, 2009). Despite a positive step, there are some important points in the discussion paper. First, the clear structure for services is not yet clear. Important areas such as real estate, oil and gas are out of reach. In addition, the product flow continues to emphasize integrated product and service tax for several weeks. No longer while a small trader is exempt; the criteria used vary from week to week on the basis of a harmonious tax system. There is also a lack of clarity in the nature of the exempted list. The fact that all countries have in principle reached agreement on certain indirect tax systems is a positive step in their implementation. However, there are still considerable differences between the countries with regard to the contours of the GST. Some states, such as Tamil Nadu, have proposed floor-based systems as the basis for introducing flexibility. Omission of items in the exempt list and guidelines for the service indicate that the agreement still falls outside the important bags. Taxes imposed by municipal companies such as Octroy are not taxable at all. Governments must consciously look at these things, and only the elements of transparency can be achieved in the Indian tax structure (Ravish Anker, 2010).

References: