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GST AND ITS APPLICABILITY

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ABSTRACT:

In this article an attempt is made to understand the concept of GST with its features and different advantages. Further this article has examined how the existing tax rates are different means on which commodities are more than the GST and the commodities on which GST would be more than the existing tax rates. In order to understand better the concept of GST there is an example has given in this article with the comparison of present tax regime. In addition to this some strategies have been suggested for managing the GST effectively.

INTRODUCTION :

• Government of India will introduce GST bills in the financial year 2017-2018 with the active participation and support of state governments. GST is one of the significant tax structure that is going to help in developing financial position and to remove the economic distortion also the development of a common market. GST stands for Goods and Services Tax is a comprehensive tax levy on manufacture a sales and consumption of goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producers/ service providers point up to the retailer's level where only the final consumer will have to bear. GST is going to replace the existing multiple tax structure of central and state. It is the 122th constitutional amendment bill. Separate taxation of goods and services often requires splitting of transaction value into value of goods and services for taxation which leads to greater complexities, administration and compliances costs. Integration of various taxes into GST would make it possible to give full credit for inputs taxes collected.

Brazil introduced GST is first time in the world. In the year 2000 The Atal Bihari Vajpayee led Government was initiated the discussion on GST by setting upon the empowered committee headed by Asim Dasgupta. The empowered has proposed the dual GST model and accepted by the central Government it will have dual system of imposing the tax having two components i.e. central GST and state GST central exercise duty, additional exercise duty, services tax, additional duty of customs state value added tax ,taxes on lotteries and gambling are all would be subsumed within GST .Alcohol, tobacco, petroleum products are likely to be out of the GST regime, but sales tax/value added tax could be continued to be levied on these products. Now a day the rates of GST in some countries are Australia 10%, France 19.60%, Canada 5%, Japan

5%, Singapore 7%, and Pakistan 17%.

FEATURES OF GST

- It would be applicable to all transactions of goods and services.
- It is to be paid to the accounts of the centre and states separately.
- The rules for taking and utilizing of credit for the central GST and state GST would be aligned.
- The tax payer would need to submit common format for periodical returns to both the central and concerned state GST authorities.
- Each tax payer would be allotted a PAN (Permanent Account Number) linked tax payer identification number with a total of 13/15 digits.

ADVANTAGES OF GST

- GST would help to have input tax credit at all levels.
- No cascading effect i.e. tax on tax.
- It would help in avoiding the double taxation.
- Reducing the inflation.
- It would bring good days (Acche din) to common people.
- GST would replace seventeen indirect taxes levies and compliance costs will fall.
- Manufactured goods could become cheaper lower logistics and tax costs.
- Boosting investments.
- Freeing up online.
- Logistics, inventory costs will fall.

OBJECTIVES OF STUDY

- To study the concept of GST.
- To find out the advantages of GST.
- To highlight the difference between existing tax structure with GST.

METHODOLOGY OF STUDY

The present study is based on the secondary data which has been collected from the sources i.e. Internet, Newspapers, News media zee news, YouTube etc.

Comparison of present tax rates with GST

Items	Present tax rates	GST
Edible oils, coffee and tea	9%	5%
Computer processed foods	15%	12%
Soap case oils shaving sticks	21%	18%
AC, LED TV	21%	28%
Tax rates	30% to 35%	20% to 25%

From the above table we can come to know that the present tax rates for essential commodities are higher than the GST. Means here we can say that GST would ensure the availability of essential commodities to common people with cheapest prices for making them economically sound. But there would be possibility of increasing tax rates on the luxuries commodities.

How GST is different from the existing tax structure?

Non GST regime	GST regime
1. **Manufacture** Purchases raw materials Rs 100 inclusive Rs 10 taxes, value added Rs 20 gross value Rs 130 then assuming tax @10% on Rs 130 i.e. Rs 13 then selling price to wholesaler would be Rs 143 (130+13). 2. **Wholesaler** He will have to buy for Rs 143 adding a margin of Rs 20 total Rs 163 adding tax@10% on Rs 163 i.e. 16.30 value will be Rs 179.30 then he will sale to retailer at Rs 179.30. 3. **Retailer** He would buy for Rs 179.30 add a margin of Rs 10 cost will increase to Rs 189.30 then 10% tax i.e. Rs 18.93 the final price will be Rs 208.23 (189.30+18.93) which he will sale to his consumer. So here total tax as per existing tax structure will be Rs 58.23 (10+13+16.30+18.93) means here we can say that there is a cascading burden of tax on tax.	1. **Manufacture** Under this Rs 13 tax can be offset against the tax paid on raw materials so effective tax will be 13-10=3 selling price will be Rs 130 to wholesaler as there is no tax on tax. 2. **Wholesaler** He will have to buy for Rs 130 adding a margin of Rs 20 total Rs 150 adding tax@10% on Rs 150 i.e. 15 it will be offset against RS 13 tax earlier GST incidence on the wholesaler will be Rs 2 i.e. (15-13=2) he will sale to retailer at Rs 150. 3. **Retailer** He would buy for Rs 150 add a margin of Rs 10 cost will increase to Rs 160 then 10% tax i.e. Rs 16 on Rs 160 and Rs 16 get offset (16-15=1) the final price will be Rs 166. It means that we can say here the total GST would be Rs 16 (10+3+2+1)
Total tax as per present tax structure on the purchasing of a commodity is Rs 58.23 (10+13+16.30+18.93)	Goods and services tax would be Rs 16 (10+3+2+1)

CONCLUSION

It is concluded that from the above collected data the GST is expected to be implemented with effect from the year 2017. It is to be levied only at the destination point and not at the various points (from manufacturing to retail outlet). After the introduction of GST, all the traders including manufacturer will be paying both the types of taxes i.e. central GST and state GST and it would be levied simultaneously on every transaction of supply of goods and services except the exempted goods and services. In GST structure as far as taxable person is concerned there would be covering all types of persons who are carrying on business activities i.e. manufacturer, job workers, trader, importer, exporter, and service providers etc. GST on export would be zero rated similar benefits may be given to the special economic zones SEZ (in processing zones only) GST will improve the economic condition of India by eliminating the valley between rich and poor.

.SUGGESTIONS

- The rates of the GST should be minimized as compare to the developing countries.
- The share of allocation of GST between state and central should be allocated properly and on the basis of GST allocation.
- Permission should not be granted to state government to impose additional state GST on any types of surcharge.
- Interstate transactions and entry tax should not be imposed in future.
- Differential tax rates system should be adopted for essential commodities and luxuries commodities.
- GST should not be imposed on agricultural produce and production which is based on agricultural raw materials as well as all types of vegetables and food grown by and marketed by farmers oneself no GST and allied tax should not be levied.

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