

THE INDIAN GOODS & SERVICES TAX

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The Indian Government which recently got in a huge indirect tax form, which was passed to support the economic growth of the country, known as the Goods and Service tax (GST). The GST is also referred to as the Constitution (One hundred and twenty second amendment bill). The select committee of the Rajya Sabha gave its report on 22nd July 2015. The bill was later passed by the Rajya Sabha on 3rd August 2016 and the amended bill was passed on 8th August 2016. This came into force from 1st July 2017. The GST has a four-tier tax structure that is- 5%, 12%, 18%, 28%. Though people in the nation are saying that it is a burden for the end customer who must pay all the tax. Many people are disappointed against its implementation. like our National animal is Tiger the National disease in India is corruption. There is a composition scheme under the GST. The GST system has got in a lot changes such as, increase in the number of the GST returns as well as Monthly Tax Payment. It is basically a scheme to secure the interest of all the small traders and small-scale industries. Dealers who so ever have already registered under the GST will not be allowed to get back to the normal scheme. Any tax payer opting the composition scheme will have to pay the tax at a nominal rate. This research paper is going to provide you an understanding about the challenges in implementing the GST, Effectiveness of GST in curbing black money, The composition scheme under the GST.

Keywords- *GST, Indian Economy, Four-Tier system.*

INTRODUCTION

GST which is also known as the Goods and Service tax is a massive concept and is likely to change the whole structure of the current indirect tax system. This concept has swept away all the other taxes and got in one tax for all. It is expected to play a vital role in the economic growth of the country. GST was first introduced in France and now it is almost followed by 140 countries. In India, we proposed the double GST system that is CGST and SGST. The dual GST should comply with the constitutional requirements of fiscal federalism, because both the centre and the states have the power to collect and levy taxes. The SGST will subsume the indirect tax like VAT, luxury tax and octroy etc and the CGST will subsume the central indirect tax like Central sales tax and central excise duty etc. The IGST which is mainly a system for inter-state transactions of goods and services. The Importer will be the tax collector in IGST.¹ The economy of India has been facing

¹ Monika Sehrawat & Upasana Dhanda, (2015), *GST in India: A key tax reform*, International Journal of Research- Granthaalayah, 3(12), 133-141.

the problem of corruption since ages and there are many estimates of Black Money in India. As an Income Tax Official said that “GST will have a paper trail which can be accessed by the Income Tax Department such practices will be discourage generation of black money in the system”.² To opt for a Composition Scheme under GST he should file a form GST CMP-01 or GST CMP-02 with the government. This can be done online through the GST portal.³ The states view that the composition scheme of GST must have a ceiling on gross annual turnover as well as the floor tax rate about the gross annual turnover. This scheme is mainly for the small-scale traders. Basically, there will be a compounding cut-off at the rate of Rs 50 lakhs of the gross annual turn-over for which the floor rate will be 0.5% in every state.⁴

CHALLENGES IN IMPLEMENTING GST

The challenges for the implementation of GST are minions when compared to the stupendous benefits the Indian industries will face going ahead.

- (i) For implementing the GST mechanism in India, the bills should be passed by majority in the state assemblies and there will be a lot of changes in administration level.
- (ii) The Revenue Neutral Rate is one of the factors for the successful implementation of GST. The system of GST, the government revenue may differ after its implementation so through RNR the government makes sure that its revenue is the same.
- (iii) One of the most important challenge for the government is that they must incorporate the Goods and service tax network (GSTN) which will basically develop the GST and provide technological support for the citizens for GST registration, payments, GST return filing tax etc.
- (iv) GST completely differs from the tax system which we had back then. There should be staff both at the state and central level and they should be given proper training relating to the procedures, concepts and legislations.⁵
- (v) The tax rates can be devised based on the state’s necessity of funds.
- (vi) It all depends on the state and union as to how they are going to make the concept of GST a simple concept. The managerial measures and success reforms of a tax policy depends on the how we make the system simpler which will fit in with

² Timsy Jaipuria, *The GST impact: How will this tax curb black money*, (2016, Aug 4th), Retrieved from <http://www.hindustantimes.com/business-news/the-gst-impact-how-this-tax-will-curb-black-money/story-HhdUHfSUCoRo0kn2miDTYJ.html>.

³ Clear tax, *GST composition scheme*, (2017, Sept 27th) <https://cleartax.in/s/gst-composition-scheme>.

⁴ GST council, *First discussion paper on GST*, (2009, Nov 10th) <http://www.gstcouncil.gov.in/sites/default/files/First%20Discussion%20Paper%20on%20GST.pdf>.

⁵ Pooja. S. Kawle & Yogesh. L. Aher, *GST: An economy overview: Challenges and impact ahead*, 4(4), International Research Journal of Engineering and Technology (IRJET), (2015).

administrative policies and measures⁶ The state governments are demanding for compensation from the central government as they foresee there is going to be major dent in the CST. They asked for 5 years after the implementation of GST but the central government has agreed for 3 years.

- (vii) There should be a steady legal procedure for resolving tax disputes
- (viii) As the imposition of GST is assigned to the centre and the states, the constitution should bring in an amendment to grant powers to centre and states.
- (ix) Proper infrastructure must be maintained and designed to keep an eye on the movement of goods and services between the states, collecting the revenue and keep a track on the revenue and identify defaulters etc.⁷
- (x) According to the constitutional amendment bill placed before the Lok Sabha it was proposed that “the states would be allowed to levy an additional 1% non-vatable tax on inter-state supply of goods and services” for the first two years for their states compensation for entering GST. Few states supported whereas the other states were against. However, the committee in power recommended for the abolition of the extra tax.⁸
- (xi) The implementation of the GST in the unregistered firm (unorganised sector) would be unpropitious to the government.⁹

GST IN CURBING BLACK MONEY

Since the PAN card and the Aadhar card are linked and must file the GST returns. Due to this the Income Tax Department will have a track on all their records and they can keep an eye on every transaction of theirs. Arvind Subramanian said “Bringing alcohol, gold and real estate within the ambit of GST will help in curbing black money.¹⁰ Since the IT department has an eye on all their transactions on goods and service till the last stage, it is not possible for them to escape from payment of taxes. This mechanism of GST aims to shoot the roots for the black money. Apparently, because of this the corruption will dwindle.¹¹ To get the tax credit they will have to show accurate bills and update in their system, so this is one way which will help to curb the black money. Before the

⁶ Harvinder Singh Bhalla, Amarbir Singh Bhalla & Nancy Gupta, *GST: Impact, Challenges & Opportunities, International Journal of Business Management and Scientific Research*, 25.

⁷ Sahil Saini, (8 months ago), *The challenges of implementing GST in India*, Retrieved from <http://www.dekhnews.com/challenges-implementing-gst-india/>.

⁸ Sathish.S& Kartik Dedhia, *the challenges in implementing GST*, (Feb 26, 2016), Retrieved from <http://www.forbesindia.com/article/budget-2016/the-challenges-of-implementing-gst/42491/1>.

⁹ Lourdunathan & Xavier.P, *A study of implementation of GST in India*, 3(1) International journal of applied research.

¹⁰ Ibid point no 2.

¹¹ Sachin Menon, *GST: Not just a tax reform, but a real black money law [BLOG POST]*, The Economic Times, (2016, Aug 16th), Retrieved from <https://blogs.economicstimes.indiatimes.com/et-commentary/gst-not-just-a-tax-reform-but-real-black-money-law/>.

implementation of GST, it was difficult for the officials to keep an eye on all their transactions due to various taxes like VAT, Sales Tax etc. The GSTN which is also known as the Goods and Service Tax Network which is online based, people must register themselves if they want to avail their tax credit.¹² There are 2 reasons why GST will curb black money

- (i) People will want to buy their products with invoice: Most of the people sell their products without invoice which is again a source for black money. But, after the implementation of GST people would want to prefer buying products with invoice.
- (ii) Government has information regarding every sale made: Suppose if a big shot company sells many products to small retailers, they will have to give information to the government. Prior to the GST implementation it wasn't easy to trace many people evading taxes but now it has become easier for the government. Before, it was like people could fool the government by showing false sales amount now it's not possible for them.¹³ Also, there is a rating system for the traders. The traders will be given bad rating if they do not pay the tax. Once they are given bad rating, there is no doubt that the people will not want to buy from such traders. The same data will be given to the Income Tax Department so, there is no way that a trader can do any black money transactions.¹⁴ Mapping of data for auditing will be done by the revenue authorities. Many sources say that, both the tax boards that is central board of direct taxes and central board of excise customs already started sharing data with each other to monitor the black money.¹⁵

ELIGIBLE PERSONS FOR THE COMPOSITION SCHEME OF GST

- He should firstly register himself under the composition scheme.
- His turnover for the year should not exceed the amount of 75 lakhs except Uttarakhand, the limit should not exceed 50 lakhs. If a person who is having the same PAN and has registered in more than one state or in the same state or maybe in two different offices like say the head office and the branch then both should opt for the composition scheme. A person who has registered himself under the composition scheme can make purchases from outside the state

¹² Startup choice, *how will GST reduce Black money in India [BLOG POST]*, (2016. Nov 24th), Retrieved from <http://startupchoice.com/blog/how-will-gst-reduce-black-money-in-india>.

¹³ Palkesh Asawa, *Two main reasons why GST will curb Black Money*, (2016, Dec 30th), Retrieved from <https://www.quora.com/How-will-GST-introduced-by-Government-of-India-lead-to-curbing-of-black-money-in-India>.

¹⁴ Tax Return Wala, *Will GST help in curbing black money*, (n.d), Retrieved from <http://taxreturnwala.com/will-gst-help-curbing-black-money/>.

¹⁵ Kedia.G, (2016, Nov 13th), *How GST will curb black money and corruption*, Retrieved from <http://www.gstinterest.com/161113085207/GST-impact--How-GST-will-curb-black-money-&-Corruption-.html>.

NON- ELIGIBLE PERSONS UNDER THE COMPOSITION SCHEME

A person will be ineligible for the composition scheme if-

- If he engages himself other than the supply of Food or any other stuff for human consumption.
- Engaging himself in supplying goods which are not taxable under this act
- If he makes any Inter-State outside supply of goods.
- If he engages himself in supplying goods through an Electronic Commerce who is a tax collector under section 52.
- A manufacture who manufactures Pan, Tobacco etc are not eligible for this scheme.¹⁶

Type of Business	CGST	SGST	Total GST
Manufacture	1%	1%	2%
Traders	0.5%	0.5%	1%
Suppliers of Food and drinks for human consumption (Not alcohol)	2.5%	2.5%	5%
Service Providers are not eligible to avail the Composition Scheme			

CONDITIONS FOR AVAILING COMPOSITION SCHEME:

The following are the conditions which are to be satisfied for opting this scheme,

- The tax payer under this scheme can make only intra-state supply and not inter-state supply.
- The dealer cannot supply goods which are exempted from GST.
- Input Tax Credit cannot be claimed.
- Under the mechanism of Reverse Charge, the tax payer must pay tax at normal rates under this mechanism.
- In their place of business and every supply bills issued by him, he should mention that he is a “Composition taxable person”¹⁷

RETURNS UNDER COMPOSITION SCHEME

¹⁶ Shilvi, *9 things to know about composition scheme under GST*, (23rd June 2017), <https://taxguru.in/goods-and-service-tax/9-things-to-know-about-composition-scheme-under-gst.html>.

¹⁷ Ibid Point no 3.

Every person who so ever have registered themselves under the composition scheme should furnish a return for every quarter within 18 days after the end of a quarter in the prescribed form. GSTR-4 has been prescribed for those dealers under the composition scheme by the government. They dealers need to furnish their first return from the date when they registered themselves in this entity and till the end of every quarter for which the registration has been granted.¹⁸

Merits:

- Detailed records are not necessary to be maintained unlike the normal GST. The normal records would do.
- The tax payment is comparatively less.
- Filing the monthly returns is a ponderous process, so instead of monthly returns the Quarterly returns can be filed.

Demerits:

- The dealer must pay the tax from his own pocket, he cannot collect tax from the customers.
- No Input tax credit mechanism

If they dealers sells normal goods as well as the goods which are exempted from the GST he will have to pay tax even for the exempted goods from his turnover.¹⁹

CONCLUSION

Taxation plays a significant role in the growth of the country and GST implementation is one the best decisions taken by the Indian government. It is obvious that the concept of GST aims to bring in one nation and one tax for all. The concept of GST has been followed by 140 countries so far and it's not an easy task to comply with the act. India at some point of time also had to comply with this mechanism. Once this mechanism is on track then this will help our country grow. According to the survey conducted by National Council of Applied Economic Research, it revealed that, the taxation policy would raise the nation's GDP by 1% - 2%. Moreover, it can be concluded that GST is going to have a positive impact on the different sectors and the industry as well. For its better implementation, the government should conduct programmes on GST, give awareness programmes and conduct seminars and other related programmes and train the staff at both the centre and the state levels. The government introduced two new mechanisms one is demonetisation and the other is GST. GST according to tax administrators helps in curbing black money

¹⁸ H&R block tax expert, *GST*, (2017, sept 6th), <https://www.hrblock.in/guides/what-is-gst-composition-scheme.aspx>.

¹⁹ Parag, *Composition scheme under GST: everyone's point of view*, (2017, 14th august), <https://taxguru.in/goods-and-service-tax/composition-scheme-gst-everyones-point-view.html/>.

because all the transactions are to be recorded in the portal which is all online based (GSTN) also their PAN card and their Aadhar card must be linked with the portal for sale and purchase of goods and services. Whatever transactions they do should be recorded in the portal. Since everything is recorded online it is not easy for them to escape from paying the taxes. The Income Tax Department will also keep monitoring and if somebody doesn't pay the tax will be given a bad rating. People will gradually end up by not making any sales or purchase with that company or industry. The government has come up with Business Intelligent tools to catch hold of the people whoever has not paid the tax. The main sectors where they can turn the black money to white is Real Estate, Alcohol and Gold. The GST should get all these sectors under its ambit. The government has taken a good initiative by getting forward the composition scheme for the small-scale traders, else it would have been difficult for the small-scale trader's due to lack of resources. It is also beneficial to those who are dealing with the end customers directly. Well, the rules under the composition scheme are equally rigid and strict. Usually large-scale business has all the sources so it can comply with all the legal procedures. This scheme is quite beneficial to the small traders because they don't have to go through the lengthy process also it gives a hassle-free work environment.