# A KEY TAX REFORM initiation the GST Implementation

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## Abstract

GST has been one of the most important tax reforms in India for many years. Although it had to be implemented in April 2010, it is still pending due to political issues and conflicts of interest of various stakeholders. This is an extensive tax system to take all indirect taxes and the economic integration of the state and the central government as a seamless national market. It is expected that this will remove the wrinkles of the existing indirect tax system and will play an important role in the growth of India. This whitepaper provides an overview of the GST concepts and explains their functions and implementation schedules in India. This document focuses more on the benefits of GST and on the challenges facing India in action.

## Introduction

The proposed GST seems to change the whole scenario of the current system of indirect taxes. Nowadays, in India complex systems for indirect taxes are followed by taxes levied separately by the union and the state. GST unites all indirect taxes under the umbrella and creates a seamless national market. Experts say that the GST will help the economy grow more efficiently by improving tax collection. It confuses national tax obstacles and consolidates the country at a single tax rate. The GST was first introduced in France in 1954 and is now followed by 140 countries. Most countries follow a uniform GST, but in some countries, such as Brazil, Canada follows a dual system GST is imposed on both the central and the state. In India dual systems from GST are proposed, including CGST and SGST.

## Schedule of India GST

In 2000 the NIM government set up a committee that was authorized to design the GST model under the chairmanship of Asim Das Gupta. The UPA of P. Chidambaram, Minister of the Treasury of Electricity, announced the implementation of the GST in its budget for 2007, starting in April 2010, and the meeting of the State Finance Ministers meeting with the Center to work together. That is why a joint working group of the National Commission of Finance Ministers was established, which submitted the report on 10 May 2007 and November 2007. Firstly, in November 2009, the Commission introduced a detailed discussion report on the GST structure for discussion and opinions from all stakeholders. She

We have adopted legislation to enforce GST with the introduction of the 115th Constitution amendments, together with the GST Council and finally in March 2011. This includes:

1) Establish a GST meeting of the President within 60 days of receiving the bill. The Council will be chaired by the Minister of Trade Union Finance, who will include MOs for the Ministers of Finance and Finance. GST rates, exemptions, etc.
2) Establish a GST dispute resolution body consisting of three members to resolve weekly disputes and take action against the state.

3) The draft amendment bill was referred to the parliamentary finance committee for evaluation.
4) The Standing Committee recommends that a report be submitted in August 2013, to delete the proposed Dispute Settlement Body and to grant the mechanism itself to the GST Committee. The GST board also recommended voting instead of consensus. The representative of the GST committee must be 1/3 of the middle and the remaining 2/3 of the state. The decision of the board must be taken with at least three voters present. The quorum of the board is increased from one-third to half as proposed by the Standing Committee.

**Characteristics of the proposed GST**

**AMBIT from GST**

1) Applies to all goods and services subject to tax, except for goods and services that are exempt, and transactions below the limit.
2) Excepted goods and services include the consumption of people, electricity, customs and the main flow of real estate. [Article 366 (12)]
3) Crude oil, HSD (high speed diesel), engine spirit (petrol), natural gas, ATF (air turbine fuel)] are exempt from GST until the GST Council announces the date of incorporation.
4) Tobacco products are included in GST with central consumption tax.

**Benefits of GST**

According to the GST scheme, the tax burden is distributed fairly between production and services through low tax rates, the extension of the tax base and the minimization of exemptions. We look forward to helping you to set up effective and transparent tax management. This is expected to contribute to the elimination of the tiered effects of taxes and to create a common national market. In addition, some advantages of GST are listed below.

**IGST-efficient logistics**

In the current system of indirect taxes, the central sales tax (CST) is paid to the weekly trade of the goods. A standard rate of 2% CST will be charged and will be distributed to the exporting country because it is the origin tax. Input Credits in CST can only compensate CST debts. CST is only paid for weekly trade in the goods and is not paid for the delivery (shipping) of the goods. Therefore, to avoid this tax, large companies build their own new cities in different states and transport goods between states without paying CST, ultimately reducing product costs. Because large companies avoid this tax through warehousing, SMEs cannot survive in the market because it is difficult to grow.

In the proposed GST tax regime, however, IGST is imposed for the weekly trade and delivery of (both) goods and services. This will lead to an effective logistics system that prevents tax returns through large warehouses. This will protect SMEs against harmful competition from large companies.

**ANCILLARIZATION**

In the current indirect tax system, each conglomerate only tries to produce everything internally in order to reduce the CST and the cascading effects of taxes. The proposed GST system, however, lacks CST and cascade effects that lead to outsourcing, outsourcing and division of labor. This characterization will reduce future production costs. At lower prices, domestic products will become more competitive on the international market, which will help boost exports and reduce the current account deficit.

Calculation of one basis
With the introduction of GST there will be no chain effect of taxes and there will be a single basis for tax calculations for both central and provincial governments. Initially the state loses tax revenue because the value of taxable goods is low. However, the availability of cheap goods will increase the number of taxpayers and also increase the country's total tax collection. This increase in tax revenues will lead to the fiscal consolidation demanded by the current Indian economy. According to a recent CRISIL report, the GST is considered the most appropriate for fiscal consolidation because there is little scope for reducing government spending in India.
Output is zero.
GST does not affect input credits for exporters and is not subject to export because they can use these input credits in the future. In the absence of a assessed export, domestic raw materials will become more competitive on the international market and help to increase exports, which means that India will reach its 3.5% target in world exports by 2020.
Simple tax structure
We expect the tax structure to be much simpler and easier to interpret, as different indirect taxes on the goods and services of the state and the central government will be replaced by a single tax. Reducing the accounting complexity of your business will increase your production competitiveness and improve your economy by 1-2%.

**GST performance: High net profit ratio (RNR)**

RNR is the pace at which the tax revenues of the state and the central government are neutralized as a result of changes in the tax system. It is known that GST ratios offer the same level of income as the state and the central government currently receive indirect taxes. 13 The RNR per financial committee must be 12%, while the state is authorized to require 26.68%. The federal government believes that the interest rate must be very high 15% -20% compared to other provinces. Hungary introduced GST at an interest rate of 7% from the first quarter of 2011. Because of the high RNR
VAT currently provides the largest contribution to the tax revenues of the state. After the GST reforms, however, they are included in the GST for an additional fee. Certain state governments will certainly lose revenue and will rely more on financial compensation (currently 42%) for tax transfer. In order to neutralize the loss of their income, the state demands compensation from the trade union. The commission combination for each of the 14 financial committees must compensate the state for a maximum of five years. During the first three years, the coverage fell from 100% to 75% and 50% for four and five years respectively. This trade union pay can lead to financial burdens and cannot reach the target of 3% budget deficit by March 2017, as announced by the Minister of Finance in the 2015 budget. This financial goal must be achieved in order to achieve rapid economic growth and full conversion in the future. of capital account.
An industrialized country will be lost in the GST regime because of its purpose-based functions. It stimulates more income to demotivate production and increase tax revenues. It is not good for both India and the manufacturing industry, because the fast-growing manufacturing industry is the main driver for our economic growth in the future. For temporary assistance to industrialized countries, GST proposes an additional tax of 1% for two weeks of weekly sales and supplies. If 1% extra tax is levied, the main purpose of GST is to eliminate the effect of tax reduction. In order to minimize cascading effects, this additional tax should not be imposed for at least the weekly raw material stock.
Other problems

• The federal government must adjust "input credits" in 30 states as a result of a transfer at SGST.
• Education and development of state officials prior to the implementation of GST.
• Effective credit mechanisms are essential for GST. It is not a problem because of CENVAT, but it is another big challenge in the state.
• Analysts expect the GST to shorten the real estate market and reduce the demand for new homes by 12% as a result of a cost increase of 8%. (Research commissioned by Curtin University)

**Future directions for GST implementation**

1) The 122nd Amendment shall be ratified by a majority of at least 50% of the Assembly of the State after being adopted by the Senate by a two-thirds majority and be accompanied by the consent of the President.
2) After passing the bill, GSTC (GSTC) was established.
3) GSTC supports GST laws and procedures.
4) The GST bill is presented to Congress.
5) GSTN (GST Network) is the 25th company set up to design the IT infrastructure.
GST

**Conclusion**

Due to the incomplete environment of the Indian economy, it takes time to implement the GST. Consumption and production of goods and services are undoubtedly increasing and the complexity of the current tax administration is also accelerating compliance costs. That is why we need a simple, user-friendly and transparent tax system that can be implemented with the implementation of GST. Implementation implies a consistent tax system that feeds most of the current indirect taxes, and in the long run will lead to higher production, more employment opportunities and GDP growth of 1 to 1.5 percent. It can also be used as an effective tool for managing fiscal policy if it is successfully implemented at the same national rate. It will also lower the costs of doing business, thereby increasing the competitiveness of national products on national and international markets. There is no doubt that GST India will offer a world-class tax system to seize other treatments in the processing and service sectors. But all this depends on a reasonable design and timely implementation. As mentioned above, the GST implementation has several problems. They need more analytical research to promote the interests of various stakeholders and to realize their commitment to the fundamental reform of the tax structure in India.

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