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Goods & Service Tax: A Revolution in Indirect Tax Regime

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Abstract

A single, all-encompassing tax on goods and services consumed in an economy is known as a "goods and services tax." "One Nation, One Tax, and One Market" is the primary goal of the GST. Overall, it is straightforward, effective, and will boost the nation's economic growth by getting rid of a number of state and federal taxes including the VAT, excise tax, and services tax, among others.

With its streamlined tax bands of 0%, 3%, 5%, 12%, 18%, and 28%, the Goods and Service Tax (GST) represents a significant change in the indirect tax system. The goods and services are categorised under a specific subject, and the items are given an HSN number while the services are given a SAC code. (Service Accounting Code, HSN, Harmonized System of Nomenclature)

In this study, we examine the effects of the GST on the economy while concentrating on the issue that business owners are expected to encounter (the fixation of MRP), which is the cornerstone of the Indian economy and accounts for more than 60–70% of GDP. GST was introduced in India, though, in 1999. A committee was formed to develop the GST concept. However, on July 1, 2017, the Indian government reinstituted GST. There was a lot of uproarin support of its execution.

All of the different taxes levied by the federal and state governments were replaced with the GST. The phrase "One Nation, One Tax" refers to the fact that all taxes must be paid in one location nationwide. The abolition of bundled indirect taxes like VAT, CST, Service Tax, CAD, SAD, and Excise is the main benefit of the GST. It tries to eliminate the cascading effects of taxes and promote credit flow.

Key words: GST, GSTN, GST council, tax slab, Indian economy, and Goods and ServicesTax Bill.

Introduction:

GST, or good and service tax, is an acronym. In India, it has taken the place of numerous indirect taxes including excise duty, VAT, service tax, etc. The goods and service tax Act was approved by the parliament on March 29, 2017, and it went into effect on July 1 of that same year. It is assessed on the supply of goods and services that exhibit the traits of a thorough, multi-stage, destination-based tax that is assessed on each value addition.

The following bills became law as a consequence on April 12, 2017:

1. The 2017 Central Goods and Services Tax Act

2. The 2017 Integrated Goods and Services Tax Bill

3. The 2017 Union Territory Goods and Services Tax Act

4. The 2017 Goods and Service Tax (Compensation to States) Bill

It is regarded as one of India's largest taxes reforms. India's economy, which is currently the fifth largest in the world and is expected to grow by 7% by 2023, is one of the fastest- growing in the globe.

Objectives:

• The primary goal of this research paper is to explain the fundamentals of GST and demonstrate how it affects the Indian economy.

• The GST represents a significant economic shift for India. Before the introduction of GST, a number of levies under the indirect tax system had to be paid.

• Double taxation resulted from the VAT and service tax's lack of unification. After the production step, the dealer was not given a CENVAT credit, resulting in double taxation.

• Under the GST framework, the burden of paying taxes and complying with regulations is lessened at every stage of business (in the economy), from the manufacturer to the client.

•Key details on how GST originated and its effects on the Indian economy will be covered in detail in this study paper.

Indian economy:

With a projected growth of 7%, India has a mixed economy (one that is labour intensive). By nominal GDP and PPP, it is the world's fifth-largest economy (purchasing power parity). The three areas of India's economy—primary (agricultural), secondary (industrial), and tertiary— are what will make it the largest expanding economy in the world (service).

The goal of cost reduction and profit growth can be accomplished by a number of techniques, one of which is the allowance of input tax credits at every stage of the supply chain, from manufacturer to retailer. This is what the earlier tax system, which the GST simplifies, lacks.

If a subject matter is eligible to tax, exempt from taxation, subject to a certain tax rate, or was previously subject to another tax system, for example, GST regime categorization is provided full enunciation within the legal framework.

GST tax slab: The rate at which various goods and services are taxed

0%: Milk, eggs, lassi, curd, and unprocessed whole grains unbranded raw honey, unpackaged paneer salt, fresh vegetables,

3%: Articles made of natural or cultured pearls, precious or semi-precious metals, imitation jewellery, and coins make up of the total.

5%: sugar, Coffee, tea, domestic LPG, PDS kerosene, cashew nuts, milk, baby food, fabric, spices, coal, and life-saving medications

12% :Butter, nuts, ghee, fruit juice, and canned coconut water 18% :Soups, pasta, corn flakes, toothpaste, hair oil, and soap

28%: Small autos (+1% or 3% cess), consumer durable like ac units or refrigerator.

Products that are in earlier indirect tax structure:

The federal government has the authority to impose taxes.

1. Crude petroleum

2. High-speed diesel

3. Motor - spirit

4. Natural gas

5. Fuel for aeroplane turbines

6. Tobacco use and related products

State governments have the authority to levy taxes:

1. Crude petroleum

2. High-performance diesel

3. Power-mindedness 4. Natural gas

5. Fuel for aeroplane turbines

6. Drinking alcohol for human consumption

GSTN, or Goods & Service Tax Network, is a section 8 business established under the Companies Act of 2013 and is regarded as the technology support for GST in India. GST requires a robust methodology and IT support because it is a destination-based consumption tax. It is a nonprofit, non-governmental organisation. It offers shared IT services & infrastructure to federal & state governments, together with taxpayers & stakeholders.

The GSTN offers services like registration, return filing, and payment options. In essence, it serves as a liaison between the relevant government and the taxpayers.

GSTN's organisational structure: The GST System Project is a distinctive and difficult IT project. It is distinctive because it aims to establish the first shared IT infrastructure between the Center and States as well as a common taxpayer interface.

The GSTN is 51% owned by business entities, and the remaining 49% is held by the government. 10 crores of rupees ($1.6 million) in authorised capital for the GSTN is held by commercial banks with the remaining 49% held equally by the Central and State governments.

Additionally, a one-time grant of Rs. 315 crores has been approved for the GSTN. Infosys created this extensive and complex technological foundation in September 2015.

Dr. Ajay Bhushan Pandey, an IAS from the 1984 batch who serves as the GSTN chairman, is joined by Shri. Prakash Kumar, the GSTN CEO.

Feature of GSTN:

The GST Network acts as a channel of online communication between the government and company taxpayers and is primarily the front end of the IT ecosystem for taxpayers.

The GSTN processes more than 2 billion invoices in total each month in addition to 65 lakh taxpayer returns and counting. The GST network is accountable for a number of significant key duties, some of which are listed below:

1. Registration
2. Invoice Comparison
3. File Your Return
4. Analysis of taxpayer profiles**website:** https://www.gst.gov.in

GST Council:

The Goods and Services Tax system was implemented after the Constitutional (122nd Amendment) Bill was ratified by both Houses of Parliament in 2016. After it had been ratified by the state assembly of more than 15 Indian states, the President then granted hisassent.

The GST Council, a joint forum of the federal government and the states, was established by the President in accordance with Article 279A (1) of the updated Constitution. Members of the Council include the Union Minister of State for Finance from the Center and the Union Finance Minister (chairperson). Each state has the right to suggest a minister in charge of finances, taxes, or any other minister for membership.

Why was the GST Council founded?

According to Article 279 of the Constitution, the Council is entrusted with "providing recommendations to the Union and the States on significant GST-related matters, such as the commodities and services that may be subject to or excluded from GST, model GST Laws."

Additionally, it establishes the various GST rate slabs.

For instance, a panel of ministers' interim report suggested taxing casinos, online gambling, and horse racing with a 28% GST. A choice will be taken in this regard at the Council meeting on Wednesday.

Making Decisions: The GST Council will provide guidance on the following topics: items and services that may be subject to GST or may be excluded from it; GST will encompass taxes, cesses, and surcharges; the highest threshold amount of turnover for GST purposes, as well as GST laws, levy principles, IGST allocation, and place of supply laws;

Special attention is paid to difficulties in Himachal Pradesh, Jammu and Kashmir, Uttarakhand, the eight northeastern states, and other connected areas.

other difficulties relating to the implementation and management of the GST in India.

Secretariat

The Secretariat oversees the GST Council. The Secretariat is staffed by representatives of the Central and State Governments. In order to establish the Council, the Cabinet and the Council initially met. During the initial meeting for the Council's formation, the cabinet allotted enough money to cover the ongoing and one-time expenses of the Secretariat. The Central Government is in charge of covering the costs associated with maintaining the secretariat.

In a Nutshell: The Effect of GST on the Indian Economy

One could argue that the GST will promote India's economic expansion. The introduction of the GST can help the Indian economy by creating a transparent sales process system.
Additionally, since the GST will do away with the requirement to pay various taxes in several states, conducting business will be made simpler. This enables understanding of the GST's advantageous effects. However, the GST's unfavourable consequences could result in some industries losing money as a result of rising input costs.

With the help of the aforementioned components, it is possible to understand a variety of concepts, including Goods and Services Tax (GST), as well as its effects on the Indian economy, both positive and negative.

A sort of tax that is applicable throughout all of India is known as GST. The Indian economy has been impacted in a number of different ways. First off, it might be argued that GST contributed to the expansion of the country's economy. It helped bring down the cost of goods and services. To understand the impacts of GST on the Indian economy, it can be argued that GST can be useful for enhancing the flow of FDI. GST may eventually help the government generate more money.

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GST may also aid in easing the simplicity of conducting business in India. The GST may also help increase employment opportunities. In spite of all of these problems, the implementation of the GST will increase system transparency to some extent, enabling consumers to comprehend the taxes they are paying and the justifications for them.

GST has the following implications on the National Economy:

• The service sector is expected to be more negatively impacted by the adoption of GST than the commercial sector.

• The GST has increased the cost of e-commerce purchases, online reservations, tobacco, and insurance premiums, while it has cut the cost of essential food staples like edible oil, wheat, rice, lentils, four-wheelers, and electric items.

• Due to the two-tiered one country, one regime, which only applies one tax nationwide, transportation is made easier and investor anxiety is reduced because the Indian market is regulated under one law. • Due to the increased tax collection and less opportunity for bribery due to the large number of people who fell into the tax loop, the GST reduced the incidence of corruption.

•Following the implementation of the GST, the price of the products that the general public purchases will drop, creating demand. Demand increases as output also increases, increasing job opportunities and lowering prices.

The GDP expanded by 7.4% in 2017–2018, which is somewhat higher than the 7.2% growth observed in 2016–2017 but lower than the 7.8% growth seen in 2015–2016, the second year after the GST was implemented.

Methodology: Secondary data have been gathered for the study work. The collection of secondary data and academic journals was sufficient. These were taken and critically examined. The formulation of the study's qualitative and quantitative theory was aided bythis.

Conclusion:

As observed from the aforementioned sections, several topics, such as the Goods and Services Tax (GST), as well as its favourable and unfavourable consequences on the Indian economy, can be understood better. It should be noted that the Indian economy has been significantly impacted by the GST, or goods and services tax. With the help of the aforementioned discussion, it can therefore be said that the idea of the influence of GST onthe Indian economy project can be comprehended.

The secondary data enabled the research study's extensive literature. The first step was to refer to the Institute of Cost Accountants of India website (icmai.in) and extract study materials on the topic of GST. In order to gain a year-by-year summary of the research activities carried out in the area, the dataset was then entered into the programme to build an overlay network visualisation. According to the available space, a detailed discussion of the GST, Goods and Services Tax Bill, Tax Slab, Indian Economy, Cascade Effect of Tax, GSTN, and GST Council is held.

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