The Impact of GST on Indian Taxation System

Dr. Sunil Kumar,
Asst. Professor-Commerce,
Govt. P.G. College,
Obra Sonebhadra (U.P.)
Mobile No. 9721288037

Abstract
Having so many reforms in Indian taxation systems but GST is one of the most crucial tax reforms. It was supposed to be implemented from April 2010, but due to political issues and interests of various stakeholders it is still pending. Tax system will subsume all indirect taxes of states and central governments. The Indian Taxation system based on unified economy into a seamless national market. It would be played a vital role in growth of India. This paper presents an overview of on Indian taxation systems to bringing GST concept, explains its features along with its impact on Indian taxation system. The paper is covered entire advantages of GST and challenges faced by India in execution. GST has be detailed discuss in this paper by the authors as the background, silent features and the impact of GST in the present tax scenario in India.

Key Words: Tax, Indirect tax, Goods and Service Tax (GST), Indian Tax Scenario.

INTRODUCTION
The proposed GST is likely to change the whole scenario of current indirect tax system. It is considered as biggest tax reform since 1947. Currently, in India complicated indirect tax system is followed with imbrications of taxes imposed by union and states separately. GST will unify all the indirect taxes under an umbrella and will create a smooth national market. Experts say that GST will help the economy to grow in more efficient manner by improving the tax collection as it will disrupt all the tax barriers between states and integrate country via single tax rate.

The word tax is derived from the Latin word “taxare” meaning to estimate. ”A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name.”1

LITERATURE REVIEW
• Agogo Mawuli (May 2014)1 studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.
• Dr. R. Vasanthagopal (2011)2 studied,”GST in India: A Big Leap in the Indirect Taxation System” and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.
• Ehtisham Ahmed and Satya Poddar (2009)3 studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.
• Nitin Kumar (2014)6 studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.
• Pinki, Supriya Kamma and Richa Verma (July 2014) studied, “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

OBJECTIVE OF STUDY
The study has following objectives:
1) To cognize the concept of GST
2) To study the features of GST
3) To evaluate the advantages and challenges of GST
4) To furnish information for further research work on GST.

RESEARCH METHODOLOGY
Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

CONCEPT
GST is an indirect tax which will subsume almost all the indirect taxes of central government and states governments into a unified tax. As the name suggests it will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and states goods and service tax (SGST). CGST will subsume central indirect taxes like central excise duty, central sales tax, service tax, special additional duty on customs; counter veiling duties whereas indirect taxes of state governments like state vat, purchase tax, luxury tax, octroi, tax on lottery and gambling will be replaced by SGST. Integrated goods and service tax (IGST) also called interstate goods and service tax is also a component of GST. It is not an additional tax but it is a system to examine the interstate transactions of goods and services and to further assure that the tax should be received by the importer state as GST is a destination based tax.

Taxes in India are levied by the Central Government and the State Governments. Some minor Taxes are also levied by the local authorities such as Municipality or Local Council. The authority to levy tax is derived from the Constitution of India which allocates the power to levy various taxes between Centre and State.

Some of the important Central taxes
• CENVAT
• Customs Duty
• Service Tax

Some of the important State taxes
• State Sales Tax
• CST
• Works Contract Act
• Entry tax
• Other local levies

Major Indirect Tax reform
1974 Report of LK Jha Committee suggested VAT
1986 Introduction of a restricted VAT called MODVAT
1991 Report of the Chelliah Committee recommends VAT/GST and recommendations Accepted by Government
1994 Introduction of Service Tax
1999 Formation of Empowered Committee on State VAT
2000 Implementation of uniform floor Sales tax rates
2003 Abolition of tax related incentives granted by States
2003 VAT implemented in Haryana in April 2003
2004 Significant progress towards CENVAT
2005 VAT implemented in 26 more states
2007 First GST stuffy released By Mr. P. Shome in January
2007 F.M. Announces for GST in budget Speech
2007 CST phase out starts in April 2007
2007 Joint Working Group formed and report submitted
2008 EC finalises the view on GST structure in April 2008
2009 proposed to be implemented from 1.4.2010

Limitations of Existing Indian Taxes

Originally, the taxes on the sale of goods were levied in terms of the respective Sales Tax/Trade Tax enactments and the 'entry of goods' was subject to tax under the respective State Entry Tax enactments and this scenario prevailed till the reform process set in whereupon these levies were replaced by VAT. The levy of tax on provisioning of services was introduced for the first time in 1994 and has been subjected to persistent vigorous legal challenges. Still lot of services remained uncovered. The need for transition from the Sales Tax /trade structure for taxing commodities to a value added (VAT)

Service tax was introduced in 1994. Current service tax rate is 15 %. The scope of service tax has since been expanded continuously by subsequent Finance Acts and now nearly 109 services are covered. But there are many service sectors which are out of purview of Central Government which can generate more revenue to Government. Service tax is a tax levied by Central Government of India on services provided or to be provided excluding services covered under negative list and considering the Place of Provision of Services Rules, 2012 and collected as per Point of Taxation Rules, 2011 from the person liable to pay service tax. Person liable to pay service tax is governed by Service Tax Rules, 1994 he may be service provider or service receiver or any other person made so liable. It is an indirect tax wherein the service provider collects the tax on services from service receiver and pays the same to government of India. Few services are presently exempt in public interest via Mega Exemption Notification 25/2012-ST as amended up to date and few services are charged service tax at abated rate as per Notification No. 26/2012-ST as amended up to date. Presently from 1 June 2016, service tax rate has been increased to consolidated rate at 15% of value of services provided or to be provided. The service tax rate now is consolidated rate as education cess and secondary higher education cess are subsumed with 2% of "Swachh Bharat Cess(0.50%") has been notified by the Government. From 15 November 2015, the effective rate of service tax plus Swachh Bharat Cess, post introduction of Swachh Bharat Cess, was 14.5%. Currently, Swachh Bharat Cess and Krishi Kalyan Cess would also be levied on all services on which Service Tax is being levied and therefore, the Service Tax (including Swachh Bharat Cess and Krishi Kalyan Cess) applicable from 1 June 2016 has become 15%.

Despite the existence of multiple taxes like Excise, Customs, Education Cess, Surcharge, VAT, Service Tax etc. GDP of India is much lower than GDP of countries like USA, China and Japan. GDP of country wise

<table>
<thead>
<tr>
<th>G.D.P.</th>
<th>G.D.P. in trillion US.Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>13.84</td>
</tr>
<tr>
<td>China</td>
<td>6.99</td>
</tr>
<tr>
<td>Japan</td>
<td>4.3</td>
</tr>
<tr>
<td>Germany</td>
<td>2.81</td>
</tr>
<tr>
<td>Britain</td>
<td>2.14</td>
</tr>
<tr>
<td>France</td>
<td>2.05</td>
</tr>
<tr>
<td>Italy</td>
<td>1.79</td>
</tr>
<tr>
<td>Canada</td>
<td>1.27</td>
</tr>
<tr>
<td>India</td>
<td>1.00</td>
</tr>
</tbody>
</table>
GST MODEL IN INDIA

"Liberal in assessment and ruthless in collection" 07

The proposed GST seems to be based on the above principle. Following are the supporting reasons to adopt GST. 08

- Present system allows for multiplicity of taxes, the GST is likely to rationalize it. Many areas of Services which are untaxed, GST will also get covered.
- GST will help to avoid distortions caused by present complex tax structure and will help in development of a common national market.
- Existing taxes i.e. Excise, VAT, CST, Entry Tax have the cascading effects of taxes. Therefore, we end up in paying tax on tax. GST will replace existing taxes.
- GST will lead to credit availability on interstate purchases and reduction in requirements.
- Introducing GST will do more than simply redistribute the tax burden from one sector or Group in the economy to another.
- GST achieves and uniformity of taxes across the territory, regardless of place of manufacture.
- GST will Provide greater certainty and transparency of taxes.
- GST Ensure tax compliance across the country
- GST will avoid double taxation to some extent.
- The implementation of GST would ensure that India provides a tax regime that is almost similar to the rest of world. It will also improve the International cost competitiveness of native Goods and Services.
- GST will provide unbiased tax structure for business processes and geographical locations.
- If the Goods and Service Tax is implemented in the true spirit, it will have many positives for the stakeholders and will lead to a better tax environment.

GST AN INTRODUCTION 09

- GST is not going to be an additional new tax but will replace other taxes.
- GST is a simple, transparent, and efficient system of indirect taxation.
- The system facilitates taxation of goods and services in an integrated manner.
- It is a comprehensive value added tax on the supply and consumption of goods and services in an economy.
- GST is levied at every stage of production-distribution chain with applicable set-offs.
- GST is basically a tax on final consumption.
- In simple terms, GST may be defined as a tax on goods and services, which is leviable at each point of sale or provision of service, in which at the time of sale of goods or providing services the seller or service provider may claim input credit of tax which he has paid while purchasing the goods or procuring the services.
- It will help in eliminating tax induced economic distortions and gives boost to the economy.
- The compliance and administrative cost will be much lower.
- On indirect tax front, India is all set to usher into the era of all new tax called 'Goods and Service Tax' which will bring in India at par with over 140 developed Nations of the world. It is going to be the biggest tax reform ever introduced in Independent India.

GOODS AND SERVICE TAX OUTSIDE INDIA

Goods and Service also known as the Value Added Tax (VAT) or Harmonized Sales Tax (HST) 10. Following are some successfully implemented GST models in other counties:

1. Australia 11
   - Rate of GST 10%
   - GST is administered by the Tax office on behalf of the Australian Government, and is appropriated to the states and territories.
   - Every company whose turnover exceeds $75,000 is liable for registration under GST and in default 1/11th of the income and some amount is form of penalty.
   - There are provisions for credit back of GST, submission of returns according to limit decided, Maintenance of records etc. There they have to keep records for 5 years for the purpose of GST.

2. Canada 12
• GST is imposed at 5% in Part IX of the Excise Tax Act. GST is levied on goods and services made in Canada except items that are either "exempt" or "zero-rated".
• When, a supplier makes a zero-rated supply, he is eligible to recover any GST paid on purchases but the supplier who makes supply of Exempt goods he is not eligible to take input tax credit on purchases for the purpose of making the exempt goods and services.

3. New Zealand
• Rate of GST 12.5%.
• Exceptions are rent collected on residential rental properties, donations and financial services.

GOODS AND SERVICE TAX IN INDIA

The Kelkar Task Force on implementation of FRBM Act, 2003 had pointed out that although the indirect tax policy in India has been steadily progressive in the direction of VAT Principle since 1986, the existing system of taxation of goods and services still suffers from many Problems. The tax base is fragmented between Centre and States. Keeping significance of GST in view, an announcement was made by then our Ex – Finance Minister Mr. P. Chidambaram in his four budget speeches.

Budget Speech 2004-05
Budget Speech 2005-06
Budget Speech of 2006-07

Similar speech given in the Budget of 2007-08

VIII. GST Models Suggested by Indian Experts Initially

On this basis as experts are univocal on three options namely –
• First, The Centre will have complete power to levy and collect tax and will distribute it to States according to a pre-defined formula.
• Second, a dual levy, one at the Central and another at the state with a common base; 
• Third, dividing the right to tax goods between the Centre and the States.

Various models have been designed and a few of them advocated by various experts as follows-

The Kelkar – Shah Model suggested implementation of GST in four stages -
1. Establishing Information Technology systems
2. Building the Central GST
3. Political effort of agreeing on "Grand bargain;
4. Interaction with the States.

The Bagchi – Podda Model –
It also visualizes a combination of Central Excise, Service tax and VAT to make it a common base of GST to be levied both by the centre and the states separately and collection by both the centre and the states.

The Institute of Chartered Accountants of India –
The ICAI, recommended that GST should have Dual tax structures at the Centre and State levels. There should be two levels operating parallelly, one at Union Level and other at State Level As per the budget speech of 2006-07, the Empowered Committee was to suggest best model after analyzing above global models and Indian models in operations to suit India's federal structure.

Suggestions made by experts of Indian in above proposed models had same reflected in the Budget speech of Union Finance Minister Mr. Pranab Mukherji in 2009-10

FEATURES OF PROPOSED GST MODEL

1. Harmonized system of nomenclature (HSN) to be applied for goods
2. Uniform return & collection procedure for central and state GST.
3. PAN based Common TIN registration
4. Turnover criteria to be prescribed for registration under both central goods and services tax (CGST) and state goods and services tax (SGST).
5. TINSYS to track transactions.
6. Tax Payment will be by exporting dealer to the account of receiving state.
7. Credit will be allowed to the buying dealer by receiving state on verification.
8. Submission of declaration form is likely to be discontinued.
9. Area based exemptions will continue up to legitimate expiry time both for the Centre and the States.
10. Product based exemptions to be converted into cash refund.
11. Limited flexibility to be given to Centre and States for exceptions like natural disasters etc.
12. Simplified structure to reduce transaction cost.
13. Separate rules and procedures for the administration of CGST and SGST.
14. Specific provisions for issues of dispute resolution and advance ruling.

**PREPARATION FOR GST**

i. The GST will require legislative and constitutional changes. As the time gap between formation and implementation is very less. Therefore, following things need to be done:-
   ii. Constitutional amendment to enable state to levy service tax.
   iii. Center to tax goods beyond factory Gates
   iv. Laws of central excise act 1944 and finance act 1994 needs to be replaced.
   v. Existing VAT laws needs to be repealed.
   vi. It is highly expected that all steps are taken to ensure that no pending work relating to Sales Tax, VAT or other Indirect Taxes remains outstanding before implementation of GST so that everybody can concentrate on new law.
   vii. Central and State Government should be prepared to fulfill the expectations for Trade and Industries.
   viii. Record keeping will have to be changed and IT software will have to be updated in order to comply with GST provisions.
   ix. Trade and Industries will have to rethink market strategies, stock transfer pricing and godown keeping policies in different states.
   x. Uniform dispute settlement machinery

xi. Adequate training for both tax payers and tax enforcers.

**IMPACT OF GOODS AND SERVICE TAX**

1. **Food Industry**
The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold.

Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

2. **Housing and Construction Industry**
In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

3. **FMCG Sector**
Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years reaching to $25 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (F.D.I.) are expected to fuel the growth and raise industry's size to $95 Billion by 2018.

4. **Rail Sector**
There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter – state transportation of goods can be tracked through the proposed Information technology (IT) network.

5. **Financial Services**
In most of the countries GST is not charged on the financial services. Example, In New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the
approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

6). Information Technology enabled services
To be in sync with the best International practices, domestic supply of software should also attract G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic form, it should be considered as Intellectual Property and regarded as a service. And If the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to G.S.T.

Goods and Service Tax (GST) India – A summary

Indian system of taxation of goods and services is characterized by cascading, distortionary tax on production of goods and services which leads to miss-allocation of resources, hampering productivity and slower economic growth. To remove this hurdle, a pure and simple tax system like GST (Goods and Service Tax) is need of the hour in the country.

An ideal tax system collects taxes at various stages of manufacturing, supply, wholesale, retailing and lastly at the final consumption. It is based on the add-on value by the manufacturer, supplier and retailer at each stage of the value chain. Tax paid at each stage is based on the amount of value added and not on the entire amount.

<table>
<thead>
<tr>
<th>Sales Price Before GST (in $)</th>
<th>After GST GST=10%(assumption) Excise duty=12%</th>
<th>Payment To Government (Total GST-Input Credited)</th>
<th>Current Tax System (VAT=10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier price=100</td>
<td>Supplier sales price =100+10=110</td>
<td>Total GST=10 Input credited=0 GST payable=10</td>
<td>Excise duty=12(12% on 100) VAT=11.2(10% on 112)</td>
</tr>
<tr>
<td>Manufacturer=160</td>
<td>Manufacturer sales price =160+16=176</td>
<td>Total GST=16 Input credited=10 GST payable=6</td>
<td>VAT=(10% on 160) = 16 Input credited=11.2 Tax payable=4.8</td>
</tr>
<tr>
<td>Wholesaler=200</td>
<td>Wholesaler sales price =200+20=220</td>
<td>Total GST=20 Input credited=16 GST payable=4</td>
<td>VAT =20 Input credited=16 Tax payable=4</td>
</tr>
<tr>
<td>Retailer=250</td>
<td>Retailer sales price =250+25=275</td>
<td>Total GST=25 Input credited=20 GST payable=5</td>
<td>VAT=25 Input credited=20 Tax payable=5</td>
</tr>
<tr>
<td>Consumer</td>
<td>Total payment to retailer = 275</td>
<td>Total GST paid to government = 25</td>
<td>Total amt. paid to government =37</td>
</tr>
</tbody>
</table>

Critics argue that GST is a value added process similar to VAT (value added tax), but VAT was already there in the Indian economy. So what was the need of implementation of GST? Under the VAT, rates and regulation vary across different states and there is a tendency that different States cuts their rates to attract more investments which results in lowering govt. revenues. Under GST there will be uniform tax structure where the tax revenue will be divided among states and center according the to the consumption cycle. Moreover VAT was only there for services not for the goods. The most significant question here is, that why would a government implement such a provision which only decreases its revenue? What could possibly be the logic behind it? Presently the government has long term prospects in their mind, it is clearly a long term strategy which will lead to higher
investments, higher output, more employment opportunities, and higher economic growth but during the initial phase of implementation, it is expected that there will be hike in inflation rates, more administrative cost and stiff protest from the opposition.

IMPACT ON SMALL ENTERPRISES
There will be three categories of Small Enterprises in the GST regime.-
1. Those below threshold need not register for the GST
2. Those between the threshold and composition turnovers will have the option to pay turnover based tax or opt to join the GST regime.
3. Those above threshold limit will need to be within framework of GST

Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligation being created for some dealers. In this case considerable assistance is desired. In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions of excise upto Rs. 1.5 Crores. These units may be required to register for payment of GST, may see this as an additional cost.

GST Bill: Traders to suggest amendments
Traders bodies in the state have suggested amendments to the model draft of Goods and Services Tax (GST) 2016 taking into consideration suggestions of various associations. Chhattisgarh Chamber of Commerce and Industry invited delegates of Confederation of All India Traders (CAIT) from New Delhi for discussions on the issue. Talking to TOI, CCI president Arun Parwani said, “Traders of Chhattisgarh welcomes the GST Bill but to make it more simplified and convenient for small traders, CCI representatives have deliberated upon certain proposals that if incorporated in the GST Bill would help the small traders in particular. The proposals would be conveyed by the CAIT representatives, to the GST Council meeting, which is to be chaired by Union finance minister Arun Jaitley in New Delhi on 30 August 2016.”

Trader’s representative said firstly, under new GST regime there is no clarity on stock management for the remaining goods and rates. Will traders get ‘input credit’ on that remaining stock and if not, then remaining stock will get costlier and would turn out to be a monetary loss for traders. Secondly, traders said, provision of paying tax each time a manufacturer transfers the goods to the buyer in another state is inconvenient. CAIT’s general secretary Praveen Khandelwal said, “Under GST provision a trader must easily get Input Credit, as under GST provision in the chain of trading if one trader fails to file incorrect returns in GST then the entire chain of traders will fail to receive the benefit of input credit.” Traders were not convinced to get or reissue of another GST numbers for extending their trade in other states as they believe that GST should maintain the spirit of ‘one tax one country.’ As the government should allow to operate the business under one GST code in entire country.

GST is fully online tax filing system, but only about 30% businessmen use online trading and filing tax returns. For a layman trader, who is not net savvy he could initially face difficulty in filing the tax returns online or might commit mistake for which the new rule of punishment of imprisonment and penalty is harsh. As under GST the columns of sales and purchase have been replaced by new terminology-supply, this has confused traders on how to determine the entry of ‘origin of sale’ under GST. The composition tax exemption scheme should be imposed on inter-state trading instead within the state.

GST IMPLEMENTATION
Reconciliation of Input Tax Credit / Cenvat Receivables between Return & Books of accounts-
1. All GR/IR needs to be closed on or before return filling for the month of Mar-17 under the existing Act.
2. Detailed Reconciliation of Input tax credit receivables needs to be verified with the return & books.
3. Collection of pending Import invoice & Pending CVD details in order to include the March month return.
Reallocation of Job responsibilities

As VAT / Excise / Service tax is subsumed into GST, the return is consolidated into one and needs to be filed monthly (Purchase return & Sales return, Final consolidated return). The main activity is narrated as follows.

1. Responsibility for Return filling & tax computation with workings
2. Generation of customized purchase report for CGST / SGST / IGST with the classification of requirement filed
3. Generation of customized sales report for CGST / SGST / IGST with the classification of requirement filed
4. Monthly reconciliation between report & GL before return filling (all payables GL)
5. Ensure the Input tax credit Receivables as per the return & Books should be same.
6. If credit is disallowed due to non-payment of Tax by the supplier, monthly Tracking & follow-up.
7. List of defaulters to be circulated on monthly basis & send mail to block those suppliers in SAP (Defaulters in non-payment of tax, list of defaulters published by department)

IT Support

1. Deactivation of Existing GL in FI Module
2. New Ledger Creation (At present 6 GL)
3. Invoice wise customized report for credit (Purchase / sales register, ITC Register)
4. List of Scheme of entry to be passed monthly with responsible person name
5. Fixing appropriate condition in MM for purchase module
6. Fixing appropriate condition for sale of product in Supply chain module

Identification of Exempted Credit which is allowed under GST

Hitherto certain credit is not allowed, now the same will be entitled for credit under GST regime

1. The exempted credit those are allowed under GST needs to be identified & listed
2. Ascertaining the WIP / Closing stock lying at the year end
3. Work out the credit portion pertaining to the closing stock through appropriate method
4. Get permission from the Tax authority to avail the credit

Discussion points with Purchase department

1. Educate purchase department to procure as much as from registered vendors.
2. Educate to understand the input tax credit wherever not allowed (after rules) by Accts Dept
3. Ensure not to purchase from the tax defaulted parties ( Default party list will be circulated by the accounts department on monthly basis)
4. Master data updation with GST number / PAN number / Address.

Discussion points with marketing department

1. Tax needs to be charged to the sale of SEZ unit (but final conformation will be known after rule)
2. Educate to understand the tax incidence with percentage (after rules) by Accts Dept.
3. Provide the product code (HSN) to the marketing department by Accts Dept.
4. Master data updation with GST number / PAN number / Address.

Stores Department

1. The invoice needs to be forwarded as and when the GRN is accounted, this will enable the accounts dept. to avail the credit.
2. Identify wherever the credit is not allowed which needs to be included in the cost of inventory at the time of GRN.

CONCLUSION

Due to dissilient environment of Indian economy, it is demand of time to implement GST. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus,

1. The enumeration of benefits casts a welcome setting for GST
2. Proving GST as a superior and sufficient system depends upon the structure it is designed into and the manner of implementation.
3. While it serves to be beneficial set up for the Industry and the Consumer, it would lead to increase in revenue to Government.

4. A simplify, user-friendly and transparent tax system is required which can be fulfilled by implementation of GST.

5. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%.

6. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate.

7. It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market.

8. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation.

9. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the battling interest of various stake holders and accomplish the commitment for a cardinal reform of tax structure in India.

REFERENCES
1. Black’s Law Dictionary, Thomson West (Digital version)
2. Adukia S Rajkumar, a study on proposed goods and services tax framework in India, p.6
4. VAT first introduced by 'Chelliah Tax Reforms Committee' in 1991 and the model accepted by the states, which replaced their Sales Tax legislations with VAT enactments
10. It was first devised by a German economist during the 18th Century. The tax finally adopted by France in 1954.
11. Introduced by Howard Government on 1st July, 2000, the GST is a value added tax on supply of goods and services in Australia, including items that are imported. GST is not applicable to Exports.
12. GST Introduced on 01 January, 1991 by Prime Minister Brian Mulroney and Finance Minister Michael Wilson.
15. Only important points highlighted of budget Speech
16. "It is my intention to align India's tariff structure with those of Asian countries. There should be uniform tax rate on goods and services."
17. "In the medium to long term, it is my goal that the entire Production – Distribution chain should be covered by a national VAT, or even better a goods and service tax, encompassing both the centre and state."
18. "It is my sense that there is a large consensus that my country should move towards a National Level Goods and Service Tax (GST) that should be shared between the Centre and the State. I propose that we set April 1, 2010 as the date of introducing GST. World over, Goods and Services
attract the same rate of tax. This is the foundation of GST. People must get used to the idea of GST. We must progressively converge the Service Tax rate and Cenvat rate. I propose to take one step this year and increase the service tax rate from 10 per cent to 12 per cent. Let me hasten to add that since service tax paid can be credited against service tax payable or excise duty payable, the net impact will be very small."

20. The Institute Of Chartered Accountants Of India New Delhi (www.icai.org/resource_file/17848icairecomgst.pdf) as accessed on 30th January, 2009
21. Para 85, "I have been informed that the Empowered Committee of State Finance Ministers has made considerable progress in preparing the roadmap and the design of GST. Officials from the Central Government have also been associated in this exercise. I am glad to inform the House that, through their collaborative efforts, they have reached an agreement on the basic structure in keeping with the principles of fiscal federalism enshrined in the Constitution. I compliment the Empowered Committee of State Finance Ministers for their untiring efforts. The broad contour of the GST Model is that it will be a dual GST compromising of a central GST and a state GST. The Centre and States will each legislative, levy and administer the Central GST and State GST, respectively. I will enforce the Central Government's catalytic role to facilitate the introduction of GST by 1st April, 2010 after due consultations with all stakeholders."
22. Adukia S Rajkumar, A study on proposed goods and services tax framework in India, p.34
23. As international trade increased, need was felt to have universal standard system of classification of goods to facilitate trade flow and analysis of trade statistics. Hence, International convention of Harmonized System of Nomenclature (HSN), called Harmonized Commodity Description and Coding System, was developed by World Customs Organization (WCO). This is an International Nomenclature standard adopted by most of the Countries to ensure uniformity in classification in International Trade. HSN is a multipurpose 8 digit nomenclature classifying goods in 5019 groups of goods.
24. The Tax Payer's Identification Number (TIN) is new unique registration number that is used for identification of dealers registered under VAT. It consists of 11 digit numerals and will be unique throughout the country. TIN is used for identification of dealers in the same way like PAN is used for identification of assesses under Income Tax Act
25. Tax Information Exchange System (TINXSYS) is a centralized exchange of all interstate dealers spread across the various States and Union territories of India. TINXSYS is an exchange authored by the Empowered Committee of State Finance Ministers (EC) as a repository of interstate transactions taking place among various States and Union Territories. TINXSYS will help the Commercial Tax Departments of various States and Union Territories to effectively monitor the interstate trade.
26. According to a FICCI – Technopak Report. Implementation of GST will also help in uniform, simplified and single point Taxation and thereby reduced prices.