

## A STUDY ON CENTRE GOODS AND SERVICE TAX- STATE GOODS SERVICE TEX (CGST-SGST) IN INDIA AN OVERVIEW

**Dr. Mudakappa**

**Assistant Professor,**

Department of PG Studies and Research in Economics, Sahyadri Arts College, Kuvempu University, Shivamogga, Karnataka State-577203.

**Email-** muttugkg@gmail.com

### **Abstract:**

The Present study conducted the Goods and Service Tax- State Goods Service Tex (CGST-SGST) in India an Overview. GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by states and central. Under the pre GST taxation system for indirect taxes number of indirect taxes were being levied and collected at multiple rates both by central government and state governments on different activities undertaken

**Key words:** CENVAT, GST, CGST-SGST, Constitution and MODVAT, ect.,

### **Introduction:**

GST (Goods and service tax) is the indirect tax reform of India. GST is a single tax on the supply of goods and services. It is a destination based tax. GST has subsumed tax like central excise law, service tax law, VAT, entry tax, Ontario, etc. GST is one of the biggest indirect tax in the country, GST is expected to bring together state economics and improve overall economic growth of the nation.

There are around 160 countries in the world that have GST in place. GST is a destination based taxes where the tax is collected by the state where goods are consumed GST has been implemented in India from July 1, 2017 and it has adopted the dual GST model in which both state and central levies tax on Goods or Services or both.

**GST Bill Passed on Date:**

The bill was passed by the Rajah Shaba on 3 August 2016, and the amended bill was passed by the Loka Shaba on 8 August 2016. The bill after ratification by the states, received assent from President Pranab Mukherjee on 8 September 2016, and was notified in the Gazette of India on the same date. The reference of GST was first made in the Indian budget in 2006-07 by the finance minister Mr. P. Chidambaram as a single centralized indirect tax.

The GST was launched at midnight on 1<sup>st</sup> July 2017 by the president of India Pranab Mukherjee and the prime minister of India Narendra Modi.

### 101 Amendment of GST

Addition of articles 246A, 269A, 279A, deletion of article 268A, amendment of articles 248, 249, 250, 268, 270, 271, 286, 366, 368, 6 schedules, 7 schedule.

### Importance of GST

1. GST being a uniform structure of taxation will ensure faster and cheaper movement of goods throughout the country which in turn will help to boost growth of GDP of a country.
2. One single tax means compliance at a low level and reduces procedural cost.
3. GST is that it will significantly help in the reduction of avoidance of tax.
4. One of the greatest importance's of GST is the creation of unified market.
5. GST will help to increases the revenues in the state by the expansion of the base of tax which will eventually lead to the increasing of revenues available at the disposal of the center and the state.

### Review of Literature:

A number of research papers and articles provide a detailed insight on GST. The findings from the literature are presented below.

1. **Dr. R Vasantha Gopal (2011)** In "GST in India: a big leap in the indirect taxation system". In his book he concluded that GST is a part of indirect tax in India it will be positive step in booming in Indian economy. GST will be accepted more than 130 countries in world and it takes preferred from indirect tax system of Asia also.
2. **Anshu Ahuja (2017)** I his research paper "perception of people toward GST" he found that people will satisfied these tax system and he suggest that government should give

some relaxation to farmers and small scale business to avoid the GST on their income level..

3. **Manoj Kumar Agrawal (2017)** in his research paper titled “People’s perception toward GST – an empirical study. He found that people feel that GST has increased and it will the increased the tax collection of government. It is burden to businessman.

### Objectives of the study

1. To analysis customers perception view regarding CGST-SGST in India.
2. To find out the perception and their views on new implemented taxation system.

### Methodology

Data was collected from the journals, articles, news papers and various websites it has been used in review of literature and review of the study.

### Historical background of Goods and Services Tax in India

1. Amaresh Baghchi report, 1994 suggest that the introduction of value added tax will act as root for implementation of goods and services tax in India.
2. Ashim Dasgupta, 2000 empowered committee which introduces VAT system in 2005, which has replaced old age taxation system in India.
3. Union government first time in union budget 2006-07 announced that the GST would be applicable from 1<sup>st</sup> April 2010.
4. Union government first time in union budget 2006-07 announced that the GST would be applicable from 1<sup>st</sup> April 2010.
5. Task force of finance minister has submitted their report in December 2009 on.
6. In August 2013 standing committee on finance table its report on GST bill.
7. In December 2004 revised constitution Amendment bill was tabled in parliament.
8. On June 14, 2016 the ministry of finance released draft model law on GST in public domain for views and suggestion.
9. GST bill passed in Rajya Sabha 3<sup>rd</sup> August 2016 constitution amendment (122<sup>nd</sup>) bill 2014 was passed by Rajya Sabha with concern amendment.
10. The change made by Rajya Sabha was unanimously passed by Lok Sabha. The bill was adopted by a majority of state legislature were in approval by atleast 504 of the state assemblies was required.

11. 2014 become an Act was taken when the honorable president of India gave his final assent on September 8, 2016.
12. In 2017 GST related bills become act to following presidents assent and passage in parliament
  - a. Central GST bill
  - b. Integrated GST bill
  - c. Union territory GST bill
  - d. GST compensation to state bill
13. In 2017 GST council finalizing the GST rules and GST rates
14. When GTS is applicable – Modi govt, want to applicable GST bill from 1<sup>st</sup> July 2017 due to a same legal problem GST bill is not applicable before 1<sup>st</sup> July 2017.

### Milestone of GST

- 1974 report of Ikjja committee suggested VAT.
- 1986 introduction of restricted VAT called MODVAT.
- 1991 report of the Chelliah committee recommends VAT/GST and recommendations accepted by government.
- 1994 introduction/services tax.
- 1999 formation of empowered committee on states VAT.
- 2000 implemented of uniform floor sales tax rates abolition of tax related incentives granted by states.
- 2003 VAT implemented in Haryana in April 2003.
- 20014 significant progress towards CENVAT
- 2005-06 VAT implemented in 26 more states
- 2007 FM announces for GST in budget speech
- 2007 GST phase out starts in April 2007
- 2007 Joint EC finalizes the view on GST structures in April 2008
- 2009 GST proposed to be implemented from 1.4.2010

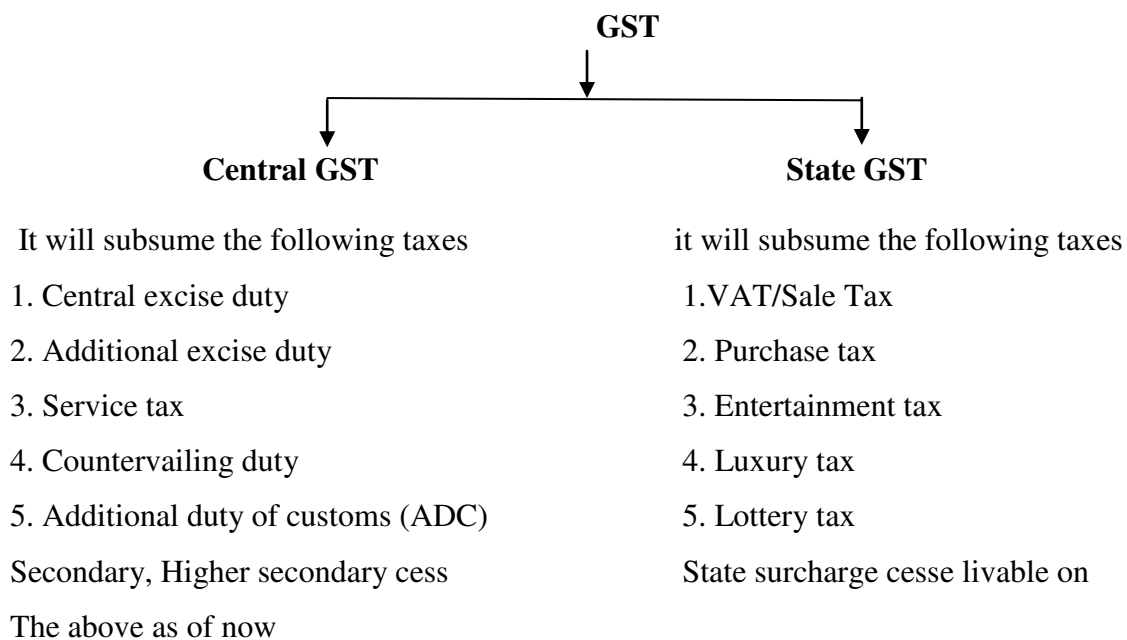
### GST in India

GST was first recommended by Kelkar Task force on implementation of fiscal reforms and budget management Act 2004 but the first discussion paper on goods and

services tax in India was presented by the empowered committee of state finance minister's dtd. 10 the Nov 10<sup>th</sup> 2009

In 2011 the constitution (115<sup>th</sup> Amendment) bill 2011 was introduced in parliament to enable the levy of GST. However the bill lapsed with the dissolution of the 15<sup>th</sup> Lok Sabha. Subsequently in December 2014, the constitution (122<sup>nd</sup> Amendment) bill 2014 was introduced I Lok Sabha. The bill was passed by Lok sabha in May 2015 and rified to a select committee of Rajya Sabha for examination.

Under the GST scheme, no distinction is made between goods and services for levying of Tax. In other words, goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax fall on the consumers of goods/services. It is called as value added tax because at every stage tax is being paid on the value addition. Under the GST scheme a person who was liable to pay tax on his output, whether for provision of services or sale of goods it is entitle to get Input Tax Credit (ITC) on the tax paid on its inputs.



**Note:** The word bill may be interpreted as the constitution (122<sup>nd</sup>) Amendment bill 2014.

**Table -1: Growth in Tax GDP ratio**

<b>Years</b>	<b>Tax GDP Ratio</b>
--------------	----------------------

2012-13	10%
2013-14	10%
2014-15	10%
2015-16	10%
2016-17	11%
2017-18	12%

*Source: Annual financial statement*

We can see that in year 2003-04 GDP ratio was 9.2% but in the 2007-08 GDP ratio was slowly increased in 11.9% and 2011-12 GDP ratio was decrease 10.1% that shows that tax GDP ratio was slowly and steadily increased day by day in Indian economy that means when GDP increased Indian economy will slowly develop.

**Table -2: Tax Revenue in India**

Tax on Commodities	2013-14	2014-15	2015-16	2016-17	2017-18
Customs	10,15,279	12,449	14,556	17,032	19,116
Union excise duties	88,600	1,05,653	1,85,958	2,53,254	2,01,592
Taxes on Sales trade	3,108	4,644	7,880	12,219	17,459
Taxes on vehicle	20,769	23,406	39,632	50,875	71,737
Taxes on goods and passenger	14,806,778	15,975,561	16,455,851	17,589,738	20,198,672
Service tax	1,32,518,	1,54,778	1,68,132	2,09,724	2,28,078
Other taxes and duties on commodities and services	11,38,733	12,44,886	14,55,648	17,15,822	19,46,119
Total	17,2,05,785	17,5,21,372	18,3,27,657	19,8,48,664	22,6,82,723

*Source: Indian Annual Financial report*

In above table shows revenue from taxes on commodities and services of India for the year 2013-14 to 2017-18 are financial year.

In the year 2013-14 revenue is 17,2,05,785 and 2017-18 22,6,82,773. It shows that revenue of commodity is increases year by year.

**Table-3: GST in India as compare to other countries**

Country	Tax Applicable	Coverage	Stander rate
New Zealand	GST levied on most goods and services	Included most important goods and certain important services goods include all type of personal and real property excluding money	15%
Singapore	GST is Broad based consumption tax levied on the imports of goods and services	Levies on newly all imports and supplies and exports area zero rated	7%
Canada	GST applies to the supply of most goods and services in Canada a harmonized sales tax applies in some provenances	Applies goods that include real property and intangible personal property	15%
Australia	GST applies to most goods service and other item	Applies to good and services that are both said or consumed in the country	15%
European union	Value-added tax on goods and services	The export goods and services that are abroad are normally not subject to VAT	15%
India	GST levied on most goods and services	Applies to supply of goods and services GST levied on import and export are zero rated	To be determined to law made by parliament on the recommendation of the GST

**Sources: PRS Legislative research****SGST and CGST for intrastate transaction**

In the GST system, both central and state taxes will be collected at the point of sale. Both components will be charged on the manufacturing cost. This will benefit individuals as prices are likely to come down lower prices will lead to more consumption, thereby helping companies.

**IGST for interstate transaction**

IGST model will be in place for taxation of interstate transaction for goods and services. The scope of IGST model is that central would Levy IGST which would be CGST plus SGST on all interstate transaction of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services.

**Table-4: Comparison of tax under the current indirect tax system and the GST regime**

<b>Transaction</b>	<b>Current system</b>	<b>GST</b>
Cost of raw material	100	100
Tax on raw material	10	10
Value added by manufactures	20	20
Tax payable by manufacture	2(CENVAT :10% of 20)	2(GST:10%of 20)
Retailer cost	132	132
Retailers margin	20	20
Tax payable	15,2 (sales tax :10% of 152)	2(GST: 10% of 20)
Final price paid include taxes	167.2	154
Of which taxes	27.2	14

**Sources: PRS Legislative research****Tax before and after implementation of GST**

The impact GST after implementation it can be understood clearly from the table shows the rate of goods increasing and decreasing after implementation of GST. The first row



shows goods and second row shows increase in rate of goods after GST. Thus these were some of the items which are affected after implementation of goods and service tax.

**Table-5: Tax before and after implementation of GST**

Goods	Before	After
Package products	4-5%	18%
Readymade garments	4.5%	18%
Jewelry	3%	18%
Mobile and credit cards	15%	18%
Cars	30-44%	18%
Home appliance	12.5%- 14.5%	18%

Sources: <http://www.gstindia.com>

**Table-6: Expected price movement for items upon implementation of GST**

Decrease	No GST	Increase
Television	Bread, while and whole meal	Mobile phone
Refrigerator	Cooking oil	Computer
Spark plug, brake pad	Local fruits	Photocopy machine
Hair dryer	Petrol unleaded 95	Transportation of goods
Electronic iron	Fresh fish and prawans	Fish balls
Cotton bath towel	Powdered milk	Conned sardine and tuna
Colour pencil	Chicken and duck eggs	Lipstic
Dettol, antiseptic	Motor oil	Motorcycle 110 cc
Dinning set	Engine oil	Watches
Car 850 cc	Toll	Cheese
Plastic mat	Chili	Oats and cereals
Tooth mat	Alcohol	Chili sauce

Sources: <http://www.gstindia.com>

### Impact on GST in present

For example of how impact of goods and services tax.

Divided into two parts in which first part revels that in present scenario sales price of phone from manufacturer to distributes with invoice is Rs 11,648 and without invoices Rs

11,000 but after GST the sales price of phone with invoice will be Rs 11,60 and without invoice is Rs 11,000.

Second part reveals that sales price of phone in present scenario from distributor to wholesaler with invoice is Rs 15,600 and without invoice is Rs 15,000 while as after GST the price of phone with invoice Rs 17,400 and without invoice is 15,000 is Rs 3,800 and without invoice is Rs 4,000 in present scenario but after GST the net profit of distributor without invoice is Rs 5,000 and without invoice is Rs 4,000 thus the conclusion from this table is that in present scenario the distributor will prefer without invoice but after GST the distributors will prefer without invoice but after GST the distributor will prefer with invoice.

**Table-7: GST rate in India at a glance**

Slab rates	Product
0%	Milk, eggs, curd, unpacked food grain, unpacked panner, sugar, salt, kaja, fresh vegetables, unbranded atta, besan, etc.
5%	Sugar, tea, packed panner, coal, edible oil, spices, life – saving drugs, footwear (<500), domestic LPG coffee, Fabric, cashenuts, Agarbati etc
12%	Butter, Ghee, Almonds, computers, Processed food, mobile, fruit juice, Umbrella, packed coconut water etc.
18%	Hair oil, toothpaste, soap, pasta, capita; goods, industrial intermediaries, ice-cream, corn flakes, soups, toiletries computers, privateers etc.
28%	Small cars (+ 1% or 3% cess), high-end motorcycles (+15% cess), consumer durables such as AC and Fridge, beds are not included here, Luxury and sin items like BMWs, Cigarettes and aerated drinks (+15% cess)

Sources: [GST Council](#)

### Objectives of GST given by Government

1. One country-one tax.
2. Consumption based tax instead of manufacturing.
3. Uniform GST registration, Payment and input tax credit
4. To eliminate the cascading effect of indirect taxes on single transaction.
5. Subsume all indirect taxes at centre and state level under.
6. Reduce tax evasion and corruption.
7. Increase productivity.
8. Increase tax to GDP ratio and revenue surplus increase compliance
9. Reducing economic distortion.

## Advantages of GST

1. Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD and excise
2. Less tax compliance and a simplified tax policy compared to current tax structure.
3. Removal of cascading effect of taxes.
4. Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector.
5. Lower the burden on the common man.
6. Increased demand and consumption of goods.
7. Increased demand will lead to increase supply.
8. Control of black money circulation
9. Boost to the Indian economy in the long run.

These are possible only if the actual benefit of GST is passed on to the final consumers. There are other factors, such as the seller's profit margin, that determines the final price of goods

## Disadvantages of GST

1. Some economist says that GST in India would impact negatively on the real estate market.
2. Some experts say that CGST, SGST are nothing but new names for central service tax, VAT and CST.
3. Some retail products currently have only 4% tax on them. After GST, garments and cloths could become more expensive.
4. The aviation industry would be affected service taxes on airfares currently range from six to nine percent.
5. Adoption and migration to the new GST system would involve teething trouble and learning for entire ecosystem.

## References

1. [WWW.josrjournals.org](http://WWW.josrjournals.org)
2. Dr.Ragavendra R.H and Shakunthala State economy. ISSN: 2319-7668 Volume 20, Issue 3, (March 2018)page No 67\_73.

3. Anand Nayyar and Inderpal Singh. “A comprehensive Analysis of Goods and Services Tax (GST) in India”. Indian journal of finance, February 2018 (Page No: 1 and 3)
4. Vasanth Gopal .D (2011). “GST in India”; A big leap in the indirect taxation system. International journal of trade, economics and finance, vol 2, (Page No 2)
5. Dr. Madhu Bala (Ph.D, M.Phil, M.Com, B.com, UGC – NET and HTET qualified) “GST in India and its impact on Indian economy”. Assistant professor, Department of Commerce, DAV College for girls; Yamuna Nagar, Haryana, India – 13501. Date: Feb 2<sup>nd</sup> 2018 (Page no 5-7)
6. Dr. Manoj Kumar Agarwal “People’s perception about GST”, Kaav International journal of Economics. Commerce and business management. Jul-Sep-2017, volume 4
7. Anshu Ahuja (2017) Perceptions of people towards Goods and Services Tax” International journal of economics, commerce and business management. Issues 3 volume 4.
8. Nishita Gupta (2014) “Goods and Services tax: its implementation on Indian economy” CASIRJ volume 5, Issue 3.
9. Vasanth Gopal .D (2011). “GST in India”; A big leap in the indirect taxation system. International journal of trade, economics and finance, vol 2, (Page No 2)
10. Kumar .N (2014) “Goods and Services Tax in India – A way forward “Global Journal of multi disciplinary studies, Vol 3, Issues 6.
11. R. Karthik, Esther Hepziba .R “A study on consumer perception towards GST” paripex Indian journal of research: Volume 61. Issue 101, October -2017.
12. Swamynathn.c, ABHIRAMID ,Srinivas.G and Jayalakshmi .(2017) Goods and Services Tax, Kalyani publishers , New Delhi – 11002 , Page No 1.1 – 2.21.
13. WWW.elljournals.com ELK Asia Pacific Journals. (2015) Volume 9 Issue (2018).
14. GST [WWW.GST](http://WWW.GST) Council. [www.Government.in](http://www.Government.in)
15. Objectives of GST – GST govt (goods and services tax 30 JUNE 2017), WWW. GST. GOVT .in, Objectives – of – GST.