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GOODS AND SERVICES TAX (GST) FROM INDIAN ASPECTS: CHARACTERISTICS & CHALLENGES

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Abstract
The long-awaited Goods and Services Tax (GST) is India's biggest tax reform since independence. By replacing a number of different taxes with a single, unified tax, the GST is intended to streamline India's indirect tax system. The only indirect tax that directly links every sector of the Indian economy is the Goods and Services Tax (GST), which fosters the development of a single, unified market and accelerates national economic progress. France is the country that has introduced the GST followed by more than 160 other countries worldwide. In 1999, Atal Bihari Vajpayee introduced the concept of Goods and Services Tax (GST) in India. Asim Das Gupta, the finance minister of West Bengal at the time, led the formation of a committee. It was intended to go into effect on April 1st, 2010, under the direction of P Chidambaram, the UPA government's finance minister at the time. However, political squabbles and competing stakeholder interests prevented it from happening. The Lok Sabha approved the GST constitutional amendment bill in May 2016, and India's finance minister, Arun Jaitley, set a deadline of April 1, 2017, for the implementation of the tax. There is a lot of opposition to its implementation, though. This study focuses on the implementation issues that India has experienced and provides an outline of the Goods and Services Tax (GST) concept, advantages and features.

Keywords: Goods and Services Tax, Tax Reforms, Indirect Tax, Advantages and Features.

Research Methodology
An explanatory study is conducted using secondary data gathered from a variety of publications, including books, government studies, articles, and newspapers that address various facets of the goods and services tax.

Objectives of the Study
The research is carried out in view of the following objectives:
- To understand what GST is.
- To research and comprehend the characteristics of GST.
- To evaluate the benefits and limitations of implementing the GST in India.

Introduction
"India has a comprehensive, multi-stage, destination-based goods and services tax law that taxes every value addition." An important factor in determining a nation's economy is its tax policy. Taxes imposed on residents, either directly or indirectly, provide the government with the majority of its funding. Direct tax is applied when the burden is borne by one person; indirect tax is used when the burden is borne by two separate people, i.e., it can be transferred to another person. Prior to the implementation of the

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Goods and Services Tax (GST), India had a convoluted indirect tax system with numerous taxes levied by the union and state governments independently. The adoption of the GST will undoubtedly simplify the national market and accelerate economic growth by consolidating all indirect taxes under one roof. A single point tax known as GST is applied to the flow of products and services from the producer to the customer. GST is a tax solely on value addition at each level, ensuring that there is no cascading of taxes. Credits of input taxes paid at each stage will be accessible in the succeeding stages on value addition.

GST will reduce the customer's entire tax burden, which is currently estimated to be between 25 and 30 percent. In 1954, France introduced the Goods and Services Tax (GST), which is now known worldwide. Over 160 nations have since adopted the GST law, including Germany, Italy, the United Kingdom, South Korea, Japan, Canada, Australia, and South Korea. While the majority of nations have embraced a single GST system, some, like Brazil and Canada, have multiple GST systems in place where taxes are levied by both the federal and state governments. India implemented the two-tiered GST system, known as CGST and SGST. According to experts, the benefits of GST are as follows:

- "One country, one tax" policy would be implemented.
- It would eliminate the cascading effect of taxes by absorbing all indirect taxes at the federal and state levels.
- It would result in lower prices for goods and services, which would benefit businesses since demand would rise.
- A higher registration threshold that will exempt a large number of small vendors and service providers.
- When all taxes are incorporated into the GST system, the number of compliances, such as filing returns, will be eliminated. Eliminating the separate tax imposed on goods and services would be beneficial as it would reduce complexity by requiring the transaction to divide its value between the commodities and services
- By encompassing all industries, including the unorganized sector, it would expand the revenue base and the tax system. As a result, the government would be able to collect taxes more effectively.

Basic Concept of Goods and Services Tax (GST)

GST, or Goods and Services Tax, is India's most significant tax reform since independence, and it has been a long time coming. GST is intended to streamline India's indirect tax framework by replacing a number of taxes with a single, unified tax. Goods and Services Tax (GST) is a multifaceted, destination-based tax that is imposed on all value additions. GST would transform the Indian economy by creating a common market and minimizing the cascading effect of taxation on the cost of products and services. It will have an impact on the entire indirect tax system, including tax structure, tax incidence, tax computation, compliance, input credit utilization, and reporting procedures. India implemented the dual GST system, which consists of CGST and SGST. The following justifies the requirement for a concurrent dual GST model:

- The central and state governments of India are granted the concurrent authority to impose taxes on domestic products and services under the constitution.

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- Under the dual GST model, the federal and state governments would each have their own taxing authority, but they would use the same platform to impose taxes, and their responsibilities would be the same.

SGST

One of the three categories under the goods and service tax (CGST, IGST, and SGST) with the idea of one tax, one nation is the State Goods and Services Tax or SGST. State Goods and Service Tax Act of 2016 governs SGST. For the purpose of clarity, the current state taxes of State Sales Tax, VAT, Luxury Tax, Entertainment Tax (unless imposed by local bodies), Lottery, betting, and gambling taxes, Entry tax not in lieu of Octroi, State Cesses, and Surcharges in relation to the supply of goods and services, etc. are all absorbed when the SGST is introduced.

CGST

Under GST, the Central Government imposes the CGST tax, which is administered by the CGST Act, on intrastate supplies of both goods and services. The same intrastate supply will be subject to SGST, which will be controlled by the state government. This suggests that a suitable ratio for revenue sharing between the federal and state governments will be agreed upon when combining their taxes. Nonetheless, Section 8 of the GST Act makes it quite plain that all intra-state supplies of goods and/or services would be subject to taxes, with the maximum tax rate per item being 14%.

IGST

The IGST Act would regulate the IGST, which is a tax imposed under the GST on all interstate supplies of goods and/or services. Any supply of products and/or services, whether imported into India or exported out of India, would be subject to the products and Services Tax (IGST).

Note:

- Exports would be zero-rated under IGST.
- The federal government and state governments will split the tax burden.

Salient Characters of GST

The fundamental characteristics of Goods and Services Tax are as follows;

- All transactions involving products and services will be covered, with the exception of those that are excluded.
- The Goods and Services Tax (GST) is divided into two segments: state GST and central GST. State GST will be paid to the appropriate state government, while central GST would be paid to the federal government.
- The definitions of taxable persons, taxable events, chargeability, measure to levy tax, etc., will be the same for both the CGST and the SGST.
- The central government will be in charge of CGST administration, while the corresponding state government will be in charge of SGST administration. The federal government and state governments have the authority to enact laws pertaining to the taxation of goods and services. State GST laws would not be superseded by a central government GST law.

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- The taxpayer would receive a Pan Card-based identifying number to help with tax payment and return processing.
- Separate tax returns must be submitted to the state and federal governments for SGST and CGST, respectively.
- Input credit can be requested from the department where GST was paid; that is, input GST paid on the central level can be claimed against the central GST exclusively, and the same applies to state GST.
- If goods and services are imported, GST will be charged.
- Distinct commodities and services have distinct GST slabs, which are 0%, 5%, 12%, 18%, and 28% respectively.
- The integrated goods and services tax (IGST), often referred to as the interstate goods and services tax is a part of the goods and services tax (GST) that is levied on the supply of goods and services during interstate commerce. The central government collects this tax and distributes it as destination-based tax to the importing states. Additional 1% tax on goods supplied beyond state lines, imposed by the federal government and paid straight to the state that exports the items. In accordance with the GST Council's suggestion, this tax will be imposed for a minimum of two years.

Major Challenges of GST in Indian Economy

The GST model implemented by the union government seems to have some fundamental flaws that could prevent it from producing the intended outcomes, such as:

- India is not a good fit for the one-country, one tax philosophy that underpins the GST. Before the GST was implemented, there were 32 taxes, including service tax, excise duty, sales tax, and 29 state VAT taxes. There are now 31 taxes, including IGST, CGST, and 29 SGST, which again have a complicated tax structure in the nation and go against the idea of one country, one tax.
- One of the guiding principles of the GST is that it cannot be implemented in India at a single rate since Article 246 A of the 101st amendment to the Constitution grants the parliament and legislative assembly the authority to levy taxes on goods and services. As a result, each state and the union governments were able to set their own GST rate. The GST council is only authorized to make recommendations, according to Article 279 A of the constitution. As a result, state governments are now free to set their own GST rates, which distort the nation's whole GST uniformity rate scheme.
- The telecom industry faces significant challenges because, while the government is launching Digital India, telecom services are becoming more expensive due to the 18% GST tax rate, which is 3% more than the previous service tax rate, even though rural teledensity in India is only 60%.
- Under 10% of Indians have insurance, indicating a lack of development in the country's insurance market. This was the driving force behind the government program known as Pradhan Mantri Jeevan Bima Yojna. However, since the introduction of the Goods and Services Tax (GST), insurance premiums have increased by 300 basis points, making it more difficult for insurance companies to enter the market and acting as a deterrent to insurance awareness campaigns. The government's Pradhan Mantri Jan Dhan Yojna project, which mandated that

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every citizen have a bank account, is going to cause challenges because the new goods and services tax regime has increased the levy on financial services by 3%.

- The government established the goods and services tax network (GSTN), which is in charge of creating the GST site and guaranteeing services like IGST settlement, GST registration, and filling out tax returns, all of which call for a strong IT network. It is common knowledge that India's IT network connectivity is still in its infancy.
- The GST administration wants to exclude petroleum items from the GST's purview because they have significantly increased India's inflation rate.
- Small businesses have challenges with GST tax rates and rising costs, including the need for computer and accounting staff to maintain records and fill out forms.
- Limited availability of trained and skilled individuals with up-to-date GST expertise has increased the workload for experts in several industries.

Suggestions

The following suggestions could be made in view of the study:

- **Simplified Input Tax Credit Applications:** It is unavoidable that the Input Tax Credit system be restored as soon as possible. GST should be viewed as a setoff for all firms in accordance with international standards. Furthermore, taxpayers should be given the choice to refuse a credit in the event that limits are not achievable, say for 5% of the total input taxes, without the immediate requirement for a thorough cost study.
- **Reduction of the Tax Slab Rates:** First, let's address the significant tax rate increases that taxpayers are finding problematic. To make matters worse, raising taxes is not the best way to raise additional money, particularly during a recession. A reduced tax system with just three tax slabs is necessary, to put it briefly. One of the two slabs needs to be combined: 12% and 18% or 5% and 12%.
- **Updating the ITC System:** Businesses have been negatively impacted by market restrictions on capital flow. Several enterprises that obtain the Investment Tax Credit (ITC) at the state level must pay taxes in another state. In addition to permitting an offset against income tax, a national pool must be taken into account at the central GST level. A surplus of input tax may be distributed to taxpayers in the form of a refund.
- **Including A Few Exempted Goods Under GST:** Certain products and services, including petroleum, real estate, and electricity, are not subject to the GST system. Since the segments participating in the process are not in the GST rate, they are losing out on the benefits of the input tax credit. Furthermore, these industries are at the whim of the state government and are not covered by the indirect tax system. A few industries, like gas and oil, are requesting to be covered by the GST. Even experts advise that the best method to use GST is to include all industries in its tax rate, but this would require some time to perform the necessary system adjustments.
- **Extending the GST Network:** Many people are still hesitant to pay GST (Goods and Services Tax). To address this issue, the GST council could consider incorporating the real estate,

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petroleum, and power industries into its scope. The GST net could progressively extend, beginning with industrial fuels such as Aviation Turbine Fuel (ATF) and natural gas.

- **Release the obligation of E-waybill:** The industry is demanding the removal of the GST e-way bill, a digitally created document used to transport goods valued at least Rs. 50,000. The experts argue that since the GST is a consumption tax, the movement of products does not need to be included in the GST bracket, which is why the GST Council decided to delay the implementation of e-way until April 2018. Currently generating this bill is mandatory for inter-state transactions of Rs. 50,000 and above.

Conclusion

The Goods and Services Tax (GST) is the government's unconcerned attempt to rationalize the country's indirect tax structure. Before implementing the GST, the government should thoroughly research the mechanisms established by other countries throughout the world, as well as the consequences. GST has undoubtedly streamlined the present indirect tax structure and aids in the prevention of tax cascading. The bill was introduced to implement one country, one tax, but unfortunately it resulted in a setback as the prices of basic goods and services rose, despite government demand for a positive change in the economy.. Due to the unanticipated implementation of the GST, it is evident that the economy is slowing down; therefore, the interruptions may have promoted the downturn. Simplifying the GST transition is the only way to address this impact.

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