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## Philosophies of the GSTT Law and Its Related Impact

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**Abstract:**

GST is being implemented in India with effect from 1<sup>st</sup> July, 2017. It is seen as the biggest tax reforms in Indian tax history. Earlier to GST era, the indirect taxes in India were not very conducive to trade and industry owing to multiplicity of taxes, complexity of registrations, returns, payment of taxes, other compliances and over paper work. The new GST law has been introduced with a view to remove the cascading effect, minimize the scope for tax evasion, bring greater transparency, reduce the overall tax rates and bring ease of doing business. The basic purpose of this paper is to evaluate the new GST law and find its related impact on Producers, Traders, Consumers, State Government and Central Government.

**Key words:** GST, SEZ, CST and Supply**Introduction**

GST is a new mechanism of taxing goods and services in India. Its notion is one tax India. It has been introduced to remove the multiplicity of tax rates, complex systems and procedures. It is based on consumption principle and value added approach. It is expected to ensure seamless flow of credit from producers to traders and from traders to consumers. The overall burden of taxes will fall on consumers; however, due to absence of cascading effect, it is expected to lower the overall tax burden.

GST law being based on on-line system is expected to bring greater transparency, paper less environment, minimize tax evasion and ensure ease of doing business.

New GST is a dual model where both Centre and States will levy and collect taxes. The CGST and IGST will be administered by the Central Government and SGST/UGST by State/Union Territory Governments. In cases of intrastate transaction of goods and services, both CGST and

SGST shall be levied simultaneously, while in cases of interstate transactions and imports, IGST shall be levied. Exports are to be treated as zero rated supplies. Thus, no GST shall be levied on exports and supply of goods and services to SEZ. Through consumption based principle, it will ensure inflow of revenue in those States where actual consumption takes place.

Under GST law threshold limit has been set at Rs. 20 lakhs (10 lakhs for NE and special category States). To benefit the small tax payers having turnover not exceeding 75 lakhs, a composition scheme has been introduced. In this system a very small percentage of tax shall be payable without allowing the benefit of input tax credit. To ensure healthy competition, a system of GST compliance rating system has been evolved. This will allot scores to the tax payers based on their performance and compliances under GST law. For ensuring transfer of benefit of credit to end consumers, a system of anti-profiteering measure has also been adopted.

**I. Objectives of the study**

1. To study and evaluate the new GST law
2. To find the impact of GST on Producers, Traders, Consumers, State Government and Central Government.

**II. Literature Review**

**Akanksha Khurana and Aastha Sharma (2016)** examined the impact of GST on certain selected sectors. The study came with the conclusion that the GST will provide relief to producers and consumers due to its unique feature of input tax credit.

**Azharuddin Mohammad Mussaiyib (2016)** concluded that GST will bring economic wellbeing by removing many of the complexities and will bring ease of doing business.

**Dr. R. Rupa (2017)** focused on concept of GST, its advantages and disadvantages and international scenario. This study concluded that there are many challenges of GST as far as states are concerned

**Girish Garg (2014)** studied and discussed about features, benefits, challenges and impact of GST. The study arrived at a conclusion that GST is the most logical steps towards the comprehensive indirect tax reform in India.

**Hitesh K. Prajapati (2016)** concluded that Government will have to face major challenges as far successful implementation of GST in India is concerned

**Jaspreet Kaur (2016)** concluded that GST is a major change in India and because of GST, the prices of some commodities will fall while some others will rise.

**Monika Sehrawat and Upasana Dhanda (2015)** put forward that GST would be a simple, user friendly and will bring a transparent tax system in India. However the effective implementation of GST is a challenge for India and this can be achieved only through more analytical research on the subject matter.

**III. Philosophies of GST**

1. Consumption based taxation: More consumption will automatically lead to production
2. Input tax credit: Overall tax burden can be reduced by removing cascading effect
3. One tax India: A transparent taxation system where consumers should be able to know how much he is paying and why
4. TDS, TCS and RCM: Registered persons should assume the responsibilities of unregistered persons
5. PAN based system: Direct tax evaders in business sector may be caught
6. CGST, SGST and IGST: Cooperative federalism and not Fiscal federalism
7. Audit, Penalties, Prosecutions, Recovery, Input-output matching: Up to date Records, Returns and documents

**IV. Evaluating the impact of GST on interested parties****a. Impact of GST on large tax payers**

1. Tax compliances will become easier due to one tax.
2. Will get rid off from multiple and complex tax structures
3. On line platform will create ease of doing business
4. Overall cost of production will come down due to elimination of cascading effects
5. Product will become competitive in foreign market due to zero rated exports
6. Due to lowering of overall tax burden, trade volume is expected to increase

**b. Impact of GST on small tax payers**

1. Facility of opting composition scheme if turnover is lesser than Rs. 75 lakhs
2. Availability of input tax credit will lower overall tax burden
3. On line system will create ease of doing business
4. Cost of production will come down due to lower tax rates

5. If turnover is less than 20 Lakhs, no registration is required
6. Exports and supply to SEZ will be zero rated.
7. Better GST compliance score will help to get subsidies and borrowings
8. Job workers have been given special privileges and relaxations

#### c. Impact of GST on Consumers

1. No hidden taxes may be charged by suppliers
2. GST will reduce tax evasion due to on line system, the benefit of which will be passed to end consumers
3. 50% of the common and necessary retail items of daily use will not be liable to GST
4. Prices of many goods and services will come down due to seamless flow of input tax credit
5. Simple and transparent tax structure will avoid confusions
6. Overall tax burden will be less as compared to previous indirect tax laws
7. GST will create employment opportunities

#### d. Impact of GST on State Government

1. Lower tax rates will boost demand and growth
2. Tax evasion will be minimized
3. In the long run tax revenue will rise due to wide coverage
4. Will promote growth in exports
5. Increase in employment opportunities
6. Compensation from centre for 5 years

#### e. Impact of GST on Central Government

1. Tax evasion will be minimized
2. Development of competitive market
3. Improved tax collection
4. Economic growth

#### Key Findings

Earlier to GST, multiplicity of taxes, cascading effects, multiple compliance burden, tax evasion etc. were some of the burning issues that needed immediate attention. Government of India has taken a remarkable step by introducing GST into Indian economy. It is a completely new law with a new philosophy and not merely an improvement over the earlier indirect tax laws. The unique features of this law are:

1. Consumption based tax
2. Input tax credit
3. Simplified job work procedures

4. Composition scheme
5. PAN card based registration
6. GST compliance score
7. On line based system
8. Constitution of GST council
9. Complete demarcation of tax between Centre and State
10. Zero rated exports
11. Same valuation methods and rules for inter-state and intra-state transfers
12. Reverse charge mechanism
13. Concrete definition of supply which not only includes all forms of transfers but also agreement to sale
14. Transaction value as the main valuation mode and open market value as first preference in valuation rules
15. Matching of inward and outward supply
16. Taxability of supply between principal and agent
17. Taxability of stock transfers
18. Strict penalty provisions for defaulters

#### Conclusions

Change is the law of nature. Change is always difficult but ultimately leads to growth. GST is the biggest tax reforms in Indian history. In the first phase GST will appear to create difficulties but in the long run it will lead to all round growth of trade and industries. It will be beneficial from all four corners. Business class will feel satisfied due to growing demand and increasing profits. Consumers will be happy because there will not be any hidden taxes. Government will be at an advantageous position due to minimizing tax evasion instances in both direct and indirect taxes. It will not only create competitive market due to transparent tax structures but also help in inviting more inflows of foreign capital.

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