

Innovative Developments in Arts, Social and Management Sciences: Challenges & Opportunities

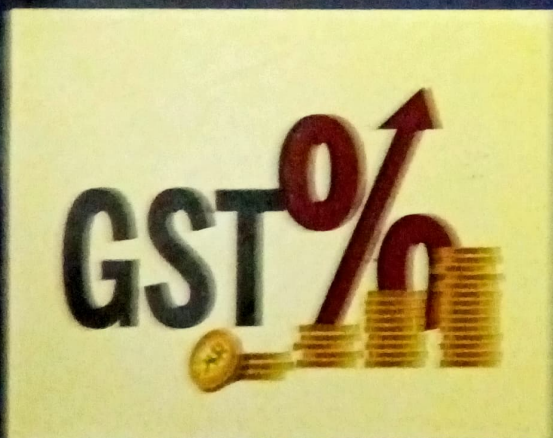
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INNOVATIVE DEVELOPMENTS IN ARTS, SOCIAL AND MANAGEMENT SCIENCES: CHALLENGES & OPPORTUNITIES

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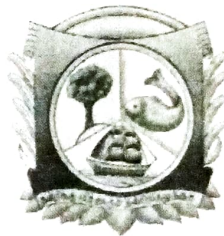
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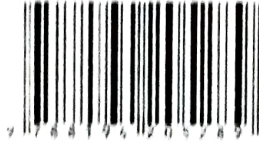
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Chapter 8

AN OVERVIEW OF GST FROM MICROECONOMICS DIMENSIONS

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Abstract - Main objectives of this study are (i) to show an outline of the significant aspects of GST, (ii) to address the recent changes in respect of Input Tax Credit (ITC) under GST and (iii) to analyze the impact of GST based on macro-economic viewpoint.

Keywords – GST, Previous Set-off Structure, Current Set-off Structure

INTRODUCTION

Presently, the tax structure of Republic of India is extremely complicated. Looking to the worldwide developments and tax structure of developed countries, GST is that would like of the hour and can be the largest reform in Indian taxation since 1947.

Clause 366(12A) of the Constitution Bill defines GST as “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. Further the clause 366(26A) of the Bill defines “Services” means that something apart from product. Thus it may be aforesaid that GST may be a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. Except certain things he proposed tax will be levied on all transactions involving supply of goods and services, Amidst economic crisis across the globe, India has posed a hope with ambitious growth targets, supported by slew of strategic missions like ‘Make in India’, ‘Digital India’, etc. Goods and Services Tax (GST) is anticipated to produce the a lot of required stimulant for economic process in Republic of India by remodelling the present basis of indirect taxation towards free flow of goods and services among the economy and conjointly eliminating the cascading impact of tax on tax. In view of the necessary role that Republic of India is anticipated to play within the world economy within the years to return, the expectation of GST being introduced is high not solely among the country, however conjointly in neighbouring countries and in developed economies of the planet. It was a long pending issue to introduce a “single taxation” system in India. The existing indirect tax structure is really full of complexities. Goods and Services Tax (GST) is such type of indirect tax merging most of the existing indirect taxes into single system of taxation. Around 10 years ago, first Indian govt. moved one step forward about implementation towards GST.

Excerpts from the speech delivered by Honourable Finance Minister P. Chidambaram at the time of presentation of budget in 2006 – “.....that the country should move towards a national level Goods and Service Tax (GST) that should be shared between the Centre and States. I propose that we set April 1, 2010 as the date for introducing GST...”

But, 6 years later, at the time of delivering speech in the budget session (2012), our hon'ble the then Finance Minister P. Mukherjee said, “Service tax law is complex and sometimes avoidably different from Central Excise. We need to bring the two as close as possible in the light of our eventual goal of transition to GST.”

Finally, at last, GST came into force with effect from 1st July, 2017. Probably it is the biggest reform in the indirect tax structure since independence.

STATEMENT OF PROBLEM

It is well known that Indirect tax is the main source of revenue from the viewpoint of the Indian Government. And indirect tax structure consisted of several taxes like Central Excise Duty, Value Added Tax, and Central Sales Tax etc. But this nation was suffering from such kind of multiple taxation system and wanted to have a simple and transparent tax structure. Moreover, the entire nation also wanted to get the advantage of input tax credit in order to have a minimum tax burden. Naturally after a long time gap, ultimately GST was introduced as a reflection of a simple tax structure as well as an image of such a system where input tax credit is available from manufacturer to ultimate consumer.

REVIEW OF LITERATURE

Girish Garg, (2014) Studied and found that GST is the most important steps towards the comprehensive indirect tax reform in India.

Thowseaf *et. al.* (2016) studied “A study on GST implementation and its Impact on Indian Industrial Sectors” that GST will make sure uniformity of taxes in different states in India. GST environment lead to an improved disclosure of tax structure which have a positive impact on Indian tax regime”.

Benedict (2011) studied “The law provisions dealing with financial services under the Australian GST law with the intention to verify whether the provisions have been construed correctly in light of the original purpose of the legislation and how the concerns identified may be rectified”.

Dr. R. Vasanthagopal, (2011) Studied in “GST in India: A Big leap in the indirect taxation system” and found different conflicting interests of various stakeholders with the implication of the constitutional amendment.

OBJECTIVES OF THE STUDY:

Main objectives of this study are very specific and these are:

- To show an outline of the significant aspects of GST.
- To address the recent changes in respect of Input Tax Credit (ITC) under GST.
- To analyze the impact of GST based on macro-economic viewpoint.

RESEARCH METHODOLOGY

The research paper is based on explanatory research based on different journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Services Tax. Available secondary data are extensively used for the study. The research design was adopted for the details analysis and greater analysis for the purpose of study.

CONCEPT OF GST

In the segment of indirect taxation, GST is a single tax on the supply of goods and services, right from the manufacturer to the ultimate consumer. Credit of input tax which is paid at each stage, is available in the subsequent stage of value addition. That is why GST is considered as a tax only on value addition at each stage. More than 140 countries have been under the regime of GST. But our nation is following dual GST system like Canada and Brazil.

UNIQUE CHARACTERISTICS OF GST

- Concurrent powers of Centre and State in the administration of GST.
- Uniform CGST and SGST rates.
- Only single invoice is required for both CGST and SGST.
- Destination based taxation system.
- Seamless flow of credit from manufacturer to ultimate consumer.
- Separate registration is compulsorily obtained in each States.
- In case of inter-state supplies, tax is levied under IGST.
- GST is levied on 'Supply' of goods and services.
- Online dealings.

RECENT CHANGES IN INPUT TAX CREDIT

ITC is the basic requirement from the part of the taxpayers as it reduces the tax burden of the taxpayer. In previous indirect tax era, continuous flow of ITC was not available. Naturally it was the urge from the taxpayers to introduce such a taxation system which could provide the benefit of seamless flow of credit throughout the system. So, ITC is the main essence of GST as it is available from manufacturer to the ultimate consumer on a chain basis and thereby reducing the burden of tax from the mind of the taxpayers.

As per Section 16(1), every registered person shall be entitled to ITC charged on inward supply of goods and/or services. Moreover ITC is available on goods and/or services which are used in the course or furtherance of the business. ITC availed by the taxpayer must be credited in Electronic Credit Ledger. The person may use this to pay his output tax liability.

Earlier, at the time of introducing GST, IGST Credit could be set-off against IGST liability first and then the balance, if any, could be set-off against CGST liability and SGST liability consecutively. CGST credit could be set off against CGST Liability first and the balance, if any was allowed to set-off against IGST liability but not against SGST liability. On the other hand, SGST Credit was permitted to get set-off against SGST liability first and then against IGST liability but not against CGST liability. It is clarified in the following table:

Table 8.1 Previous Set-off Structure

Liability of ITC	IGST	CGST	SGST
IGST	I	II	III
CGST	II	I	Not Allowed
SGST	II	Not Allowed	I

Source: Presentation by the Researcher

From July 2019 onwards, the order of set-off procedures has been changed a lot. In the table - 2, Set-off procedures are shown:

Table 8.2 Current Set-off Structure

Liability of ITC	IGST	CGST	SGST
IGST	I	II	II
CGST	IV	III	Not Allowed
SGST	VI	Not Allowed	V

Source: Presentation by the Researcher

As per the Circular No. 98/17/2019 dated 23rd April 2019, it is notified that IGST Credit can be set-off against IGST liability first and then against CGST or SGST liability in any order provided that the IGST liability must have been set-off fully. After that, CGST Credit can be set-off against CGST liability and then against IGST liability, if any but not against SGST liability. On the other hand, SGST Credit must be set-off against SGST liability first and then against IGST liability but against CGST liability.

On the basis of earlier provisions of GST law, if the buyer failed to pay the service provider within 3 months, then the ITC availed by the buyer would be disallowed. This provision was applicable on 'Service' only. Besides that, there were no provisions of re-allowing the ITC if the buyer paid after three months.

But in the Amendment Act, this provision is applicable in 'Goods' also. The time period is extended to 180 days. Moreover, if the payment is made even after 180 days, ITC will be re-allowed.

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