# GOODS AND SERVICES OF TAX - AN OVERVIEW OF INDIA

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**Abstract**
*This review paper mentioned about meaning of Tax, Types of Taxes, GST, Applicability of Tax, Components of GST, Organization Structure in GST, Rates and taxes of GST, Registration of GST, Forms of Registration, Simple Example of GST, Political or Religious issues concerning GST ,Revenue of Government in GST, Will GST eradicate poverty in India? And General Criticism of GST.*

**Keyword:** GST, GST structure and GST challenges

**JEL Classification:** F38, H24, H25

**Tax**

Tax is one of the revenues to Government. No tax, no revenue, no revenue no Government. So, tax is essential source of generating revenue.

**Types of Taxes**

As we are all know that taxes there are two types of tax. 1. Direct tax and 2. Indirect tax. Indirect taxes are central excise duty, service tax, surcharges & Cusses, central sales tax, sale tax, entertainment tax, luxury tax, purchase tax, octopi & entry tax, etc. In the sales tax there are different methods which will be implemented by the Government in different periods but based on the socio, economic and political situation and development of the people. MAT, VAT and GST are examples of indirect taxes. Goods and services of taxation is the indirect tax system of collecting money on various goods and services. Usually it is used it for the luxurious products not on necessary products and services. In 231 countries, various countries have followed the GST which is necessary for the Government revenue. Recently, Indian Government followed the ideas of GST in July 2017.

**GST**

Goods and Service Tax (GST) is an indirect tax levied the supply of goods and service. Goods and Service Tax is levied at every step in the production process, but is meant to be refunded to all parts in the various stages of production other than the final consumer. Recently, Indian Government followed the ideas of GST. Goods and Service Tax is applied on services and goods at a national level with a purpose of achieving overall economic growth. GST is particularly designed to replace the indirect taxes imposed on goods and services by the Centre and States Governments. GST is a consumption based tax/levy. It is applied on goods and services at the place where final/actual consumption happens. We have to pay Entertainment Tax for watching a movie. We have to pay Value Added Tax (VAT) on purchasing goods & services on luxury products and services. And there are Excise duties, Import Duties, Luxury Tax, Central Sales Tax, and Service Tax. All these taxes have been combined into one unified tax namely GST.

Australia, Canada, India, Hong Kong, Malaysia, New Zealand, Singapore and other countries implemented GST. It is used by the government to combine the various forms of tax into one. GST is one of the biggest indirect tax reforms in the country. GST is expected to bring together state economies and improve overall economic growth of the nation. It is a comprehensive indirect 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 states and Central. There are around 150 countries in the world that have GST in place. GST is a destination based taxed where the tax is collected by the State where goods are consumed. India implemented GST from July 1, 2017 and it has adopted the Dual GST model in which both States and Central levies tax on Goods or Services or both. They are, SGST – State GST, collected by the State Govt., CGST – Central GST, collected by the Central Govt. and IGST – Integrated GST which collected by the Central Govt. Introduction of GST is considered to be a significant step in the reform of indirect taxation in India. Amalgamating of various Central and State taxes into a single tax would help mitigate the double taxation, cascading, multiplicity of taxes, classification issues, taxable event, and etc., and leading to a common national market. VAT rates and regulations differ from state to state. On the other hand, GST brings in uniform tax system across all the states. Here, the taxes would be divided between the Central and State government.

**Applicability of Tax**

GST is applicable for 28 states and 11 Union territories in India.

**Components of GST**

Central GST, State GST, Union Territory GST and Integrated GST

**Organization Structure in GST**

Organisation Structure for a Government Department is, as important as an organisational structure for a corporate or business entity. In a tax context, the roles and responsibilities of the officers are clearly defined in the relevant statutes and the departmental officers should adhere to their jurisdictional limits prescribed by law.In the GST regime, both the Centre and State level officers are required to work in tandem and in consultation with each other. This poses a serious challenge as there is already a comparison about cadres, rank of officers, experience, junior or senior, IAS or IRS cadre, etc. To ensure uniformity, the model in the context of present central indirect taxes can be adopted by all States even before GST is implemented, which would enable smooth transition into GST regime and also result in perfect between the Centre and State level officers after GST is unveiled. Unless the organisation structure is properly worked out, the avowed objects of bringing in GST may not be achieved in its real sense. As we are on the verge of introducing GST, the Centre and State should initiate cadre reviews and restructuring to suit GST administration and implementation.

GST is considered to be the essential tax reform in the Indian history. It is a destination based tax on consumption of goods and services where tax will be levied at all stages from the stage of manufacturing till the final consumption and set off is allowed in the form of input tax credit to the business parties involved in the process. There will be three kinds of applicable Goods and Services Taxes. They are,

CGST: where the central government will collect the revenue

SGST: where the state governments will collect the revenue for instra-state sales.

IGST: where the central government will raise the revenue for inter-state sales.

**Rates and taxes of GST:**

GST is planned in a way that food items are placed in lower tax rates amoung luxury product. The goods and services of fitted into 1300 and 500 respectively which are all coming into four tax slabs of 5%, 12%, 18% & 28%. But the gold is kept at 3 percentage and rough valuables and semi precious stones are kept into special rate of 0.25%.

Amoung the goods and services, 18 percent of goods are kept into below or equal of 18 percent. Out of 18, 7 percent of items are kept into exempted list. 14 percent of items are in 5%, 17 percent of goods and services in 12 percentage, 43 percentage of goods attracted in 18 percentage and remaining 19% of goods and services for the highest rate of tax whichis 28 percentage.

**Exempted GST Rate Slab (No Tax)**

In this category, only 7 percentage of goods and services are falling. The goods and services are fall in this categories are mentioned here some. They are handloom and jute, printed books, news papers, judicial papers, stamps, drawing and coloring books, kajal, bangles, sindoor, bindi, chicken, fresh meat, fish, hulled cereal grains, jiggery, basan bread, all kinds of salt, flour, natural honey, butter milk, curd, milk, fresh fruit, vegetables and hotels and lodges with tariff below INR 1000 and so on.

**5% GST Rate Slab**

Here, 14 percent of goods and services comes. Some of them are, rail and economy class air tickets, fertilizers, revenue stamps or postage, incense sticks, medicines, coal, kerosene, fish fillet, small restaurants, ice, cashew nut in shell, raisin, cashew nuts, sabudana cashew, pizza bread, rusk, spices, coffee, tea, packaged food items, frozen vegetables, branded pannier, milk powder, cream skimmed, apparel below Rs. 1000 and footwear below 500, and so on.

**12% GST Rate Slab**

In 12 percentage GST slabs, the goods and services are, state run lottery, work contracts, non-ac restaurants, apparels above Rs. 1000 business class air ticket, ludo, sweing machine, carom board, chess board, playing cards like some indoor games, spectacles, chess board, spectacles, umbrella, tooth power, forks, cell phones, spoons, all diagnostic kits and reagents, ketchup and sauces, ayurvedic medicines, namkeen, sauages, dry fruits in packaged form, frozen fruit juices ghee, cheese, butter and animal fat, , ayurvedic and so on which attract on 12% GST and 17% of goods and services fall under this category.

**18% GST Rate Slab**

43% of goods and services fall under this category. They are, telecom services, bamboo furniture, aluminum foil, headgear and its parts, notebooks, steel products, tissues, sanitary napkins, printers, optical fiber, speakers, electrical transformer, monitors, footwear costing more than Rs. 500, mixed condiments and seasonings, mineral water, mayonnaise, soups, ice cream, jams, preserved, cornflakes, pastries and cakes, pasta, biscuits, restaurants in five-star and luxury hotels, AC restaurants that serve liquor, it services, branded garments and financial services and so on attract an 18% GST.

**28% of GST Rate Slab**

19% of goods and services fall under this category. They are, automobiles, motorcycles, washing machine, vacuum cleaner, dishwasher, weighing machine, water, sunscreen, paint, hair shampoo, dye, after shave, edibles like chewing gum, chocolate not containing cocoa, bidi, molasses, pan masala, waffles and wafers coated with chocolate, aerated water, shaving creams, personal care items like deodorants, race club betting, 5-star hotel, private lottery and movie tickets above INR 100 etc. Have been clubbed together under the 28% GST slab.

**Some other items that will get costlier also include:**

Courier services, salon visits, mobile bills, mobile phone tariffs, tuition fees, insurance premiums, broadband services will get costlier by 3%, banking charge,. These were earlier charged a 15% service tax, and will now fall under 18% tax slab.

Taxes on tobacco, aerated drinks, and luxury goods will now come under the 28% tax bracket under GST, so it will get expensive. Real Estate will also get costlier as it will now attract a GST of 12% as opposed to 6%.

**Registration of GST**

The business which is getting turnover more than 40 lakhs should go for mandatory registration. Selling goods and services through online is also do mandatory registration.

**Forms of Registration**

There are two forms. They are, GSTR – 1 and GSTR 2.

**Simple Example of GST**

Assume that you are a dealer in Tamil Nadu and you are buying goods from Karnataka to sell in Tamil Nadu. You buy goods for Rs. 2,00,000. Central Sales Tax is 2%. Therefore, effective purchase of central sales tax is 4,000. So purchase price is 2,00,000 + 4,000 = 20,4000. The aim of the profit margin is Rs. 60,000. There fore, selling price before tax is 2,64,000. State sales tax is 13.5%. So, the price to be added is, 2,64,000x(13.5/100)= 35,640. So, the final price is 2,64,000 + 35,640 = 2,99,640. Since there is a state tax, there is a tax on tax. i.e 2% and 13.5%.

**Political or Religious issues concerning GST**

The government has stated that there is no religion-based distinction under the Goods and Services Tax. The tax rates that have been approved by the finance ministers in the GST Council are clearly a reflection of three political economy concerns. First, the impact of the new tax regime on the prices citizens will pay. Second, the impact on government budgets through changes in tax collections. Third, maintaining an element of progressivity on what is essentially a regressive tax, as all indirect taxes are. The problem is supporting economy concerns have led to a problematical tax structure with multiple rates, exemption and even ceases a far cry from the unsoiled goods and services tax that had been proposed primarily more than a decade ago.

**Revenue of Government in GST**

If budget estimates are extrapolated to arrive at a monthly collection number, the Centre should have got Rs 48,000 crore and all states put together another Rs 43,000 crore. In July of last year (2017), Rs 31,782 crore of excise duty and Rs 19,600 crore of service tax were collected. The revenue under IGST will be allocated between the CGST and the SGST to the extent that the same is used for payment of CGST/SGST. This exercise will be done based on the cross-utilization report to be received from the GSTN. Exact revenue figures of the Central and the State governments respectively will be known after this exercise is complete before the end of this month.

**Will GST eradicate poverty in India ?**

The poverty reduction is challenging in economic policy making in India. Its shows more in Covid-19 periods. Most of the people are homeless India so they could not maintain social distancing. The poverty of India revealed during this Covid-19. Primary food, clothing, shelter, education and health must be focused by any mean. How far different reates of GST rate is justify the revenue of the Government to make a appropriate plan for the promotional activities. Among the different medias, economical poor and middle sectors are affected in unexpected GST system. Is it balancing social, economical, political and financial system of our country? It is making a big question for all of us. In this critical paper, it mentioned about the challenges of the citizens. The sellers have increased the price of the commodity indirect ways using Psycology pricing methods. If we look at it, economically poor and middle people, no pensioner groups, beggars, drunkards, lunatics, and deprived and marginalized categories of people highly affected though Govt. collects GST. Utilization of the tax money also doubting whether it reaches for the real economic promotions.Unwanted utilization of money also questioning the researchers. Expert must have been involved to over come the problems which must have a compuerised system using our Indian Soft ware companies like Infosys.

**General Criticism of GST:**

GST is the necessity of the hour. It is very essential for the economic development. But GST implementation by this government is very shabby and as such failed to give the expected results.

The finance minister fail to consider many points. GST is the amalgamation of excise duty, VAT,Octroi and service tax. As such those items which has had any of the 3 now benefit while others which has attracted only one or two are the sufferer. The exemption is fixed at RS 20 lacs per year. Such an exemption is not necessary. And food grains ,pulses etc are fully exempted. It is also a not necessary step. Every items should be included in the GST. Essential items now exempted should attract 1% . It will facilitate the government to have exact figure on agro and poultry produce.

Slab within slab is necessary for the same product . While all units with a turnover of RS 10 cr attract full GST from the start, small units will be taxed @ 1% up to 1cr, 2%upto 2 cr, 3% up to 5 crand , 5% up to 9.99 cr. For all items . It will make tiny and small business to survive against Corporate.

Not more than 4 to 5 slabs and the highest at not more than 20%.

Tobacco and liquor should be out of GST and should be charged at 300% to 500% for a limited period say 5 years and thereafter to be banned .

Corporate and MNCs expenditure should be included in GST at 20% Other good and valid suggestions also can be incorporated.

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