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Volume VI / Number 1 & 2 / January to June 2019 / ISSN 2278-1838 (Print) 2319-7218 (Online)

Asia-Pacific Finance and Accounting Review

Special Issue: GST & Indian Economy

– Editorial
- Benefits and Challenges of GST Regime
- Impact of GST on Indian Economy
- Role of GST in Digital India
- Issues and Challenges of GST
- Goods and Services Tax in India
- GST Impact on Centre - State Fiscal Relation in India
- Legal Implications of the Bankruptcy and Insolvency Code 2016 on the Limited Liability Partnership Act 2008 and the Companies Act 2013
- GST and Other Financial Reforms
- Goods and Service Tax Act, 2017: The Truth Behind the Veil
- Interplay Between GST and International Trade Principles in the Indian Context : An Analysis
- Impact of GST on Supply Chain Management
- Impact of GST on Indian Economy

An International Bi-Annual Peer Reviewed Journal of

Asia-Pacific Institute of Management
New Delhi

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Asia-Pacific Finance and Accounting Review

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An International Bi-Annual Peer Reviewed Journal of

Asia-Pacific Institute of Management, New Delhi

Asia-Pacific Finance and Accounting Review

Volume VI, Number 1 & 2, 2019

Asia-Pacific Finance and Accounting Review is published bi-annually by Asia-Pacific Institute of Management, New Delhi. The views expressed in this journal are those of the authors. The journal focuses on theoretical, applied and interdisciplinary aspects in Finance, Accounting and related areas. For online version of the AFAR, log on to www.asia-pacific.edu

Asia-Pacific Finance and Accounting Review

Asia-Pacific Institute of Management
3&4 Institutional Area, Jasola, New Delhi-110025.
Tel: (011)-42094800
E-mail ID : afar@asiapacific.edu
Website: www.asiapacific.edu

Published by

Asia-Pacific Institute of Management
3&4 Institutional Area, Jasola, New Delhi-110025.

Aim & Scope

Asia-Pacific Finance and Accounting Review (AFAR) is a bi-annual double blind, peer-reviewed Journal published by Asia-Pacific Institute of Management, New Delhi. AFAR aims to become a leading international journal in the area of finance, accounting, and allied areas, where academicians, scholars, professionals and researchers will be excited to publish research papers, policy discussions, and case studies etc.

The mission of AFAR is to publish prominent empirical and qualitative research papers review articles & case studies primarily in the area of accounting, and finance. Contributions in allied areas e.g., banking, insurance, commodity markets, taxation etc. are also acceptable.

Volume VI Number 1 & 2, 2019

Asia-Pacific Finance and Accounting Review

Contents

S.No.	Articles	Author	Affiliation	P. No.
	Editorial			vii
1	Benefits and Challenges of GST Regime	Anshika Jain Prashanka Jain	Hidayatullah National Law University, Raipur	01
2	Impact of GST on Indian Economy	Dr. Garima Agarwal	NIESBUD, Noida	09
3	Role of GST in Digital India	Seema Rani Dr. Anju Sigroha	BPSMV, Sonipat DCRUST, Sonipat	13
4	Issues and Challenges of GST	Dr. Anshu Tyagi Dr. Kamini Rai Dr. Pardeep Gupta Supriya Sardana	GGSIPU, New Delhi GGSIPU, New Delhi GJUS&T, Hisar GJUS&T, Hisar	19
5	Goods and Services Tax in India	Srajika Gupta Shubham Bajpai	Dr. Ram Manohar Lohiya National Law University, Lucknow Symbiosis Law School, Noida	27
6	GST Impact on Centre - State Fiscal Relation in India	Dr. Puneet Pathak Rambha Kumari	CUPB, Punjab CUPB, Punjab	34
7	Legal Implications of the Bankruptcy and Insolvency Code 2016 on the Limited Liability Partnership Act 2008 and the Companies Act 2013	Simran Syal Prarthana Duggal	University Institute of Legal Studies, Punjab University	43
8	GST and Other Financial Reforms	Saurabh Gupta	Kamla Nehru College, Delhi University	49
9	Goods and Service Tax Act, 2017: The Truth Behind the Veil	Mansi Shukla	Banasthali Vidyapith	54
10	Interplay Between GST and International Trade Principles in the Indian Context : An Analysis	Ragini Agarwal Divyakshi Jain	National Law University, Jodhpur	61
11	Impact of GST on Supply Chain Management	Sreyasi Verma	Hidayatullah National Law University, Raipur	67
12	Impact of GST on Indian Economy	Arindam Neral Niharika Tirkey	Hidayatullah National Law University, Raipur	73

Editorial

India has been witness to large scale and frequent financial and economic reforms ever since liberalization in the early 90s. These reforms were necessitated because of the many inadequacies and inefficiencies exposed by events like the 1992 security scam or the alarmingly high level of NPAs or perhaps the fatal practice of financing fiscal deficits with monetization. The reforms implemented were progressive and smart, however, compulsions of coalition politics, the norm of those days, stood like a pillar between the joys of fruits and the common Indian. It is perhaps in this context that the scenario of India is different today. A majority single party government has gone a long way in helping forward looking and progressive policy shifts take shape in the form of uniform taxation, laws on bankruptcy and others. Taxes collected by the Government are for development of nation. The entire process is similar to the evaporation of water and its coming back as rain. The rise in expectations is natural and the actual effectiveness of governance gives measurable results. If initial results are good, expectations rise and the process goes on. Today's scenario in India is no different. The rapidity of action witnessed in the drafting and passing of the insolvency & bankruptcy code and the perseverance and persuasiveness for the required constitutional amendment for GST and its subsequent implementation has been breathtaking. It is in this context that this special edition of Asia Pacific Finance and Accounting Review is being published.

Editor-in-Chief
Asia-Pacific Finance and Accounting Review

BENEFITS AND CHALLENGES OF GST REGIME

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 1-7

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ABSTRACT

The "one tax one nation" policy created furor in our nation when the Goods and Services Tax (GST) was implemented on July 1, 2017. The country moved from source based tax to destination based tax. It has many advantages like it will abolish cascading effect, will reduce rate arbitrage thus will boost balanced regional growth, GST credit will help in ancillarisation, outsourcing, division of labor, subcontracting, MSME and jobs, new opportunities for professionals dealing with tax etc. It merged all the indirect taxes into one ambit which made the tax filing returns and payment of indirect taxes easier, which means that, before GST there were many indirect taxes and now setting aside all of them there is only one tax. It will also be advantageous for destination state in terms of revenue as a destination based tax etc. Apart from benefits it also has many challenges like, cascading effect continues in certain cases, revenue neutral rate, complex rate and settlement system, petroleum product kept outside GST, major source of revenue for states i.e. indirect tax will be abolished etc.. Many critics believe that in real life the rate arbitrage will still continue. It will create short term challenge for many traders, manufacturers, business men to understand it's complexities due to which confusions regarding the amount of tax applicability can arise. It will make industrialized state unhappy on issue of 'loss of revenue' to source states, because of destination based tax policy. The major step invited not only critics from all over the country who on many grounds justified their stand but many supporters too which gave a hope to people that it is for their benefit. This article titled 'Benefits and Challenges of GST regime' analyses benefits and short term challenges affecting the country economically after GST implementation and how government has planned to overcome it. It also studies strategies that had been adopted by GST following countries for effective implementation of GST as well as measures to overcome its challenges which if, certain terms and conditions are fulfilled can benefit India as well.

This article is entirely fact-based and sources used are secondary.

KEY WORDS

GST (Goods and Services tax) regime, benefits, short term challenges.

INTRODUCTION

"GST is the 'Great Step by Team India', 'Great Step towards Transformation', and 'Great Step towards Transparency'."[1]

The introduction of the Goods and Services Tax (GST), introduced in India on 1 July 2017 following the passage of Constitution 122nd Amendment Bill is a significant step toward reforming the indirect taxation structure in India. By amalgamating a large number of Central and State taxes into a single tax,

[1] http://pib.nic.in/gst/

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it will mitigate ill effects of cascading by providing input tax credit or double taxation in a major way and pave the way for a unified common and competitive market. It is the major step that will help towards freeing the nation form tax terrorism. It will also help to put an end to kaccha bill and pakka bill. From the consumer point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It will bring transparency as the whole structure is digitized. The whole structure can act as a catalyst to strengthen the trust relationship between center and state. Last but not the least it is a proof that in India democracy and national issues are above politics. This policy of "One nation, One market, One tax" can boost the Indian economy by overcoming short term challenges through proper management and administration.

BENEFITS OF GST

The basic benefits of GST are definitely seen in a wide and generic sense. Firstly, the work of tax filing will be totally mechanized through GSTN Portal which will reduce inspector raj, paper work, human interference, compliance cost, transaction cost etc.. It will improve ease of doing business ranking which will attract more FDI. Secondly, in ordinary States the retailers whose annual turnover is 20 lakhs or less will not have to register for GST nor demand GST from its consumers and the burden of cascading effects on big malls on hoarding and cess will also be reduced by 25-30% (as the amount of electricity used by the malls is high and electricity tax is not included under GST therefore burden is only reduced and not cleared), thus the products bought from these small retailers and malls will become cheaper. Lastly, lower prices will result in higher production and demand, which will in turn affect our GDP, CAD, jobs, make in India campaign etc.

All the above benefits are as the term says very generic so let's discuss more specific benefits of GST.

Firstly, it will remove the cascading effect by providing a comprehensive input tax credit across the entire value chain i.e. manufacturing, distributive trade chain and final consumer which will enable streamlining of business operations[2]. To understand cascading effect in simple terms it means tax on tax without any input tax credit which in turn increases the price of the product invariably and is ultimately borne by the consumers. Input tax credit will reduce the prices of the product which will increase demand, production, create new jobs, promote make in India step, boost economy etc.

Secondly, it will end the various indirect taxes like central excise, VAT, service tax which will reduce the arbitrariness of tax rates in States and will help in promoting a balanced regional growth. Different tax rates on same product under existing VAT / Sales Tax under different States resulted in different prices of the same commodity in the different States which resulted in the absence of integrated market. To understand how it works, let's consider an example, before GST was implemented, if someone buys a car in Orissa he had to pay VAT of 14.5% and if the same car was bought in Maharashtra the VAT applicable was 12.5%. Now the prices would automatically vary because of the different tax amount applicable on a same product and lower the VAT applicability higher the preference of consumers towards the state. So in this case a reasonable man from anywhere in the country will choose Maharashtra over Orissa to buy a particular product which will generate revenue in Maharashtra and can be used in its development while leaving behind Orissa in development. This system made the richer state more richer and poor state poorer. Thus by abolishing such arbitrariness GST will promote a balanced regional growth. However this problem still persists because of the road tax, a matter of state which is not subsumed under GST through which the difference in prices can still persists which will be discussed later.

Thirdly, it will increase the competitiveness of products in the market by not only reducing their prices but by getting away with the warehouse obsession among big industrialists. In simple words, before GST i.e. when VAT and Excise duty was applicable, whenever there was mobility of product from one state to another Central Excise Tax was applicable, but such CST was applicable only on inter-state commerce[3] and not on transport. Big and rich industrialist in order to facilitate the sale and simultaneously avoid CST adopted a mechanism of transferring goods from the place of manufacture in one state to their warehouses in other state and projecting it as a transfer and not sale, thus by avoiding CST they could sell their products at cheaper rate and the small industrialists or MSME who couldn't afford to make warehouses in every state were in soup as they had to pay CST and hence their goods were much costlier than the one who avoided it. Under

[2] http://pib.nic.in/gst/

[3] https://indiankanoon.org/doc/1645178/

GST system CGST is applicable on manufacture of product and SGST is applicable on sale of such product irrespective of any state and from these two taxes liability of center and state is decided. Thus, it will promote competition and proper administration.

Fourthly, under vat and excise duty system various indirect taxes were applicable on intermediaries goods for production of a particular product and on them input tax credit was not available. Even on various cess like education cess, krishi kalyan cess input tax credit was not available. Because of such non availability of input tax credit companies preferred to produce such intermediary goods by themselves i.e. they preferred in-house production of goods that are used in production of a particular product rather than buying it from other companies who specifically deal with such intermediaries. For example for production of car companies requires rearview mirror, leather cover etc. which company will manufacture in their unit only, instead of buying them from someone else. Under GST, through input tax credit, companies can outsource various products wherever cheap prices are available which will not only help them by reducing the burden of manufacturing everything nut will promote sub-contracting, division of labor. It will boost development of small industries, MSME and will create new jobs. This will increase indirect tax and direct tax base and will help in growth of the economy.

Fifthly, both CGST and SGST will be computed on a same base price of the product which will reduce the ultimate burden on the consumer.

Sixthly, GST is a destination based tax instead of origin based. However this can be proved to be a little bad situation for manufacturing state (which is discussed under challenges of GST) but reasons have been given to justify the step. Consumption is argued to be a broad measure of the ability to pay taxes, just like income. OECD VAT guidelines support the adoption of the “Destination Principle” as a means of reducing both potential double taxation (i.e. supplies being taxed in both the source and destination) and potential under taxation (i.e. supplies not being taxed in either the source or the destination)[4].

Impact on inflation - The consensus is that it’s unlikely to have much of an effect on the Consumer Price Index (CPI), simply because food constitutes about half the CPI basket and items such as fuel also have a heavy weight, a large part of which exempt from GST. Inflation impact will be short term but in long term it is unlikely then that GST will push up the official inflation gauge.

Last but not the least zero rated exports will promote exports and as the input tax credit. Indian products will be cheaper now in the international market due to zero percent tax applicability on exports and will attract more foreign reserve.

MAJOR CHALLENGES

Revenue neutrality rate – RNR is one of the biggest hurdle or challenge in effective implementation of GST. RNR is the rate at which tax revenue of the Central Government and State Government will remain the same under proposed GST as is under the present Indirect Tax structure in India. If it is unduly higher than the present tax structure it will have far reaching consequences and can attract dissent for the administration and tax payers which can create an unbalanced situation like that of Canada where the government reduced the rate twice after implementation after it faced resistance internally.

Complex rate structure – Countries like Singapore and Malaysia have only 7% and 6% GST rates respectively, while in India the whole GST structure is very complex with four slabs under GST i.e. 5, 12, 18 and 28%, then IGST system with ceiling of 40% which is further divided into CGST and SGST with ceiling of 20% and 20% respectively.

Major say of central government – GST Council, a collective forum of state and central government has the authority to decide all important aspects of the tax, including the base, rates, allocation of tax base among the States, administrative architecture and compliance procedures. Any change to tax rates will have to be within a narrow band prescribed by the GST Council. Any changes to the tax rate will need to be agreed by three-fourth majority at the GST Council where States together have weightage of two-third majority in any decision and Centre has the balance of one-third. This gives the Centre a veto power in itself, which is now one of the biggest apprehension of the States. This effectively means that States together will not be able to act on their own or take any decision unless and until Centre consents to it.

Major revenue loss to States- Firstly, due to inclusion of VAT and sales tax under GST – Central government earns its major tax revenue form direct taxes i.e.

[4] http://icmai.in/icmai/Taxation/upload/GST-In-India-vol1.pdf

Corporate Tax, Income tax, Custom duty, SIT etc. which are out of GST. Thus, the major source of revenue of central government is left untouched, while on the other hand major source of tax revenue for state was VAT which is now abolished to form GST. Thus for finance state will have to depend on central finance which could delay the development process in States and secondly, due to the destination based tax system under GST - GST is a destination based taxation system, by which the IGST revenue on interstate sales (SGST portion) will accrue to the state which consumes the goods. Whereas before GST where CST which was origin based tax was charged at 2% (when form C is produced) or local VAT rate (if C form not produced), and the amount was accrued to the state which supplies the goods. Under DBT system the manufacturing States is going to lose its portion of revenue from interstate sales and the consuming States are going to earn higher. States with high manufacturing base like Tamil Nadu government will lose Rs 3,500 Crores annually due to abolition of CST. Maharashtra government is set to lose Rs 14,000 Crores that it collects as Octroi. Such States are demanding compensation form the central on account of the loss of revenue due to GST implementation.

Petroleum and diesel, one of the major drivers of economy not subsumed under GST – Petrol and diesel runs a major part of the economy and we pay much higher fuel prices when compared to international crude oil prices because of the taxes which constitute 45-52% of the retail prices of auto fuels, much higher than what would the incidence if petrol and diesel are brought under GST and even the highest tax slab rate of 28% is levied. The amount of GST that petroleum companies pay on the hiring of rigs and purchase of equipment and services for crude oil production and refining cannot be offset against the tax paid on the final products (as petroleum products are out of GST and will continue to be covered by central excise duty and VAT)[5]. The resultant increase in cost for these industries could pose an inflationary threat. However, petroleum products will come under GST shortly but rates and provisions have not yet been specified.
The introduction of the 1% ADT will have several and far-reaching consequences. Levy of 1% ADT (additional tax) is not in the best interests of overall trade and would be an impediment in achieving the goal of enabling business decisions neutral of tax impact[6].

GST compliance cost will be expensive for MSME – before GST traders had to send their business data to government in every 3 months which could be handled easily but now every trader is required to update data online thrice in a month i.e. on 10, 15 and 20th of every month which will increase the compliance cost. The threshold limit of turnover for dealers under GST is another bone of contention thus small traders and MSME. Compliance cost will be high for transport as well as e-commerce industries. Every e-commerce operator has to collect 1% under CGST Act and 1% under SGST Act and 2% of tax under IGST on an interstate transaction on the net values of taxable supplies. It means that any dealers/traders who are selling goods online through e commerce platforms like Flipkart, Amazon etc. would get their payment after deduction of 2% tax by e commerce operators. This mechanism is being termed as "Tax Collection at Source (TCS)" under the GST law which will though benefit boththe traders and consumers but policies like 30 day return policy can create some problems for e-commerce sites. E-way bill for all transit for amount involving 20 lakhs or more can be hectic procedures for the transport business men.

Ambiguity and wide range of tax problems on account of interpretation issues is also one of the major challenge which assesses are facing as all products or business are divided among the 4 slab system.

The impact of these challenges can be prevented by proper implementation of requisites solution and a well-defined and managed structure. Below are certain measures and steps adopted by government to overcome such challenges

STEPS AND MEASURES BY GOVERNMENT TO MITIGATE THE CHALLENGES

GSTN - The whole GST system will be backed by a robust IT system. In this regard, Goods and Services Tax Network (GSTN) has been set up by the Government. It will provide front end services and will also develop back end IT modules for States who opted for the same[7].

To ensure smooth and effective roll-out of the GST, various Committees have been formed comprising of

[5] http://www.financialexpress.com/opinion/gst-impact-on-inflation-here-is-all-you-want-to-know/749504/

[6] http://icmai.in/icmai/Taxation/upload/GST-In-India-vol1.pdf

[7] http://www.gstcouncil.gov.in/brief-history-gst

members from both Centre and States. GST council which is Constitutional body to decide issues relating to GST is set up as per Article 279A (1) of the amended Constitution.

Authorities for effective implementation –Appellate authorities, other Adjudicating authorities as may be notified by the government, High Court and Supreme Court are competent to hear and solve any grievances of assesses.

The Goods and Services (Compensation to States) Bill, 2017 –To provide for compensation to the States for the loss of revenue arising on account of implementation of the goods and services tax the Goods and Services (Compensation to States) Bill, 2017 is enacted. Compensation will be provided to a state for a period of five years with a tapering effect from the date on which the state brings its state GST Act into force for which GST Compensation Cess may be levied on the supply of certain goods and services, as recommended by the GST Council. The receipts from the cess will be deposited to a GST Compensation Fund. The receipts will be used for compensating States for any loss due to the implementation of GST. The cess will be capped at: 135% for pan masala, Rs 400 per ton for coal, Rs 4,170 + 290% per 1,000 sticks of tobacco, and 15% for all other goods and services including motor cars and aerated water. Any unutilized money in the Compensation Fund at the end of the compensation period will be distributed with 50% of the fund to be shared between the States in proportion to revenues of the States, and the remaining 50% will be part of the center's divisible pool of taxes.

Master classes - government has started a series GST "masterclasses" directed towards addressing queries and clearing any confusion or doubt which can come up regarding the new tax regime in order to educate and help both consumers and traders get used to GST. These "masterclasses" are in the form of hour-long program and are telecasted for the entire nation live on the state run television channel Doordarshan along with live webcasts. It was conducted by Revenue Secretary Hasmukh Adhia joined by other senior government officials who are subject experts.

Ease in filing returns date – relaxation with dates of filing returns to make things easy for assesses in the beginning.

Clarification released government websites or through press release – clarification in the form of press release released by government to solve certain confusions and solve the complexity relation to GST.

LESSONS FROM OTHER CONUTRIES

Singapore introduced the system of GST in 1994 and saw a spike in inflation soon after the implementation as the effective tax rate was higher than what prevailed before. This means in India administrators should to keep a check on the movement of product pricing to avoid such situation in India as well.

The Canadian government faced resistance internally over the GST law. Therefore, the government reduced the rate twice after implementation. Hence, GST rate in India should be realistic which should not burden the common man and need not required alteration frequently.

Businesses in Malaysia showed harsh resentment even when the government gave them one and half year to prepare themselves for the new tax regime. In India GST, with more complex structure than Malaysia, business needs to start early to be GST-ready at the time of implementation. As the Central government has asked businesses to go live with the new GST within nine months of implementation, it is going to be a challenging task for all the stakeholders.

Meanwhile, Malaysia also came out with release of sector specific guidance paper, a handbook on tax practices for each business segment to make the entire system easy to understand. Indian legislative bodies should also think about similar publication.

However India, as shown above have already started working for mitigating the ill effects of ineffective implementation and thus with time it can overcome the short term challenges also. With proper research it can be proved to be the most effective implementation of the government.

CONCLUSION

GST will be a welcome change for the economy since it aims to reform the indirect taxation structure in India. However, it is expected to have far-reaching impact on many industries, consumers, traders and businessmen but many studies have been conducted which shows that it may have short challenges but can be effective for long run. A study by the National Council of Applied Economic Research (NCAER) had estimated that roll out of GST would boost the

India's GDP growth by 1 percent to 2 percent while Crisil had also reported that GST is the best way to mobilize revenue and reduce the fiscal deficit. GST has been commonly accepted by more than 140 countries in the world, with Canada being the only country having GST structure similar to India. Looking at the magnitude, GST is going to impact all sections of the society – from small time businessmen to huge conglomerates and from a developing state to a developed state in this country. The implementation of GST will give a boost to the growth engine pursued by the government.

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Appendix: List of Abbreviations Used

GST – Goods and Services Tax
CST – Central Service Tax
VAT – Value Added Tax
MSME – Micro Medium and Small Enterprises etc. - et cetera
FDI – Foreign Direct Investment
CAD – Current Account Deficit
ADT - Additional Tax
TCS - Tax Collection at Source
OECD – Organisation for Economic Co-operation and Development
RNR – Revenue Neutrality Rate
GSTN - Goods and Services Tax Network
NCAER - National Council of Applied Economic Research

IMPACT OF GST ON INDIAN ECONOMY

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 9-12

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ABSTRACT

Goods and Services Tax (GST) is a tax levied when a consumer buys a good or service. It is a destination based comprehensive indirect tax levy intended to be levied on manufacture, sale and consumption of goods as well as services. It aims to replace all indirect levied on goods and services by the Indian Central and State governments meaning it would subsume with a single comprehensive tax, bringing it all under a single umbrella, eliminating the cascading effect of taxes on the production and distribution prices of goods and services. The historical multi-staged tax structure has charges from the State and Union governments separately, leading to cascading effect of taxes. There were taxes at different rates and at multiple points i.e. the Centre has taxes like Income tax, service tax, central sales tax, excise duty and security transaction tax while at the State level it includes VAT or sales tax, octroi, state excise, property tax, entry tax and agriculture tax. These taxes lead to increased tax burden on the Indian products affecting the prices and sales in the domestic as well as international markets.

In order to curb the multiple taxes and its cascading effect which is a burden on common man GST has been implemented from 1st July 2017 across the country (Except state of Jammu and Kashmir) which has dual GST and federal structure. Introduction of GST is considered to be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would help mitigate the double taxation, leading to a common national market. From the consumer's point of view, the advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25 percentage-percentages. Other main advantages includes reduction in prices, Lower compliance and procedural cost, helping boost India's GDP growth by 100-200 bps or (1 to 2 percentage) as leading to faster and cheaper movement of goods across the country with a uniform taxation structure, signaling to the foreign investors about India's ability to support business and also beneficial with more transparency, efficient compliance, ramp up in GDP growth to the Centre, states, industrialists, manufacturers, the common man and the country at large.

KEY WORDS

GST, Destination based, Consumption based, Cascading effect, Economy

INTRODUCTION

The Prevalent historical indirect tax structure in the country was the major impediment to India‟s economic growth and competitiveness. Tax barriers in the form of CST, entry tax, and restricted input tax credit have fragmented the Indian market. Similarly cascading effects of taxes on cost make indigenous manufacture less attractive and complex multiple taxes increase the cost of compliance. In this scenario, the introduction of GST (Goods and Service tax) was considered crucial for economic growth. GST is the biggest tax reform in India founded on the notion of "one nation, one market, one tax" has been introduced and made effective across the country except state of Jammu & Kashmir from 1st July 2017. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the $2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST.

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The rollout has renewed the hope of India‟s fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what‟s perceived as a rushed transition which may not assist the interests of the country. Will the hopes triumph over uncertainty would be determined by how our government works towards making GST a “good and simple tax”. The idea behind implementing GST across the country in 29 states and 7 Union Territories is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filings, transparent rules, and easy bookkeeping, consumers would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged.

The GST is arguably one of India’s most significant and ambitious reforms ever attempted which has brought in economic unification of India. It has the potential to end the long-standing distortions arising out of the differential treatment of the manufacturing and service sectors by replacing a confusing mass of central, state, interstate, and local taxes, the GST is widely expected to transform India into a common market, bringing with it increased efficiency and productivity. But while the move is a game-changer for investor sentiment and paves the way for other structural reforms, strategists warn it could disrupt consumption and growth, at least in the short-term. However, determining the exact economic impact hinges on the GST tax rate. The standard GST rate has been fixed at 18%.

IMPACT ON INDIAN ECONOMY

Removal of tax barriers on an introduction of uniform GST across the country with seamless credit will make India a common market leading to the economy of scale in production and efficiency in supply chain. It will expand trade and commerce. GST will have a favorable impact on the organized logistic industry and modernized warehousing.

Reshapes Indirect Tax Structure: The GST has reshaped the indirect tax structure by a subsuming majority of indirect taxes like excise, sales and services levies. With its introduction, complex indirect tax structure of the country is done away and hence improving the ease of doing business in the country.

Exports: Exports will become competitive as GST eliminates the cascading impact of taxes. A National Council of Applied Economic Research study suggested that GST could boost India‟s GPP growth by 0.9-1.7 per cent. GST is a key „brahmastra‟ for India‟s gross domestic product in times of challenging global environment.

Gross Domestic Product:

In terms of growth impact on GST implementation, the near-term could be messy, with adjustment costs for the private sector grappling with inter-sector implications, and the central government trying to compensate states for revenue loss. With the GST rate set at 18%, service producers would face an increased tax burden while manufacturers would see a fall. That could cause manufacturers to not pass through benefits and service providers to pass on costs, moves that would lower consumption and overall growth. At present, the effective indirect tax rates on goods and services are 22.5 percent and 15 percent, respectively.

Inflation:

Initially, the implementation of the GST in the near-term could bring some upturn in inflation, however, the impact should be transitory. The service tax rate could shoot up from the current level of 15 percent (including Krishi Kalyan Cess). This has led to fears that inflation could rise in the short term. Consumer price inflation (CPI) could rise by 0.2 percentage points with GST RNR@ 18 percent.

Foreign Exchange

The passing of the GST will be welcome news for the Indian rupee (INR).So far, the currency has yet to see a GST boost. It is believed that GST will lead to higher foreign direct investment inflows and narrow current account deficit-factors that should help the INR eventually outperform other Asian and emerging market currencies.

Impact on Businesses

Sourcing: Inter-state procurement will become easier; Manufacturers get the option of consolidating supplies from vendors; Additional Duty/CVD and Special Additional Duty components of Customs Duty to be subsumed.

Distribution: The new regime will allow consolidation and optimization of warehouses; Current arrangements for distribution of finished goods to change; Current network structure and product flows may need review and possible alteration because of removal of Excise Duty.

Pricing and profitability: Tax changes resulting from the GST structure would require repricing of Products. Prices could both increase or decrease; Margins or price mark-ups would also need to be re-examined.

Cash flow: Removal of the concept of Excise Duty on manufacturing can result in improvement in cash flows and inventory costs as GST would now be paid at the time of sale/supply rather than at the time or removal of goods from the factory.

System changes and transaction management: Potential changes to accounting and IT systems in areas of master data, supply chain transactions, system design; Existing open transactions and balances as on the cut-off date need to be migrated out to ensure smooth transition to GST. Changes to supply chain reports (e.g., purchase register, sales register, services register), other tax reports and forms (e.g., invoices, purchase orders) need review. Appropriate measures such as training of employees, compliance under GST, customer education and tracking of inventory credit are needed to ensure smooth transition to the GST regime.

IMPACT OF GST ON MAKE–IN–INDIA

The „Make in India" campaign is proposing to make India a world-class manufacturing hub. The tax reforms through GST will play a crucial role to attract large-scale investment. The impending Goods and Service Tax (GST) promises a progressive tax system which avoids tax cascades and helps establish India as a true common market. GST will reduce the cost of production and allows the hassle free supply of goods. This can increase the ease of doing business India.

Unification of Market: GST will lead to the creation of a unified market, which would facilitate seamless movement of goods across states and reduce the transaction cost of businesses. A UBS Securities study found that truck drivers in India spend 60 percent of their time off roads negotiating check posts and toll plazas. The foreign brokerage said that 11 categories of taxes are levied on the road transport sector. The GST will help bring down logistical costs.

Credit to Manufactures: Under the GST, manufacturers will get credits for all taxes paid earlier in the goods/services chain, thus incentivizing firms to source inputs from other registered dealers. This could bring in additional revenues to the government as the unorganized sector, which is not part of the value chain, would be drawn into the tax net.

Credit to Dealers: To claim input tax credit, each dealer has an incentive to request documentation from the dealer behind him in the value-added/tax chain. Thus, the new tax regime is seen as less intrusive, more self-policing, and hence more effective way of reducing corruption.

Clean–up India: The clean-up of the Indian taxation system will reduce the number of excise duty exemptions. According to the government's estimates, excise tax exemptions result in foregone revenues of Rs. 1.8 lakh crore. The comparable figure for the states is about Rs. 1.5 lakh crore. Together, India loses about 2.7 percent of GDP because of exemptions.

CONCLUSION

GST will facilitate ease of doing business in India. Integration of earlier prevalent multiple taxes into single GST will significantly reduce the cost of tax compliance and transaction cost. Stable, transparent and predictable tax regime will encourage local and foreign investment in India creating significant job opportunities and finally healthy economy for the country paving the way for development across sectors. Electronic processing of tax returns, refunds, and tax payments through "GSTNET" without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce the scope for black money generation leading to the productive use of capital. Significant reduction in product and area-based exemptions under GST will widen the tax base with a consequent reduction in revenue neutral rate. This will enable the government to keep GST rates lower which may have a favorable impact on prices of goods in the medium term. The tax rate for services, however, may go up by 3% from the present level of 15%. The adverse impact of the rate increase on services will be partially neutralized by the availability of seamless input tax credit.

GST will eliminate the scope of double taxation in certain sectors due to tax dispute on whether a particular transaction is for the supply of goods or provision of services such as licensing of intellectual properties like patents and copyrights, software, e-commerce, and leasing. While the GST will simplify tax structure, it will increase the burden of procedural and documentary compliance. The number of returns will increase significantly so also the extent of information. For instance, a real estate developer or contractor will have to file 61 returns in a year compared to 24 returns at present. Similarly, a taxable person providing services from several states will have to take registration and file return in all such states. Currently, a single centralized registration is required in such cases. GST will also have an impact on cash flow and working capital. Cash flow and working capital of business organizations which maintain a high inventory of goods in different states will be adversely affected as they will have to pay GST at full rate on stock transfer from one state to another. Currently, CST/VAT is payable on sale and not stock transfers.

All indirect taxes will not be subsumed in GST. Electricity duty, stamp duty, excise duty and VAT on alcoholic beverages, petroleum products like crude, natural gas, ETF, petrol, and diesel will not be subsumed in GST on its introduction. These taxes will form part of the cost of these goods when used as inputs in downstream products. Hence those sectors where these goods from significant input cost such as plastics and polymers, fertilizers, metals, telecom, air transport, real estate will not get the full benefit of GST. The major beneficiary of GST would be sectors like FMCG, Pharma, Consumer Durables and Automobiles and warehousing and logistic industry. High inflationary impact would be on telecom, banking, and financial services, air and road transport, construction and development of real estate.

ROLE OF GST IN DIGITAL INDIA

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 13-18

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ABSTRACT

Taxation plays a very important role in economic development of the country. In order to simplify and rationalize indirect tax structures, government of India attempted various tax policy reforms at different points of time. *The Goods and Services Tax (GST) has revolutionized the Indian taxation system.* GST has been commonly accepted around the world and more than 140 countries have acknowledged the same. Goods & Services Tax Law in India is a **comprehensive**, multi-stage, destination-based tax that will be levied on every value addition. GST Law has replaced many indirect tax laws that previously existed in India. For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) in the country which is compatible with the Digital India campaign in the country. The GSTN is a trusted National Information Utility (NIU) providing reliable, efficient and robust IT backbone for the smooth functioning of GST in India. There would no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed. This portal will be used by the government to track every financial transaction, and will provide taxpayers with all services – from registration to filing taxes and maintaining all tax. This will ensure higher transparency and accountability, as well as make the process much simpler. The GSTN is a complex IT initiative in the process of Digital India. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States which aims to reduce paperwork, digitize transactions, and make general finance less cumbersome for all involved. Therefore, we welcome this idea of standardization and digitization, as it will bring down compliance costs, make the processes simpler, and improve the ease of doing business. It would make the country decidedly business-friendly, which would open the doors to greater economic prosperity in the years to come.

KEY WORDS

Goods and Services Tax (GST), Goods and Services Network (GSTN), Digital India, Centre and State Government, Registration, Return filing and Payment procedures.

INTRODUCTION

Taxation plays a very important role in economic development of the country. Raising a sufficient amount of revenue is the main aim of taxation in an efficient, effective and equitable manner. Good tax system should keep in view the issues of income distribution and also focused on strategies to generate more tax revenues to support government expenditure on public services and infrastructural development. The authority to levy tax is derived from the Constitution of India which allocates the power to levy various taxes between Centre and State. In order to simplify and rationalize indirect tax structures, government of India attempted various tax policy reforms at different points of time. While VAT was a welcome change during 2005, over the years, people have identified shortcomings in the structure while levying VAT both at Central level and State level. Also, CENVAT has the limitation of non-inclusion of several taxes such as VAT, ACD, surcharge etc. In the present state-level VAT scheme, there is a cascading effect on account of CENVAT element. Lastly, there is lack of integration of VAT

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on goods with tax on services at the state level and hence the cascading effect of service tax.To address such issues cited above, a comprehensive tax reform (GST is a part) having an extensive base to kick-start the applicability of an efficient and harmonized consumption tax system has been proposed.

*The Goods and Services Tax has revolutionized the Indian taxation system.*GST has been commonly accepted around the world and more than 140 countries have acknowledged the same. *The GST Act was passed in the Lok Sabha on 29th March, 2017, and came into effect from 1st July, 2017.* Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition.In simple words, GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India.GST is a value added tax which will be levied on both goods and services (except for a list of exempted goods and services) at both the Centre and State level (Central GST and State GST respectively). This is going to be one single tax which will be levied on the product or service which is being sold. In effect, multiple taxes like CENVAT, central sales tax, state sales tax, octroi etc. will be replaced by GST. This comprehensive tax will cover all stages during production to sale and will be levied only on the value added at each stage of the process.

DEFINITION OF GST

"GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's /service provider's point up to the retailer level where only the final consumer should bear the tax."

New article 366(12A) of the Indian Constitution defines Goods and Services Tax (GST) to mean any tax on supply of goods or services or both except taxes on the supply of the alcoholic liquor for human consumption.Existing article 366 (12) defines goods to include all materials, commodities and articles. New article366 (26A) defines service to mean anything other than goods.

There are four tax rates namely 5%, 12%, 18% and 28%. Some goods and services would be exempt. Separate tax rate areapplicable for precious metals.

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
- Increase Tax to GDP Ratio and revenue surplus
- Increase Compliance
- Reducing economic distortions

MAIN FEATURES OF GST ACT

- All transactions and processes only through electronic mode
- PAN based registration
- Registration only if turnover is more than Rs. 20,00,000/-
- Option of Voluntary Registration
- Deemed Registration in three working days
- Input Tax Credit available on taxes paid on all procurements (except few specified items)
- Credit available to recipient only if invoice is matched – Helps fight huge evasion of taxes
- Set of auto-populated Monthly returns and Annual Return
- Composition taxpayers to file Quarterly returns
- Automatic generation of returns
- GST practitioners for assisting filing of returns
- GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance
- Tax can be deposited by internet banking, NEFT/

RTGS, Debit/Credit card and over the counter

- Concept of TDS for certain specified categories
- Concept of TCS for E- Commerce companies
- Refund to be granted within 60 days
- Interest payable if refund not sanctioned in time
- Refund to be directly credited to bank accounts
- Comprehensive transitional provisions for smooth transition of existing tax payers to GST regime
- Special procedures for job work
- System of GST Compliance Rating
- Anti-Profiteering provision

GST IT STRATEGY: ROLE ASSIGNED TO GSTN

India has rightly embarked on a path for "Digital India" in line with world economies in transforming to a digital economy. Digital India campaign was launched by Government of India in the year 2015. It fundamentally seeks to ensure that government services are made available seamlessly to citizens in electronic form, by improving online infrastructure and increasing internet connectivity. There are three core components of Digital India; they are development of secure and stable Digital infrastructure, delivering government services digitally and universal digital literacy. GST is a new way ahead in this process of Digital India with providing government services digitally and securing a stable digital network for taxation.

For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments. There would no manual filing of returns. All taxes can also be paid online. All mismatched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.

GOODS AND SERVICES TAX NETWORK (GSTN)

As per the government website on GST, "Goods and Services Tax" Network (GSTN) is a nonprofit organization proposed to be formed for creating a website / platform for all the concerned parties related to the GST, namely stakeholders, government and taxpayers to collaborate on a single portal. When up and running, the portal is supposed to be accessible to the central government which allows it to track down every transaction on its end while taxpayers are advertised to have the ability of connecting this to their tax returns. However its efficacy and efficiency is yet to be tested. The IT network was touted to be developed by unnamed private firms. The known authorised capital of GSTN is Rs.10 crore in which Central Government holds 24.5 percent of shares while the state government holds 24.5 percent and rest with private banking firms for smooth running of the transactions.

FEATURES OF GST NETWORK (GSTN):-

- A section 25 private Limited company with Strategic Control with the Government
- To function as a Common Pass-through portal for taxpayers
- Submit registration application
- File returns
- Make tax payments
- To develop back end modules for 25 states (MODEL-11)
- Infosys appointed as Managed Service Provider (MSP)
- 34 GST Suvidha Providers (GSPs) appointed

The diagram below shows the Work Distribution under GSTN:

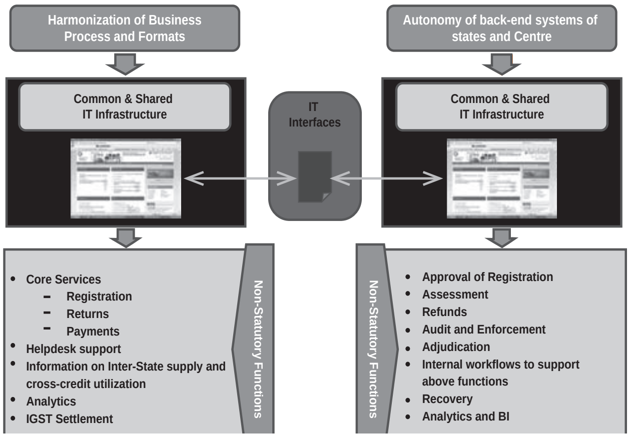

Figure: Work Distribution under GSTN

TECHNOLOGY BACKBONE OF GST

GSTN is the backbone of the Common Portal which is the interface between the taxpayers and the government. The entire process of GST is online starting from registration to the filing of returns.It has to support about 3 billion invoices per month and the subsequent return filing for 65 to 70 lakh taxpayers.

Digitize Transactions

The Goods and Service Tax Network (or GSTN) is a non-profit, non-government organization. It will manage the entire IT system of the GST portal, which is the mother database for everything GST. This portal will be used by the government to track every financial transaction, and will provide taxpayers with all services – from registration to filing taxes and maintaining all tax.

The GSTN will handle:

- Invoices
- Various returns
- Registrations
- Payments & Refunds

Defined Treatment for E-Commerce

Creation of common and shared IT infrastructure for functions facing taxpayers has been assigned to GSTN and these are filing of registration application, filing of return, creation of challan for tax payment, settlement of IGST payment (like a clearing house), generation of business intelligence and analytics. All statutory functions to be performed by tax officials under GST like approval of registration, assessment, audit, appeal, enforcement etc. will remain with the respective tax departments.

(1) Registration Procedures under GST:-

The major features of the proposed registration procedures under GST are as follows:

1. **Existing dealers**: Existing VAT/Central excise/ Service Tax payers will not have to apply afresh for registration under GST.
2. **New dealers**: Single application to be filed online for registration under GST.
3. The registration number will be PAN based and will serve the purpose for Centre and State.

i. Unified application to both tax authorities.

ii. Each dealer to be given unique ID GSTIN.

iii. Deemed approval within three days.

4. Post registration verification in risk based cases only.

(2) Returns Filing Procedures under GST:

The major features of the proposed returns filing procedures under GST are as follows:

1. **Common return** would serve the purpose of both Centre and State Government.
2. There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
3. **Small taxpayers**: Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.
4. Filing of returns shall be completely online. All taxes can also be paid online.

(3) Payment Procedures under GST:-

The major features of the proposed payments procedures under GST are as follows:

1. Electronic payment process- no generation of paper at any stage
2. Single point interface for challan generation- GSTN
3. Ease of payment – payment can be made through online banking, Credit Card/Debit Card, NEFT/ RTGS and through cheque/cash at the bank
i. Common challan form with auto-population features
ii. Use of single challan and single payment instrument
iii. Common set of authorized banks
4. Common Accounting Codes

Online Simple Procedure under GST

Goods and service is a transaction based tax system which will need to submit sales transactions everything on time with complete and correct data. The earlier VAT was an offline mode of taxation in which a person has to file return on an actual file and has to submit in personal at income tax department nearby with an accountant attested statement. While the goods and services is totally based upon online medium and will take each and every returns and tax data online with matching concept.

Trusted National Information Utility

The GSTN is a trusted National Information Utility (NIU) providing reliable, efficient and robust IT backbone for the smooth functioning of GST in India.

Handles Complex Transactions

GST is a destination based tax. The adjustment of IGST (for inter-state trade) at the government level (Centre & various states) will be extremely complex, considering the sheer volume of transactions all over India. A rapid settlement mechanism amongst the States and the Centre will be possible only when there is a strong IT infrastructure and service backbone which captures, processes and exchanges information.

All Information Will Be Secure

The government will have strategic control over the GSTN, as it is necessary to keep the information of all taxpayers confidential and secure. The Central Government will have control over the composition of the Board, mechanisms of Special Resolution and Shareholders Agreement, and agreements between the GSTN and other state governments. Also, the shareholding pattern is such that the Government shareholding at 49% is far more than that of any single private institution.

Access to Data

The design of GST systems is based on role based access. The taxpayer can access his own data through identified applications like registration, return, view ledger etc. The tax official having jurisdiction, as per GST law, can access the data. Data can be accessed by audit authorities as per law. No other entity can have any access to data.

Ensures Higher Transparency and Accountability

Under GST law the biggest problem of ITC mismatch will get solved as all the details of sales will be filed till the 10th day of next month and all the details of purchases will be filed by 15th of next month and monthly return will be filed by 20th of next month. So as all the details will be timely filed and then the monthly return will be filed so all the details will be cross-tallied.The goods and services is totally based upon online medium and will take each and every returns and tax data online with matching concept. This will ensure higher transparency and accountability, as well as make the process much simpler.

CONCLUSION

GST will do away with the multiple taxes and costs involved, and ensure a transparent, simplified, and unified tax regime for a single border less market across India. The GST is designed to be electronic with no manual filing of returns. This will make the tax procedures The GSTN is a complex IT initiative in the process of Digital India. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States. So we expect that these fluctuations will make the access to goods and services for the average person a lot more simplified and streamlined which aims to reduce paperwork, digitize transactions, and make general finance less cumbersome for all involved.Therefore, we welcome this idea of standardization and digitization, as it will bring down compliance costs, make the processes simpler, and improve the ease of doing business. With the amendment of the constitution through the Goods and Services Tax bill, India has simplified its tax structure. It would make the country decidedly business-friendly, which would open the doors to greater economic prosperity in the years to come.

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ISSUES AND CHALLENGES OF GST

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 19-26

We Shape Futures

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ABSTRACT

The GST (Goods and Service Tax) is a inprovement of Value added Tax (VAT) and is proposed to be a comprehensive ndirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and State governments. It is aimed at being comprehensive for most goods and services. The 122nd Constitution Amendment Bill for Goods and Services Tax (GST) has been approved by The President of India post its passage in the Parliament (Rajya Sabha on 3 August 2016 and Lok Sabha on 8 August 2016) and ratification by more than 50 percent of state legislatures. The Government of India is committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement GST by April 2017.With GST, it is anticipated that the tax base will be wide -ranging, as virtually all goods and services will be taxable, with minimum exemptions. GST will be a game changing reform for the Indian economy by creating a common Indian market and reducing the cascading effect of tax on the cost of goods and services. It will impact the tax structure, tax incidence, tax computation, tax payment, compliance, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system. GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems.

KEY WORDS

GST:- Goods and Services Tax, VAT:- Value Added Tax; CGST: - Central Goods Service Tax; SGST: - State Goods Service Tax; IGST:- Integrated Goods and Service Tax

1 INTRODUCTION

1.1 WHAT IS GST?

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services at national level. One of the biggest taxation reforms in India the (GST) is all set to integrate State economies and boost overall growth. Currently, companies and businesses pay lot of indirect taxes such as VAT, service tax, sales tax, entertainment tax, octroi and luxury tax. Once GST is implemented, all these taxes would cease to exist. There would be only one tax, that too at the national level, monitored by the central government. GST is also different in the way it is levied — at the final point of consumption and not at the manufacturing stage. At present, separate tax rates are applied to goods and services. Under GST, there would be only one tax rate for both goods and services. The goods and services Tax will indeed be a further significant improvement towards a comprehensive indirect tax reforms in the country.

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Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end distortions of differential treatments of manufacturing and service sector. GST is expected to create a business friendly environment, as price levels and hence inflation rates would come down over time as a uniform tax rate is applied. It will also improve government's fiscal health as the tax collection system would become more transparent, making tax evasion difficult. The GST is expected to replace all the indirect taxes in India. At the Centre's level, GST will replace central excise duty, service tax and customs duties. At the state level, the GST will replace State VAT.

1.2 WORKING MECHANISM OF GST AND HOW CASCADING EFFECT IS AVOIDED

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. There are two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted. The Central GST and the State GST would be levied

Simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise. Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-State supply of goods and services under the IGST model. In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A(1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order).

The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability(both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination-based tax, all SGST on the final product will ordinarily accrue to the consuming State. One of the primary goals of a taxation regime is always avoidance of "taxation over taxes" or "cascading-effect" of the incident taxes as it adds to the deadweight loss i.e. slump in total surplus of supply chain consisting of supplier, manufacturer, retailer and consumer. These cascading caused due to levy of variety of charges by state and union governments has raised the tax-burden on Indian products and made them less competitive in the International market. The vast-sizes of corporate-taxes owe much to this taxation structure and have led to adoption of tax-evasive practices. The common man finds himself strangled in disentangling an impossible knot of multiple tax-rates, laws and elaborate processes and often fails to comply with these complex legislations. The extra tax paid due to taxation of the already taxed amount is finally bore by the end consumer which is common man and strikes them badly in addition-to inflation Cascading effect of indirect tax can be understood with effect of following e.g. Manufacturer ' X' sales an item to 'Y' from Lucknow to Pune.

The value of Goods is Rs. 250000/- On this say X has to charge CENVAT of 14.50% which will work out to Rs. 36250/- and X has to also charge CST @ 2% which will be Rs.5725/- of the total value of Rs. 286250/-(i.e. Rs. 250000+ Rs.36250) now this is a case of cascading effect as Rs.725/-is tax on tax out of Rs. 5725/ of CST levied. Such situations will be avoided in case of GST which is clear from the following example. Suppose Mr. 'X' sells goods to Mr. 'Y' for Rs. 100 on which10% SGST & 10% CGST is levied they both are in same state i.e. State A. In this case total tax collected is Rs. 20 (i.e. Rs10SGST &Rs. 10 CGST) Total invoice of Mr. of Mr. X will beRs.120/-.Now if Mr. 'Y' sells these goods to Mr. 'Z' for Rs. 200/- in another state i.e. State B in this case an IGST of 20% is levied which amounts to Rs. 40/- total invoice Rs. 240/- out of which Rs. 10 SGST &Rs. 10 CGST has already been paid credit input will be given in this case of Rs.20/-.Now if Mr. Z sells the goods to the ultimate consumer for Rs.300/- and 10% SGST & 10% CGST is levied which will make the total invoice of Rs.360/-. In this case total SGST paid will be Rs. 30/- less Rs. 10/- (IGST) = Rs. 20/- . Total CGST to be paid in this case will be Rs. 30/- less Rs. 30/- (CGST) = Rs. 0/-Thus in whole process the total tax collected at state level through SGST is Rs. 30/- (Rs.10/- state 'A' Rs.20/- state 'B') Total tax collected at central level through CGST is Rs. 30/-(Rs. 10/- from state'A' and Rs. 20/- through IGST). Thus making total tax collected Rs. 60/- till the goods reach the final consumer.

1.3 IMPLEMENTATION PROCESS OF GST

For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, Non-Government Company to provide shared IT infrastructure and services toCentral and State Governments, tax payers and other stake holders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments. GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST. There would no manual filing of returns. All taxes can also be paid online. All mismatched returns would be auto- generated, and there would be no need for manual interventions. Most returns would be self-assessed.

1.4 TIME LINE OF GST

1986	FM VishwanathPratap Singh proposes a major overhaul of the excise taxation structure in the budget for 1986-87.
2000	PM AtalBihariVajpyee introduces the concept, sets up a committee to design a GST model.
2003	The Vajpayee government forms a task force to recommend tax reforms
2004	Vijay Kelkar, then advisor to the Finance Ministry, recommends GST to replace the existing tax regime.
2006	GST appears in the Budget speech for the first time; FM P Chidambaram said that the Empowered Committee of finance ministers will prepare a road map for GST.
2008	Committee submits a report titled 'A Model and Roadmap Goods and Services Tax (GST) in India' to the government
2009	FM announces basic structure of GST as designed by Dasgupta committee; retains 2010 deadline.
	BJP opposes GST basic structure.
2010	Finance Ministry starts mission-mode computerisation of commercial taxes in states, to lay the foundation for GST rollout.
	Pranab Mukherjee defers GST to April 1, 2011
2011	UPA-II tables 115th Constitution Amendment Bill in the LokSabha for bringing GST
	GST Bill referred to Parliamentary Standing Committee on Finance led by Yashwant Sinha.
2012	Finance Minister P Chidambaram holds meetings with state finance ministers; decides to resolve all issues by December 31, 2012 for GST rollout.

2013	Declaring UPA government's resolve to introducing GST, Chidambaram in his Budget speech makes provision for Rs. 9,000 crore to compensate states for losses incurred because of GST
	Parliamentary standing committee submits report to Parliament suggesting improvements on GST. GST Bill gets ready for introduction in Parliament.
	Gujarat Chief Minister NarendraModi opposes GST Bill saying state would incur losses worth Rs. 14,000 crore every year due to GST
2014	GST Bill cleared by Standing Committee lapses as LokSabha dissolves; BJP-led NDA government comes to power.
	Cabinet approves 122^{nd} Constitution Amendment Bill to GST.
	Finance Minister ArunJaitley introduces the Constitution (122nd) Amendment Bill in the LokSabha; Congress objects.
2015	Jaitley sets April 1, 2016 as deadline for GST rollout.
	The GST Bill forwarded to joint committee of RajyaSabha and LokSabha.
	Government fails to win the support of Opposition to pass the bill in the RajyaSabha where it lacks sufficient numbers.
2016	Centre opposes capping GST rate at 18%; gets states around.
	Congress, BJP agree to pass the Constitution Amendment Bill.
	RajyaSabha passes the Constitution Amendment Bill by two-thirds majority
	Council agrees on four slab tax structure of 5, 12, 18 and 28 % along with an additional cess on luxury and sin goods.
2017	GST Council approves CGST and Integrated-GST bills.
	Cabinet approved CGST, IGST and UT GST and Compensation bills
	All states except Jammu and Kashmir pass SGST law
	June 30 Midnight: GST set to rollout.

1.5 EXCLUSIONS IN GST

Following products are excluded from GST

- Petroleum Products
- Alcoholic Beverages
- Diesel
- Tobacco

2.1 BENEFITS OF GST:

To Trade	To Consumers
Reduction in multiplicity of taxes	Simpler Tax system
Mitigation of cascading/ double taxation	Reduction in prices of goods & services due to elimination of cascading
More efficient neutralization of taxes especially for exports	Uniform prices throughout the country
Development of common national market	Transparency in taxation system
Simpler tax regime	Increase in employment opportunities
Fewer rates and exemptions	
Distinction between Goods & Services no longer required	

2.2 OTHER BENEFITS OF GOODS AND SERVICES TAX:

2.2.1 Removing Cascading Effect

An important benefit of the introduction of GST will be the removal of the cascading tax effect. In simple words, "cascading tax effect" means a tax on tax.

Under the current regime, the service tax paid on input services cannot be set off against output VAT. Under GST, the input tax credit can be availed smoothly across the spectrum of goods and services, thus reducing the tax burden on the end user and removing cascading effect.

Let's take the following example to understand how removing the cascading effect will reduce taxes.

A trader buys office supplies for Rs. 20,000 paying 5% as tax. It charges 15% service tax on services of Rs. 50,000. Currently, he has to pay Rs. 50,000*15% = Rs. 7,500 without getting any deduction of Rs. 1,000 VAT already paid on stationery.

2.2.2 Under GST (assuming GST= 18%)

GST on service of Rs. 50,000 @18%	9,000
Less: GST on office supplies (20,000*18%)	3,600
Net GST to pay	5,400

This will be especially beneficial to industries that involve both goods and services (like restaurant business) and pay both VAT & Service Tax under the current regime.

2.2.3 Higher threshold for registration

Tax	Threshold Limits
Excise	1.5 crores
VAT	5 lakhs in most states
Service Tax	10 lakhs
GST	20 lakhs (10 lakhs for NE states)

As per the current VAT structure, any business with a turnover of more than Rs. 5 lakh (in most states) is liable to pay VAT (different rates in different states). Similarly, for service tax, service providers with turnover less than Rs. 10 lakhs are exempted. Under GST this threshold has been increased to Rs. 20 lakhs thus exempting many small traders and service providers.

2.2.4 Composition scheme for small businesses

GST also has an optional scheme of lower taxes for small businesses with turnover between Rs. 20 to 50 lakhs. It is called the composition scheme. It has now been proposed to be increased to 75 lakhs. This will bring respite from tax burdens to many small businesses.

2.2.5 Simpler online procedure under GST

The entire GST process – starting from registration to filing returns and payment of GST tax – is online. Startups do not have to run around to tax offices to get various registrations under excise, VAT, service tax.

2.2.6 Lesser number of compliances

Also, the current tax regime has excise VAT and service tax, each of which has their own returns and compliances.

Tax	Return filing
Excise	Monthly
Service tax	Proprietorship/Partnership- Quarterly Company/LLP- Monthly
VAT	Different for different states Some states require monthly returns over a threshold limit. Some states like Karnataka require a monthly return

GST will unify all these, thereby reducing the number of returns and the time spent for tax compliances. There are about 11 returns under GST, out of which 4 are basic returns which apply to all taxable persons under GST. There are fears that the number of returns will increase after GST. But the main GSTR-1 will be manually populated. But GSTR-2, GSTR-3, GSTR-4 will be auto-populated.

2.2.7 Defined treatment for e-commerce

Many Indian businesses provide goods and services through the internet. Earlier, there were no specific provisions for treatment of the e-commerce sector. Currently, states have variable VAT laws for this sector. For example, online websites (like Flipkart and Amazon) delivering to Uttar Pradesh has to file a VAT declaration and the registration number of the delivery truck. Tax authorities can sometimes seize goods when there is a failure to produce documents.

Again, these e-com brands are treated as facilitators or mediators by states like Kerala, Rajasthan, and West Bengal which do not require them to register for VAT.

All these differential treatments and confusing compliances will be removed under GST. For the first time, GST clearly maps out the provisions applicable to the e-commerce sector and since these will apply all over India, there should be no complication regarding inter-state movement of goods anymore.

2.2.8 Increased efficiency in logistics

The logistics industry in India had to maintain multiple warehouses across states to avoid the current CST and state entry taxes on inter-state movement. Most of the times, these warehouses were forced to operate below their capacity thus increasing their operating costs.

When GST goes live, these restrictions on inter-state movement of goods will be lessened and the logistics sector might start consolidating warehouses across the country. As an outcome of GST, warehouse operators and e-commerce players have already shown interest in setting up their warehouses at strategic locations such as Nagpur, which is the zero-mile city of India, instead of every other city on their delivery route.

Reduction in unnecessary logistics costs will increase profits for businesses involved in supply of goods through transportation.

2.2.9 Regulating the unorganized sector

Certain industries in India like construction and textile are largely unregulated and unorganized. GST has provisions for online compliances and payments, and availing of input credit only when the supplier has accepted the amount, thereby bringing accountability and regulation to these industries.

3. CHALLENGES OF GST

3.1 Challenges that Businesses Need To Overcome under GST Regime

There are some obvious challenges for businesses and end consumers which we will discuss in detail here.

3.1.1 Change in Business Software

Most businesses use accounting software or ERPs for filing tax returns which have excise, VAT, and service tax already incorporated in them. The transition to GST will require businesses to change their ERPs, too; either by upgrading the software or by purchasing new GST-compliant software. This will lead to increased costs of buying new software and training employees on how to use it.

Clear Tax is the first company in India to launch a ready-to-use GST software. It is currently available at reduced prices for SMEs, to help them to transit to GST to smoothly. To ease the pain of the people, it doesn't require you to update the existing software and provide free services for first 3 months.

3.1.2 GST Compliance

SMEs are still not completely aware of the nuances of the new tax regime. Changing over to a completely new system of taxation requires understanding of the minutiae, which businesses lack right now. Most of them are worried about filing timely returns, but it is important to note that even before businesses can reach the filing stage they have to issue GST-compliant invoices. For a traditionally pen-and-paper economy like India, this change to digital record-keeping is going to be massive. Invoices after 1st July will need to be GST-compliant with all details such as GSTIN, place of supply, HSN code etc. as mandated by the law.

The web application, which is available for free on their site, is an easy solution to this problem. It will help every business issue GST-compliant invoices to their customers. These same invoices can then be used for return filing through the Clear Tax platform.

3.1.3 Increase in Operating Costs

Most small businesses in India do not employ tax professionals, and have traditionally preferred to pay taxes and file returns on their own to save costs. However, they will require professional assistance to become GST compliant as it is a completely new system. While this will benefit the professionals, the small businesses will have to bear the additional cost of hiring experts.

Also, businesses will need to train their employees in GST compliance, further increasing their overhead expenses.

3.1.4 Policy Change during the Middle of the Year

GST will go live three months into the financial year 2017-18. So, for FY 2017-18, business will follow the old tax structure for the first 3 months, and GST for the rest of the time. It is impossible to cross over from one tax structure to the other in just a day, and hence businesses will end up running both tax systems in parallel, which might result in confusion and compliance issues.

3.1.5 Online Procedure

GST compliance, return filing and payments all have to be done online. Many small businesses are not tech-savvy and do not have the resources for fully computerized compliance. Even as the rest of the nation gets ready to go digital, businesses in small cities across India face a huge technology problem in the days ahead. ate all your invoices

Cloud-based software like the Clear Tax GST software could be an answer to this problem. This does not require any downloads, and the process for return filing on Clear Tax GST is very simple. Business owners need only upload their invoices, and the software will populate the return forms automatically with the information from the invoices. Any errors in invoices will be clearly identified by the software in real-time thus increasing efficiency and timeliness.

3.1.6 Higher Tax Burden for Manufacturing SMEs

Small businesses in the manufacturing sector will not have it easy in the GST regime. Under the excise laws, only manufacturing business with a turnover exceeding Rs. 1.50 crores had to pay excise duty. Whereas, under GST the turnover limit has been reduced to Rs. 20 lakh, thus increasing the tax burden for many manufacturing SMEs. However, SMEs with a turnover of up to 75 lakhs can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. The catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SMEs.

3.1.7 No Clarity on Tax Holidays

Many manufacturers (textile, pharmaceutical, FMCG industries) enjoy tax holidays and state benefit schemes. There is still no notification regarding these benefits. This will mean increased costs for these industries, which will probably be passed on to the end consumers.

3.1.8 Disruption to Business

Cloth merchants (unorganized) are going on strike to protest against GST. Eateries and drug shops in Chennai are also threatening to protest the regime change – and this is only the tip of the iceberg. In the coming days, we can expect to see more of these protests happening across the country and these will undoubtedly disrupt business. If there's any solace, it's in knowing that other countries who implemented GST never had it easy either. Malaysia recently introduced GST in 2014 and faced nationwide strikes and protests. How the Indian government will handle these events is left to be seen.

3.2 Challenges of GST in Indian Context

At Present, lots of speculations are going as to when the GST will actually be applicable in India. Looking into the political environment of India, it seems that a little more time will be required to ensure that everybody is satisfied. The states are confused as to whether the GST will hamper their revenues. Although the Central Government has assured the states about compensation in case the revenue falls down, still a little mistrust can be a severe draw back. The GST is a very good type of tax. However, for the successful implementation of the same, there are few challenges which have to face to implement GST In India. Following are some of the factors that must be kept in mind about GST.

1. Firstly, it is really required that all the states implement the GST together and that too at the same rates. Otherwise, it will be really cumbersome for businesses to comply with the provisions of the law. Further, GST will be very advantageous if the rates are same, because in that case taxes will not be a factor in investment location decisions, and people will be able to focus on profitability.
2. For smooth functioning, it is important that the GST clearly sets out the taxable event. Presently, the CENVAT credit rules, the Point of Taxation Rules are amended/ introduced for this purpose only. However, the rules should be more refined and free from ambiguity.
3. The GST is a destination based tax, not the origin one. In such circumstances, it should be clearly identifiable as to where the goods are going. This shall be difficult in case of services, because it is not easy to identify where a service is provided, thus this should be properly dealt with.
4. More awareness about GST and its advantages have to be made, and professionals like us really have to take the onus to assume this responsibility

4. CONCLUSION

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and at the same time also generate tax revenues to support government expenditure on public services and infrastructure development. The government is trying to reduce the burden of compliance for businesses by relaxing the return filing requirements for the first two months post implementation. Change is definitely never easy. The government is trying to smoothen the road to GST. It is important to take a leaf from global economies that have implemented GST before us, and who overcame the teething troubles to experience the advantages of having a unified tax system and easy input credits.

GST was rolled out from 1 April 2017 and the expected benefits like increase in GDP growth, lucid indirect tax structure, anticipated prices fall, more generation of tax revenue and reduction in cumbersome compliance procedure etc. are welcomed. Further if more than 140 countries worldwide have adopted GST like tax structure this is an obvious indication of its viability across different economies which should instill faith in our country authorities to be a success story. However to be it so, the government and tax administrative mechanism needs to chalk down effective strategic policies for providing necessary IT infrastructure coupled with extensive training of staff and other stake holders who are also needed to be educated about the mechanism of this new tax regime. The task of doing so is even more challenging in country like India where lacunas of present indirect tax regime, corrupt administrative system with rigid mind set and obvious resistance to adapt to any change will make the implementation task a bumpy ride for authorities. The government is trying to reduce the burden of compliance for businesses by relaxing the return filing requirements for the first two months post implementation. Change is definitely never easy. The government is trying to smoothen the road to GST. It is important to take a leaf from global economies that have implemented GST before us, and who overcame the teething troubles to experience the advantages of having a unified tax system and easy input credits.

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GOODS AND SERVICES TAX IN INDIA

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 27-33

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Keywords:

GST, SGST, CGST, Tax reform, Tax evasion, multiplicity of taxes, Uniformity in Taxes

INTRODUCTION

India has been struggling for the implementation of GST since 1997, the biggest reform in taxation system. It is not a new tax, instead it is an improvement over the prevailing tax system at center and state through subsume of different taxes into one, thereby marking a major milestone in country's taxation system. Simply. In India, Article 246, seventh schedule of the Constitution empowers both the Central Government and State Government to levy and collect indirect taxes on the basis of their taxable event. The taxable event varies from the point of manufacture or sale or provision of services or central government.[1]

In taxation, reforms hasd been made over the years, but there are significant lacunae both at centre and State levels. India's indirect taxation had become a jungle of taxes, having number of taxes and even tax on tax.It is aimed to improve tax compliance through a more transparent simple tax system by subsuming different indirect tax in India.2GST is seen as a remedy to various maladies prevalent in the existing indirect taxation system. One of the major causes of the tax evasion in India is the multiplicity of taxes levied on a single chain of transactions, both by Centre and the States, beginning from the point of manufacturing to the point of sale to consumer. This situation not only acts as an incentive for the taxpayer to evade tax but also unduly increases the tax burden on the commodity by way of cascading effect.[3]

Another main feature that incentivizes tax evasion in interstate transaction is non-availability of credit of tax paid in the Origin-State. This, in many cases, compels the purchasing dealer to conceal the interstate purchases with little possibility of being apprehended in absence of any system of cross-verification from the other State. The proposed model of GST takes care of this problem and provides for the credit of tax paid in the origin state. This Provision, at the same time, removes the cascading effect of tax in the present VAT system.[4].

The article for Goods and Service Tax under the Constitution of India has been enumerated under article 246. After article 246 of the Constitution, the following article shall be inserted, namely[5] — "246A. (1) Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.[6]

(2) Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

Explanation.—The provisions of this article, shall, in respect of goods and services tax referred to in clause (5) of article 279A, take effect from the date recommended by the Goods and Services Tax Council."

[1] (Bhanawat, 2017)
[2] (Ministers, 2009)
[3] (India G. o., 2017)
[4] (GST and Autonomy of States, 2010)
[5] (Justice, 2016)
[6] (Poddar, 2009)

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In the newly implemented tax regime, the tax will charged only on the value added at each phase. This tax is one uniform tax which will be collected at numerous points with a full set off for taxes which were paid in the old regime. In this case, the seller shall only charge GST in place of all other taxes at all the previous stages which will benefit the consumer.

Salient features of GST:

1. The State GST and Central GST shall be imposed concurrently on all transactions of goods and services, whether interstate or intrastate.
2. The SGST and CGST shall form part of State and Central Revenue respectively and no cross-utilization of the credits of these taxes shall be permitted against one another.
3. The credit of SGST shall not be confined to the boundaries of the state but shall be admissible across the states if the goods are sold in course of interstate trade and commerce.
4. The credit of SGST shall be transferred to the destination-State through a specific mechanism in form of a Central Tax known as IGST. This tax shall be imposed on all interstate transactions in place of SGST and CGST.
5. The IGST shall be equal to sum of SGST and all the available credits of SGST and CGST shall be adjustable towards the liability of IGST. Similarly all the available credits of IGST shall be adjustable towards the liabilities of SGST and CGST.
6. The procedure of collection of all these taxes shall be uniform. This, in effect, means that all these taxes will be allowed to be deposited by a common challan by a common method.[7]
7. The rates of SGST and CGST shall, be as far as possible, be decided on the basis of revenue neutrality, i.e. the rates shall be such that the revenue yield from them is almost equivalent to the revenue obtained from the subsumed taxes.
8. There shall be only one periodical return for both the taxes, a copy each of which shall be forwarded to respective assessing authorities of SGST and CGST.
9. There shall be only one periodical return for both the taxes, a copy of each of which shall be forwarded to respective assessing authorities of SGST and CGST.
10. Every dealer shall be given a PAN based GSTN number which shall be a common to both the taxes. However, the dealer will have to obtain a separate registration in each State for the business situated there.
11. The CGST and SGST being two separate taxes governed by the Centre and the Stares respectively, there shall be two laws passed by the parliament and the legislature of the concerned State respectively. However, there shall be no difference in their basic features.
12. Every GST law, whether of a State or of the center, will have to provide for a compounding scheme for small dealers.[8]

Proposition

The main proposition here is to know whether GST will help everyone and hurt no one or it's just a mirage, i.e., it will increase complexity and uncertainty, therefore, nullifying all gains.

CONTRIBUTIONS

GST can be beneficial to the country in both the central as well as the state level. There are many outcomes of the improvised Goods and Service tax, most of which will act as a benefactor to the entrepreneurs as well as the common man.

In Entrepreneurship and Industrial Background

Easy Conformity: For a strong foundation of the GST regime in India, IT industry needs to be fully structured and established. Therefore, all services which include the lights of registrations, returns, and payments shall be made available to the tax payers over the internet, bringing some ease and transparency in compliance. There shall be no dispersion of data which will lead to smooth workingand collection of data at one place.

Uniformity of tax rates and structures: The goods and service tax regime will lead to the uniformity of indirect taxes and structures all across the country which will in turn increase certainty and doing business shall become easier. The choice of place will become immaterial to the tax and all the irrelevant taxes will be replaced by a uniform one.[9]

Removal of cascading: The value chain will be deprived of all the unnecessary and will be regulate by one unified tax regime all across the nation which would reduce the cascading of nations considerably and the money which is hidden while doing business hall also come down.[10]

[7] (Garg, 2014)

[8] (India G. o., 2017)

[9] (How the GST tax system will benefit you, 2017)

[10] (Krishan Arora, 2017)

Improvement in Competition: The removal of indirect taxes on various levels would help facilitate the environment of improved and better competitiveness in business and industry.

Gain to manufacturers and exporters: The manufacturers and exporters will also be benefited since they'll be exempted from the task of paying various taxes and GST will be levied only once, thereby removing the levels of the umpteen taxes that were levied before the implementation of GST. Adding to that, removing all the taxes and bringing one unified tax structure which is wide ranging and all-inclusive set-off of input services and goods, and taking away the Central Sales Tax (CST) would bring down the cost incurred in manufacturing local goods. Indian exports shall a great boom with the implementation of GST Indian goods in the International market shall be able to compete in a better way in the international market.

FOR CENTRAL AND STATE GOVERNMENTS

Simpler and easier administration: GST would be entirely based on the online portal thereby keeping and sustaining all the information on a single platform. Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.[11]

Better control of leakage: Due to the involvement of a robust IT system in the implementation of GST, it will result in better compliance.

Effectiveness of revenue: GST, implemented from July 2017, will lead to reduction in the cost of collection of revenue which will lead to higher revenue efficiency.[12]

For Consumers

The old tax regimelevied by the center and the State which had incomplete or no input tax credits available at progressive stages of value additions made the cost price of goods and services go soaring high when attached with a lot of camouflaged taxes. However, under GST, there would only be one single tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer and thereby alleviating the burden of taxes upon them.

Abatement in complete tax strain: The effectiveness of gains and filling up all the loopholes and the complete tax strain shall be reduced with its implementation, thereby bringing a lot of relief to the consumers in every which way.

Cheaper products and services: In the previous regime of indirect taxation, products and services were liable to be charged with several taxes like on production, a product attracts the excise duty then, every value addition in the product attracts VAT, on interstate sales, it would attract CST, Service Tax on services, Entry Tax etc., as and when it got transferred from one to another person before reaching the consumer for consumption, it unnecessarily aggravated the final cost of commodities and services. In GST, there is a uniform tax rate for everyone therefore, the cost of product and services is now cheaper for the end user when it comes to consumer goods and a more uniform and transparent system when it comes to luxuries as well, thereby reducing the final cost of the product/service.[13]

GST shall have his impact across different sectors which will include:

Technology

GST has gone on to eliminate multiple levies which has allowed deeper penetration of digital services but there is a negative impact on this sector as well which the case with any scheme is. There are many IT companies which have different centers and offices to work together on a single contract. With the implementation of GST, the offices will have to go through the misery of making a separate invoice for every contracting party. The tax levied on manufactured goods has also gone up which in turn will make the cost of electronics go up too.[14]

FMCG

There can be substantial savings on the end of the companies making such products as they can save considerably save in logistics and cost incurred on distribution because of the elimination of numerous sale warehouses. These companies in total pay nearly

[11] (Krishan Arora, 2017)

[12] (Sehrawat, 2015)

[13] (Kamawat, 2017)

[14] (P. chaurasia, 2016)

24-25% tax which includes all the taxes which has reduced with implementation of GST. GST's implementation has brought down that tax rate to 17-19%. [15]

E-commerce

This sector will make a decent amount of profits with the implementation of GST as GST will help to unify the market and allow the movement and supply of goods across the country a little easier. It will also help to eliminate the cascading effect of taxes on customers which will make products costs to be more efficient.[16]

Automobiles

The handset prices are set to come down. The consumers are also likely to enjoy cost benefits from the manufacturers which they are going to get from uniting their depositories and competently managing their inventory. GST will allow the easement of doing business in case of handset makers as they may no longer need to set up state specific entities and transfer stocks to them and invest heavily into logistics of creating warehouses in each state across the country.[17]

Why no to GST?

However, the question is whether the implementation of GST is as beneficial as it looks like on the face of it?

There are pros and cons of every scheme and so is the case with GST which can be detrimental to the final result and they are:

We have gone with the concept of dual GST and not national GST. The entire structure in India is quite complicated so to speak. The implementation was quite hard to come by since it required the co-ordination of all the 29 states and 7 union territories. Political and economic issues are set to come along with such a taxation system. The states are set to lose authority over the determination of rates after the implementation of GST. Revenue sharing still remains a contention since there has been no agreement between the states and the centre regarding the revenue neutral rate.[18]

The pre-requisite for this tax regime to succeed is the strong IT network in the country. As India is still a developing nation and not a developed nation and so is the case with our IT network. The taxation structure has seemed to overlook the upcoming sector of E-commerce. There are no signs left behind by E-commerce which are beyond the internet and has concealment attached with the same which makes it next to impossible to find the transactions which are taking place over the internet. There seems to be no transparency in this concept so as to whether the sale of a definite product is covered under the ambit of service or product under the same. The advent of new technology has been the need of the hour and their accessibility even more so which makes it even harder to calculate the tax revenue from this technique and it always tends to be much below par.[19]

There can be no society which can exist without communicating to one another. Recently, this term communication has changed into telecommunication.[20]

"One of the major drawbacks of the GST regime could be the direct spike in the service tax rate from 14% to 20-22%" (GST: Impact on the Telecommunications Sector in India). There is still anonymity over the fact whether telecommunication could be put under the umbrella of goods and services. The tele density of India, to everyone's surprise, is 50% but this issue still covers a serious proportion.[21]

This ever so talked about tax structure keeps petroleum products, electricity, real estate and liquor for human consumption outside the ambit of GST.

The products related to petroleum has triggered inflation in India and the biggest challenge which lies in front of the Government is how they bring such products under the ambit of GST which have resulted in inflation.

The development of India as a nation relies on electricity to a great extent. It will rely on the fact that whether electricity comes under luxury goods in future or not. IT can hamper India's development considerably. There can also be negative impact on the real estate sector as it could even add up to 8% to the cost of newly build houses and the demand in turn could come down by a whopping 12%.[22]

[15] (Shaik, DEC 2015)

[16] (Sardana, 2005)

[17] (Choudhary, 2017)

[18] (Shaik, DEC 2015)

[19] (Kumar, Goods and Services Tax in India: A Way Forward, 2014)

[20] (Sardana, 2005)

[21] (India T. R., 2017)

[22] (Dani, 2016)

Implications

The tax rate under GST are set at 0%, 5%, 12%, 18% and 28% for various goods and services, and almost 50% of goods & services comes under 18% tax rate.

No tax will be imposed on necessities like cereals, fruits, vegetables etc, and there will be a 0% tax regime on handloom and goods like clay pots, drawing books, brooms, khadi purchased from cottage and handloom industries in order to promote this industry. Moreover, Hotels and lodges with tariff below Rs1,000, grandfathering service has been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 per cent.[23]

The distinguished tax rates are set keeping in mind the needs and the requirement of those goods and services for the consumers. The tax rate on luxury goods or expensive commodities is higher than the nominal ones, thereby justifying the different slots of taxation percentage under GST. The impact of GST on the prices of goods and services will largely depend on the item in question. It will also depend upon the respective State governments and their intervention with respect to controlling prices of essential commodities.[24]

The non-essential goods which include the lights of shampoos, deodorants and paints have come under the ambit of 28% bracket adding to certain typical items such as yachts and jets which is also the reason for the exclusion of petroleum products and also alcohol from its ambit. These both generate the maximum amount of revenue at both the levels and exclusion of these gives that window of room to the government to fill the shortcomings in the future budget.[25]

While GST aims to benefit to a large extent, the main disadvantage is that tax on services is likely to go up. Furthermore, manufacturing States such as Maharashtra, Gujarat and Tamil Nadu, is that they will lose a major chunk of revenue earned from taxes on manufacturing. Since the tax structure will be uniform in the entire nation, States that traditionally attract investments may now lose some since manufacturers may turn to other States as well.[26]

The GST will have a negative impact on the GDP of the nation when it comes to short term goals but when the larger picture is considered, GST will be more of a boom for this country as it shall go on to reduce costs which turn increase competitiveness. There shall be an ease of doing business because of the elimination of all interstate barriers which will eventually boost up our exports and investments, effective tax revenues, lower inflation, enabling greater general government fiscal consolidation.[27]

Deloitte Haskins and Sells LLP after a detailed observation concluded that the GST structure proposed for India is synchronized with the constitutional framework of the country, enabling concurrent levy and collection of GST by the Centre and the States. Therefore, considering the constitutional amendments carried out by the government, autonomy of the States is not expected to be impacted by the implementation of GST.

It is expected that the consumer would also reap the benefits of the new tax regime, once the corporate companies have transitioned completely to the new tax structure and start to pass on the benefits to the end user.[28]

The most important aspect of GST is to reduce tax evasion. This new regime requires registration of each and every business, of whatever kind and it will greatly abate tax evasion.

\On the whole, GST comes along as a blessing for pharmaceutical and healthcare sector. All the kinds of drug makers shall come at the same level because of the introduction of this new tax regime and can also become a reason for the enhancement of medical tourism. The pricing issue still remains an issue of concern. This sector is definitely seeking for some bit of tax relief as it will provide healthcare.[29]

Interestingly, the rates are set to come down when we talk about the telecom sector. Manufactures can cut costs by managing their stock efficiently and amalgamating their haylofts. The manufacturers of handset shall find sale of their equipment a little easier to come by as GST has taken away the obligation of setting up State entities and the transfer of stocks which will also go on to save up on logistics cost.

After the introduction of the scheme of ‘Make in India’, the number of startups in India has increased considerably and a lot of incentive has been provided

[23] (A quick guide to India GST rates in 2017 , 2017)

[24] (A., 2017)

[25] (GST launch: Short, medium & long-term impact of new tax regime explained, 2017)

[26] (Krishan Arora, 2017)

[27] (Queries about GST, 2017)

[28] (Mawuli, 2014)

[29] (Vasanthagopal, 2011)

to them as well. More number of registrations, a DIY compliance model, tax credit on purchases, and easy flow of goods and services, the GST structure truly promise well for the Indian startup scene. Different VAT structure had led to a lot of confusion, mostly the e-com sector, which had pan-India presence.[30]

CONCLUSION

The previous tax regime which took into account the value added tax, service tax, excise duty, sales tax of the goods and services was very complex and obscure. The Goods and Service tax is being taken into consideration since 2000 when the NDA government decided to structure a GST model. The introduction of GST and its implementation has faced a lot of controversy but it is claimed that it will have long term effects which would lead to a more transparent, easier, and consumer friendly tax regime and the GDP of the country will also eventually benefit from it.

GST can also be used as an effective tool for fiscal policy management if it is properly executed as the tax rate across the nation is uniform. The implementation of the Goods and Service tax will also lead to reduced cost of doing business which will make the indigenous commodities more competitive in local as well as international commerce and industry. Moreover, GST will give India a world class tax system by proving itself to be a very convenient and compliant form of indirect taxation though this entirely depends upon the way it is implemented and how well the people accept it.

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GST IMPACT ON CENTRE – STATE FISCAL RELATION IN INDIA

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 34-42

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INTRODUCTION

The introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer.

The idea of moving towards GST was first mooted by the then Union Finance Minister in his Budget speech for 2006-07. Initially, it was proposed that GST would be introduced from 1st April 2010.The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of GST and draw up reports especially on exemptions and thresholds, taxation of services and taxation of interstate supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on the GST in November, 2009. This spelt out features of the proposed GST and has formed the basis for discussion between the Centre and the States so far. The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumers point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy. The government proposes to introduce GST with effect from 1st July 2017.

SALIENT FEATURES OF GST ARE AS UNDER:

(i) GST is applicable on 'supply' of goods or services as against the present concept on the manufacture of goods or on sale of goods or on provision of services.

(ii) GST is based on the principle of destination-

based consumption taxation as against the present principle of origin-based taxation.

(iii) It is a dual GST with the Centre and the States simultaneously levying tax on a common base. GST to be levied by the Centre would be called Central GST(CGST) and that to be levied by the States would be called State GST (SGST).

(iv) An Integrated GST (IGST) would be levied

an inter-state supply (including stock transfers) of goods or services. This shall be levied and collected

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by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council.

(v) Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.

(vi) CGST, SGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States. The rates would be notified on the recommendation of the GST Council. In a recent meeting, the GST Council has decided that GST would be levied at four rates viz. 5%, 12%, 16% and 28%. The schedule or list of items that would fall under each of these slabs has been worked out. In addition to these rates, a cess would be imposed on "demerit" goods to raise resources for providing compensation to States as States may lose revenue owing to the implementation of GST.

(vii) GST would replace the following taxes currently levied and collected by the Centre:

a) Central Excise Duty

b) Duties of Excise (Medicinal and Toilet Preparations)

c) Additional Duties of Excise (Goods of Special Importance)

d) Additional Duties of Excise (Textiles and Textile Products)

e) Additional Duties of Customs (commonly known as CVD)

f) Special Additional Duty of Customs(SAD)

g) Service Tax

h) Cesses and surcharge in so far as they relate to supply of goods and services.

(viii) State taxes that would be subsumed within the GST are:

a) State VAT

b) Central Sates Tax

c) Purchase Tax

d) Luxury Tax

e) Entry Tax (All forms)

f) Entertainment Tax and Amusement Tax (except those levied by the local bodies)

g) Taxes on advertisements

h) Taxes on lotteries, betting and gambling

i) State cesses and surcharges in so far as they relate to supply of goods and services.

(ix) GST would apply on all goods and services except Alcohol for human consumption.

(x) GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural Gas) would by applicable from a date to be recommended by the GSTC.

(xi) Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.

(xii) A common threshold exemption would apply to both CGST and SGST. Tax payers with an annual turnover not exceeding Rs.20 lakh (Rs.10 Lakh for special category States) would be exempt from GST. For small taxpayers with an aggregate turnover in a financial year upto 50 lakhs, a composition scheme is available. Under the scheme a taxpayer shall pay tax as a percentage of his turnover in a State during the year without benefit of Input Tax Credit. This scheme will be optional.

(xiii) The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.

(xiv) Exports would be zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.

GST AND CENTRE-STATE FINANCIAL RELATIONS

Currently, fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on sale of goods. In case of inter-State sales, the Centre has the power to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the originating States. As for services, it is the Centre alone that is empowered to levy service tax. Since the States are not empowered to levy any tax on the sale or purchase of goods in the course of their importation into or exportation from India, the Centre levies and collects this tax as additional duties of customs, which is in addition to the Basic Customs Duty. Currently, fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium , narcotics etc.) while the States have the powers to levy tax on sale of goods. In case of inter-states sales, the Centre has the powers to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the originating States.

As for services, it is the Centre alone that is empowered to levy Service Tax. Since the States are not empowered to levy any tax on the sale or purchase of goods in the course of their importation into or exportations from India, the Centre levies and collects this tax in addition to the Basic Customs Duty. This additional duty of customs (commonly known as CVD and SAD) counterbalance excise duty, sales tax, State VAT and other taxes levied on the like domestic product. Introduction of GST required amendments in the Constitution so as to empower the Centre and the States concurrently to levy and collect GST. The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST required a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two. To address all these and other issues, the Constitution (122nd Amendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except alcohol for human consumption. The tax shall be levied as Dual GST separately, but concurrently the Union (CGST) and the States (SGST).

The Parliament would have exclusive power to levy GST (IGST) on interstate trade or commerce (including imports) in goods and services. The Central Government will have the power to levy excise duty in addition to GST, on tobacco and tobacco products. The constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by the Lok Sabha in August, 2016. Further, the Bill has been ratified by the required number of States and has since received the assent of the President on 8th September,2016 and has been enacted as the 101st Constitution Amendment Act, 2016. The GST Council has also been notified i.e. 12th September,2016. GST Council is being assisted by a Secretariat. The Goods and Service Tax Council (hereinafter referred to as, "GSTC") comprises of the Union Finance Minister, the Minister of State(Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other matters. One-half of the total number of members of GSTC form quorum in meetings of GSTC. Decision in GSTC are taken by a majority of not less than three-fourth of weighted votes cast. Centre has one-third weightage of the total votes cast and all the states taken together have two-third of weightage of the total votes cast.

CONSTITUTION (ONE HUNDRED AND FIRST) AMENDMENT ACT, 2016 To address all these and other issues, the Constitution (122ndAmendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except for Alcohol for human consumption. The tax shall be levied as Dual GST separately but concurrently by the Union (CGST) and the States (SGST) / Union territories without legislatures (UTGST). The Parliament would have exclusive power to levy GST (IGST) on inter-State trade or commerce (including imports) in goods or services. The Central Government will have the power to levy excise duty in addition to the GST on tobacco and tobacco products. The tax on supply of five specified petroleum products namely crude, high speed diesel, petrol, ATF and natural gas would be levied from a later date on the recommendation of GST Council.

A Goods and Services Tax Council (GSTC) shall be constituted comprising the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other features. This mechanism would ensure some degree of harmonization on different aspects of GST between the Centre and the States as well as across States. One half of the total number of members of GSTC would form quorum in meetings of GSTC. Decision in GSTC would be taken by a majority of not less than three-fourth of weighted votes cast.

Centre and minimum of 20 States would be required for majority because Centre would have one-third weightage of the total votes cast and all the States taken together would have two-third of weightage of the total votes cast.

The Constitution Amendment Bill was earlier passed by the Lok Sabha in May, 2015. The Bill was referred to the Select of Rajya Sabha on 12.05.2015. The Select Committee had submitted its Report on the Bill on 22.07.2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August, 2016. Further the bill had been ratified by required number of States and received assent of the President on 8thSeptember, 2016 and has since been enacted as Constitution (101stAmendment) Act, 2016 i.e. 16th September, 2016.

GST: ISSUES BETWEEN CENTRE AND STATES

1. GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits from the Producer's point and Service provider's point up to the retailer level.
2. GST is paid by the customer, it is a tax paid on the purchasing price
3. BENEFITS OF GST Reduces tax evasion. Encourages competitiveness of exports. Tax structure becomes easier and more visible. Enhances tax compliance and results in higher revenue growth. Multiple taxes such as turnover tax, surcharge on sales tax, additional surcharge etc. have been put an end to.
4. GST is basically a comprehensive VAT on most goods and services, where all taxpayers, except the final consumer, get credit on the taxes paid on inputs.
5. In this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes — tax on tax paid on inputs that go into manufacture of goods. Put simply, GST is levied only on the value-added at every stage of production. The price of any input going into production will have a cost and a tax component.
6. The Centre is promising to compensate the States for any revenue loss for the first three years after GST is introduced. But, a uniform rate may not compensate the revenue loss for all the States because: - Some states are more industrialized - Some are more agricultural - Some are resource-rich
7. Well, the GST model would be able to bring a balance in between fiscal autonomy and harmonization, which is of course better than the present complex system. This would lead to: Lesser exemptions Smaller number of rates Lesser Corruption Greater Compliance Lesser Disputes Lower collection cost and Higher tax collection.

GST: PROMOTING REORDERING OF CENTRE-STATE RELATIONS

The passage of the Constitution amendment bill enabling the rollout of the goods and services tax (GST) by the Rajya Sabha after holding out on it for nearly a year, is more than just a seminal piece of tax reforms. It actually accelerates the reconfiguration of center-state fiscal relations already underway. Once in place—presumably next year, if not by the deadline of 1 April—it will make states a key stakeholder in the national economy. While the Constitution of India always saw them this way, in practice, the state governments were rarely equal partners. This is not to undermine the significance of the tax reform, by far the most dramatic since the country attained Independence. Instead, it is to argue that it is considerably more significant than just putting in place an efficient tax regime.

A central feature of the new tax framework—defined by the notion of 'One Nation, One Tax'—is the creation of the GST Council (once supporting legislation to the Constitutional amendment are passed by Parliament). The way it has been designed, the Union government has only one-third say in decisions taken by the GST Council, while the rest is accounted for by the states; and all decisions have to be carried by a three-fourth majority. In other words, now onwards, the center and states are enjoined in a three-legged race—one which they can win only if they coordinate their actions. In short, their future destinies depend on how they cooperate with each other.

Purists argue, rightly so, that maybe this transition to greater fiscal autonomy could have been staggered, given that many states do not have the capacities to absorb such large expenditure capability. But then, is there ever a right time; if you have to take the plunge, might as well be at the deep end of the pool as it were. It is significant that the green signal to the Constitutional amendment by Parliament (Lok Sabha will take up the amended bill on Monday) comes just a fortnight ahead of India's 70th year of Independence. It is a big milestone for India, which has retained its sovereignty and, more importantly, emerged as a beacon for other aspiring democracies. The next 70 years will depend on how the federation of India evolves. The term 'Cooperative Federalism', coined by the National Democratic Alliance (NDA), sums up the ideology that would successfully define this evolution: Together they stand and divided they will fail.

In this, the recommendations of FFC, GST and other policies on the anvil are only stepping stones. Evolving institutions such as the GST Council and the revived Inter-State Council will be critical in overseeing this transition with minimal recriminations; state chief ministers are already equal partners in the governing council of NITI (National Institution for Transforming India) Aayog, which has replaced the Planning Commission. In fact, the Prime Minister summed up this new approach to governance in a letter addressed to state chief ministers immediately after the tabling of the FFC report in Parliament in February last year. "This is all towards the fulfilment of my promise of cooperative federalism," he said. "As you have already seen, we have decided to involve states in discussing and planning national priorities. This is being done so as to maximize the outcome from every rupee spent either at the center or the state."

GOODS AND SERVICES TAX COUNCIL (GSTC

The GSTC has been notified with effect from 12th September, 2016. GSTC is being assisted by a Secretariat. Twelve meetings of the GSTC have been held so far. The following decisions have been taken by the GSTC:

(i) The threshold exemption limit would be Rs. 20 lacs. For special category States enumerated in article 279A of the Constitution, threshold exemption limit has been fixed at Rs. 10 lacs.

(ii) Composition threshold shall be Rs. 50 lacs. Composition scheme shall not be available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers.

(iii) Existing tax incentive schemes of Central or State governments may be continued by respective government by way of reimbursement through budgetary route. The schemes, in the present form, would not continue in GST.

(iv) There would be four tax rates namely 5%, 12%, 18% and 28%. Besides, some goods and services would be under the list of exempt items. Rate for precious metals is yet to be fixed. A cess over the peak rate of 28% on certain specified luxury and sin goods would be imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST. The Council has asked the Committee of officers to fit various goods and services in these four slabs keeping in view the present incidence of tax.

GST THE OUTCOME OF COOPERATIVE FEDERALISM

The adoption of GST model is an iconic example for the Cooperative Federalism in the true sense. It represents a national consensus, an outcome of a grand bargain struck together by 29 States and seven Union Territories with the Central Government. The States agreed to give up their right to impose sales tax on goods (VAT), and the Centre gave up its right to impose excise and services tax. In exchange they will each get a share of the unified GST collected nationally. And the clause 195 provides for the compensation for the manufacturing States for the loss of revenue for five years based on the recommendation of GST Council. The Prime Minister Mr. Modi has hailed in the House of Parliamentthat the "GST is the historical example for the Cooperative Federalism. Together we will take India to new heights"6. While the maturity of Indian Democracy was demonstrated in the meaningful deliberations and unanimous consensus in the passing of the Constitution Amendment Bill (GST Bill), it is important for the Government to continue the path of continued engagement with the political parties as well as the industry to evolve all decisions by consensus the administrative machinery to implement a practical GST.

If we track the history and polity behind the GST Bill, we can understand the importance of Cooperative Federalism in our country. GST Bill was mooted by last congress Government, then Finance Minister tabled the Bill for the Constitutional amendment7 in March 2011, but lapsed with the dissolution of 15th

Lok Sabha. Subsequently in December 2014, another Bill for the Constitutional amendment Bill8 was introduced in Lok Sabha, the Bill was passed by the lower house in May 2015 and it was referred to Rajya Sabha select committee9, later it was passed by the upper house with certain amendment.

The Government had to address several concerns and agree to key amendments demanded from the opposing political parties on the key proposed provisions of the GST Bill. One such amendment has been the scrapping of an additional one per cent tax on interstate trade10, The Modi's Government has also agreed to grant more powers to States for providing them full compensation for a period of five years, for revenue losses. The opposition demand for the setting up of a dispute resolution mechanism as part of the GST Council has also been agreed upon by the Government.

GST - FISCAL FEDERALISM

GST Bill will bring game changing reform for Indian economy by developing a common Indian market and reducing the cascading effect of tax on the cost of goods and services, through this "one nation one tax" can be achieved, this helps in free movement of goods across the country with diffused State boundaries will encourage the easy doing of business, by merging all taxes GST is made simple and transparent, GST creates the uniform tax rates all over the nation against the multiple tax at present.

As India has adopted the Dual system of GST to protect the State fiscal autonomy, the Dual GST will comprise of-

1) CGST- Central Goods and Service Tax (which will be levied by the Central)

2) SGST- State Goods and Service Tax (which will be levied by the State).

3) IGST- Interstate Goods and Service Tax (which will be levied by the Central Government on interstate trade).

In Dual GST both CGST and SGST will be concurrently levied by the Central and State Government. This Dual GST will be implemented through multiple statutes, one for CGST and SGST for every States. However, the basis features such as changeability, taxable matters, non-matters, basis of classification, GST rates will be same though out India. The Central GST and State GST are to be paid to the accounts of the Centre and the States separately. It would have to be ensured that account-heads for all services and goods would have indication whether it relates to Central GST or State GST. The administration of the Central GST to the Centre and for State GST to the States would be given. By this way the Centre and the States would have concurrent jurisdiction for the entire chain of transaction. So the tax payer or exporter have to maintain separate book of account for utilization or refund of credit.

Concerns of the states must be addressed while implementing the Goods and Services Tax (GST). It would be the greatest tax reform affecting the Centre-state relations in the country. In the changed economic scenario, the turmoil created by demonetization must be allowed to subside and gains consolidated before the GST regime begins. AS expected, the latest Goods and Services Tax (GST) Council meet, headed by the Union Finance Minister Arun Jaitley and with state finance ministers as members, could not arrive at any policy decision as far as the dual control of assesses is concerned. Consequently, the switchover to a single GST, subsuming almost all other commodity taxes will miss the stipulated date of its implementation, April 1, 2017.

The Union Finance Minister has now set September 16 as the new deadline. For the first time, a tax would be placed in the Concurrent list, which our Constitution makers meticulously avoided so as to ensure smooth Centre state financial relations. Jaitley's contention that GST must be implemented before September 16 is not convincing. With the consent of states, the implementation could be postponed. The adoption of VAT took nearly 30 years, though it did not have any implications for our federal setup. It simply replaced state sales tax by state VAT and central excise duty by Cenvat.

The chaos created by the demonetisation drive has shaken the confidence of some states. After GST, they consider it the second blow to states' autonomy, even though demonetisation and the GST regime are aimed at ensuring transparent transactions. GST will neutralise the ill-effects of demonetisation like fall in demand, market shrinkage and unemployment by extending market frontiers.

The most significant impact of GST will be on extending the volume of trade. A National Council of Applied Economic Research (NCAER) study has evaluated the possible impact of GST on India's international trade. It has been observed that, "The differential multiple tax regimes across sectors of production are leading to distortions in the allocation of resources as well as production inefficiencies. Earlier, the GST Council broadly approved the four-tier rate structure of five per cent, 12 per cent, 18 per cent and 28 per cent, but spared the essential items, including food grains, out of the purview of taxation. The Centre has been allowed to impose a chess on luxury items like high-end cars, tobacco, pan masala, aerated drinks and other demerit goods. This chess amounting to Rs 50,000 crore will continue for five years and the proceeds wherefrom will be used to compensate states for any loss of revenue on account of the switchover to the GST regime. The Centre has promised to abolish this cess after five years. Experience shows that once the cess is levied, it continues on one pretext are another.

The Union Finance Minister hinted at a political solution. The GST law allows that in the event of a dispute, a two-third majority decision will prevail. This eventuality should not be explored right at the very start as it will not behave well for federal financial relations. In the past also, the states have been losers whenever the decision was taken at the political level. For example, first of all, sales tax (which was a state subject) on some important items was replaced by additional excise duty in 1957. Then, tax on railway fare (whose 100 per cent proceeds went to states) was merged with railway fare. In 1959, the nomenclature of tax on a company's income was changed to corporation tax and brought out of the divisible pool. All these decisions were taken at the party level. Another tax whose 100 per cent proceeds were meant for states, viz. estate duty was abolished in 1985. Even the present government at the Centre has abolished wealth tax in the budget 2015-16 and replaced it with 12 per cent cess on "super rich", which is not sharable.

GST: POOLING SOVEREIGNTY, PROMOTING FEDERALISM

By passing the four GST bills, the Lok Sabha has, perhaps for the rest time put limitations on its own powers, in the interest of federalism. 29 March 2017 must be recorded as one of the most significant days in the history of federalism in India. By passing the four bills relating to different aspects of the Goods and Services Tax (GST), the Lok Sabha has, perhaps for the first time put limitations on its own powers, in the interest of federalism, and signed off on a pooling of sovereignty in taxation matters with 32 state and Union territory legislatures.
In turn, over the next couple of months all the state legislatures will share their powers of taxation. In the process of sharing and jointly exercising the powers to tax, the GST Council will be born as India's first truly federal institution. Neither the Parliament on its own nor the state legislatures individually or jointly can override the collective recommendations of the GST Council. In other words, the GST regime has created an institutional and Constitutional framework for cooperative federalism in the arena of indirect taxation.In the GST regime, the Union and the states will be vested with concurrent powers to levy GST on intra-state supply of goods and services and the union will be vested with the exclusive power to levy GST on the supply of goods and services in the course of inter-state trade or commerce which includes supply in the course of imports into the territory of India.

There will be a State GST (SGST) and a Central GST (CGST) for intra-state supplies and an Integrated GST (IGST) for inter-state supplies. There will be separate laws for imposing these levies. SGST Act has to be enacted by each state and CGST Act and IGST Act has to be enacted by the Parliament. Since CGST and SGST will be levied on the same tax base it is essential that the provisions of these laws should be similar so as to have harmony in the working of the system. Moreover, the IGST will have forward and backward linkage with CGST and SGST for Input Tax Credit (ITC), the laws dealing with these taxes will have provisions that will ensure a seamless and effective ITC mechanism. As passed by the Parliament, the law doesn't extend to Jammu & Kashmir. The division of powers between the Union of India and the state of Jammu and Kashmir are governed by Article 370 of the Constitution of India as amended by various Constitution (Application to Jammu and Kashmir) Orders promulgated by the President of India from time to time. Articles 246 and 248 of the Constitution which govern the division of legislative powers between the center and the state apply in a modified from to J&K. The Parliament is vested with the power to with respect to matters enumerated in the entries 1 to 96 of list 1 schedule VII; the residuary power is retained with the state.

Whereas sales tax laws of all the other states draw their sanction from entry 54 of the state list, the tax laws of the state are legislated by virtue of powers derived from Section 5 of the Constitution of J&K,

which provides that all the legislative powers extend to all matters except those in respect of which Parliament alone has the powers to make laws for the state under the provisions of the Constitution of India (Article 246). In the above backdrop it follows that the implementation of the GST regime for Jammu and Kashmir would be different. The state legislature will consider the enactment of legislation on the subject in which the state would make provisions in sync with the GST regime, applicable to all the other states. The components of GST would be levied by the state itself under the proposed legislation, which would be analogous to the statutory framework proposed by the Union of India.

To conclude, having created an institutional and constitutional framework for cooperative federalism, the task ahead is to create and extend a similar framework in other arenas of fiscal federalism. This could be started by rejuvenating the Inter State Council, which is a Constitutional body set up on the basis of provisions in Article 263 of the Constitution. The body was formed by a Presidential Order on recommendation of the Sarkaria Commission.

HOW WILL GOODS AND SERVICES TAX (GST) IMPACT CENTRE-STATE RELATIONS IN INDIA?

Since the Goods and Services Tax (GST) will be a comprehensive indirect tax on manufacture, sale, as well as consumption of goods and services throughout the country, it will replace taxes collected by Central and state governments. Thus, it will remove service tax, central excise, VAT and other taxes levied locally and by state governments. Consequently, those bodies are set to lose a part of revenue. No wonder, the tax rate for GST implementation might be nominal or zero rated for now to insulate revenues of states from the impact of the GST. Additionally, the Central Government of India has promised states of compensation for revenue losses that they incur from the date of GST introduction till a period of five years. While experts have voiced concerns of GST eroding Parliament and state's powers to levy taxes, India's Finance Minister Arun Jaitley has said that the taxation powers will continue to remain with state legislatures and will be used on the recommendations of the GST Council, a specialized body set up for this purpose. Under the new GST tax regime, sovereignty will be shared between the Centre and states.

"The GST idea has created a grey area (with regard to power of Centre and states) … Taxes will be jointly imposed by Centre and states, there will be one tax," Finance Minister Arun Jaitley has said in Indian Parliament. On the other hand, eminent economist Prabhat Patnaik in an article calls out the vacuity of arguments resting their case on the concept of one unified entity:

A more serious point that is persistently made is that it would create a unified national market. It is of course absurd to suggest that India does not have a unified national market at present and must await the GST to have one; but a plethora of tax rates prevailing in different states for the same commodity does appear "irrational" at first sight. On closer reflection, however, one sees the vacuity of this argument. It would follow on these grounds for instance that even having a plethora of state governments, instead of a single national government running a unitary system, should appear "irrational"; likewise, having a parliamentary system with dispersed power center's instead of a presidential system, with a concentration of power and decision-making within one authority, should also appear "irrational".

Well, the Indian Government will and should pay compensation. Moreover, the Government of India has assured states of compensation for revenue loss for the next five years. It will be effective from the date of GST implementation. The Central Government has fixed base year for GST compensation as financial year 2016. This idea (GST) is sought to be yoked to a neo-liberal agenda of centralization, reduction in the powers of the states and effecting regressive distributional shifts. It is important to ensure that the introduction of value-added taxation is not made to serve a neo-liberal purpose, adds Prabhat Patnaik.

CONCLUSION

GST would be major indirect tax reform in India where both Centre and State Governments will have rights to tax goods as well services at every stage of production and distribution. GST Bill ultimately protect the right of the Citizen from "Double Taxation". The most important benefits of GST are it will increase the revenue of poor states like Bihar, Uttar Pradesh, Orissa- who happens to have the larger consumers, GST will increase the resources available for poverty alleviation and development. Secondly then with the introduction GST will boost by "Make in India" because under GST market are unified. The third benefit will be through the implementation of GST, Indirect tax governance is made simplified, which would promote the intergovernmental coordination for better financial management with information technology enabled progress's Bill proposes to create the concurrent taxation power between the Centre and State, which itself a good example of cooperative federalism. The fiscal cooperation is very essential to main the fiscal autonomy of the states.

The Indian GST will be a leap forward in creating a much cleaner dual VAT which would minimize the disadvantages of completely independent and completely centralized systems. A common base and common rates (across goods and services) and very similar rates (across States and between Centre and States) will facilitate administration and improve compliance while also rendering manageable the collection of taxes on inter-State sales. At the same time, the exceptions - in the form of permissible additional excise taxes on special goods (petroleum and tobacco for the Centre, petroleum and alcohol for the States) - will provide the requisite fiscal autonomy to the States. Indeed, even if they are brought within the scope of the GST, the States will retain autonomy in being able to levy top-up taxes on these goods.

The proposed GST Bill will make the Centre and States as the equal partners in the field of indirect taxation, through the GST Council the States will have a serious roll n fixing the GST rates, in resolving the dispute regarding its recommendation, etc. So, GST will be the most powerful federal council in the independent India.

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LEGAL IMPLICATIONS OF THE BANKRUPTCY AND INSOLVENCY CODE 2016 ON THE LIMITED LIABILITY PARTNERSHIP ACT 2008 AND THE COMPANIES ACT 2013

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 43-48

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PART ONE

INTRODUCTION

The Insolvency and Bankruptcy code 2016 is one of the major economic reforms initiated by the government in 2015. There were various financial laws and adjudicating forums and the overlapping laws dealing with the financial failure and the insolvency of both the individuals and the companies in India. The existing laws had severe issues and were not efficient because they were not aligned with the market realities. The complexities and the delay was caused by the resolution and the jurisdiction vesting with the multiple agencies with overlapping powers. To overcome these challenges and to facilitate easy and time bound closure of business in India. The Insolvency and Bankruptcy Code 2015 was introduced in the Lok Sabha on 21st December,2015. The committee had presented its recommendations in the modified Bill .[1] The code of 2016 paved the path focussing on the creditor driven insolvency resolution.

What Is Insolvency And Bankruptcy Code?

The term "insolvency" is used for both organisation and individuals. For the individual, it is also known as the bankruptcy and for the corporate it is corporate insolvency. Both refer to the situation when the individual and the company are not able to pay debt in present or future and the value of their assets is less than liability. Insolvency in the code means state where "assets are not sufficient to meet the liabilities and ignorance to it may lead to the bankruptcy. Insolvency is the situation which props up due to the inability to pay the debt due to lack of appropriate assets. Bankruptcy is the situation where application is made to the authority seeking to be declared bankrupt. Hence, bankruptcy is the conclusion whereas insolvency is the state. All the insolvencies will not lead to bankruptcy unless declared but bankruptcy would be a conclusive insolvency.

[1] Bankruptcy and Insolvency Code 2016

Reasons Behind The Enactment Of Insolvency And Bankruptcy Code, 2016

According to the Preamble of the code[2], the purposes behind the enactment of the act are as follows:

- To promote entrepreneurship.
- To fix the time period for execution of the law to compete with the time bound nature.
- To balance the interest of all the stakeholders.
- To coadunate and unify the laws relating to the insolvency resolution.
- To increase the availability of credit.

Extricating Features Of The Code

1. <u>Comprehensive law</u>- It envisages and administers the insolvency of all the persons including corporate, LLPs individuals and partnerships.
2. <u>Low time resolution</u>- The code provides a low time resolution and defines the fixed time frame for the insolvency resolution of companies and individuals. It is mandatory to complete the process within the span of 180 days with the extension of 90 days at maximum. [3]There is also the provision for the fast track resolution of corporate insolvency within 90 days. If the insolvency cannot be resolved, the assets of the

[2] Commentary on the Insolvency and Bankruptcy Code, 2016 by Thomson Reuters.

[3] Handbook on the Insolvency and Bankruptcy Code, 2016 by CA. G Sekar

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borrowers may be sold to repay creditors.

3. Withering away of multiplicity of laws- The code has atrophied with the multiple laws and now presents the single platform for all the reliefs relating to the recovery of the debts and insolvency.
4. One window clearance- The code has been drafted to provide the one window clearance to the applicant whereby he gets the appropriate relief[4] by the same authority unlike earlier position of law where the company is not able to revive the procedure for winding up and liquidation.
5. Clarity in process- There is clear and unambiguous process to be followed by all the stakeholders.
6. One chain of authority- It doesn't allow even the civil courts to interfere with the application pending before the adjudicating authority, hence reducing the multiple litigations.[5]
7. Protects the interests of workmen and employees- It excludes the dues payable under the provident fund, pension fund and the gratuity fund from the debtor's assets.

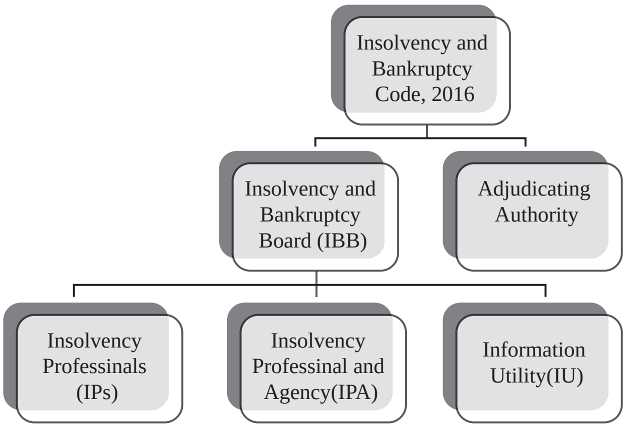
Structure Of The Code

The code has been divided into five major parts which includes the 255 sections and 11 schedules. Some have been notified by the Ministry of corporate affairs.[6]

Structure Of Code				
Part-1 Preliminary (Section 1-3)	Part-2 Insolvency Resolution And Liquidaton For Cororate Persons (Section 4-77)	Part-3 Insolvency Resolution And Bankruptcy For Individuals And Partnership Firms (Section 78-187)	Part-4 Regulation Of[1] Insolvency Professionals, Information Utilities And Agencies (Section 188-223)	Part-5 Miscellaneous (Section 224-255)

There is the new regulatory five pillar mechanism:

1. Insolvency professionals
2. Insolvency professional agencies
3. Information utilities
4. Insolvency and Bankruptcy Board of India
5. Adjudicating authority



- Insolvency professionals- These are the intermediaries who have important role in the efficient working of the bankruptcy process. Their work includes the wide range of functions, from the verification to the claim of creditors to the financial procedure and the working of the proceedings as per the law.
- Insolvency professional agencies- They enroll and regulate the insolvency professionals as per its members in accordance with regulation of the code.
- Information utilities- This is the key feature of the code. This requires to collect. Authenticate, collate and disseminate the information of the debtors in the electronic database.[7]
- Insolvency and Bankruptcy Board of India- The code provides for the regulator which will co-ordinate and perform the executive, legislative and quasi-judicial functions and regulate the information utilities, insolvency professionals and the insolvency professional agencies. The head office of the board is situated at New Delhi[8].
- Adjudicating authority- NCLT is the adjudicating authority for the corporate insolvency and liquidation.

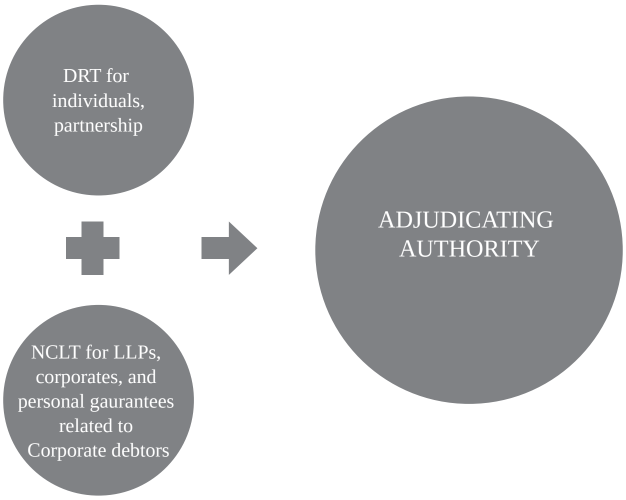
[4] Handbook on the Insolvency and Bankruptcy Code, 2016 by CA. G Sekar

[5] www.webcrawler.com/**Bankruptcy Code** Chapter 7

[6] Taxman's Guide to Insolvency and Bankruptcy Code 2016.

[7] http://www.ey.com/Publication/vwLUAssets/ey-the-insolvency-and-bankruptcy-code-2016-an-overview/%24FILE/ey-the-insolvency-and-bankruptcy-code-2016-an-overview.pdf

[8] Taxman's Guide to Insolvency and Bankruptcy Code 2016.



Need For New Law

It takes an average of four to five years to solve the insolvency issue according to the Ease of Doing Business Report of the World Bank. The reason is the overlapping legislation and adjudicating authorities. The framework of law which was in existence earlier had failed to resolve insolvency situations.

- Financial failure
- Business failure
- Malfeasance and mismanagement by promoters

PART TWO

Legal Implications of the Bankruptcy and Insolvency Code 2016 on the Limited Liability Partnership Act 2008 and the Companies Act 2013.

The bankruptcy and insolvency code of the year 2016 has called for various amendments in a total of 11 legislations with the objective to bring uniformity in the laws of bankruptcy. The amended legislations have been mentioned below along with the amended schedule-

- The Indian Partnership Act, 1932- First Schedule
- The Central Excise Act, 1944- Second Schedule
- The Income Tax Act, 1961- Third Schedule
- The Customs Act, 1962- Fourth Schedule
- The Recovery Of Debts Due To Banks And Financial Institutions Act, 1993- Fifth Schedule
- The Finance Act, 1994- Sixth Schedule
- The Securitisation And Reconstruction Of Financial Assets And Enforcement Of Security Interest Act, 2002- Seventh Schedule
- The Limited Liability Partnership Act, 2008- Tenth Schedule
- The Payment And Settlement Systems Act, 2007 – Ninth Schedule
- The Sick Industrial Companies (Special Provisions) Repeal Act, 2003- Eight Schedule
- The Companies Act, 2013- Eleventh Schedule

This research paper has focussed on the analysis of the effects of code's existence onto the Limited Liability Partnership Act 2008 and the Companies Act, 2013 only. This part has been further divided into two chapters, the first focuses on the limited Liability Partnership Act and the second on the Companies Act, 2013.

The Limited Liability Partnership Act 2008

The Limited Liability Partnership bill was passed by the Lok Sabha on 13 December 2008 and after receiving the assent of the president on 7th January 2009 it received a legal status as Limited Liability Partnership Act 2008.

This concept emerged out of Naresh Chandra Committee Report on 'Regulation of Private Companies and Partnership" and of the Dr. J. J. Irani Committee report on 'Company law'. In India, businesses mainly operate as partnerships, companies and sole proprietorship. The introduction of Limited Liability Partnership provided a platform to the Advocates, and small and medium enterprises.[9]

Object of the act

Under the current Partnership law, the maximum number of partners allowed are twenty and moreover, they are jointly and severally liable which means that the personal property of the members can also be attached and that is the main principle why these partnerships have not grown in size to meet the current needs. The LLP would help the firms to form commercially efficient vehicles suited to their requirements.

Section involved-

64 (C): WINDING UP OF THE LLP

This section talks about the winding up by a tribunal if the LLP itself decides that it wishes to be wound up by the tribunal or the number of partners involved decreases than two for a period of more than six

[9] http://www.indialawjournal.org/archives/volume2/issue_2/article_by_bhavesh_sukhada.html, accessed

months or if the sovereignty or integrity of the country has been undermined by the LLP or if it has made a default in filing with the registrar the statement of account and solvency or annual return for any five consecutive financial years or if the tribunal finds it just to wind up the LLP.[10]

The Companies Act 2013 vis a vis The Bankruptcy And Insolvency Code 2016

History of the act

The Companies Act since 1956 was in need of some revamp to which many unsuccessful attempts were made. However, in the year 2009, the Lok Sabha introduced the Companies Bill 2009 and was referred to the Standing Parliamentary Committee on Finance, which submitted its report on 26 June 2012 and subsequently, on 8th August 2013, the Rajya sabha as well gave its consent and after receiving the assent of the President, it became the Companies Act, 2013.

The changes that have been brought out by the code in this act have far reaching effects in the manner in which corporates in India operate.

Object of the act

The object behind the act and the change made to it has always been to keep the law on track with changing needs of the corporate world and to assist in their regulation and governance.

Although various futile attempts were made to bring in changes, the process geared up only after the year 2012 and since then has been functioning beautifully.

Section2(23): Defines Company Liquidator in relation to winding up as a person appointed by-

- The tribunal in case of winding up by the tribunal or
- The company or creditors in case of voluntary winding up

From a panel of professionals maintained by the Central Government under subsection (2) of section 275.

Post amendment, it redefined Company Liquidator as a person appointed by the tribunal as the company Liquidator in accordance with the provision of 275 for the winding up of the company under this act.

Section 8 (9): Remaining asset after winding up/ dissolution

If on the winding up or dissolution of a company registered under this section there remains, after the satisfaction of its debts and liabilities, any asset, they may be transferred to another company registered under this section and having similar objects, subject to such conditions as the Tribunal may impose, or may be sold and proceeds thereof credited to the Rehabilitation and Insolvency Fund formed under section 269.

Post amendment the Replacement of the funds, the assets which remained after the satisfaction of the debts which were earlier transferred to the Rehabilitation and Insolvency Fund formed under section 269 with Insolvency and Bankruptcy Fund formed under section 224 of the Code.

Section 66 (8): Name of Creditor not entered into the list of creditors

Prior to the amendment, when the name of a creditor who was entitled to object to the reduction of share capital, due to his ignorance of the proceedings regarding the same has not been entered into the list of creditors and after such reduction, the company is unable to pay the amount of his debt or claim…. has been changed to the terms that if the company commits a default within the meaning of section 6 of the Insolvency and Bankruptcy Code 2016, in respect of the amount of his debt or claim.

Section 77 (3): Charge created by the company

This section states that with respect to no charge created by a company shall be taken into account by the liquidator or any other creditor unless it is registered under section (1) of the act and a certificate of registration of such charge is given by the registrar under sub section (2).

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[10] The Limited Liability Partnership Act, 2008, section 64(C) – A LLP may be wound up by the tribunal

a) If LLP decides that LLP be wound up by Tribunal

b) if, for a period of more than six months, the number of partners of LLP is reduced below two,

c) If LLP is unable to pay its debts;

d) If LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order

e) If LLP has made a default in filing with the Registrar the Statement of Account and solvency or annual return for any five consecutive financial years or

f) If the Tribunal is of the opinion that it is just and equitable that LLP be wound up.

Post amendment, the word liquidator has been qualified by the liquidator appointed under the Companies Act or the Insolvency and the Bankruptcy Code, 2016 as the case may be.

Implication: Now, even the liquidators appointed under the code have also been included which means that the jurisdiction of the term ‘liquidators’ has been widened as per the requirements.

Section 230 (1) has also undergone under the same changes where the definition of Liquidator has been widened to include the liquidators appointed under the code where a compromise or arrangement is proposed.

The same amendment has also been made to section 230(6) which talks about a meeting held in pursuance of sub section (1).

Section 117(3)(f): application of the provision of this section

Before the amendment took place, the provisions of section 117(3)(f) applied to resolutions which required a company to be wound up voluntarily passed in pursuance of section 304.
The amendment here has replaced the usage of section 304 to section 59 of the code which talks about the voluntary liquidation of the corporate persons.

Section 224(2): increased the scope of winding up of companies

In the Companies Act 2013, an addition has been made to section 224 (2) wherein only companies under the ct who were liable to be wound up have now been extended to include the companies under the Insolvency Code as well.

Chapter 19: Revival and rehabilitation of sick companies

A total of 17 sections have been omitted by the code.

Implication: This chapter, after being omitted by the code has repealed the Sick Industrial Companies Act

Section 271: Circumstances under which company may be wound up by Tribunal

The clauses a) which dealt with the company is unable to pay its debt and d) which talks if the tribunal has ordered winding up of the company under chapter 19 have been omitted by the code.

After amendment it states that a company under section 272 may be wound up by the tribunal if it has acted against the sovereignty and integrity of the country or if an application has been made by the registrar or any other person authorised by the central government or fi the company has made a default in filling with the registrar its financial statements or annual returns for immediatel preceding five consecutive financial years or if the tribunal is of the opinion that it is just and equitable that the company should be wound up.

275(2): Appointment of provisional liquidators

The companies act 2013 provided for the appointment of provisional liquidators from amongst the panel maintained by the Central Government of CA, Advocates, CS, CWA, or such other professionals.

After the amendment, the list of such professional has been substituted by the appointment of the liquidators from amongst the insolvency professional which have been registered under the code.

Implication: the list ha been now narrowed and the options to choose from are limited.
Section 343 (1) has been substituted by-

The Company Liquidator may, with the sanction of the Tribunal, when the company is being wound up by the Tribunal,—
(i) pay any class of creditors in full;

(ii) make any compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging themselves to have any claim, present or future, certain or contingent, against the company, or whereby the company may be rendered liable; or

(iii) compromise any call or liability to call, debt, and liability capable of resulting in a debt, and any claim, present or future, certain or contingent, ascertained or sounding only in damages, subsisting or alleged to subsist between the company and a contributory or alleged contributory or other debtor or person apprehending liability to the company, and all questions in any way relating to or affecting the assets or liabilities or the winding up of the company, on such terms as may be agreed, and take any security for the discharge of any such call, debt, liability or claim, and give a complete discharge in respect thereof.

Section 370: execution against property (Proviso)

The execution shall not against any property or persons of any individual member of the company but, in the event that the property of the company is not sufficient to satisfy the decree/order/judgement, it would be valid to wind up the company.

The amendment to this section has altered the point of winding up of the company to deal with it as per the provisions of the code.

Section 372: Staying and restraining suits and other legal proceedings

The provisions of this act with respect to staying or retraining suits and other legal proceedings before the time after the presentation of a petition for winding up shall, where it extends to the case of a company registered under this act extend to suits and any other legal proceedings against any contributory of the company.

The amendment to this section only includes the Bankruptcy and Insolvency code 2016 as an addition to it.

Section 419(4): substituted

The section substituted directs the Central Government to establish such number of benches of the tribunal as it may consider to exercise jurisdiction, powers and authority conferred on the tribunal by or under Part 2 of the Insolvency and Bankruptcy Code, 2016.

Section 434: Substituted

This section entails about the transfer of all matters pending before the Board of Company Law Administration immediately to the tribunal and it shall dispose such matters in accordance with the provisions of this act and all this will only be done after the government has notified as such.

Sections Omitted
- 275 (4)
- 289
- 304 to 323
- 325
- 323 (2)(3)(4)

Sections Inserted
- Section 2 (94A) “Winding up” means winding up under this Act or liquidation under the Insolvency and Bankruptcy Code, 2016.
- 327 (7): Sections 326 and 327 shall not be applicable in the event of liquidation under the code.

PART THREE

CONCLUSION

The IBC picturise the “creditor in control” incumbency with the financial creditors in exercising the control through the IPs in the event of single default repayment of loan.

Key facets of IBC:
- It proposes the shift from the regime ”debtors in possession to the incumbency “creditors in control”.
- It aims at consolidating all the existing laws and negating the overlapping effect of them.
- The code focuses on the resolution of the insolvencies in the time-bound manner ,i.e., all the revaluation to be completed in the span of 180 days.
- It is defines the ‘order of priority’ which is also called the waterfall mechanism. The waterfall to render the government dues junior to most other is significant.[11]
- Establishment of the INSOLVENCY BOARD and introduction of the efficient insolvency professionals(IPs) as the intermediaries to supervise the procedure.

[11] http://www.ey.com/Publication/vwLUAssets/ey-the-insolvency-and-bankruptcy-code-2016-an-overview/%24FILE/ey-the-insolvency-and-bankruptcy-code-2016-an-overview.pdf

GST AND OTHER FINANCIAL REFORMS

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 49-53

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ABSTRACT

Goods and service tax (GST) is globally known as VAT or a national level VAT (Value Added Tax). It has been introduced in 160 countries of the world. To remove cascading effect of taxes and provide a common nation-wide market for goods and services, India is moving towards the introduction of Goods and Services Tax (GST). Most of the countries have a unified GST system but some countries like Brazil and Canada are following a dual system of GST where tax is levied by both the Union and the State governments. GST system was firstly introduced in France in the year 1954. The standard GST rate in most countries ranges between 15-20%. Most of the sectors are taxed except for few exemptions.

It has been officially known as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, proposes a national Value added Tax to be implemented in India from June 2016. “Goods and Services Tax” would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. Goods and services tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services adhering to the destination.

Thus the research paper starts with the existing issues faced by the industry under service tax laws and based on the available information in the public domain and the issues faced captures the issues which need to be addressed from a financial industry perspective for GST. Further the paper has analyzed data collected from research articles and information for global practices for similar issues and data collected through interview and questionnaire from people in the field.

The main objective of the paper is to discuss the global scenario of GST. The paper also evaluates the rationale of GST in India. The paper is divided into three sections. It discusses the methodology, objective and concepts of GST and also deals with the global phenomenon of the tax.

Currently, the indirect tax system in India is complicated with overlapping taxes levied by the Centre and the State separately. Thus the GST will facilitate a uniform tax levied on goods and services across the country.

INTRODUCTION

India has seen a number of tax reforms in the past two decades. The Goods and Services Tax(GST) is one of the biggest taxation reforms in the history of Independent India that shall change the face of the tax system of the nation. The primary idea behind this move is to replace a multitude of existing taxes in the form of value-added tax, service tax, excise duty and sales tax by levying a single integrated and comprehensive tax on the manufacture, sale and consumption of goods andservices in the country. The tax reform is expected to unite India economically by removing different taxes levied by different entities at different points. GST is a tax on

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goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's/ service provider's point up to the retailer's level where only the final consumer should bear the tax.

A Dual GST system has been proposed where both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

The GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits from the producer's point and service provider's point up to the retailer's level. It is essentially a tax only on value addition at each stage, and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services as available for set-off on the GST to be paid on the supply of goods and services. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

The salient features of the proposed model are as follows:

1. Consistent with the federal structure of the country, the GST will have two components: one levied by the Centre (hereinafter referred to as Central GST), and the other levied by the States (hereinafter referred to as State GST).
2. The CentralGST and the State GST would be applicable to all transactions of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.
3. The Central GST and State GST are to be paid to the accounts of the Centre and the States separately.
4. Since the Central GST and State GST are to be treated separately, in general, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST. The same principle will be applicable for the State GST.
5. Cross utilization of ITC between the Central GST and the State GST would, in general, not be allowed.
6. The administration of the Central GST would be with the Centre and for State GST with the States.
7. The taxpayer would need to submit periodical returns to both the Central GST authority and to the concerned State GST authorities.
8. Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax facilitating data exchange and taxpayer compliance. The exact design would be worked out in consultation with the Income-Tax Department.

Objectives of Study

The research study aims to do a comparative analysis on Model of Indian GST with others countries i.e. comparative of model, structure, collection of tax, valuation, chargeability etc. Accordingly the research objectives for this study are:

Objective 1:To examine the applicability of GST in India and outside India

Objective 2: Observe the relationship between tax structure of Indian GST and GST of others

Objective 3:Observe the effectof GST on the Economy of India and other countries.

Objective 4: Observe the effect of GST on chargeability in India and outside India

Rationale of study:

1. Relevance for Corporate Community
2. Relevance for Investment Community
3. Relevance for Academicians and Researchers
4. (IV) Relevance for Government
5. Relevance for Industry

Research Methodology

Data collection: The data are collected from many sources like government reports, newspapers, magazines and websites. The data are secondary and collected on the basis of convenient types of research. The data collected and shorted started from the year 2000 to the year 2015.

Research design: There are many of variability found in-between the data collected from the year 2000 to 2015. There are direct variable and indirect variable affect the result of the study.

Direct variable: The direct variables are basically the indirect taxes like sales tax, service tax, VAT tax, and excise duty are going to directly affected by the GST.

Indirect Variable: In this study the constitution of India, GDP of India and planning commission are term as indirect variables. The constitutional amendment is required for the government to pass the GST bill in India. For the constitutional amendment it is necessary for the government to at least get the two third support from both of the houses.

GLOBAL SCENARIO AND GST

More than 150 countries have introduced GST/ National VAT in some form. It hasbeen a part of the tax system in Europe for the past 50 years and is the preferred form of the indirect tax in the Asia-Pacific region. There are different models of GST currently in force, each with its own peculiarities. While country such as Singapore virtually taxes everything at a single rate, some countries have more than one rate (a zero rate, certain exemptions and higher and lower rates). In some countries it is recoverable only on goods used in the production process and specified service. The standard GST rates in most of the countries ranges between 15-20% which is shown in the Table. In Scandinavian countries (North Europe) where social security coverage is higher, it ranges between 22-25 percent.

GLOBAL GST RATES

Country	Standard Rate	Country	Standard Rate
Austria	20	Greece	18
Belgium	21	Argentina	21
Portugal	19	Chile	19
Ireland	21	Spain	16
Poland	22	Romania	19
France	19.6	Luxem-bourg	15
Germany	16	Netherland	19
Australia	10	Columbia	16
Barbados	15	Japan	5
Canada	7	Mexico	15
Botswana	10	Latvia	18
Zambia	17.5	Norway	25
Denmark	25	UK	17.5
Sweden	25	Maldova	20
Finland	22	Indonesia	10
Italy	20	China	16
Switzer-land	7.6	South Africa	14

In India, the standard rate of excise duty is 16% on manufacture's sale price. In addition there is a State VAT at 4% and 12.5, at a lower end with 4% VAT it works out to 13.5%. It is feasible to fix tax neutral GST rate of 20% (less if existing duty exemptions are reduced) covering both Central and State's revenue share[1]. "They (European countries) have kept the standard rate at 15 per cent and there is a band which ranges between 15 per cent and 25 per cent. So, there is flexibility, which we were also demanding. Also, there is a reduced rate of five per cent. They also have exemption thresholds[2]".

Review of Literature:

Dr. R. Vasanthagopal (2011), The author has studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009), The author has studied, "Goods and Service Tax Reforms and Inter governmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014), The author has studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

[1] The associated chambers of Commerce and Industry of India, GST: Imperative for economics Growth-GST road map, New Delhi Jan 2007

[2] Business Standard Tuesday, Sep 27, 2011 Pg 6

Pinki, Supriya, Kamma and Richa Verma (July 2014), The authors have studied "Goods and Service TaxPanacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Garg (2014), The author has studied impact of GST (Goods and Services tax) with a brief description of the historical scenario of Indian taxation and its tax structure and discussed the possible challenges, threats and opportunities that GST brings to strengthen our free market economy.

Shah (2014) The author has studied the objectives of proposed GST and discussed the possible challenges, threats and opportunities that GST bring before is to strengthen our force marked economy.

Saravanan Venkadasalam (2014) The author has studied the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Philippines and Thailand show significant negative relationship with their nation's development. Meanwhile, Singapore shows a significant positive relationship.

CONCLUSION

In our point of view, we conclude that GST should be implemented in such a way that both the people and the Government must be benefitted. As GST replaces all indirect taxes, the revenue which the government earns from these will reduce. And the burden of the people reduces to a great extent. But, when the Government's revenue decreases, it tends to increase the rates of other taxes(i.e., direct taxes such as income tax, wealth tax, property tax etc.,) and even the prices of other goods which in turn will increase the burden of the people. So there must be a tax rate which is beneficial to both(i.e., people and the Government).The procedures are also simple and easy to understand for everyone so that the tax evasion will reduce. So, according to us, GST must be implemented in India. The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 15%-30%.As India is a federal republic GST would be implemented concurrently by the central government and by state governments

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GOODS AND SERVICE TAX ACT, 2017: THE TRUTH BEHIND THE VEIL

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 54-60

We Shape Futures

Mansi Shukla
Banasthali Vidyapith.

ABSTRACT

Too often we disparage a thing because it is not perfect. But eventually we learn that even with the imperfections the thing is better than those we use. There is no better, or more ironic, illustration to this than the recently launched Goods and Services Tax (GST). A unified GST is certainly economically efficient in a way that it not only simplifies the indirect tax structure to one general rate which reduces the compliance cost for taxpayers but also makes it uniform across the states. Moreover, it is a self-collecting tax. Yet, GST is not just a tax change because it would change the entire financial setup of the country which will have a far-reaching impact on businesses and other economic activities. The number of businesses, which are quite large in the country, have to bear the burden of being the first and foremost stakeholder of GST. Their first struggle is to withstand firmly with the change brought by the GST and then sustain themselves with its complications. The second big stakeholders are the Governments functioning both at the centre and the state. GST has defined the financial relations between the state and the centre in a whole new horizon. But, the consumer narrative of the GST is just presumptive. Though GST brings with itself the business and market reforms like never before but the meeting point of benefits from GST and the pockets of the common man will still be a long journey. Consumers can only wish well to businesses and governments on their compliance and revenue endeavors. The argument of GST being over-simplified and consumer-centric is just the government`s way for scripting a rosy story out of a complicated reform. Even if we are to assume that GST would bring bulk savings to business, the common man or the consumer would be benefited only when there is a fall in tax rates, which the government is unlikely to bring in the near future. Because, cutting off the already high GST rates would mean a step towards revenue dampener. GST comes with the logo of "Sarva Vyaadhi Nivaarini" i.e., a cure for all ailments but it would be unrealistic to expect a "flawless" GST. Still the fact that the implementation of GST has the potential to be as transformative for India's economy as the Interstate Commerce Act was for the United States, which unified America's fragmented domestic markets and helped propel it to become the largest economy in the world cannot be denied completely.

INTRODUCTION

Taxation is an important subject when it comes to governance because the major portion of revenue of the state comes from taxation itself. In a federal state like India, where levels of government is divided into Union, State and local, the power to levy taxes is also well mentioned and clearly divided as per the Constitution. The Constitution ensures that for the effective working of the whole system there is, co-operation and coordination between the federating units of the government. For the sound finance management of the country the part XII of the constitution provides elaborated provisions. The Constitution not only provides power to levy taxes but also imposes restrictions on the same. An important restriction on this power is Article 265 of the Constitution which states that "No tax shall be levied or collected except by the authority of law." The Indian Constitution contains two lists that indicate the tax powers of both the Union and State governments. Sanjaya Basu (1993)[1] , the Constitutional structure has been so evolved that it is the State Governments which have been burdened with a bulk of developmental work, apart from the provision of infrastructure and welfare, while their control on fiscal resources has weakened.

The Union list consists of taxes on income other than agricultural income, taxes on capital values of the assets of individuals and companies, excise duties except on alcohol liquors and narcotics, estate and succession duties on non-farm property, customs duties, corporation tax, taxes on railway fares and

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freights, terminal taxes on goods or passengers, taxes on transactions in stock exchanges and future markets and rates of stamp duty on bills of exchange etc., taxes on sale or purchase of land, advertisements in newspaper; taxes on interState sales and any other tax not specifically mentioned in either the Union or State list of taxes. The State list of taxes includes such taxes as land revenue; taxes on agricultural incomes; succession duties on agricultural lands; taxes on mineral rights subject to any limitations imposed by the Parliament; taxes on consumption and sale of electricity taxes on lands and buildings; taxes on the entry of goods into local area for consumption or sale; excise duties on alcohol, opium etc., taxes on sale and purchase of goods other than newspapers; taxes on advertisements other than advertisements in newspapers;; taxes on passengers or goods carried by road or inland waterways; capitation taxes; taxes on luxuries including entertainments, betting and gambling; vehicles tax and taxes on animals and boats etc. Apart from these sources of revenues, the States can also undertake borrowings from the Union Government, from the Reserve Bank of India and from the market after due permission of Union government.

Taxes are not new to the Indian economy. The books of Manu, Kautilya, etc. also have descriptions about the King or the state imposing taxes. The tax system like the law system keeps on changing and evolving on experiences. Many taxes may come into existence or may lose their existence. For eg: Now in our country Wealth Tax will be abolished & a 2% surcharge would be levied on the super rich. The past 15 years have been a period of tremendous reformations of the Indian taxation system. Simplification of the different laws of taxation, evolving more effective mechanisms to collect the taxes, rationalization of the tax rates are all part of reforms of taxation system. But the reform like no other, the like of which the country has never ever witnessed was the GST REFORM!

1. THE GOODS AND SERVICE ACT, 2017:

The One Hundred and Twenty Second Amendment Bill of the Constitution of India, officially known as The Constitution (One Hundred and Twenty Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 July 2017. GST has been a long awaited reform, dream of which started approximately 18 years back. GST was not a simple reform to bring in. It was hard nut to crack not only in terms of complexities it had but also in terms of getting the political atmosphere and consensus over it. GST has been marketed by the government as "Ram Vand" or "Sarv Viyadhi Nivaran". As, it is believed to have an over throwing impact over corruption and tax evasion. It does not make any difference in goods and services with the point of view of taxation. It also provides full credit for input tax. It is a consumption based tax. The outer picture no doubt looks very pleasant but nobody can give the inner reality until we have lived it, because rest everything is going to be an assumption. For ex: People use to claim that now filing GST returns would be easy but the practical truth that came out was that in a month filing at least three GST returns is not only tiresome but is also complicated even for those being trained by the government for the same purpose. So judging out whether it's a good or a bad reform would be the matter of time. But prior to this we should try to understand GST.

1.1 The Concept of GST :

The Goods and Services Tax, GST is implemented with the aim to bring, ONE NATION ONE TAX. It applies over the class of indirect taxes, such as VAT, customs duty, Excise, CST, Service Tax, Entertainment Tax abolishing them to bring one single tax called the Goods and Service Tax which will be a comprehensive indirect tax levied over manufacturing, sales and consumption of goods as well as services at the national level. GST has consolidated all indirect tax levied into a single tax, except customs (excluding SAD) which has replaced multiple tax levies, overcoming the limitations of previous indirect tax structure, resulting in efficiencies in tax administration. The major change brought in by the GST is the change in the tax Incidence which previously was the point of origin instead of the current point of sale.

Simply putting into words, goods and services tax is a tax levied on goods and services imposed at each point of sale or rendering of service. It is an indirect tax in lieu of tax on goods (excise) and tax on service (service tax). For GST there is no point of difference between goods and services when it comes to taxation. It is just like State level VAT which is levied as tax on sale of goods. GST is a national level value added tax applicable on goods and services which would apply on:

- Every person who supplies goods and/or services of value exceeding Rs 20 lakh in a financial year. (Limit is Rs 10 lakh for some special category states)..GST must be paid when turnover exceeds Rs 20 lakh (Rs 10 lakh for some special category states). There is a compulsory registration for these.

- To any person making inter-state taxable supply of goods and/or services
- Every e-commerce operator.
- Every person who supplies goods and/or services, other than branded services, through e-commerce operator.
- Aggregators who supply services under their own brand name.
- Casual Taxable Person.
- Non-Resident Taxable Person.
- Person required to deduct/collect tax (TDS/TCS).
- Input Service Distributor.
- Person supplying online information and database access or retrieval services from a place outside India to a person in india, other than a registered taxable person.
- Person required to pay tax under Reverse Charge.
- Person supplying the goods on behalf of other taxable person. (eg. Agent)
- GST does NOT apply to Agriculturists.
- GST does not apply to any person engaged exclusively in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax under this Act.
- Exports shall be zero rated.
- Supplies to SEZ will be Zero-rated.

1.2 THE COMPONENTS OF GST:

GST has three components to it:

✓ CGST: It is levied on the Intra State movement of goods and services. The revenue collected under Central Goods and Services Tax is for the Central Government. However, Input Tax Credit on it is given partly to the Centre and partly to the States as it will be utilized against the payment of both CGST and IGST. It falls under the Central Goods and Services Tax Act, 2017.

✓ SGST : It falls under the State Goods and Services Tax Act, 2017. It is levied on the Intra State movement of goods and services. The revenue collected under State Goods and Services Tax is for the State Government. However, Input Tax Credit on it is given partly to the Centre and partly to the States as it will be utilized against the payment of both SGST and IGST.

✓ IGST : IGST refers to the Integrated Goods and Services Tax which is collected by the Central Government for inter-state sale. IGST equals to CGST+SGST. IGST model envisages that the centre will levy tax at a rate approximately equal to CGST+SGST on Inter-State supply of goods & services. It is one of the 3 types of taxes and is under the Integrated Goods and Services Tax Act, 2017.

1.3 THE TIMELINE HISTORY OF GST:

The GST as stated earlier is not a fruit of one or two years. It took 18 yrs to bring this major reform. The breif timeline for GST can be drawn as follows:

- 2000: The then PM Mr Vajpayee set up a committee to draft GST Law.
- 2004: A Task Force concludes GST must be implemented to improve current tax structure.
- 2006: Finance Minister proposes GST introduction from April 1, 2010.
- 2007: CST to be phased out. Rates reduced from 4% to 3%.
- 2008: The Empowered Committee of State Finance Ministers finalizes dual GST structure to have separate levy, legislation.
- 2010: Project to computerize commercial taxes launched but GST implementation postponed.
- 2011: Constitution Amendment Bill to enable GST law introduced.
- 2012: Standing committee begins discussion on GST but stalled it over clause 279B.
- 2013: Standing committee tables its report on GST.
- 2014: GST bill reintroduced in Parliament by Finance Minister.
- 2015: GST bill passed in Lok Sabha but not passed in Rajya Sabha.
- 2016: Amended Model GST law passed in both Houses. President gives assent.
- 2017: Four supplementary GST Bills passed in Lok Sabha and approved by Cabinet. Rajya Sabha passes four supplementary GST bills. Final GST implemented on July 1, 2017.

2. LITERATURE REVIEW

➢ Akansha Khurana and Aastha Sharma(2016)[2] studied, "Goods and services tax in India- A Positive reform for indirect test system" conclude from GST will provide relief to producer and consumer by providing wide and comprehensive coverage of input tax credit set –off, service tax set-off and subsuming the several taxes.

- Poonam (2017) [3] GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed services tax. A single rate would help to maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services. The launch of GST would transform Asia's third largest economy into a single market for the first time.
- Agogo Mawuli (May 2014) [4] found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.
- Dr. R. Vasanthagopal (2011)[5] studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy.
- Nitin Kumar (2014)[6] studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

3. CROSS-JURISDICTIONAL STUDY:

Currently, there are 160 countries in the world that have implement VAT/GST.7 Out, of these 160 countries, eight are the non-members of the United Nations. And, as per the older data (which is the only data available) only 41 member states of the UNO do not implement the VAT/GST system out of 193 states in total. Of which, countries like India are no more on the list. Hence, it can be firmly established that GST is a world-wide popular as well as successful tax system. GST, is a common transactional tax type globally and the best model is said to belong New Zealand. Even the Institute of Fiscal Studies of United Kingdom considered the New Zealand GST model as the benchmark for evaluation of European VAT Directives. The following up text contains the analysis of the tax systems in major economies.-

• Canada:

In Canada, just like India there is a dual GST model established in 1991. This GST model replaced the federal sales tax imposed on manufacturers and certain licensed wholesalers at a general rate of 13.5%. The Canadian GST is applicable on supply of most goods and services, including real property and intangible personal property, and is governed by the Excise Tax Act. Even after the passage of GST model in 1991, all provinces continued with the provincial retail sales tax ('PST'), thereby having two levels of tax levied (just like our country).

There is a harmonized sales tax (HST) which is imposed in provinces that have harmonized their provincial sales tax with the GST (New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario, Prince Edward Island) and is a combination of a federal component and a provincial component (5-8%) applicable generally on the same base of property and services as the GST. In the remaining provinces, GST is imposed on taxable goods and services, along with provincial sales tax or a retail sales tax. Most goods and services supplied in or imported into Canada are considered taxable supplies, and are subject to GST at the rate of 5% or HST in the range of 13% to 15% (federal component of 5% and provincial component of 8 to 10%), with certain exceptions based on policy decisions, such as Real estate, Financial Services, Rent (Residence), Charities, Health, Education, etc.

• New Zealand:

The country got the GST in 1988. It was a comprehensive tax base which included many difficult-to-tax goods and services. In New Zealand, GST applies on most indigenous goods and services, most imported goods, and certain specified imported services at a rate of 15%. The "Goods" category includes all types of personal and real property except actionable claims, money, and products transmitted by a non-resident to a resident by means of wire, cable, radio or other technical systems. The "Services" category covers everything other than goods or money.

• The European Union:

To remove the cascading multi-stage turnover tax, The European Economic Community (EEC) adopted VAT throughout Europe. VAT was implemented to ease the cross-border transactions and facilitated the development of a common market.

The VAT Directive sets the framework for VAT structure in the EU, but leaves national governments with the freedom to set the number and level of rates they choose. They may use provisions of VAT Directives in national legislation, subject to the following basic rules:

1. Goods or services supplied in the course of business by a taxable person within the EU are subject to VAT at a standard rate not lower than 15%, unless specifically exempt.
2. EU member states can opt to apply one or two reduced rates of not less than 5%.
3. Member states may subject certain goods or services listed in Annex III of the VAT Directive, such as food, water, pharmaceuticals, books, admission to cultural/amusement/ sporting events, social services, medical services and equipment, agricultural inputs, to lower rates, including zero rates, which were in place on Jan. 1, 1991, though they cannot introduce any new rate under 5%.
4. Goods and services in the public interest, such as medical care, services linked to welfare and social security work by public entities or charitable organizations, certain education and cultural services, specific financial and insurance services, certain supplies of land and buildings, export of goods, and shipments of intra-EU supplies are exempt from VAT.

4. THE TRUTH

To mark GST as a successful or unsuccessful reform, it would be too early. But, it is undoubtedly one of the much needed reforms to not only eliminate the tax evasion and corruption but also to simplify the tax structure of the Indian Market. A simplified tax structure would not only mean easy tax collection on the hands of the government but would also increase (expected) the FDIs from the investors who were previously reluctant to invest in India due to its complicated tax structure. GST is expected to bring down the cost of the business by removing the cascading effect of taxes but might have a negative impact on the real estate market by adding up to 8 percent to the cost of new homes and reducing the demand by about 12 percent. The aviation industry might also suffer because previously they paid a tax of about 6-9 percent which I now elevated to 15 percent.

With the GST even the scope of the indirect tax has increased. Previously, the taxable events were sale, manufacture, provision of service or import but now with service being defined as anything other than goods, the scope has increased even to include immovable properties or job work transactions even the free suppliers is taxable under section 3 (1) (c) which even includes supplies between principal and agent even without consideration.

GST is also seen as the part and parcel of digital India Initiative. The compliance mechanism is also a better one because it has shifted the burden from the government to the recipient of supplies as the GSTN system would match the details of tax paid by the supplier to the details of credit claimed by the recipient. In case the recipient claims excess credit, it shall be disallowed automatically till the time the return is rectified. This way system motivates the recipient to keep a check on his supplier. The compliance is more effective in a way that it has not only replaced the multiple levels of indirect tax but is also backed with a robust end-to-end IT system. GST will be high revenue efficient because of the decrease in the cost of collection of tax revenues of the Government. The other positive impacts of GST includes the reduced compliance cost owning to the uniformity in tax rates and procedures across the country.

4.1 Key Findings

Some of the key findings of the paper can be summed up as **:-**

- The compliance mechanism is a better one in which the recipient keeps a check on the supplier.
- The three pillar of any financial setup includes: The Government, The Running Businesses and The Consumers. But in GST the consumers as a beneficiary remain neglected.
- The filing of GST returns is a tiresome as well as hectic job for which people still lack proper training. Filing returns is mandatory, even if there is no transaction person need to file a nil return. And, you cannot file a return if you haven't filed previous returns. Therefore, late filling of returns can lead to heavy fines and penalty. This was to serve as deterrent effect for tax evasion but has become a stress point because the people are not able to file the returns sometimes due to the low serve or some other technical issues.
- Many people got their Digital Signature by

paying quite an amount but are still unable to use them owning to the technical problems with the GST site.

- GST as a helping hand concerns itself more with big fishes in the market rather than small ones. Since the proposal is that companies with a turnover of Rs 20 lakhs and 10 lakhs in North-East India (previously which was Rs 1.5 crore) will have to pay GST, it means many small companies will end up to paying excise (or value-added) taxes. The big companies will benefit, as they will now get deductions on the taxes paid by their small suppliers. Since the initial GST rate could be anywhere from 15-25 percent (depending on what is left out of its ambit), that's a huge tax bite for the small companies and businesses.
  For ex: The key beneficiaries of GST will be sectors such as batteries, footwear, plywood, electrical appliances, ceramics, adhesives and paints, where the unorganized sector accounts for 35-70 percent of total market size.[8]The latter's loss will be the gain of their competitors in the organized sector. This is why a number of big companies saw their share price jump, reports ET[9].
- When Sweden charged a fraction of a percentage point on futures contracts at one point and turnover dropped 90% or so. Therefore, charging a rate of 14% or 18%, on the nominal value of a futures contract is not at all a good idea.
- And, moreover if the unorganized sector is going to lose some of its competitive edge initially, it means there will be pressures for layoffs in companies that can't compete as a result of GST implementation. In the short run, GST may end up costing jobs till the smaller companies learn to compete. And small companies are the biggest job creators anywhere in the world.
- The Indian market which already has the lowest insurance penetration will now have insurance products even more dearer along with the aviation and real estate market drops.
- Job work transactions and stock transfers, being taxed under GST, will effect production outlay
- GST more or less equalizes taxation across products, and hence may be iniquitous. For example, currently centre and states can levy higher taxes on luxury goods and services (five-star dinners, cars above a certain size) and this is fair. Once GST kicks in, all goods and services may end up paying the same tax owning to faulty categorization which is against the basic tenets of taxation of taxing the rich more and the poor less.
- Costlier Service – The current Service Tax stands at 15% as of now which will increase to 18%-20% when GST is levied. As such many services will be on the costlier side with telecom, airline and banking affected majorly.

4.2 SUGGESTED REFORMS:

The following can be the measures against the practical problems the current GST model faces:

- There are a number of technical defaults that the government needs to take care of. First of all is the slow process of the GST site. To file at least three returns in a month is a hectic job in itself and the slow processing or the non-availability of the site due to down server adds to the pain of the people. And immediate steps should be taken to rectify this.
- The registration process is not only complicated but it is also very harsh in the sense that once registered it cannot be revised. So, the government can make it a bit flexible.
- The training in filing the returns of GST lacks even in government trained people. So, the government should hold workshops for some earlier months to train people in filing.
- Moreover, once a return is verified it cannot be rectified even for a mistake which would not only impact the current return but would also impact the future return. So, arrangements to rectify a return in case of mistake should be made.
- The number of returns in a month can also be reduced because as the number goes high the CA fee also increases.
- The GST percentage could have been lower because higher rates of GST might hamper the economic growth rates.

5. CONCLUSION

GST would bring up many colors in the pictures of Indian market. It is undoubtedly the greatest tax reform of the country which has not only simplified the tax collection both for the payer and the government collecting it but has and will benefit the economy in numerous ways. It will inculcate in the system of tax collection the much needed simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services. The e-filling of GST returns and IT back would be a re-boost to the digital India initiative too. But the GSTN (Goods and Service Tax Network Company) which was incorporated on March 28, 2013 is yet to provide more reliable, efficient and robust information technology backbone for more effective functioning of GST.

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INTERPLAY BETWEEN GST AND INTERNATIONAL TRADE PRINCIPLES IN THE INDIAN CONTEXT: AN ANALYSIS

Asia-Pacific Journal of Management Research and Innovation
6 (1 & 2) 61-66

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INTRODUCING GST IN THE CONTEXT OF INTERNATIONAL TRADE IN INDIA

The new regime of indirect taxation- the Goods and Services Tax (GST) in India stemmed from the object of creating a seamless national market with an overall harmonious structure of rates to increase the ease of doing business. Under the old system in India, there were as many markets as there were States and Union Territories, each levying a different rate of VAT according to their own statutes. The GST was considered the logical next step after VAT taxation regime. It replaced multiple cascading taxes levied by the central and state governments. Introduced in the 122nd Constitution Amendment Bill, 2014, it became the Constitution (One Hundred and First Amendment) Act, 2016[1] when passed. The GST is governed by a GST Council whose Chairman is the Finance Minister of India.[2] Under GST, goods and services are taxed at a number of rates such as 0%, 5%, 6%, 18%, 28%.[3] While a wide impact is noticed across all fields and sectors, this paper focuses on the specific aspect of international trade.

International trade in India is governed by the Foreign Trade Policy (FTP) which is aimed at enhancement of the country's exports and the use of trade expansion as an effective instrument of economic growth and generation of employment.[4] The FTP regulated by the Department of Commerce is India's primary economic policy when it comes to international trade. Hence, Part I of this analyses the ground reality of taxation in relation to international trade and how it is affected because of the revamping of the taxation through implementation of the GST. The scheme of GST that has been implemented in India is different from the scheme of GST that is seen in the other nations. Through a comprehensive comparative analysis of the other jurisdictions where the GST has been applied, Part II of the paper deals with what the policies of the World Trade Organisation (WTO) advocate, and whether the Indian GST is in contravention with those policies.

PART I: THE GROUND REALITIES OF TAXATION IN INTERNATIONAL TRADE

Since the international trade in India takes place in accordance with the FTP, first, the policies laid out by FTP are explained. Then, the effective changes due to the roll out of GST w.e.f. June-July 2017[5] will be explained and subsequently, the ramifications of the same shall be analysed.

A. THE FOREIGN TRADE POLICY OF INDIA

India's FTP is also known as Export Import Policy (EXIM Policy) and is aimed at developing

[1] The Constitution (One Hundred and First Amendment) Act, 2016available athttp://lawmin.nic.in/ld/The%20Constitution%20(One%20Hundred%20and%20First%20Amendment)%20Act,%202016.pdf (last accessed 26.09.2017).

[2] India Const. art. 279A.

[3] *GST Rate Schedule For Certain Goods[As per discussions in the GST Council Meeting held on 3rd June, 2017]*, Central Board of Excise and Customs, Department of Revenue, Ministry of Finance, Government of India available athttp://www.cbec.gov.in/resources/htdocs-cbec/gst/chapter-wise-rate-wise-gst-schedule-03.06.2017.pdf (last accessed 26.09.2017).

[4] Foreign Trade Policy Statement, Directorate General of Foreign Trade, Ministry of Commerce available athttp://dgft.gov.in/exim/2000/FTPstatement2015.pdf (last accessed 26.09.2017).

[5] Notification No.01/2017 dt.19.06.2017, Notification No.09/2017 dt.28.06.2017, Notification No.13/2017 dt.28.06.2017, Central Board of Excise and Customs, Department of Revenue, Ministry of Finance, Government of India available athttp://www.cbec.gov.in/htdocs-cbec/gst/central-tax-notfns-2017 (last accessed 26.09.2017).

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export potential, improving export performance, encouraging foreign trade and creating favourable balance of payments position. It is regulated by the Foreign Trade Development and Regulation Act, 1992 which replaced the Imports and Exports (Control) Act, 1947. Thus, the FTP controlled by the Directorate General of Foreign Trade (DGFT) provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from India.

The objectives of FTP are broadly, the regulation and management of imports and the promotion and management of exports. The Government of India notifies the FTP for a period of five years.[6] The current policy (2015-2020) introduced the two significant schemes of Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) which reduce export obligations by 25% and give boost to domestic manufacturing.[7] The schemes are available for SEZs also. The obligations are reduced by providing incentives and subsidies to e-commerce exports, agricultural and village industry products, business services, hotel and restaurants; and also reduced obligation by 75% under the Export Promotion Capital Goods scheme.[8] Thus, the schemes provide for promotion of exports so that the field can be levelled for the domestic competitors in the international market.

B. Impact of GST on FTP

The GST with the motto of 'one tax, one nation' created problems for the customs and the FTP space, since, the space functioned on 'exemptions' driven customs duty structure and 'loose engagement' with domestic transaction taxes like VAT. The FTP of 2015-2020 further extended the benefits available under EPCG to domestic procurements and offered them more products under MEIS in a bid to incentive the exports.[9] Under the IGST[10], however, it was sought to ensure that minimal exemptions are provided.

Further, tighter engagement between customs and GST on international supply chain which extends and integrates with domestic supply chain was sought to be established. Thus, to resolve and reconcile the GST and FTP in lieu of the contrasting functions of both, in which one provided exemptions and one sought to streamline, the DGFT rewired the FTP with a notification dated 30.06.2017.[11] Through this, the customs processes, documentation and reporting requirements were reworked to fit in the GST compliance scheme.

The impact of change in the indirect tax regime due to GST on exports and imports will be as follows: "*On the imports side there would be no impact on levy of Basic Customs duty, Education Cess, Anti-dumping duty, Safeguard duty and the like. However, the Additional duties of Customs, which are in common parlance referred to as Countervailing Duty (CD) and Special Additional duty of Customs (SAD), would be replaced with the levy of IGST, barring a few exceptions. On the exports side, export would be treated as zero-rated supply. Under zero-rated supply IGST paid on export goods or the input tax credit proportionate to the goods and services consumed in goods exported under bond /LUT would be refunded.*"[12]

The change in FTP was aimed to realise the vision of 'one supply chain, one credit chain'. Thus, instead of using the duty creditscrips under FTP, it was said that the exporter would instead get exemption from the payment of GST on the final product and get refund of GST paid on inputs, especially for zero-rated supply[13]. The Advance Authorisation holder, under the same principle would have to pay IGST at the time of imports, and later take a refund from Input Tax Credit (ITC).[14] Further, an EOU would have to pay the applicable GST on the import or domestic sourcing of inputs (goods or services), without getting duty free supplies from the domestic market as it got earlier.

C. Implications of Reworking of the FTP

Since the withdrawal of exemptions in line with the GST policy to allow minimal exemptions will challenge the attractiveness of schemes under the

[6] Foreign Trade (Development and Regulation Act), 1992.

[7] FTP Statement, supra at note 4.

[8] EPCG Scheme, Directorate General of Foreign Trade, Ministry of Commerce available athttp://dgft.delhi.nic.in/dgftcla/PDF/EPCG.pdf (last accessed 26.09.2017).

[9] FTP Statement, supra at note 4.

[10] The Integrated Goods and Services Tax Act, 2017.

[11] Trade Notice No.11/2018dt.30.06.2017, Directorate General of Foreign Trade, Ministry of Commerce available athttp://dgft.gov.in/Exim/2000/TN/TN17/Trade%20Notice%20No.11%20dt.30.06.2017.pdf (last accessed 26.09.2017).

[12] Guidance Note for Importers and Exporters, Department of Revenue available at http://www.cbec.gov.in/resources//htdocs-cbec/guidnce-note-imprtrs-exprtrs.pdf;jsessionid=64B4B7C8DC1C02885DFAB663533AAA5E (last accessed 26.09.2017).

[13] The Integrated Goods and Services Tax Act, 2017.

[14] CGST Rules 2017, DGFT Trade Notice No.11/2018 dt.30.06.2017, supra at note 11.

FTP such as EOU, STP, Advance Authorisation under EPCG etc, the FTP was aligned to work with the provisions of GST before it was rolled out. Accordingly, as explained above, no *ab initio* exemptions were allowed, instead ITC was required to neutralise the effect of tax to be paid. Also, the duty drawback would be limited to the Basic Custom Duty (BCD) only.

However, since the attractiveness of the schemes was challenged, with the exporters registering complaints of reduced utility of duty credit scrips, it was proposed by the Ministry of Commerce that a mid-term review of FTP be done, however, the proposal is yet to materialise.[15] It has been seen that the jurisdictions where GST was implemented, saw a jump in exports. For instance, New Zealand implemented GST in Calendar Year (CY) 1986 and saw an increase in export from $5,880 m. in CY1986 to $7,195 m. CY1987, a growth of 22.36%. Similarly, Australia which implemented GST regime in CY2000 saw a growth of exports at a CAGR of 7.9% from $63,870 m. in CY2000 to $86,565 m. in CY2004. In India, it has been perceived that the Export Promotion Schemes need to be streamline. Since the ground reality of foreign trade in India and how it takes place (under what principles and policies) is not under any doubt, in Part II of this paper, the aspect of how the implementation of GST in the foreign sector contravenes the WTO Agreement is analysed.

PART II: Contravention of National Treatment Principle Advocated by the WTO Agreement

The WTO is a global organization with 160 members.[16] The WTO legal system consists of 60 different agreements which have the status of international treaties; signed and ratified by states upon accession. Generally, they bind members to provide market access (reduction of tariff and non-tariff barriers to trade) and offer non-discrimination (Most-Favoured-Nation (MFN) treatment and the national treatment obligation) for goods and services in international trade. WTO law is characterized as hard law in comparison with soft law like the OECD Model Tax Convention.[17] Hard law means that the WTO, through the dispute settlement procedure, issues resolutions which are binding on the parties concerned. This makes the WTO a very influential organization which solves issues of international trade barriers including those in the tax area in a legally enforceable way.[18]

General Agreement on Trade and Tariffs (GATT): The Schedule of Member state concessions to GATT includes the bound rates or tariffs i.e. border taxes may not be higher than these ceiling tariffs. The MFN Principle and the National Treatment principle constitute the non-discrimination concepts that are a cornerstone of GATT and other WTO agreements. National Treatment principle is espoused by other WTO agreements also such as General Agreement on Trade in Services[19] (GATS) and Agreement on Trade-Related Aspects of Intellectual Property Rights[20] (TRIPS).

Now that the basis of WTO laws has been established, this part first specifically deals with the principle of National Treatment, then does a comparative analysis of the other countries where GST has been implemented, so that a scientific conclusion may be drawn to the effect and understanding of whether GST as applied in India contravenes the principles espoused by WTO.

A. National Treatment under the WTO

National treatment is a principle in international law vital to many treaty regimes. It essentially means treating foreigners and locals equally. Under national treatment, if a state grants a particular right, benefit or privilege to its own citizens, it must also grant those advantages to the citizens of other states while they are in that country. In the context of international agreements, a state must provide equal treatment to those citizens of other states that are participating in the agreement.

Imported and locally produced goods should be treated equally — at least after the foreign goods have entered the market.[21] National treatment is a basic principle of GATT/WTO that prohibits discrimination between imported and domestically produced goods with respect to internal taxation or other government regulation. The principle of national treatment is formulated in Article III of

[15] As on 27.09.2017.

[16] WTO, Understanding the WTO: the Agreements-Service (Rules for Growth and Investment) available atwww.wto.org/english/thewto_e/whatis_e/tif_e/agrm6_e.htm (last accessed 27.09.2017).

[17] Jennifer E. Farrell, The Interface of International Trade Law and Taxation: Defining the Role of the WTO, p.10.

[18] Franz Koppensteiner, "The Binding Effects of Panel and Appellate Body Decisions in WTO law".

[19] Art.17, GATS.

[20] Art.3, TRIPS.

[21] Understanding the WTO, World Trade Organisation available at http://www.wto.org/english/theWTO_e/whatis_e/tif_e/fact2_e.htm (last accessed 27.09.2017).

the GATT 1947[22] (and incorporated by reference in GATT 1994); Article 17 of the General Agreement on Trade in Services (GATS)[23]; and in Article III of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)[24]. The aim of this trade rule is to prevent internal taxes or other regulations from being used as a substitute for tariff protection.[25]

B. DIFFERENT MODELS OF GST AROUND THE WORLD WITH LENS ON THE INCIDENCE OF GST AT THE TIME OF IMPORTATION OF GOODS

- Australia

CUSTOMS DUTY: No import duty charged on the imported goods.

GOODS AND SERVICES TAX: GST is payable on most goods imported into Australia (taxable importations). GST on a taxable importation is payable by businesses, organisations and private individuals, whether they are registeredfor GST or not.[26]

- Canada

CUSTOMS DUTY: No import duty charged on the imported goods.

GOODS AND SERVICES TAX: Most goods imported into Canada are subject to the federal GST, which is calculated at the rate of 5% of the duty-paid value of the shipment. This tax must be paid at time of entry and is collected at the border, unless the goods are going directly to a bonded warehouse. In this case, the GST is collected when the goods leave the warehouse and become eligible for sale in Canada. Several provinces have combined the GST with their provincial sales taxes on various categories of goods, thus creating a Harmonized Sales Tax (HST). On most commercial imports, however, only the federal (GST) portion of the HST is applied to the sale.[27]

- Malaysia

CUSTOMS DUTY: No import duty charged on the imported goods.

GOODS AND SERVICES TAX: All imported goods into Malaysia are subject to GST. However, certain goods imported by any person or class of persons are given relief from payment of GST upon importation under the Goods and Services Tax (Relief) Order 2014.[28]

- New Zealand

CUSTOMS DUTY: Import duty is a charge that is applied to the value (usually the price paid) of some imported goods, including those ordered from the internet or overseas mail order catalogue. All tobacco and alcohol products attract duty.

GOODS AND SERVICES TAX: GST is charged on all imported goods, including mail order and internet purchases, and iscalculated on the Customs value of the item, plus any duty, plus any freight and insurance costs.[29]

- Singapore

CUSTOMS DUTY: No import duty charged on the imported goods.

GOODS AND SERVICES TAX: All goods brought into Singapore (other than exempt imports) are subject to GST at the prevailing rate of 7% on the value of goods, which includes the cost, insurance and freight (CIF) plus other chargeable costs and the duty payable (if applicable). However, *bonafide* travellers can enjoy GST relief on goods meant for their personal use depending on the time spent away from Singapore.[30]

C. The GST implementation in India and a Comparative Analysis based on the above models

CUSTOMS DUTY: A Basic Custom Duty (BCD) at the rate that varies from 4% to 50% is applied on the imported goods.

[22] General Agreement on Trade and Tariffs, 1947, Art.III.

[23] General Agreement on Trade in Services, 1995, Art. 17.

[24] Agreement on Trade-Related Aspects of Intellectual Property Rights, 1995, Art.III.

[25] CRS Report for Congress: Agriculture: A Glossary of Terms, Programs, and Laws, 2005 available athttp://www.congress.gov/erp/lists/agglossary.html (last accessed 27.09.2017).

[26] GST and Imported Goods, Australian Taxation Office available at https://www.ato.gov.au/Business/GST/In-detail/Rules-for-specific-transactions/International-transactions/GST-and-imported-goods/ (last accessed 27.09.2017).

[27] GST/HST – Imports and exports, Canada Revenue Agency available at http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/mprtsxprts/menu-eng.html (last accessed 27.09.2017).

[28] Royal Malaysian Customs, GST: Guide on Imports, 12 January, 2016.

[29] Private imports by post or courier, New Zealand Customs Service available at http://www.customs.govt.nz/inprivate/sendingitemstonz/privateimportsbypost/Pages/default.aspx (last accessed 27.09.2017).

[30] Establishing the Customs Value, Singapore Customs available at https://www.customs.gov.sg/businesses/valuation-duties-taxes--fees/establishing-customs-value-for-imports/establishing-the-customs-value (last accessed 27.09.2017).

GOODS AND SERVICES TAX: GST at the rate up to 28% would also be applicable on these imported goods.[31]

ANALYSIS

Subsequent to taking a gander at the diverse nations whose GST models have been clarified above, India stands out. The reason behind this is that India is the only nation which is charging both GST and BCD. Each and every other nation accommodates GST connected on the import in products. This unmistakably demonstrates that the contention of different nations following a comparative model of GST cannot be taken by the Indian Government. The significant imperfection which is shown in the GST model of India is that it makes imported products more costly than the domestic products as the residential products are liable to just GST.

This is a reasonable infringement of the Article III of the GATT to which India is a signatory. Article III, Clause 1 of GATT emphasizes that internal taxes and other charges, in addition toother laws, regulations or requirements which may affect the internal sale, offering for sale, purchase, transportation, distribution or use of products should not be applied so as to afford protection to domestic production. The above clause contains general standards, instead of particular commitments contained in different arrangements of Article III. Be that as it may, the general standards revered in Article III, Clause 1 go about as a managing guideline for, and educate the translation of alternate commitments contained in Article III, aside from the content of the arrangements themselves. Besides, the expression "to manage the cost of security to local creation" is likewise translated to imply that goal is not the key factor for a finding of infringement or non-infringement, accordingly dismissing the purported "point and-impact" test. Without a doubt, it is unimportant if assurance to the household business was not the expected target of the measure in light of the fact that turns out to be the actual result.[32] Therefore, the trial of a measure's consistency with Article III will fundamentally involve an extensive investigation and examination of the plan, design and whole structure and use of the measure being referred to.

As to the utilization of Article III, Clause 2[33], statute demonstrates that the extent of the first and the second sentence of Article III, Clause 2 vary generously from each other. A consolidated perusing of the content and in addition significant understandings demonstrates that a two-layered test exists so as to find out whether a measure is infringing upon Article III: 2, first sentence[34]:

- Whether the transported in results of one contracting party and the local results of another are "like items";
- Whether the transported in items are burdened "in overabundance" of the like residential item.

On an application of the above examination of the national treatment along these lines, it is very evident that the model of GST in India is in repudiation with the standards of WTO as settled upon under GATT. What's more, if the contention of authoritative aim or legislative intention is to be taken by the Indian Government then it is clear from the examination of the primary proviso of Article III that administrative aim does not assume a part in deciding if there is repudiation to the national treatment rule.

CONTENTIONS RAISED AND CONCLUSION

The contention that the GST as implemented in the current foreign trade space, violates the national treatment principle as advocated by the WTO.

Another contention that can be raised against GST is that there are sure merchandise such as dragon-fruit and other exotic fruits, mobile phones, etc. that need be imported in as there is no chance of manufacturing them in India. The authors of the paper concur that on a fundamental level it might offer motivating force to the Indian producers and the Government to find a way to diminish the imports.

The above proposition is far-fetched, because, in this way, till such an occasion happens, the shippers should pay a higher cost for the merchandise they need to purchase. In the event that these shippers are retailers, at that point this will make them raise the cost of the merchandise on their end too to pay the additional expense. This would bring about the creation of inflation in the market which in itself

[31] Indian Customs gears up for GST roll-out: Guidance Note for Importers and Exporters,Central Board of Excise and Customs available at http://www.cbec.gov.in/htdocs-cbec/gst/index (last accessed 27.09.2017).

[32] Appellate Body Report, Japan - Taxes on Alcoholic Beverages, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, pp.27-28 (1 November 1996).

[33] General Agreement on Trade and Tariffs, Art. III: 2.

[34] Appellate Body Report, Canada - Certain Measures Concerning Periodicals, WT/DS31/AB/R, pp. 22-23.

nullifies the point behind the utilization of GST model in India.

Moreover, the monetary theory underlining the Constitution of Indiais the foundation of a welfare state and a financial framework established in the satisfaction of the individual, controlled and limited dependably by the estimations of the standards of the general public in which he lived. Articles 301 to 307 manage flexibility of exchange, trade and intercourse inside the region of India subject to specific constraints.[35]

Articles 301 and 304 (a) in principle incorporate the ideas and principles elucidated in international exchange which are Local Trade Agreements or Free Exchange Agreements and national treatment. The GATT-WTO administration has set up an efficient arrangement of unhindered commerce/exchange without obstructions among nations.

National Treatment orders each part state not to treat the foreign made merchandise any less positively than locally created products after they have been transported in residential market. National Treatment is set up to counter Non-Tariff boundaries in world exchange (e.g. specialized principles, security gauges and so on.) victimizing imported merchandise.

The Articles 301 and 304(a) and subsequent articles are the combination of the two principles of Regional Trade Agreement and National Treatment. The Constitution orders that the exchange business and intercourse between every one of the states in an area of India be permitted to stream as easily as conceivable except where public interest demands otherwise. Thus, for all intents and purposes, this makes an area of India the same as a FTA zone containing all the Indian states.

Likewise the principle of National Treatment is explained in Article 304 (a) whereby the products imported in any Indian State would be given an indistinguishable treatment from the merchandise delivered/fabricated locally, along these lines not confronting any obstacle/hindrance/segregation. While there is no doubt that a contravention of WTO principles is there; the question that then arises in the minds of the authors is whether the repetition of the idea of national treatment in the Constitution of India demonstrate that the model of GST followed in India is violative of the Constitution of India itself.

[35] M.P. Jain, Indian Constitutional Law, p. 761 (Lexis Nexis: 7th ed.).

IMPACT OF GST ON SUPPLY CHAIN MANAGEMENT

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 67-72

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INTRODUCTION

The Goods and Services Tax (GST), founded on the principle of "one nation, one market, one tax", is a legislation aimed at making India a common and unified market for all states. It is a comprehensive, multi-stage, destination-based indirect taxation system that is proposed to cover all or most transactions involving value addition. By subsuming multiple layers of taxation, it aims to remove several artificial and archaic barriers to the progress and growth of commerce and trade within the nation. GST has been legislated to levy uniform taxation across goods and services, except selected products such as petroleum, alcohol and others, by implementing a multi-tiered structure.

It is projected that GST will usher in significant benefits for all stakeholders in the supply chain, including businesses and industrial bodies, central and state governments, and finally, end customers. It promises to enhance the ease of compliance in the long run, and thus reduce compliance costs even though there might be initial hiccups in the short run as millions of business players adapt to the new rules of taxation. A key benefit of the GST is also that cascading of taxes, or "taxes on taxes", will be reduced to a large extent, leading to increased competitiveness of businesses, especially those dependent on lengthy supply chains. Along with this, GST also aims to make tax administration simpler for the government as the entire system is backed by very robust IT infrastructure in the form of the Goods and Services Tax Network (GSTN). This is going to lead to better controls of leakage along the supply chain, and consequently result in higher revenue efficiency. As a result, GST is projected to increase transparency and result in reduced overall tax burden for all players in the supply chain. One of the primary means by which GST will significantly change the conduct of business operations is through its impact on supply chain management, which is the focus of this paper. This paper discusses some of the key impacts that the rollout of GST would have on supply chain management and its optimization across various industry verticals. It also provides suggestions for the consequent restructuring of the entire value chain that is projected to take place. The impact of GST on several sectors is analysed with respect to their supply chains. Finally, certain shortcomings of the GST are discussed, and suggestions to handle them are attempted.

MECHANISM OF GST

The implementation of GST will lead to the levy of a single tax on the supply of goods and services along the entire supply chain, starting from the manufacturer and going up to the final consumer. There are five GST rates applicable, ranging from 0% to 28% (specifically, the rates are 0%, 5%, 12%, 18% and 28%), depending on the nature of goods or services supplied, but these are far fewer in number than the huge number of tax rates previously existing. [1] There is also the provision of extra cess that can be applied by the government on certain items. GST will be levied only on value addition, which implies that credits of input tax paid at each stage will be available in the next stage of production or value addition. The final consumer will subsequently pay the GST as charged by the final dealer in the supply chain, and there will be corresponding set of benefits at all stages of the supply chain.

Taking in to consideration the federal structure of the India, GST has been legislated to be levied in a dual form, including Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). Both CGST and SGST will be levied simultaneously and equitably on every supply of goods and services within a state. These will be collected by the centre and states respectively. Input tax credit available on CGST and SGST can be used in the next stages for CGST and SGST liabilities respectively only, and no cross utilization is allowed. Credits thus utilized are designed to be fully fungible in most cases,

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which is a significant departure from the present system of indirect taxation, and this is expected to benefit industries significantly. In case of inter-state movement of goods, Integrated Goods and Services Tax (IGST) would be levied, and the revenue would be shared among the centre and states as per rules laid down in the legislation. IGST is also levied in cases of export and import of goods and services, and also if the supply is made to or by a Special Economic Zone (SEZ) unit.[2]

IMPACT ON SUPPLY CHAIN MANAGEMENT

The implementation of GST has been projected to have a disruptive impact in several areas of business, logistics and taxation across industry spheres, leading a potential increase of 2% in GDP of the nation in the long run. [3] One of the drastic changes that is expected to occur is a significant increase in the efficiency of logistics. Prior to the introduction of GST, it was necessary for firms to pay central sales tax (CST) on inter-state movement of goods done for thepurpose of sale. However, this tax was not levied if the movement was done for product stocking purposes. This compelled several large companies to build or maintain warehousing capacity in multiple states, to enable stocking of goods manufactured in other states, and thus avoid payment of CST. However, with the introduction of GST, several local state taxes (including multiple state VATs) and CST have been eliminated, allowing firms to design their procurement logistics with a pure focus on maximizing consumer surplus and business efficiency, and make optimal use of geographical advantages.[4] Central taxes subsumed under the GST include central excise duty, additional excise duties, service tax, additional customs duty (known as countervailing duty), special additional duties of customs, and several other surcharges and cesses. State levies subsumed under the GST include VAT/ sales tax, entertainment tax, octroi and entry tax, purchase tax, luxury tax, and taxes on lottery, betting and gambling. [5]

The hub and spoke model of warehousing and distribution can now be utilized according to the demand in various geographies, as opposed to a supply chain based on tax minimization. It is estimated that significant consolidation of warehousing capacity will occur, thus increasing capacity utilization and reducing associated operational costs, as firms no longer need to maintain warehouses or transit points in every state. Consolidation of stocking will give rise to economies of scale, and thus reduce demand variation, reduce the probability of stock outs, reduce ordering and holding costs and thus help in more efficient inventory management. Transportation route lengths are projected to increase with lesser number of warehouses, but any cost increases are due to this are expected to be offset by the reduction of costs due to lower paper work and reduced border checks. The consolidation of warehousing at central locations will also allow the deployment of cross-docking and enhanced process control, further reducing storage costs. Consequently, product costs are expected to come down and the end consumer stands to benefit.

The construction of mega logistics hubs by large shipping companies such as Container Corporation of India, Mahindra Logistics and others has already begun in Nagpur, which is India's "zero mile city", that is, the most centrally located city in the country. [6]Organizations can thus scale up their logistics and manufacturing without being trapped in multiple layers of taxation. As a result, sectors like organized retail, automobiles and e-commerce are expected to receive a tremendous boost. Transaction costs in the supply chain, which earlier formed a huge component of doing business in these businesses, is expected to reduce significantly, leading to higher efficiencies. This, along with the 'Make in India' program of the government, is projected to significantly enhance the manufacturing competitiveness of the nation as a whole.

CRISIL (formerly Credit Rating Information Services of India Limited) has estimated that even though several structural problems would remain, GST could reduce the logistics costs of companies producing non-bulk goods by up to 20%. [7] Due to high inefficiencies in transportation, logistics costs incurred in India are estimated to be twice or thrice as much compared to global standards, according to analysis carried out by the World Bank.[8] The logistics cost in India is about 13 per cent of GDP as compared to about eight per cent in western countries and about 18 per cent in China.[9]According to a 2014 government report, around three fourths of the nation's road-transport firms had a fleet of fewer than five trucks.[10] This was primarily due to border controls which restricted the seamless movement of goods. Prior to GST, trucks deployed for cargo movement would queue up for several kilometres outside state border checkpoints and toll plazas, to pay entry fees and furnish documents relating to inter-state taxes. Most aspects of such inefficiency related to monitoring cost is estimated to be reduced and eliminated by the implementation of e-way bills under GST. Multiple checkpoints will be eliminated, leading to reduction of transit time significantly. Trucks are reportedly covering more than 300km per day post GST, against an average of 200-225 km per day earlier.[11] This favours large companies which operate on a pan-India basis, and enables them to leverage economies of scale in production and manufacturing. The logistics sector is thus poised to see consolidation after the introduction of GST, moving away from the current market scenario, which is highly fragmented. Integrated third party logistics (3PL) players will have a clear advantage. Expansion of businesses can now occur and supply chains can cover the entire nation without traditional hurdles, leading to an increase in the customer base.

B2B commerce is a rapidly expanding area and GST is expected to streamline the issues of supply chain and taxation for this segment. B2B players have to deal with a complicated business ecosystem, including thousands of small vendors, multiple inter-state warehouses and simultaneous export and import of goods and/or services. Several players such as Moglix (an Indian start-up), are using their expertise in digitizing the supply chain to supply innovative solutions to the industry. For example, it has launched 'Green GST', a software-as-a-service (SaaS) application solution, which will allow multiple services. These include filing of GST returns, settlement of procurement and tax invoices, maintaining control on several plants and warehouses over a single user interface, managing taxes for numerous situations, and enabling cross border transactions.[12]Such innovative solutions will allow B2B business to expand and flourish, thus increasing competitiveness of B2B supply chains, and thus have a multiplier effect on the economy. Existing ERP (enterprise resource planning) systems for tax administration have to be upgraded so that minimal human intervention is needed in the monitoring and auditing of tax data across the supply chain.

Real estate is a critical sector and the second largest employment generator in the country after agriculture. It contributes up to 6% of GDP and has cross linkages with more than 300 other industries and their respective supply chains, leading to it having the greatest multiplier effect in the economy. Real estate is also expected to be impacted positively by the introduction of GST. The costs in the real estate industry arise from three sources: land, labour and material. Developers earlier had to pay multiple taxes such as excise duty, VAT (differing across states) and entry taxes on construction materials and service tax on aspects such as legal fees, architect fees, approval charges, labour and others service related charges. This gave rise to severe complications for developers and buyers. Developers can now manage their taxes efficiently as a single tax rate will be charged across multiple aspects. For buyers too, GST proposes to remove complications by charging a single rate of tax of 12% on all under construction properties.[13] Stamp duty and registration charges are currently excluded from GST, but the intention of the government is to eventually subsume these under GST. As a result of the streamlining of taxation and the implementation of the Real Estate Regulatory Authority (RERA) Act, the housing sector is expected to become organized, leading to long term economic growth for the nation.

Several essential items and commodities used on a daily basis have been kept at a tax rate of 0% in the GST legislation. This includes food grains such as rice and wheat, and other items such as fresh vegetables, natural honey, fresh meat, fish, chicken, eggs, bread, salt and several others. [14]This will promote the informal economy in India and make it more competitive and organized, as a significant portion of the Indian workforce is employed in the informal sector, and especially built around these items. These supply chains are predominantly local in nature but large in number. However, the informal sector is expected to be impacted negatively in the short run. This is discussed in detail in a later section of the paper. Apart from this, GST will also make it easier to set-up businesses, as there will be a single registration with the tax authorities, and not multiple registrations with various tax authorities in different states.[15]Thus, companies can focus on business operations rather than tax compliance. Also, the entire process is to be done online, and hence transparency is expected to increase in the filing of returns and claim of refunds. This measure is expected to boost the start-up ecosystem in the country and enhance investments by the private sector in multiple start-ups. Sectors such as biopharma and medical tech, which consist of a huge number of start-ups involving R&D stand to benefit significantly as a result of this.

GST will require the compliance of every player in the value chain for the input tax credit system to work, and hence will promote the establishment of more organized players, and serve as a self-enforcing mechanism for firms to become compliant, and thus participate in the GST value chain. While larger players have the requisite expertise to address these needs, smaller players might face hurdles in compliance. To help such players, the government has put in place two key aspects of the GST legislation – 'reverse charge mechanism' and 'composition scheme'. These features in the GST legislation enables the widening of the tax base, allowing a lot of smaller suppliers to become part of the formal economy, and thus increasing the robustness of supply chains. The composition levy is a separate method of tax levy designed for small taxpayers whose annual aggregate turnover is up to Rs. 75 lakhs (Rs. 50 lakhs in some cases). It is a voluntary scheme, under which such taxpayers can pay GST at a fixed rate of turnover (ranging from 1% to 5%), based on the nature of goods or services as notified by the government. Any supplier of services other than restaurant related services is not eligible to apply for the composition scheme. This helps such taxpayers avoid the complex formalities associated with GST, and also reduces overall tax burden as tax rates under this scheme are nominal.[16] However, such players cannot be part of the credit chain, and thus cannot claim input tax credit. Such players also cannot carry out interstate transactions, thus limiting their territory of business. This is because the long run objective of the GST legislation is to have even small players registered on the GST platform. However, to avoid short term disruption in the business models and supply chains of such players, the composition scheme will be of great utility.

Under the 'reverse charge mechanism', the liability to pay tax is on the recipient of supply of goods and services instead of the supplier, which is normally the case under GST. This is a necessary and important rule in order to enable GST compliance for the huge number of businesses in the informal sector. This will be required in cases where an unregistered supplier of goods and services is conducting business with a registered player. In such a situation, the registered player is required to pay GST on supply received from the unregistered player, in order to avail of input tax credit in the subsequent stages of the value chain.[17] This is done because several businesses have a turnover below the threshold for necessary registration. As a result, the trail of transaction in the supply chain is not broken even if unregistered players are involved, leading to easier compliance for non-registered informal players. However it is expected that with time, all players get themselves registered with the tax authorities, in order to reduce compliance costs for other players and ultimately the entire supply chain. Reverse charge mechanism is also applicable in situations where supplier of goods or services is located in a non-taxable territory, thus removing any element of tax arbitrage. However, reverse charge mechanism is only allowed for intra state transactions, and all interstate transactions necessarily require registration. This measure is expected to bring down tax evasion significantly, resulting in the widening of tax base, thus increasing government revenues. Also, as a result, the supply chains will not be disrupted even if there are multiple small suppliers and vendors involved, leading to increased transparency in conducting business operations.

SHORTCOMINGS OF GST FOR SUPPLY CHAIN MANAGEMENT

One of the major problems in the logistics process is the exclusion of fuel from GST, which creates difficulties in valuing the transported goods, as fuel forms a considerable chunk of the freight cost incurred. [18]Thus, firms may have to incur significant non-creditable tax costs on this, and several other products kept outside the purview of GST at present, thus leading to an increase in compliance costs. Oil and gas firms are expected to be impacted adversely on account of this, and there could be an inflationary impact on products further down the supply chain derived from crude oil and natural gas.

A second problem with the GST could be the subjective interpretation on the rules of mixed and composite supply. Composite supply under GST implies supply which is "naturally bundled and which comprises two or more goods or services or both and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply."[19] It has been legislated that the composite supply will be taxed at the rate applicable to the principal supply. For example, when goods are insured and transported, it is a case of composite supply, which includes the supply of goods, packing materials, transport and insurance. Of these, the supply of goods is considered to be the principle supply and the relevant corresponding rate of GST is charged. Mixed supply, on the other hand, implies supply in which "a supply of goods/services or both is made together at a single price; however the items can be supplied separately and are independent of each other."[19] In such a situation, the highest rate of all the goods and/or services will be charged. For example, a bag of food items containing different foods will attract a tax rate corresponding to the highest tax in the bag, even if there are some zero-tax rated food grains in the bag. [19]However, there can be situations, for example, in the case of car servicing, where certain parts are exchanged (involving goods), and certain services also provided in order to fine tune and repair damaged components. In such cases, it is difficult to determine the principle supply, and hence difficult to determine the correct tax rate. As a result, there can be significant confusion, leading to firms not being able to optimize their supply chains. To mitigate this problem, taxpayers in such industries must work with the government in order to lay own standard industry practices and clear out ambiguities. It is estimated that such ambiguity in taxation will be reduced with time as the GST platform matures and taxpayers become used to the system.

Another crucial issue with the GST is that a significant amount of working capital can be locked up in the supply chain, as input tax credit can be availed only when the supplier files his or her GST return within a fixed time window.[20]For example, exporters are required to pay GST upfront for inputs, and later claim tax refunds from the government, as exports as tax free. However, a delay in the refund has considerable impact on cash flow for daily operations, leading to a negative impact on the short term financial health of firms, and increasing the cost of capital required to conduct business. Exporters, especially the micro and small players, may be particularly hit due to this liquidity crunch, as they are required to borrow additional funds for day to day operations. Industrial production in these sectors, can thus slow down significantly if these problems are not resolved.

Apart from this, the informal supply chain is projected to be hit negatively in the short to medium term. Millions of shopkeepers and manufacturers will be drawn into the taxation system for the first time. According to certain estimates, the informal or unorganized sector is responsible for nearly 50% of India's gross domestic product (GDP) and up to 80% of employment.[21] A huge portion of this system has been traditionally outside the taxation system, and makes profits using loopholes in the tax structure. Staying outside the taxation system enabled such businesses to offer goods and services at relatively lower prices, relying on tax arbitrage.Several such loopholes will be eliminated with the passage of GST, and the cost of compliance is projected to increase for the informal sector, which could lead to significant short term stress in these business segments. Job losses and unemployment in the informal sector could subsequently lead to slowing demand for the entire economy, thus disrupting the national supply chains. For example, earlier, manufacturers with gross turnover of up to 1.5 crore did not have to pay any excise tax. However, the limit has now been brought down to Rs.20 lakh.[22] This will serve as an additional burden for a large number of small players in the short run. Thus, the expansion of the formal economy will extract certain costs from the informal economy as the GST is rolled out and implemented. To mitigate such effects, it is suggested that the government provide requisite safeguards to certain business segments, especially the retail segment. Also, large formal players in this segment must work with small and regional wholesalers and suppliers to educate themand provide expertise on GST, and integrate them into the formal system of the economy.

CONCLUSION

GST is aimed at driving consumption and long term economic growth of the nation by simplifying the taxation structure, leading to a revamp of supply chain relationships across businesses. It is the biggest tax reform in terms of scale and impact that the country has witnessed since independence. Inspite of multiple shortcomings, it has been observed globally that the implementation of GST has led to significant growth of industrial development, and the same is projected to hold true for India as well. This legislation was long due, and has been in the making for about 17 years, making it one of the most highly anticipated reforms in India. It has been passed after intense political debate, and witnessed the co-operation of the centre and states in a manner never seen before. It is hoped that GST lives upto its expectations, and ushers in a new era in the development of the nation.

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Impact of GST on Indian Economy

Asia-Pacific Journal of Management
Research and Innovation
6 (1 & 2) 73-81

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ABSTRACT

There were fascinating changes in our economy during the past few months. In the year 2016, on 8th November midnight a panic attack was given to the citizens of the India by our Prime Minister, Mr. Narendra Modi that currency denominations of Rs. 500 and 1000 would not be a legal tender, and on that place new currency notes of Rs. 2000 and 500 will be in circulation in the economy. Then after, very recently, on 1st July, Goods and Service Tax (GST), a form of indirect tax, was applied throughout the country. It is considered to be the biggest tax reform in the country.

The Goods and Service Tax (GST) is a unified system of taxation. Now with GST like most of the other countries of the world, India also has a world class tax structure. The motive of GST is to remove the multiple taxes that are levied on the goods and services and replace it with one single tax, i.e. GST. It aims to the remove cascading effect of taxes imbedded in cost of production of goods and services and will provide seamless credit throughout value chain. This will significantly reduce cost of indigenous goods and will promote 'Make in India'. The different tax slabs of GST are 0%, 5%, 12%, 18% and 28%. There has been many reforms in different sectors of the economy after the implementation of GST.

The consumers in the short term would have to pay more tax for most of the goods and services they consume. The majority of everyday consumables now draw the same or a slightly higher rate of tax. Furthermore, the GST implementation has a cost of compliance attached to it. The small scale manufacturers and traders may pass on the cost of compliance on the consumers by pricing their goods at higher rates.

Although in the long run it is expected that GST would not just mean a lower rate of taxes, but also minimum tax slabs. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated. The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. The revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb several ladders in the ease of doing business with the implementation of the most important tax reform ever in the history of the country.

However, everything has its own pros and cons and same is the case with GST. Since the implementation of GST, there has been debates and studies regarding its impact in the economy. With widespread criticism many economists also supported the reformed tax structure and vouch for its long term positive impacts on the Indian economy. In our research paper, the advantages and disadvantages of the Goods and Service Tax will be dealt in comprehensively. Further, the short term and long term impacts of GST in the Indian economy would also be studied thoroughly.

KEY WORDS
GST, Indian economy, Implementation

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RESEARCH METHODOLOGY

The present study is a descriptive and analytical study based on review of secondary sources. The secondary sources include books, articles, journals, web pages, etc.

MAJOR RESULTS

Amidst economic catastrophe across the globe, India has posed a beacon of hope with ambitious growth targets, supported by a gathering of strategic undertakings such as the Make in India and Digital India campaigns. The Goods and Services Tax (GST) is another such mission that is expected to supply the much needed stimulant for economic growth in India by transforming the existing foundation of indirect taxation towards the free flow of goods and services. GST is also expected to eradicate the cascading consequence of taxes. India is projected to play an imperative role in the world market in the years to come. The anticipation of GST being introduced is high not only within the country, but also within neighbouring countries and developed economies of the world.[1]

IMPLICATIONS

It is expected that GST would not just mean a lower rate of taxes, but also lowest tax slabs. Countries where the Goods and Service Tax has helped in reforming the economy, apply only 2 or 3 rates – one being the mean rate, a lower rate for essential merchandise, and a higher tax rate for the comfortable commodities. Currently, in India, we have 5 slabs, with as many as 3 rates – an incorporated rate, a central rate, and a state rate. In addition to these, cess is also levied. The fear of losing out on revenue has kept the government from laying a bet on fewer or lower rates. This is very improbable to see a shift anytime soon; though the government has said that charge may be revisited once the RNR (revenue neutral rate) is reached.

The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be condensed as the cascading (tax on tax) effect of taxes would be eliminated. The revenue from the taxes for the management is very likely to add to with an extended tax net, and the fiscal discrepancy is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb numerous ladders in the ease of doing business with the functioning of the most vital tax alteration ever in the history of the country.[2]

INTRODUCTION

The Goods and Services Tax (GST) is a vast perception that simplifies the enormous tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. GST is a result of a long thinking; all states along with Centre discussed for years. A transparent and fair system that prevents black money and corruption and promotes new governance culture.[3]

The analysis of Implementation tax is to be explained-

The Government levy taxes on citizens for creating an influx of income that are utilized for supplementing projects for country's progress, welfare, and boosting the economy so as to elevate the standard of living. By the Constitution of India, the government can levy tax and apportion the same to central and state governments. The Parliament and State Legislature has to concur on the taxes levied so as to pass into the conventional of submission. However, tax systems vary widely among nations, and it is important for individuals and corporations to carefully study a new locale's tax laws before earning income or doing business there. [4]

GST is a consumption based tax levied on sale, manufacture and consumption on goods & services at a national level. This tax will be substitute for all indirect tax levied by state and central government. Exports and direct tax like income tax, corporate tax and capital gain tax will not be affected by GST. GST would apply to all goods other than crude petroleum, motor spirit, diesel, aviation turbine fuel and natural gas. It would apply to all services barring a few to be specified. With the increase of international trade in services, GST has become a global standard. The proposed tax system will take the form of "dual

[1] GST Benefit and Impact on Indian Economy, Deskera, http://www.deskera.in/gst-benefits-and-impact-on-indian-economy/

[2] Impact of GST on the Indian Economy, Clear Tax, Jul 03, 2017 - 03:04:01 PM

[3] Rediff.com, GST is a good and simple tax, July 01, 2017 02:56 IST

[4] Goods and Services Tax-GST, Investopedia, http://www.investopedia.com/terms/g/gst.asp

GST" which is concurrently levied by central and state government.[5] France was the first country to implement the GST in 1954, and since then an estimated 160 countries have adopted this tax system in some form or another. Some of the countries with GST include Canada, Vietnam, Australia, Singapore, UK, Monaco, Spain, Italy, Nigeria, Brazil, and South Korea. India is set to join the GST group on July 1, 2017.[6]

THE LAUNCH OF GST IN INDIA

In 2014, the NDA government was re-elected into power, this moment in time under the guidance of Narendra Modi. With the substantial dissolution of the 15th Lok Sabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the configuration of the Modi government, the new Finance Minister ArunJaitley introduced the GST Bill in the Lok Sabha, where the BJP had a mainstream. In February 2015, Jaitley set a differenttime limit of 1 April 2016 to execute GST[7]. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, concrete way for GST. However, the Opposition, led by the Congress demanded that the GST Bill be again sent back to the Select Committee of the Rajya Sabha due to disagreements on numerous statements in the Bill recounting to taxation. ultimately in August 2016, the Amendment Bill was approved. Over the next 15 to 20 days, 18 states ratified the GST Bill and the President Pranab Mukherjee gave his assent to it.[8]

A 21-members select committee was created to look into the projected GST laws.[9] State and Union Territory GST laws were approved by all the states and Union Territories of India except Jammu & Kashmir, concrete the way for horizontal rollout of the tax from 1 July 2017.[10] There was to be no GST on the sale and purchase of securities. That continues to be governed by Securities Transaction Tax (STT). The Goods and Services Tax was launched at midnight on 1 July 2017 by the President of India Pranab Mukherjee and Prime Minister of India, NarendraModi. The launch was perceptible by a historic midnight (1 July – 2 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the commerce and the entertainment industry countingRatan Tata, it was boycotted by the conflict due to the predicted struggle that it was hurdle to lead to for the middle and lower class Indians.[11]

It is one of the few midnight sessions that have been held by the parliament - the others being the declaration of India's independence on 15 August 1947, and the silver and golden jubilees of that occasion.[12] Members of the Congress boycotted the GST launch overall. They were united by members of the Trinamool Congress, Communist Parties of India and the DMK. These parties reported that they found practically no difference flanked by the GST and the active taxation system, claiming that the government was trying to merely rebrand the contemporary taxation system. They also argued that the GST would augment live rates on common daily goods while tumbling rates on luxury items, and impinge on many Indians unfavourably, expressly the middle, lower middle and poorer classes.[13]

GST- A GLOBAL PERSPECTIVE

IMPLEMENTATION OF GST OVER THE GLOBE:
Canadian Model:
India has adopted Canadian model of Dual GST. Canadian structure is also inclusive of taxes such as central and state GST. In Canada three provinces i.e. Nova Scotia, Newfoundland, Labrador and New Brunswick harmonised their regional tax with the GST. This new tax is known as Harmonised Sales Tax, i.e. HST which is obligatory on taxable goods and services. HST is inclusive of GST and 8% provincial tax which is applied to goods and services taxable under the GST[14]

Australian Model:
Australian model of GST is 10% tax on almost all goods and services which is included in the

[5] GST, GST- India.com, June 11, 2015, http://www.gstindia.com/gst-with-examples

[6] Goods and Services Tax-GST, Investopedia, http://www.investopedia.com/terms/g/gst.asp

[7] "GST: Meet the men behind India's biggest tax reform that's been in making for 17 years", India Today, June 29, 2017

[8] "Goods and Services Tax: History of India's biggest tax reform and people who made it possible", India TV, 29 Jun 2017

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[13] "Congress To Boycott GST Launch, ArunJaitley Suggests Broader Shoulders", NDTV, 29 June 2017

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deliberation paid for the service. Registered dealers are suitable for taking the tax credit on inputs. Most of the food items exclude prepared food, restaurant meals, alcoholic drinks are out of the range of GST[15]

Singapore Model:
Singapore levies on all supplies of goods and services and imports an expenditure based GST. It is a multi-stage model in which GST is unruffled at every stage of production and distribution channels. [16]Certain exemptions are given for precisedealings such as sale and lease of residential properties, financial services. Exports are taxed at a nil rate.

Malaysian Model:
Some of the Asian countries in which GST is implemented in recent years embrace Malaysia. GST was implemented in Malaysia with effect from 1st April 2015. The rate of GST is 6%.[17]

Brazilian Model:
TCMS i.e. Tax on Circulation of goods and services is the main state tax in Brazilian Model which is levied on circulation of goods which includes manufacturing, marketing and imports and inter-state and inter-municipal transport and communication services.So, the comparatives in India in line with the policies adopted over the globe by diverse economies. Indian Model of GST is based on Canadian Dual GST Model. In India, the GST structure would be three-layered – Central Goods and Service Tax, i.e. CGST which will be levied by central govt. on intra-state supply of goods and services, which will be the profits of the central government.

State Goods and Service Tax, i.e. SGST which will be levied by every state govt. on intra-state supply of goods and services, which will be the revenue of the relevant state or Union Territory Goods and Service Tax, which will be levied by every union territory on intra-territorial supply of goods and services, which will be the revenue of that respective union territory. Integrated Goods and Service Tax, i.e. IGST which will be collected and levied by the central govt on inter-state supply of goods and services and then it will be disseminated to the personal state in which the final consumption of goods and services will take place. The revenue loss which is going to be suffered by the states due to the execution of GST will be covered by the necessities introduced as per the "Compensation to the States Act".[18]

OBJECTS OF THE GST SYSTEM IN INDIA

GST has been implemented in India with the following objectives:

- The supremacy to make laws in admiration of supplies in the course of inter-state trade or commerce will remain with the central government. The states will have the right to levy GST on intra-state transactions, including on services.
- The management of GST will be the responsibility of the GST Council, which will be the head policy-making body for GST. Members of GST Council will comprise central and state ministers in charge of the finance portfolio.
- The threshold for levy of GST is a turnover of Rs. 1 million. For a taxpayer who conducts business in a north eastern state of India the threshold is Rs. 500,000.
- The central government will levy IGST on inter-state supply of goods and services. Import of goods will be focus to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services (other than on alcohol for human consumption).
- Central taxes such as central excise duty, additional excise duty, service tax, additional custom duty and special additional duty, as well as state-level taxes such as VAT or sales tax, central sales tax, entertainment tax, entry tax, purchase tax, luxury tax and octroi will be subsumed in GST
- A stipulation will be made for removing obligation of entry tax/octroi across India.
- Entertainment tax, imposed by states on movies, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- Stamp duties, characteristically imposed on legal agreements by states, will continue to be levied.

[15] https://www.macquariedictionary.com.au/resources/view/resource/7/

[16] "Overview of GST in Singapore". 3ecpa.com.sg. Retrieved 27 Jun 2017.

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[18] GST: International Scenario vis-a-vis Indian Scenario, Legal Instincts,

Posted on April 23, 2017.

ADVANTAGES OF GST SYSTEM

GST has been adopted in India because of its various positive impacts on the economy. It has been implemented in a number of countries. The following are the advantages of GST:

- GST is a transparent tax and also reduces number of indirect taxes.
- GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower.
- Benefit people as prices will come down which in turn will help companies as utilization will increase.
- There is no doubt that in production and distribution of goods, services are ever more used or consumed and vice versa.
- Separate taxes for goods and services, which is the at hand taxation system, requires division of contractethics into value of goods and services for taxation, leading to superiortechnical hitches, organization, including compliances costs.
- In the GST system, when all the taxes are integrated, it would make possible the taxation encumber to be split equitably between manufacturing and services.[19]
- GST will be levied only at the final target of consumption based on VAT principle and not at an assortment of points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about expansion of a common national market.
- GST will also help to build anapparent and corruption free tax administration.
- Presently, a tax is levied on when a finished product moves out from a factory, which is salaried by the manufacturer, and it is again levied at the retail outlet when sold.
- GST is backed by the GSTN, which is a fully incorporated tax platform to deal with all aspects of GST.[20]

DISADVANTAGES OF GST SYSTEM

The disadvantages of GST are as follows:

- Some Economist says that GST in India would impact pessimistically on the real estate market. It would add up to 8 percent to the charge of new homes and reduce demand by about 12 percent.
- Some Experts says that CGST (Central GST), SGST (State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major lessening in the integer of tax layers.
- Some retail products formerly have only four percent tax on them. After GST, garments and clothes could become more expensive.
- The aviation industry would be affected. Service taxes on airfares currently assortment from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
- Adoption and migration to the new GST system would engross teething troubles and learning for the entire ecosystem.[21]

GST ON MANUFACTURING INDUSTRY

GST is one of the significant strategy changes that will have a direct impact on manufacturing enterprise. So far, the active complex tax arrangement has been a dampener, consequential in the slow growth of the sector. GST is expected to unshackle the sector by merge tax regimes crosswise states.

Overall, GST is expected to have an optimistic impact and boost manufacturing. Here is why:

- **Elimination of numerous valuations will create simplification:** The old tax command subjects manufactured goods to excise duty, which is premeditated differently in different states. While some states calculate excise duty based on transaction value, others calculate it based on quantity. Generally manufactured goods' excise duty is at present considered on MRP valuation. This creates great confusion in valuation methods. GST will accompany in an era of transaction-based valuation, making calculation of tax much simpler for the manufacturer.
- **Entry tax sub summation will condense cost of production:** The subsuming of the entry tax for inter-state transfers is a key grounds for reducing cost of goods and services. For example, a supplier of cement from Maharashtra to Karnataka was earlier required to pay entry

[19] GstIndia.com, GST Merits Demerits Goods Services Tax Explained, June 24, 2015

[20] India Filings, 12th april,2017, https://www.indiafilings.com/learn/gst-advantages-disadvantages/

[21] Disadvantages of GST – Challenges that Businesses Need To Overcome under GST Regime, Updated on Aug 10, 2017 - 03:09:33 PM

tax when the supply crossed the interstate border. For Karnataka, the entry tax rate was 5% of the value of the goods. The supplier would pass on this additional cost to the customer, resulting in amplifying in selling price. With entry tax being subsumed, the supplier need not pay the entry tax rate amount and as an outcome, not charge the customer this amount either.

- **Improved cash flows:** Under the new tax laws, manufacturers can maintain input tax credit on input goods, which seems to be a positive sign for cash flow. SMEs are keenly observing the time difference between input tax credit and the credit being available.
- **Single registration process will provide ease of registration:** The old regime required manufacturers to catalogue each manufacturing facility individually, even those in the same state. GST will abridge the plant registration process by allowing single registration for all manufacturing entities within the same state. Previously, if a brick manufacturer had factories in Bangalore, Hubli and Dharwad, each unit had to be registered separately. Under GST, all of these factories would be jointly registered under the state of Karnataka. Of course, different state-entities will require separate registrations under GST too.
- **Removal of cascading will lead to lower cost-to-consumer:** The old tax regime does not consent to manufacturers to claim tax credit on inter-state operation taxes such as octroi, central sales tax, entry tax etc. This results in cascading of taxes—an extra cost to the manufacturing company. Manufacturers end up passing on these extra costs to the consumer. The unified GST regime will eliminate multiple taxes and thus lower cost of production; this, in turn, will mean lower pricing for the consumer. For example, prior to 1 July 2017, SMEs in manufacturing used to pay Excise Duty, Central State Tax and sometimes VAT too at 12.5%, 2% and 5.5% respectively. With GST in effect, they are required to pay 18% in taxes.
- **Restructuring of supply chain:** To make parallel with the GST law, businesses will be required to realign theircontribute chains. However, this is a blessing in disguise. Till date, most supply chain structuring has been premeditated around how to manage tax regimes. With a single tax regime, this will change, and supply chain structures will focus on driving business efficiencies. An example is that of warehousing. The old regime demands that warehouse management be based on arbitrage between varying VAT rates across states. This is expected to transform to bring in financially viable efficiencies and more customer-centricity going ahead.

Manufacturers, however, are concerned about the following aspects:

- **Increase in immediate working capital requirements:** Branch transfers and depo transfers will be treated as taxable under GST; IGST will be relevant on these transfers. This increases the necessity for immediate working capital. Another reason for increased working capital requirements is that the receipt of advance is taxable as per GST rules. Also, stock transfers are treated as "supply" and hence are taxable under the GST management.
- **More stringent and elaborate transaction management:** GST aims to achieve better tax conformity. To make these possible, manufacturers must work towards streamlining existing transactions; this means supplementary resources and costs. For example, under GST, credit in respect to an invoice can be taken only up to one year of the invoice date. Also, the stipulation of reverse charge means that the liability to pay tax falls on the recipient of goods/ services instead of the supplier. The payment of reverse charge is dependent on the time of supply (30 days from the date of issue of invoice by the supplier in case of goods and 60 days for services). These changes will necessitate manufacturers to carefully gauge and track their supply processes, chiefly the timelines. This may mean hiring a better skilled compliance workforce, and better systems and software. More legal considerations will also mean more costs.
- **Lack of clarity on local exemptions:** Despite GST being projected as a unifying platform for indirect tax, all the components for mechanized are not yet clear. One such area is localized area-based exemptions. The old foundation provides certain exemptions for certain goods in specific states (for example the North East or hilly states). Under GST, most of these exemptions are likely to be standing apart, resulting in a negative cost-impact on these manufacturers. Such companies must reassess their financial arrangement in view of such likely changes.

Overall, one can say that the force of GST on the manufacturing sector is positive. It provides a unique prospect to streamline business operations to become more acquiescence and profitability-oriented, rather than tax-oriented. It puts authority in the hands of business leaders to bring about positive change and steer their enterprises on an expansion path, power-driven by GST-compliance.[22]

GST ON TRADE INDUSTRY

Positive Impact on Traders-[23]

- **No dispute good Versus Service:**

Prior to the implementation of GST, the big concern was whether the transaction amount to sale of good or service. Though this dispute still may arise from view of time/place of supply from good or time/place of supply of services as both are independently given. However, net impact is nonaligned, on either of them needs to pay GST.

- **Composition levy Increased**

Previous to the establishment of GST, the limit under work Scheme was 40 lakhs where as under GST it is increased up to 50 Lakhs. It is beneficial as 10 lakhs in turnover is a big thing from trader point of view.

- **Credit of Excise Duty and Service tax:**

Earlier, a trader was not adequate to take credit of input service as well as the Excise duty. However, in GST regime he will be eligible to take all credits and it will make constructive impact on trader.

- **No Margin to Disclose**

Prior to GST, a trader who wanted to exceed on the CENVAT Credit of excise duty had to acquire dealer registration and have to unveil the margin. But now this is no more relevant as trader is eligible to take credit as well as no requirement of separate dealer listing.

- **No Reversal of Credit on goods sent for stock transfer**

Earlier, stock transfer was not liable to Vat as well as CST hence, credit pertains to goods sent to stock transfer needs to be reversed. However, in GST Regime stock transfer got made taxable, hence no reversal of credit is required.

Negative Impact on Traders:

- **Stock transfer made taxable**

Earlier, stock transfer was not taxable on being made available "Form F" where as in current regime stock transfer made taxable. Due to this Warehouse judgement to be taken more appropriately.[24]

- **No Form "C"**

Earlier, on being made available the Form C, CST rates stimulating at the rate of 2% instead of 14.5% which is local tax rate, however in GST regime interstate is taxed at benchmark rate i.e. IGST.

- **Goods sent to job work are taxable**

Earlier, the goods sent for job work were not liable to CST on being made accessible of Form "H" whereas in Current GST regime it became taxable.

- **Increased burden of Compliances**

Instead of 4/12 Returns (state wise vary), a trader had to file 37 returns in year and much more compliances obtainable whereas under GST regime it will be available as IGST Credit.[25]

THE IMPACT OF GST ON THE INDIAN ECONOMY:[26]

GST will trim down tax encumber on producers and foster growth through more production. This double taxation prevents manufacturers from producing to their most favourable capacity and retards growth. GST would take care of this crisis by providing tax credit to the manufacturer.

Various tax barriers such as check posts and toll plazas lead to a lot of wastage for unpreserved items being transported, a loss that translated into major costs through higher need of buffer stocks and warehousing costs as well.Also, there will be more transparency in the arrangement as the customers would know accurately how much taxes they are being charged and on what base.

GST would append to government revenues by widening the tax base.It provides credits for the taxes paid by producers earlier in the goods/services chain. This would persuade these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.GST also removes the custom duties pertinent on exports. Our competitiveness in

[22] Implications of GST on manufacturing sector, Capital Float, Sunday, September 24, 2017,

[23] AlokPatnia, Impact of GST on Traders and Manufacturers, Tax Mantra.com, 17th June,2017

[24] DaliparthyHarini, legal associate, Impact of Goods and Services Tax on Trde Industry, The Indian Lawyered and Allied Services, April 27,2017

[25] AlokPatnia, Impact of GST on Traders and Manufacturers, Tax Mantra.com, 17th June,2017

[26] GST and its Impact on Indian Economy, Bankersadds, http://bankersadda.in/gst-and-its-impact-on-indian-economy-pdf/

foreign markets would boost on description of lower cost of transaction.

Elimination of tax barriers on overture of uniform GST across the country with seamless credit will make India an ordinary market leading to economy of scale in production and competence in supply chain. It will enlarge trade and commerce. GST will get rid of cascading end product of taxes imbedded in cost of production of goods and services and will provide unspoiled credit throughout value chain.

The sectors which have elongated value chain from basic goods to final utilization stage with operation extend in manifold states such as FMCG, pharmacy, consumer durables, automobiles and engineering goods will be the major beneficiaries of GST. GST will make possible ease of doing business in India. Integration of live multiple taxes into single GST will radically reduce cost of tax acquiescence and contract cost. Stable, clear and predictable tax regime will give confidence local and foreign investment in India creating significant job opportunities. Electronic dispensation of tax returns, refunds and tax payments through 'GSTNET' without human intrusion, will diminish corruption and tax evasion. Built-in check on business transactions through seamless recognition and return processing will reduce scope for black money generation leading to productive use of capital.Significant diminution in product and area-based exemptions under GST will widen the tax base with a subsequent reduction in proceeds neutral rate.

This will facilitate the administration to keep GST rates lower which may have sympathetic impact on prices of goods in the medium term. The tax rate for services however may go up by 2 to 3% from the current level of 15%. The undesirable impact of rate increase on services will be moderately neutralised by ease of use of seamless input tax credit. GST will eliminate the range of double taxation in certain sectors due to tax dispute on whether a particular operation is for supply of goods or provision of service such as licensing of rational properties like patents and copyrights, software, e-commerce and leasing.

While the GST will abridge tax structure, it will augment the burden of bureaucratic and documentary conformity. Number of returns will increase drastically so also the extent of information. For instance, a real estate developer or contractor will have to file 61 returns in a year compared to 24 returns at present, correspondingly a taxable person provided that services from quite a lot of states will have to take registration and file return in all such states.

GST will also have impact on cash flow and working capital. Cash flow and working capital of business organisations which sustain high inventory of goods in unlike states will be adversely affected as they will have to pay GST at full rate on stock relocate from one state to another. Currently CST/VAT is billed on sale and not stock transfers.It is also relatable to note that all indirect taxes will not be subsumed in GST. Electricity duty, stamp duty, excise duty and VAT on alcoholic beverages, petroleum products like crude, natural gas, ETF, petrol and diesel will not be subsumed in GST on its introduction. These taxes will form part of the cost of these goods when used as inputs in downstream products. Hence those sectors where these goods form significant input cost such as plastics and polymers, fertilisers, metals, telecom, air transport, real estate will not get full benefit of GST. [27]

CONCLUSION

On preference, it is up to the government to deal with the competence building surrounded by the lesser-endowed participants, such as the small-scale manufacturers and traders. Ways have to be found for lowering the overall compliance cost, and necessary changes may have to be made for the good of the masses.[28] GST will become good and simple, only when the entire nation works as a whole headed for making it flourishing.

The preface of the Goods and Services Tax is a very remarkable step in the field of indirect tax reforms in India. By unification a large number of Central and State taxes into a single tax, GST is expected to drastically ease double taxation and make taxation overall easy for the industries. For the end customer, the most favourable will be in terms of lessening in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets.[29] Last but not least, the GST, because of its transparent temperament, will be easier to administer. Once implemented, the projected taxation system holds great undertake in terms of sustaining growth for the Indian economy.

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[27] Nihal Kothari, VCCIRCLE, News Corp, Impact of Gst on Indian Economy, 25th July, 2016

[28] GST on Indian Economy, Clear Tax, Jul 03, 2017 - 03:04:01 PM

[29] Benefits of gst, Lawcorrect, july 20th,2017

GST which is likely to be inflationary would strike people in the lower revenue group hardest as they presently pay little or no income tax at all. However, a number of considerations suggest that the impact would be restrained. Sales tax and service tax constituent are already hidden in the prices of all commodities and fundamental items would be largely exempted from GST. Other necessities such as fuel and power, public transport and medical care are concerned, there is satisfactory already. Government need to intercede to certify that the poor is protecting from GST effect.

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E-mail: editor@asiapacific.edu

ISSN 2278-1838 (Print)
ISSN 2319-7218 (Online)

Asia-Pacific Finance and Accounting Review is a double blind peer reviewed journal published twice in a year by Asia-Pacific Institute of Management, a premier business school located in New Delhi, India. Established in 1996, Asia-Pacific Institute of Management (AIM) ranks among the top business schools in India. The latest Business Today - MDRA survey ranks it 11th among the top business schools in North India. Perceiving the tough challenges faced in the fast integrating global economy, the institute strives to groom market leaders in different areas of management. With highly experienced faculty drawn from the top management institutes and world-class infrastructure comparable to the best MBA colleges in the world, Asia-Pacific Institute of Management aims to create a stimulating learning atmosphere conducive for overall development of its students. The institute takes pride in excellent corporate tie-ups that have led to a track record of 100% quality placement for the last 23years. For more details please visit www.asiapacific.edu

Printed and published by Asia-Pacific Institute of Management, 3 & 4, Institutional Area, Jasola, Delhi 110025, and printed at Santosh Enterprises, 5A/8, Molarband Ext., Badarpur New Delhi - 44

Asst. Editor: Dr. Abhishek Maheshwari and Dr. Arshia Kaul

– Editorial
- Benefits and Challenges of GST Regime
- Impact of GST on Indian Economy
- Role of GST in Digital India
- Issues and Challenges of GST
- Goods and Services Tax in India
- GST Impact on Centre - State Fiscal Relation in India
- Legal Implications of the Bankruptcy and Insolvency Code 2016 on the Limited Liability Partnership Act 2008 and the Companies Act 2013
- GST and Other Financial Reforms
- Goods and Service Tax Act, 2017: The Truth Behind the Veil
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