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# An Analysis on Goods and Service Tax Act (GST) in India

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***Abstract***

*The national manufacturing, sale, or consumption of products and services are subject to the GST, or good and services tax, which is an additional tax. The GST replaces every indirect tax that is now imposed in India, including the service tax, value-added tax (VAT), central excise duty, and others. Every transaction that takes place inside the borders of India is subject to the GST, and any products or services that are acquired will require the buyer to pay the relevant taxes. With the elimination of all indirect taxes, including service tax, VAT, and others, India will become a single market. The value of the products or services used on Indian soil shall be the basis for the tax. The research paper has analysed the major aspects of GST Act, advantages and disadvantages of GST Act in detail.*

**Keywords:** GST, Tax, Scheme, Rates, Percentage etc.

## INTRODUCTION

The Goods and Services Tax (GST) is sometimes referred to as the "GST," and it was considered to be India's most important tax reform. At both the state and federal levels, GST is a type of indirect tax. The VAT, Excise duty, Service Tax, and other similar levies were all banned under the previous tax system, which was replaced by the GST. It charged for both products and services, as its name implies. Although the One Tax One System goal of this tax was intended to be achieved, the several tax slabs meant that it fell short of that goal. Due to the improper market pricing of public goods, taxes are the only available source of funding. It can only be imposed by the government using money derived from tax revenue It is essential to design the taxation system in a way that averts market distortions and all forms of economic failure. To raise money in the most effective and efficient way possible, tax regulations should be fiercely competitive.

## MEANING OF GST

A significant indirect tax reform known as the Goods and Services Tax, or GST, was implemented in India by combining the main state and federal indirect taxes. The production, sale, and consumption of products and services are all subject to this comprehensive tax. The GST is a consumption tax levied at the point of destination on increased value. At each transactional stage of the supply chain or process, it is "collected on value-added goods and services" [1–3].

GST was first referenced in the 2006 Annual Budget Speech, which was delivered on February 28. Rebuilding the indirect taxes structure for the country was the key goal. The Indian Parliament later passed the Goods and Services Tax on March 29, 2017, and it became effective on July 1 of that same year.

A single comprehensive tax that would apply to all goods and services was the idea behind the proposal. There are 4 slabs for all goods and

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services: 5%, 12%, 18%, and 28%. In addition, there are two additional slabs of 1.5% and 3% for jewellery, cut diamonds, precious metals, and a few specific cars. As a result, there are six slabs altogether.

GST or Goods and Services Tax was imposed in India with some motives. The main reason to impose GST are:

- Remove multiple tax system
- Removing multiple taxes on tax on a particular product
- Allowing online transactions
- Online filing of Returns
- Reduce Evasion of Tax
- Trying to bring more and more businesses under GST
- Trying to increase the Goods and Services Consumption
- Bring out competitive Prices for a product

Like every coin, GST has both positive and negative aspects. This tax system has a number of shortcomings. Therefore, every wise businessperson, MSME owner, or entrepreneur must be aware of both its drawbacks and advantages. Here, let's take a closer look at a few of them [4].

**Advantages of GST**

As was already said, the GST has certain benefits, including a single tax system and an increase in many sectors of the Indian economy, including:

***One Tax System***

The elimination of several kinds from the Indian tax system was one of the primary goals of the introduction of GST. Before the introduction of the GST, there were several taxes, including the VAT and service tax. The implementation of GST has eliminated all such levies. There is just one tax levied now. Despite having multiple slabs, the GST taxes for various things vary, which sometimes leads to misunderstanding.

***Common National Market Creation***

GST raises a tax system that is incorporated into nature. As a result, the GST can build shared national markets by removing various types of economic obstacles. Again, using the input tax credit can often be difficult.

***The Make in India Initiative***

In order to aid the expansion of "Make in India" products, the Goods and Services Tax was created. The GST aids in the competitive manufacture of the goods. Although the details of how GST helps this endeavour have not yet been made clear by the government.

***Cascading Effect Removal***

The absence of the cascading impact of GST is a significant benefit. The tax imposed on tax is known as a cascading impact. So, if a product has a 10% tax on Rs. 1000, an additional 10% tax will be applied to Rs.1100. There is so a twofold tax. If 28% tax is levied under GST on Rs 1000, then Rs 1280 will be charged, and on the subsequent level, another 28% tax will be applied to Rs 1000. Therefore, the Tax on Tax system is abolished.

***Litigation Reduction***

GST aids in lowering litigation expenses, which grew as a result of several taxes regimes. GST is designed to bring clarity to the power to assess taxes. The updated GST structure may be used to illustrate the various credit flows in various industries. However, credit following is not always easy and might result in mistakes, so one must be vigilant.

 

***Composition Scheme***

Many small firms that have an annual revenue of up to INR 1.5 crore but less than INR 1.5 crore can choose the composition plan through the GST. This strategy makes it simple for them to decrease their compliance. Businesses who participate in this programme must charge the GST at reduced rates of 1%, 5%, and 6%.

***Simple Access***

At any time, from any location, anybody can use the GST portal. Making refunds is simple as a result. For all types of businesses, this is excellent.

***Efficiency in Logistics***

Other tax structures, like VAT, have been replaced by GST. State-level taxes are not due during interstate transportation since the firm has already paid the centre and the state before the transfer of the goods.

***Unregulated Sectors get Regulation***

Previously, there were many unregulated firms, and the textile and construction industries had engaged in tax evasion. These loopholes were closed with the introduction of the GST. These sectors now pay less in taxes as well. Thus, tax evasion will be avoided.

***Automated Procedures***

All interactions take place through a single GSTN interface, which has been automated and streamlined for a variety of activities including returns, tax payments, registration, etc.

**Disadvantages of GST**

***Very High Tax Burden on SMEs***

Only companies with annual sales of more than Rs. 1.5 crore were subject to the former tax structure's requirement to pay excise duty. But under the new tax system, GST payment is a requirement for all companies with yearly sales of above Rs. 40 lakh.

***Compliance Burden***

Due to the submission of three tax returns each month, there is a high rate of GST compliance. Additionally, companies now need to register for the GST in every state in which they do business. The entire process of signing up with the regulatory body, creating GST-compliant invoices, keeping digital records, and filing returns has been extremely stressful for SMEs and other groups.

***Increased Costs***

It goes without saying that firms must switch from their current accounting software to ERP or GST-compliant software in order to maintain commercial operations. However, it's important to keep in mind that firms could have to spend a lot of money on purchasing, setting up, and then training personnel to use GST-compliant software. Additionally, since small firms must engage tax specialists in order to comply with GST, the expenses of conducting business have climbed significantly for both large and small businesses.

***IT Software Expenditure***

Because of the GST system, all firms must either upgrade their present accounting or ERP software to be GST compliant or buy new GST software to support their operations. Due to the need to purchase GST software and train workers on how to use it effectively, this causes an increase in the company' IT costs (Table 1). However, one of the top GST Suvidha Providers (GSP), Masters India, has created specialised GST software and APIs to simplify the compliance processes for various corporate customers [5].

GST rates for firms that are subject to the composition system as well as for general enterprises 0% slab means no GST charged!

**Table 1.** GST rates for firms.

| General Rates | | |
|---|---|---|
| 1.20% | 3% | 5% |
| 12% | 18% | 28% |
| **Composition Rates** | | |
| 1% | 5% | 6% |

## CONCLUSION

One of the largest changes to Indian taxes has been the introduction of the GST. There is no doubt that GST benefits the whole Indian populace. Change is indeed difficult, as is clear. It is undeniable that the administration is attempting to simplify the switch to GST as much as possible. GST would impose a single rate of taxation throughout the whole nation. GST will thereby improve tax collections, accelerate India's economic growth, and remove all tax barriers between the Central and State Governments. GST would undoubtedly provide India with a simple and transparent taxes system. The Goods and Services Tax would make the Indian economy into a single market with a single set of tax rates, making it easier to start and run businesses and causing diverse sectors to save money and cut costs. To see the benefits of having GST, such as a unified tax system and simple input credits, it is crucial at this point to learn from other developed economies that have adopted GST before us and have successfully navigated the early challenges.

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