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# GST: A Journey to Make India a Single Tax Economy

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**ABSTRACT**
Goods and Service tax is the Comprehensive levy on the goods and services at the stage of consumption. This paper will try to highlight the changes in out indirect structure that has finally resulted in the introduction of GST. This paper gives a detailed account of how we started with L.K. Jha Committee report in 1976 and ended up with 101st Constitutional Amendment Act that led to the unification of the Economy. The GST is also very important from the view of Cooperative federalism because the introduction of GST was not possible if the State and Central Government would not have forgo some of there power to tax under 7th schedule. The paper has tried to cover the whole journey of GST and the need for integrated tax structure in India. The paper will further evaluate the policy changes and its impact in past 3 years.

***KEYWORDS:*** GST, Indirect Tax, Cooperative federalism, ITC

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## 1. INTRODUCTION

Goods and Services Tax (GST) is the tax levied when a consumer buys a good or service. It is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services. GST aims at replacing all indirect levied on goods and services by the Indian Central and State governments (except custom). GST has subsumed all indirect taxes that existed before 2017, eliminating the cascading effect of taxes on the production and distribution prices of goods and services.

GST is one of the game changing reforms for Indian Economy as it would create a common Indian Market and reduce the cascading effect on the cost of goods and services. It is going to have an impact on tax structure, tax incidence, tax computation, tax payment, compliance, credit utilization and reporting, leading to a complete overhaul of the indirect tax system.

### 1.1. Meaning & Definition of Goods and Service Tax

Before going into the meaning and definition of Goods and Services tax let us see how the tax system in India works. Indian tax structure is broadly divided into two types - Direct tax and Indirect tax.[1]

a. Direct Tax - The tax which is imposed on the income of the individual is called the Direct Tax. Income tax payment depends upon one's income from different source of like salary, house rent, capital gains, profit from business and profession and income from other sources. India follows a progressive tax system as far as direct tax is concern, which means more you earn more tax you pay.

b. Indirect tax- Indirect-tax is levied on goods and services one purchase. These are paid by the final consumers. Mostly rate of taxes are less on essential goods and more on luxury goods.

Goods and Services tax is one of the indirect tax. GST has subsumed all the earlier taxes and created a simple network of single tax. After 101st constitutional Amendment Act, 2016 both centre and sate simultaneously charges taxes on both goods and services. This has removed the cascading effect and help in reducing the burden on the pockets of the end user[2]. Definition of Goods and Services tax is provided in Constitution of India.

Article 366 (12A)[3] defined Goods and Service Tax as introduced by 101st Constitutional Amendment Act, 2016.
"Goods and services tax" means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.

[1] Law of Taxation, S.R. Myneni, Allahabad Law Agency, 2019

[2]Indivjal Dhasmana, "What is GST, how is it different from now: Decoding the indirect tax regime", Business Standard, 17 April 2017,last visited on 30th May, 2020
[3] Constitution of India, P.M. Bakshi, 2019

| S. NO | Words | Article | Definition |
|---|---|---|---|
| 1. | Goods | 366(12)[4] | Goods includes all material, commodities and articles |
| 2 | Service | 366(26A)[5] | Anything other than goods (introduced vide 101st constitutional Amendment Act, 2016) |
| 3. | State | 366(26B)[6] | With reference to article 246A, 268, 269, 269A and Article 279A includes a union territory with legislature. (introduced vide 101st constitutional Amendment Act, 2016) |
| 4 | GST Council | 279A[7] | It is a constitutional body for making recommendations to the Union and State Government on the issues related to GST. |

**(Table 1)**

## 2. The Need of Integrated indirect tax structure In India:

Before the introduction of GST indirect tax subjects are divided between State and the Centre. They levied and collected taxes on the goods and services separately. The collection and levy is guided by the Seventh Schedule of the constitution of India. Centre had the power to levy tax on the manufacturing of the goods except alcohol for human consumption and narcotics. At the same time the state has the power to levy tax on the sale of the goods. As far as the Services are concern only centre has the power to levy and collect taxes.[8]

The main component of indirect taxes for Central Government, before GST comprised of - Central excise, custom and service tax. While the main sources of indirect taxes for State Government are Value Added Tax (VAT), Central Sales Tax (CST), Octroi (Entry Tax) etc.[9]

There was multiplicity of taxes before the introduction of GST. Also these taxes are levied by different authorities on the same subject, taxes paid on imports can not be set off against the output tax payable on the services or vice versa. All these has resulted in the cascading effect of taxes which ultimately increase of the goods.[10]

a. Central Excise and GST : Central Excise was an Indirect tax levied by Central. It was applicable on the manufacturing state of the goods which means tax is levied at the origin stage. Whereas GST is a consumption based tax and levied on the sale of goods. Input tax credit is granted under GST which ensures self regulation and less evasion of tax.

b. VAT and GST
VAT was introduced in almost all the state in 2006 and GST is the logical extension of VAT. It is now converted into "State Goods and Service Tax.

c. GST and Service Tax
Before introduction of GST, Services falls under the exclusive domain of Centre but after the 101st constitutional amendment now under the GST regime taxes on services are also shared by Centre and State.

### 2.1. Why One integrated tax for the entire nation

Single tax regime for one entire Nation was needed because the flaws in the earlier tax structure. The compliance has become easy after GST. There are four GST slabs which has been set at 5%, 12%, 18% and 28% for different goods and services.[11] The integration of tax laws in GST has reduced the tax burden on tax payer compared to the earlier system. The problems of the older tax regime are as follows:
a. Multiplicity and complexity Central and State indirect taxes. Indirect taxes under the old regime was more than seventeen. There were different authorities looking into all these taxes. Different registration numbers were required which makes the earlier tax regime very complex for a normal tax payer.

b. There was no comprehensive input tax system. It was very difficult to claim input tax credit in the older regime.

c. Due to levy of multiple indirect taxes on one another like levy of VAT on excise duty and Service tax there exist a cascading effect of tax which will led to the increase of cost of goods and services.

d. Before GST there was no integration between goods and service tax.

e. The tax base in the earlier regime was very narrower as compared to the GST regime.

f. Different points of Taxation - Central excise is levied on manufacturing, Service tax was levied on the provision of service, VAT is levied on sale of goods.

g. There was lack of uniformity of taxes between the States for example VAT on sugar in Gujarat is 4% whereas VAT on sugar in Maharashta is nil.[12]

## 3. Journey to make India an Single tax Economy

In the year 2000, the concept of Comprehensive Goods and Service Tax was introduced by our then Prime Minister Mr. Atal Bihari Bajpayee. He also set up a committee to design a GST model for the country. In 2003, the Central Government formed a task-force on Fiscal Responsibility and Budget

[4] ibid
[5] ibid
[6] ibid
[7] ibid
[8] Jaideep Mishra, Why we need GST, Economic Times, May 1, 2015, last visited on 29th May 2020
[9] Indirect tax Law and Practices, V.S Datte, Taxman, 2020
[10] Tanu Kaushik, Goods and Service Tax: What is GST in India?, Quick Book Resource Centre.

[11] *"All your queries on GST answered", The Hindu,* 30 June 2017.
[12] Trends and Issues in Tax Policy and Reform in India, M. Govinda Rao and R. Kavita Rao, (https://core.ac.uk/download/pdf/6366286.pdf) last visisted on 29th May, 2020.

Management. This special committee has recommended a new tax regime "GST" to replace the existing tax regime.

The movement towards GST was articulated by the Mr. P Chidambaram in his Budget speech for 2006-07. Initially, it was proposed to introduced the new regime from 1st April 2010.

But the biggest dream of the decade was materialized when Mr. Arun Jaitley_then FM, introduced the GST Bill in the Parliament which was passed by both the house. In August 2016, the Amendment Bill was passed and the President Pranab Mukherjee gave his assent to it.

### 3.1. Journey Of GST in India:

| | |
|---|---|
| 1974 | Report of LK Jha committee which suggested introduction of VAT system. |
| 1986 | Introduction of restricted VAT - "MODVAT" |
| 1991 | Chelliah committee report recommended: VAT /GST implementation |
| 1994 | Introduction of service tax |
| 1999 | Empowered Committee formation on State VAT |
| 2000 | Introduction of Uniform floor state tax rates and abolition tax related incentive granted by state government |
| 2003 | Haryana to become first state yo implement VAT |
| 2005-06 | Implementation of VAT by most of State of India |
| 2007 | Finance Minister talked about GST for the first time in his Budget speech |
| 2008 | Empowered Committee rolls out GST structure of taxation system |
| 2009 | April 2010 has been proposed as the date of implementation of GST |
| 2010 | Probable GST rates were discussed by the Finance Minister and Department of Revenue Committee |
| 2011 | Kelkar committee was created to lay down a Road Map for GST and 115th Constitutional Amendment Bill was introduced in the Parliament |
| 2012 | Negative list regime for service tax was implemented |
| 2013 | Parliamentary standing committee submitted its report om the bill |
| 2014 | 115th Constitutional Amendment Bill Lapsed and reintroduced as 122nd Constitutional Amendment Bill |
| 2016 | 122nd constitutional amendment bill was passed by the Parliament and got the assent of president to become 101st Constitutional Amendment Act, 2016 |
| 2017 | 1st July 2017 GST was introduced in India and old regime was scrapped. |

**(Table. 2)**

### 3.2. Advent of GST in India

Goods and Service tax was first time adopted by France in 1954. At present more than 150 countries have implemented GST as a value added tax in the ways that best suits their country. Like Brazil and Canada have dual GST one by State and another by the Centre, Sweden, Norway and Finland has GST as high as 25%, we have countries like Singapore which has single GST rate and then we have India which has implemented GST at four different rates according to the uses of the goods by the society. Most of the luxury goods have been kept at the highest slab of 28%, daily unbranded food items are exempted from GST, brand food products are charged at 5%. Similarly clothes ranging below Rs.1000 are taxed at 5% where as Clothes costing Rs. 1000 or more are Charged @ of 12%. this implies that GST Council while introducing tax slabs has kept in mind the tax structure that existed before and the low and middle income group. Exports will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle.

115th Constitutional Amendment Bill, 2011 ("Bill") was put before the Parliament by the Finance Minister on 22 March 2011 as the Constitution of India does not provide concurrent powers of taxation to the Union and the States. The Bill proposes to amend the Constitution to empower the Union and States to frame laws for levying goods and service tax ("GST") the supply of goods and services. The Bill is one of the very crucial step to ensure introduction of the GST regime by 2012 in India. This was considered to be a major improvement over the pre-existing tax system and the new tax would be a significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. But the bill lapsed and could not get passed in the Parliament.

### 3.3. Objectives Of GST System:

GST is a ambitious dream that that took almost two decade to become reality. After Independence India's tax structure has went through various reforms. Last was the introduction of VAT. In 21st century maximum revenue generation of India comes from service sector so in 1994 government has come up with the idea of taxing services as well. And the next big step was to integrate all the indirect tax law to bring the whole nation under one roof by introducing GST.

Following are the objective of implementing GST:

a. Reduce the cascading effect of taxes: The old tax structure suffers from the cascading effect. GST helped in removing that effect by making indirect tax simple and convenient as there only one tax that is applicable. Whereas in the old regime there were excise duty on manufacturing, sales tax on inter state sale, VAT on intrastate sale and no input tax credit was available which led to the increase in the price of the goods. As far as services are concern the component of taxes were very high in earlier regime and also where service and goods are serves together VAT was charged over and above service tax.

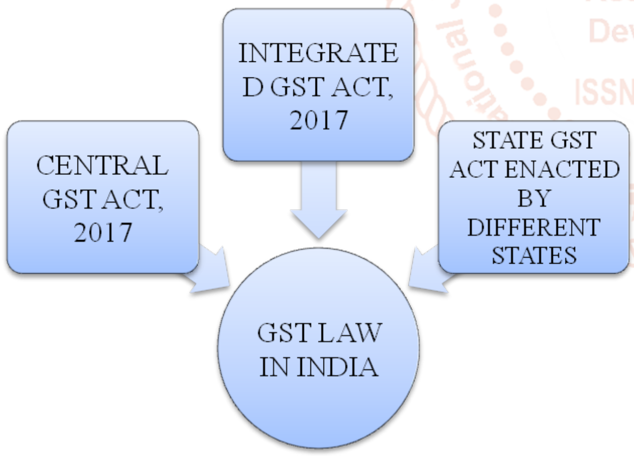
b. Ensuring simplicity and removing the multiple registration by single registration: GST's major objective was to remove the complexities in the administration of taxes. A dealer has to do a lot of different registration to comply with different taxes which make the whole process very tying and cumbersome. Because of which many people don't pay taxes. GST aim at removing all the registration with single GST registration. GSTIN is connected with PAN.

c. Ensuring input tax credit: GST ensures the flow input tax credit. If any chain is broken the ITC cannot be claimed so it ensure self checking and thus ensuring that tax is paid at each stage.(from acquiring raw material to selling finished goods to final consumer)

d. Reduce compliance cost: GST has reduced the compliance cost by merging all the taxes. There were different point of taxation, period of filing return etc which has created at lot of compliance cost. So GST takes care of these and reduces the compliance to one tax.
e. Transparent and corruption free infrastructure: GST aims at making a transparent and corruption free infrastructure by making return filing online and less physical interaction of taxpayer and department officer thus making it corruption free and transparent.
f. Uniformity in the tax regime: GST has made the tax structure uniform throughout India. Earlier the VAT rates differ from sate to state and making some thing cheaper in one state and costlier in another. For example VAT on apparels in UP is 3% and in Delhi is 5% then same apparel is cheaper in Noida and costlier in Delhi thus one would prefer to travel and buy the cloth rather than paying extra in Delhi.
g. Bring down inflation: GST has reduced the cascading effect which will have an impact on the price of the goods. The price of the goods reduces due to reduction in taxes and Anti Profiteering measure under the GST act made it compulsory for the manufacturer to transfer the benefits of reduced taxes to final consumers.
h. Broaden the tax base: Due to the introduction of GST the tax horizon has increased. GST ensure ITC which has led more number of people registering under the Act. The provision of registration and composite scheme have been discussed in upcoming part of this chapter.
i. Reduces the over all burden in long term.[13]

### 3.4. GST Law in India:

GST Law is divided into three Act according to which the procedure and taxes under the new regime are guided.




Other important enactment that guides the implementation of GST in India is the Goods and Services Tax (COMPENSATION TO STATES) ACT, 2017.

### 3.5. Structure and type of taxes:

India has implemented dual GST. In this regime, all the transactions of goods and services made for a consideration attracts two levies i.e. CGST (Central GST) and SGST (State GST).

[13] GST – Objectives, Advantages, Benefits, (http://taxveda.com/simplified/T1RVeFFERXlNM1lo/GST--Objectives-Advantages-Benefits), last visited on 30th May 2020

A. Central Goods and Service Tax (CGST) :
The Central GST (CGST) has replaced the central excise duty and service tax. CGST also cover sale transactions. The 101st Constitutional Amendment Act, 2016 inserted provisions to enable Centre to tax sales. The Central Government administered CGST. The CENVAT credit balance available under CENVAT Credit Rules with the manufacture or service provider, as on the date of transition into GST, could be carried forward. In respect of tax paid goods in stock as on the date of transition credit not availed in the past or not eligible at that point of time, available under GST could also be availed and used towards disbursing CGST (Central GST) liability.

Under new tax Law, there are time bound transition provisions for carry forward of credit availed prior to introduction of GST. The declaration of closing stock as on the date of transition to claim credits, which were not earlier captured, was also time bound.

B. State Goods and Service Tax (SGST):
State GST has subsume State VAT, Entry tax, Octroi, Luxury tax, etc. Now SGST is levied on services as well, the Constitutional Amendment Act, 2016 contains suitable provisions for that. State Governments administered SGST. The SGST payable could be set off from the SGST credit or the IGST credit. Subject to certain conditions, the closing input VAT balance available under VAT Act is available to the dealer, as on the date of transition into GST, and could be set off towards SGST liability. Further, it is expected that the duty and tax paid on closing stock is available as credit, which might not have been claimed as set off in the old VAT regime.

C. Inter-State Goods and Service Tax (IGST)
IGST is levied on supplies of goods and services in the course of inter-state transaction. IGST would be applicable to import of goods or services also. It is collected by centre and appropriated between both centre and state of destination.[14]

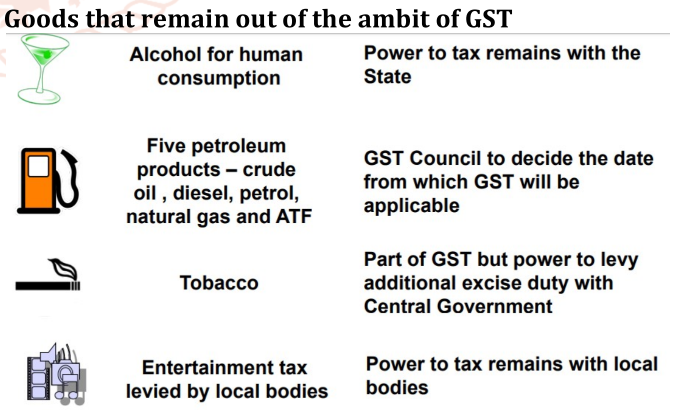



**Fig. 1**

**Concepts under GST Law:**

1. If Supplier is not registered under GST: If the supplier is not registered under GST and is supplying taxable goods or services to a recipient who is registered, the GST on the such taxable supplies shall be borne by the recipient on reverse charge basis.

[14] Bare Law on GST Act(s) And Rule(s), ICAI, The Publication Department on behalf of the Institute of Chartered Accountants of India 2018

2. Gifts by Employer to Employee: Supply of goods or services or both between related persons when made in the course of business, provided that gifts not exceeding Rs 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

3. Compliance Rating Score: New provision in the law has been inserted which suggests that if there is non compliance it will not just lead to penalties but may also lead to black listing, which may effect the future credibility and reputation of the person which can harm the business growth. The government is suppose to give an online rating on timeliness and efficiency of compliance in terms of stars (5 star rating). . This Online rating will be available on the web portal. One can check and decide business associations on the basis of these rating/report card of one's Business. ( this concept has not been implemented so far.)

4. Anti-Profiteering Measure under new law: Price charged to the consumer shall need to be reduced to an extent of benefit accruing due to (i) admissibility of Input Tax Credit in the hands of supplier and (ii) price reduction on account of reduction in tax rates on procurement.
5. Composite levy : Statutory threshold of turnover for a taxpayer to be eligible for composite scheme has been increased from 1 crore to 1.5 crore. This allows the composition tax payer to supply services(other than restaurant services), for upto the value not exceeding 10% of the turnover in the preceding financial year or 5 lakh rupees which ever is higher.
6. Time of supply of goods : The date of issue of invoice by the supplier or the last date on which he is required to issue the invoice with respect to the supply(under sec 31).
7. Eligibility and condition for taking input tax credit : Only a person registered under GST will be eligible to claim Input Tax Credit(ITC) on the fulfillment of following conditions -

A. If he is in possession of a tax invoice or debit note or document in evidencing payment.
B. If he has receipt of goods and/or services.
C. When goods are delivered by the supplier to other person on the direction of a registered person against a document of transfer of title goods.
D. By furnishing a return.
E. When goods are received in lots or installment Input Tax Credit(ITC) is allowed to be availed when the last lot or installment is received.
F. If the supplier fails to supply goods and/or services within 180 days from the date of invoice then Input Tax Credit(ITC) already claim by the recipient will be added to output tax liability and interest should be paid on such tax involved.
G. Input Tax Credit(ITC) will not be allowed if depreciation has been claimed on tax component of the capital goods[15].

8. Personal Liable For Registration under the Act : Supplier of goods or services or both are liable to be registered under this act in the State or The Union Territory, other than special category State, if his aggregate turnover in a financial year exceeds Rs 20 Lakh. The threshold turnover for the registration in the special category state are 10 Lakh.[16]
(These turnovers has been increased to Rs 40 Lakh for State other special category State and 20 Lakh for special category state in 35th GST council meeting held on June 2019).

9. Compulsory registration in certain cases : following category of persons are required to be compulsorily registered under GST –
Person making any inter state taxable supply, casual taxable persons making taxable supply, persons who are required to pay on reverse charges, persons who are required to pay under sec 9(5), non resident taxable person making taxable supply. persons who are required to deduct tax under section 51, whether or not separately registered under this Act; persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise; Input Service Distributor, whether or not separately registered under this Act, (ix) persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52; every electronic commerce operator who is required to collect tax at source under section 52; every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person; and such other person or class of persons as may be notified by the Government on the recommendations of the Council.[17]

Other important law that forms the part of GST law is Integrated GST Act, 2017. Let's have some quick glance on the law:

Integrated Good and Services Tax(IGST) means tax levied under the IGST Act on the supply of goods and services in the course of inter state transaction. A supply of goods and/or services in course of inter state transaction means any supply where the location of supplier and the place of supply falls under different state jurisdiction.[18]

Levy and Collection of IGST: IGST shall be levied and collected by centre on inter state supplies. The inter-state seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchase. The exporting state will transfer to the centre the credit of SGST used in payment of IGST. The importing dealer will claim IGST credit while paying his output tax liability. The centre will then transfer to the importing state the credit of IGST used in payment of SGST.

Imports and Export under IGST:
For the purpose levy of GST all imports/exports shall be deemed as inter state supplies. The incidence of tax will follow the destination principle and the tax revenue in case

[15] Central Goods and Service tax Act, 2017, s16

[16] Central Goods and Service tax Act, 2017, s22

[17] Central Goods and Service tax Act, 2017, s24

[18] Integrated Goods and Service Tax Act, 2017, s 3(1) and s 3(2)

of SGST will accrue to the state where the imported goods and services are consumed. Full and complete set of will be available as ITC of the IGST paid on Import of goods and service.[19]

Rate of tax under GST:
Rate of GST The rates could be as under:
A. Revenue Neutral Rate (RNR) – 18%
B. Products/ service which are basic necessities – 12%
C. Essential Goods - 5%
D. Demerit/ luxury goods - 28% + some Cesses (Upto 160 %)

**Kelkar Committee recommendation o**n Indirect Taxes
1. The Union Excise Duties (UED) and Service Tax (ST) to be reformed for the smooth integration of these levies into the Goods and Services Tax. The present standard rate of 12 percent shall be progressively reduced to align with the GST rate of 8 percent proposed for the Central GST. This will give a positive signals regarding Government's commitment to introduce GST.
2. The commodities subject to excise duty at a lower rate of 6 percent shall be comprehensively reviewed to restrict it to merit goods. The rate of tax in the case of all other goods should be increased to the standard rate. Also commodities liable to tax at rates lower than 6 percent shall also be reviewed to restrict it to merit goods.
3. The negative list of services should be reviewed for further pruning. For example, there is no case for exempting non profit organizations from the Service Tax levy. Similarly, exempting infrastructure projects from the levy implies that the tax on inputs is embedded into the cost of the infrastructure resulting in higher project cost. Further, even where exemption from UED and ST is justified, as a general rule, the supplier of goods and services should have the option to opt into the system.
4. The railways for transportation of goods and passengers (of higher class) has been granted exemption which is valid upto 30.09.2012. According to the recommendation this exemption should not be extended beyond this date.
5. The committee has suggested CBEC to put in place a robust information system to increase the deterrence level and the cost of evasion. The information system shall provide for a mechanism for cross- verification of all claims for input-tax credit. No such a mechanism exist as of now. Because of which the ability of the Excise Department to detect fraudulent claims is severely undermined. In Kerala the dealer must electronically provide invoice-wise details of all sales to, and purchases from, registered dealers under VAT system, which enables the Department to cross-verify claim for input tax credit and determine mismatches for further investigation. Therefore, CBEC shall develop a similar model for comprehensive cross- verification of claims for input tax credit. This will help the tax administration to significantly improve the economics of non-compliance in their favour.
6. Effort should be made in the right direction to expedite the implementation of the Goods and Services Tax as suggested by the Thirteenth Finance Commission (TFC). GST will enhance the output, exports and tax revenues. Even though the roll-out of GST from 1st April, 2013 does not seems feasible, the passage of the pending Constitutional Amendment relating to introduction of GST in the Winter Session of the Parliament would give very strong signal to trade and industry about Government's will power to move forward on this issue.[20]

## 4. Implementation Of The Goods and Service Tax
After so much of discussion and deliberation finally the Government of India President of India put forward GST at midnight on 1 July 2017 The launch was preceded by a historic midnight (30 June – 1 July) session of both the Houses of Parliament at the centre Hall of Parliament. The session was attended by guests from the business and the entertainment industry like Ratan Tata.

After its introduction, the GST rates have been changed multiple times, the latest revision been done on the 35th meeting of the GST council on June, 2019.

Members of the Congress, members of the Trinamool Congress, Communist Parties of India and the DMK boycotted launch of the GST altogether. They argued that the GST would led to increase in the existing rates on common daily goods while reducing rates on luxury items, and affect many Indians adversely, especially the middle, lower middle and poorer income groups.[21]

### 4.1. GST Model Implemented in India:

| | Concurrent Dual GST | Non-concurrent Dual GST | National GST | State GST |
|---|---|---|---|---|
| Key Aspect | Tax levied concurrently by Centre and States | GST on goods to be levied by State and GST on services to be levied by Centre | Tax levied only be Centre | State law and collection by; States |
| Requirement for Constitutional amendment in Indian context | Yes | No | Yes | Yes |
| Revenue Sharing | No | The Centre may partly or fully transfer the revenues collected from the taxation of services | Yes | Reduction in fiscal transfers from Centre to State |
| Example | Canada and Brazil | Similar to present Indian indirect tax structure in many ways but of course not identical | Australia | USA |

India has adopted dual GST model, meaning thereby the new taxation is administered by both the Union and State Governments. Transactions made within a state are now levied with Central GST (CGST) by the Central Government and State GST (SGST) by the State governments.

[19] Integrated Goods and Service Tax Act, 2017, s 2(c)

[20] Report of the committee on Road map for fiscal consolidation, September 2012

[21] "Congress To Boycott GST Launch, Arun Jaitley Suggests Broader Shoulders", NDTV, 29 June 2017

Inter-state transactions and imported goods or services falls under an Integrated GST (IGST) regime which is levied by the Central Government. GST is a consumption-based tax/destination-based tax, which means taxes are appropriated with the state where the goods or services are consumed not the state in which they were manufactured or produce. IGST complicates tax collection a little for Provincial Governments as they are disabled from collecting the tax owed to them directly from the Union Government. As far as the old system is concerned, a state would only have to deal with a one government in order to collect tax revenue.[22]

**HSN code and SAC code**

There is a 8-digit code know as HSN code for finding the applicable rate of GST on various products as per CGST rules. Where a company has turnover of ≠1.5 Crore in the preceding financial year then they need not mention the HSN code while supplying goods on invoices but if turnover exceeds ≠1.5 Crore but up to ≠5 Cr then they have to display the first two digits of HSN code at the time of supplying goods on invoices and if the turnover in a financial year exceeds ≠5 Cr then one has to mention the first 4 digits of HSN code on invoices.[23]

**Rates**

The GST is imposed at different rates on different items. The rates are decided by the GST council depending on the usage of goods by different strata of society. This is done so that burden of tax from middle class and lower class population can be reduced. For example rate of GST is 18% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than Rs.100 and 5% on ready-made clothes which is less than Rs. 1000 and 12% for the one which is more than Rs. 1000. The rate on under-construction property booking is 12%.[24] The government has exempted some industries and products were these industries or sector remained un-taxed under GST regime, these sector/industries includes dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities.[25]

For ensuring free and fast movement of goods check-posts across the country were abolished . The Central Government had proposed to alter the revenues of the States from the impact of GST, with the expectation that in due course, GST can be imposed on petroleum and petroleum products. The Central Government has also assured states that it will pay compensation for the revenue loss that has been incurred by them from the date of GST for a period of five years[26].

GST council adopted concept paper discouraging tinkering with rates.

**Reverse Charge Mechanism**

Reverse Charge Mechanism (RCM) is a system in GST where the receiver pays the tax on behalf of unregistered, smaller material and service suppliers. The receiver of the goods is eligible for Input Tax Credit, while the unregistered dealer is not.

In the notification dated on 29 January 2019, the Indian government has finally implemented the RCM (reverse charge mechanism) which started from 1 February 2019 as per the GST acts and amendments. Also to note that the up to INR 5000 exemptions will be removed effectively.[27]

**GST Council**

GST Council is the governing body of GST having 33 members.[28] It is the Union Finance Minister as its chairman. GST Council is an apex member committee to alter, reconcile or to procure any law or regulation based on the context of goods and services tax in India. The council at present is headed by the Nirmala Sitharaman, the union finance minister assisted with the finance minister of all the states of India. The GST council is responsible for any revision or enactment of rule or any rate changes of the goods and services in India.

**Goods and Services Tax Network (GSTN)**

Infosys Technologies and the Information Technology network develops the GSTN software that provides the computing resources which is maintained by the NIC. "Goods and Services Tax" Network (GSTN) is a non profit organization formed for creating a sophisticated network, accessible to stakeholders, government and taxpayers to access information from a single source (portal). The portal make it accessible to the Tax authorities for tracking down every transaction, while taxpayers can connect to the portal for their tax returns.

The GSTN's authorised capital is ≠10 crore in which initially the Central Government held 24.5 percent of shares while the state government held 24.5 percent. The remaining 51 percent were held by non-Government financial institutions, HDFC and HDFC Bank hold 20%, ICICI Bank holds 10%, NSE Strategic Investment holds 10% and LIC Housing Finance holds 11% .[29] But later it was made a wholly owned government company where both the state and central government has equal shares.

GST has helped in widening the tax horizon as around 38 lakh new taxpayers have registered under GST and the total count has already crossed one crore as we have 64 lakh in the earlier ones. Total number of taxpayers were above 1.14 crore in October 2018.

**5. GST Council and changes in the law**

GST Council- GST Council is constitutional body[30] constituted by the President on 16th September, 2016. The GST Council Secretariat was located at at New Delhi. It is comprised of -

Union Finance Minister - Chairperson ⍰

MoS (Revenue)- Member ⍰

The State Finance/Taxation Ministers - Members

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[26] Compensation to State Act, 2017

[27] "Easy Guide to RCM Under GST".

[28] Constitution Of India, s. 279A(1)

[29] About Us – GSTN". gstn.org. Retrieved 6 February 2018.

[30] Constitution of India, P.M.Bakshi, 2017, art.279A

At present it has 33 members. Members of GST Council may choose one of the Members as the Vice-Chairperson. The half of total members constitutes quorum. Decisions in the council is taken by majority of 75% of weighted votes of members present & voting.

Weightage of votes: 1. Centre – One-third 2. States – Two-third GST Council.

The GST Council shall establish a mechanism to adjudicate any dispute arising out of its recommendations or implementation thereof — between the Government of India and one or more States; or between the Government of India and any State or States on one side and one or more other States on the other side; or between two or more States[31].

The Council make recommendations to the Union and the States on important issues related to GST, like the goods and services which may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc[32].

The Goods and Services Tax Council shall make recommendations to the Union and the States on—

1. the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
2. the goods and services that may be subjected to, or exempted from the goods and services tax;
3. model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A and the principles that govern the place of supply;
4. the threshold limit of turnover below which goods and services may be exempted from goods and services tax;
5. the rates including floor rates with bands of goods and services tax;
6. any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
7. special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
8. any other matter relating to the goods and services tax, as the Council may decide.

The Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.

While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonized structure of goods and services tax and for the development of a harmonized national market for goods and services.

[31] Constitution of India, P.M.Bakshi, 2017,art.279A (11)

[32] Constitution of India, P.M.Bakshi, 2017 art. 279A (4),

The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute —

A. between the Government of India and one or more States; or
B. between the Government of India and any State or States on one side and one or more other States on the other side; or
C. between two or more States, arising out of the recommendations of the Council or implementation thereof.

GST Council, as of June 2019 has conducted 35 meetings.

## 6. Conclusion:

The GST has been a long awaited dream of our society. This law not only simplify the tax structure but also a step forward towards cooperative federalism. Introduction of GST also marked the growth of our federal system. Independence had unified India politically but after 70 years of Independence GST has unified India economically. The three decade long journey of GST was though tiresome but the fruits of GST in last two years justifies all the debate and deliberation towards the new tax regime. Advent of GST not only change the tax laws but also has great impact of centre state relations and the seventh schedule. Though the implementation of GST was a chaotic and confusing at the beginning but now after completing the journey of almost 3 years GST is able to achieve its objective.

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