



## GST (a new Tax Regime) –A Conceptual Study

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### ABSTRACT

In the Instant time there was a major changes in the Financial system and Tax system of India. Since from 1990's Indian economy is developing economy even though, India has a huge resources during the time of Pre-Independence. In a view of developing the Indian economy and reducing flaws in the Taxation and Financial system of India, the Government of India has taken decisions like Demonetization, GST etc. The purpose of the research paper is to understand the challenges/problems/difficulties and flaws in the GST.

**Keywords:** GST-Demonetization-Financial structure

### INTRODUCTION

In India, GST was introduced on 1<sup>st</sup> July 2017. Tax is the major source of revenue to any of the country. Hence, any economy of the world either developed or developing majorly focuses to frame a flawless, Financial policy and Tax system. The purpose of the GST is to eliminate the cascading effect of the tax, reduce tax evasion and corruption etc;. France was the first country to implement GST in the year 1954. Many countries in the world have a single unified GST system i.e. a single tax applicable throughout the country. However, in Federal countries like Brazil and Canada, a dual GST system is followed. Dual system means tax is collected by state and central.

The government of India has categorized items in five major Tax slabs - 0%, 5%, 12%, 18% and 28%.India is following a Dual Taxation system as below mentioned:

- State Goods and Services Tax (SGST)- Collected by state.
- Central Goods and Services Tax (CGST)- Collected by central

- Integrated Goods and service Tax (IGST)- Collected by state and central.

### Objectives

1. To study about the Goods and service tax in India.
2. To Study about the challenges and difficulties after introduction of GST in India.

### REVIEW OF LITERATURE

**Prof. Lourdunathan F and Prof. Xavier P** in the research paper expressed that, Indian traders, manufacturers, society has mixed opinion on GST. They also said that Government of India will get higher revenue with efficient GST Policy. In their view Electronic processing of tax system will reduce corruption and tax evasion.

According to **Milandeep Kaur, Kajal Chaudhary, Surjan singh, Baljinder Kaur (Department of Business -Management, Eternal University, Himachal Pradesh, India)**, says that “ GST is a well designed and simplified taxation system in India. He also said that Government has promised that there will be no distinction between Imported and Indian goods as they are taxed at the same rate. According to them GSt will play a dynamic role in the development and growth of India.

**Dr. Shakir Shaik, Dr. S. A. Sameera, Mr. SK.C. Firoz**, analyzed that Tax polices plays an important role on the economy. They also said that a good taxation system should concentrate on income distribution and also on generating tax revenue. They concluded by saying India will stand in the highest position in worldwide in the line of standard taxation system.

**Akanksha Khurana and Aastha Sharma (International Journal of Advanced Research (2016))**, says that GST will provide relief to producers and consumers through the coverage of input tax credit set-off. They concluded by saying that GST will lead to resource and revenue growth for State and central.

**Dr. R. Rupa (Associate Professor, SCMS School of Technology and Management)(Feb-2017)**, says that GST introduction has both advantages and disadvantages on the economy. She also said that GST will lead to ease of starting business in India because of centralized registration process.

### Research Gap

GST will be a well designed and simplified taxation system only when it takes into consideration the common people, SSI ,rural areas, and developing states of the country while formulating the tax policy or tax rates. GST council to its core extent concentrating more on revenue generation of the country.

### Research Methodology

The Research paper is based on the Exploratory research, keeping in view the objective of research, as GST is still emerging in India because there are frequent amendments in the policy.

GST is implemented very recently in India, hence there are no accurate data available for the same. Hence, the study relies on the secondary data like articles published in the news paper, Journals, Magazines and other secondary sources.

### GST and Difficulties

In India SME's, Sole proprietors, common people overall society is facing many difficulties after the introduction of new tax regime to the Indian taxation system i.e; Indirect tax system is replaced by GST.. Below table is indicating the GST rates of few other countries.

**Table 1.1: Table showing Rate of GST of other countries**

Country	Standard Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
Sweden	25%
New Zealand	15%
India	12.5%–15.5%

From the above table we can analyze that Indian GST rates are high, when compared to other countries GST rates. A very standardized tax system with highest tax rates like GST is suitable for developed countries. India is still a developing country.

**Below mentioned points are the few major difficulty facing by the society after introduction of GST:**

- 1. GST council** – Council has conducted 23 meeting till November 10, 2017, in most of the GST council meetings there are frequent amendments in the GST rates. Due to frequent changes in tax slabs, tax payers are in the dilemma.
- 2. Cost of living-** GST is increasing the cost of living, and decreasing the standard of living of the people with increased GST rates. The consumers' purchasing power has come down due to highest tax rates.
- 3. Software and online process-** GST payment is online process, Electronic processing system of tax payment created a mess in the country. There were server problems during online payments software.

Most of the companies are using accounting software such as Tally, SAP and ERP software to maintain the tax data. Due to GST introduction the companies has to replace their software. Implementation of new software will cost higher for the companies especially for the Small scale industries and sole proprietors even though there are few concessions provided by clear Tax (Software Company).

4. **Reverse Charge**-Reverse charge means if there is a transaction between the unregistered (Supplier) and registered (receiver). The registered company i.e.; receiver of the goods will be liable to pay the GST. This is the bane to the receiver of the goods, he has to raise the invoice and pay the GST.
5. **Advance Payment**-Under new tax regime, advance payments are also attracting GST. Two invoices to be raised, one is at the time of advance payment and other is at the time of supply. The problem is that, the taxpayer can claim ITC on advance paid only on receipt of goods or services.
6. **GST transparency and honesty**- One of the objectives of the GST is to have a transparency taxation system in the country. Transparency in the tax payment is not achieved as producers are removing the brands of their products and restaurants are removing the air conditioners as tax burden is high for branded products and Ac restaurants
7. **Time of Implementation**- Government of India hurried to introduce GST, even though plan was there from the year 2011. There was only a short span of time between demonetization and GST introduction. Indian citizens/corporate/ entire society was not yet in the stabilized stage because of demonetization.

### Suggestions

1. GST council has to plan for free training courses on GST (tax rates, online filling, registration etc) for the rural people, sole proprietors, Graduates students etc. as people are lacking to understand the new GST taxation system with many amendments in the policy, since from the time of implementation.
2. GST tax rates should levy based on the growth of all the states of the country. As India, is at the stage of developing, there are many states where the generated revenue from the states are not sufficient for their own expenditure.
3. Each states of the country should take care of providing Internet access to the rural areas as GST payment is online process and most of the rural areas of the country don't have access to internet facilities.

4. India should concentrate to develop Agricultural industries; small and medium scale industries based on that GST should be levy. Because current GST rates are high for raw materials which are processed in SSI e.g.: tobacco products etc.
5. Every state and backward / rural areas of the state should have expertise person/platform for proper guidelines on GST.
6. GST tax rates are high for the branded products, council has to make some necessary changes in the GST rate, related to branded products. As manufacturers are removing the brand for their products and consumers also buying brand less products because of less or no tax.

### Limitations

1. There are no sufficient data available for research as GST introduced very recently in India.
2. No proper data available on tax holidays.

### Conclusion

There was no proper transition of GST, due to this many teething problems are in the society like GST software problems, frequent amendments in the tax slabs etc.

GST is a good Taxation system no doubt about it. But it should have been introduced after complete preparation. GST will generate good revenue to the economy, but it should take care of Income generation also.

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