Impact of Goods and Services Tax Bill on the Indian Economy

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Abstract

The Goods and Services Tax Bill or GST Bill is officially also known as The Constitution (One Hundred Twenty Second Amendment) Act, 2016 which proposes a national value added tax to be applied in India from July 1, 2017. The GST bill was initially accepted in the Lok Sabha on March 29, 2017 and got its final acceptance in the Rajya Sabha on April 6, 2017.Goods and Services Tax (GST) is an all-inclusive tax levied on manufacture, sale, and consumption of goods and services at a nationwide level. GST is considered to be a mechanism to enforce the indirect tax on manufacturing, sales, and consumption of goods and services across India, to replace the existing taxation schemes implemented by the Central and State governments. The simplicity of this tax would lead to easy administration and enforcement of the tax. The biggest advantage of the GST is estimated to be in terms of the reduction in the overall tax paid by the consumer currently, free movements of the goods from one state to another, and minimization in the paperwork up to a large extent. This paper analyzed the effect of the GST Bill on the Indian economy in general and for small, medium, and large enterprises in specific. The study was based completely on hypothetical knowledge as the GST Bill has not been introduced as yet. In the light of ongoing discussion surrounding the GST Bill, this paper took a few cases to compare GST and the expected impact post GST. This study would be extremely relevant as it forecasted the impact of the proposed GST Bill.

Key words : **GST, UGST, SGST, VAT, SME**

JEL Classification : G18, H20, Z13

Paper Submission Date : April 9, 2017 ; Paper sent back for Revision : June 7, 2017 ; Paper Acceptance Date : June 19, 2017

A plan to bring in a national-level Goods and Services Tax (GST) by April 1, 2010 was first raised in the Budget Speech for the financial year 2006-07 (Chidambram, 2006). Since the proposal concerned change/ restructuring of not only indirect taxes which were levied by the Centre, but also the States, the responsibility of preparing a design and road map for the performance of GST was assigned to the Empowered Committee of State Finance Ministers (EC).

In April, 2008, the EC had put forward a report, titled *A Model and Road Map for Goods and Services Tax (GST) in India* including broad suggestions about the structure and design of GST. In response to the report, the Department of Revenue made some suggestions to be integrated in the design and structure of the planned GST bill. Based on input from Government of India and States, The EC delivered its First Discussion Paper on Goods and Services Tax in India on the 10th of November, 2009 with the purpose of generating a debate and obtaining inputs from all stakeholders (The Empowered Committee of State Finance Ministers, 2009).

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The EC (2009) projected dual GST module for the country. This twin GST model has been accepted by the Centre. Under this model, GST will have two mechanisms, that is, the Central GST to be imposed and collected by the Centre, and the State GST to be imposed and gathered by the respective States. Central excise duty, additional excise duty, service tax, and additional duty of customs (equivalent to excise), state value added tax, entertainment tax, taxes on lotteries, gambling ,and gaming and entry tax (not levied by local bodies) would be incorporated within GST. Other taxes which will be included with GST are Octroi, entry tax, and luxury tax, thus creating a single indirect tax in India.

The Constitution (One Hundred Twenty Second Amendment) Act, 2016 proposed GST to be applicable in India from April 1, 2017 ("Final GST rates out, slabs fixed at 5%, 12%, 18% & 28%," 2016). The GST council has approved state GST (SGST) and the union territory GST (UGST) bills. These bills will have to be passed by the Parliament and State Assembly. Initially, the GST Council proposed GST to be implemented from April 1, 2017. The date is now shifted to July 1, 2017 ("July 1 date with GST looks set as council clears all bills 1 date with GST," 2017) . In the light of policy changes, the paper aims to further analyze the impact of GST Bill on business houses and the Indian economy in general.

Objectives of the Study

This paper aims to :

(i) Study the effect of GST bill on the Indian economy.

(ii) Compare the existing tax regime with new GST Bill scheme and the transformation in revenue collection.

(iii) Examine the mixed bag of opportunities for small & medium enterprises on the implementation of GST Bill.

(iv) Understand the advantages and limitations of the GST Bill on the large and small businesses and their comparison thereafter.

Salient Features of Proposed GST

GST is a comprehensive tax applicable on goods & services, which will flow against the present tax structure of multi-level taxation. The salient features of GST can be listed as follows (GST India.com, 2015, 2016a, 2016b).

(i) Dual GST : Both Centre and States will concurrently levy GST across the value chain. Tax will be imposed on every supply of goods and services. Centre would levy and gather Central Goods and Services Tax (CGST), and States would charge and collect the State Goods and Services Tax (SGST) on all dealings within a State. The input tax credit of CGST would be accessible for discharging the CGST responsibility on the output at each stage. Similarly, the credit of SGST paid on inputs would be permitted for paying the SGST on output. No cross utilization of credit would be permitted.

(ii) Inter-State Transactions and the IGST Mechanism: The Centre would charge and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. The IGST instrument has been designed to ensure faultless flow of input tax credit from one State to another. The inter-state sellers would pay IGST on the sale of their merchandise to the Central Government after adjusting credit of IGST, CGST, and SGST on their purchase (in that order). The exporting State will relocate to the Centre the credit of SGST used in compensation of IGST. The importing dealers will maintain credit of IGST while discharging their output tax liability (both CGST and SGST) in their own States. The Centre will move the credit of IGST used in for the payment of SGST to the importing State.

(iii) Destination - Based Consumption Tax : GST will be a destination-based tax. This implies that all SGST collected will ordinarily go to the State where the customer of the goods or services sold resides.

(iv) Central Taxes to be Subsumed :

- Central Excise Duty,
- Additional Excise Duty,
- The Excise Duty imposed under the Medicinal and Toiletries Preparation Act,
- Service Tax,
- Additional Customs Duty, known as Countervailing Duty (CVD),
- Special Additional Duty of Customs (SAD),
- Ceases and surcharges in so far as they relate to supply of goods and services.

(v) State Taxes to be Subsumed:

- Value Added Tax/Sales Tax,
- Central Sales Tax (levied by the Centre and collected by the States),
- Entertainment Tax,
- Octroi and Entry Tax (all forms),
- Purchase Tax,
- Luxury Tax ,
- Taxes on lottery, betting, and gambling,
- State cess and surcharges in so far as they relate to supply of goods and services.

GST Around the World

Taxation policy of approx. 150 countries of the world is already based on the GST model. France was the first nation to present GST in 1954. In China, GST applies just to products and the arrangement of repairs, substitution, and preparing administrations. GST rates of a few nations are presented in the Table 1.

Rate of GST in India

There would be two-rate structures - a rate for vital things and things of fundamental significance and a standard

Table 1. Rates of GST Across the World

COUNTRY	RATE OF GST
Australia	10%
Finland	22%
Canada	6%
Germany	19%
China	17%
Singapore	7%
New Zealand	12.5%

Source: Adapted from GNV Consultancy & Service Pte Ltd. (n.d.)

rate for merchandise. A four-tier GST tax structure of 5%, 12%, 18%, and 28%, with lower rates for essential items and the highest for luxury and de-merits goods that would also attract an additional cess has been decided by the GST Council. The GST rate is proposed to be around 20% to 23% against the worldwide average of 16.4% for merchandise (“Final GST rates out, slabs fixed at 5%, 12%, 18% & 28%”, 2016).

Need for GST

Implementation of GST, to restore the existing multiple tax structures of Centre and State taxes, is not only desirable, but essential for the growth of the country's economy. There has been a huge increase in the number of services used in creation and distribution of goods and vice versa. Separate taxation of goods and services often requires dividing of values into value of goods and services for taxation, which leads to greater complexities and compliances costs. Incorporation of various taxes into a single taxation system of GST would make it possible to generate a common platform of taxation. GST, being a consumption tax based on VAT principle, would also greatly help in eradicating the economic deformation and will help in the growth of a common national market.

In case of Indirect Taxes, there tends to be a complex array of them (taxes). There is a tendency to 'cascade,' with taxes imposed on several inputs (good or service) that have already been taxed, along with inputs to those inputs.

It leads to a high-cost and incompetent tax structure prone to shirking and revenue leakage. Hence, there was a need for a modern incorporated goods and services tax (GST), with tax payable only on the value summed at each stage of output and set-offs available along the value chain, both at the Centre and the State. The GST would sum to the conclusion of over 25 years of indirect tax reforms, which would boost the competence of taxation, improve tax resilience, and bring about an integrated market.

In India, indirect tax reforms started since the mid-1980s. At the Central level, tax reform in India was termed as 'Modvat', later as 'Cenvat,' which authorized credit of tax paid on inputs and capital goods up to the developed stage [1] . Later in 1994, a new scheme of tax on services (service tax) was rolled out by the Central government. After a decade, the input tax credit scheme for Centvat and service tax was updated to permit the cross-flow of credit between the two taxes. Further, in 2005-06, the states started a phased change over from a multiple-point sales tax rule to a value added tax (VAT) system covering operation and sale of goods up to the retail stage. Inspite of several reforms, important tax-cascading remains in place. For example, Cenvat remains limited to the manufacturing stage and does not extend to the allocation chain beyond the factory gate. Or, while the input tax credit of Cenvat or extra customs duty paid on goods is now available to a service provider for paying service tax, still they are not able to set-off state VAT or other state taxes paid on the purchase of goods.

Hence, there was an urgent need to alter the Constitution to provide the Central and State governments synchronized powers to make laws on the taxation of goods and services. The proposed GST would incorporate various central indirect taxes together with the central excise, countervailing duty and service tax. It would also include state VAT, octroi and entry tax, luxury tax, etc. With the implementation of GST, the 2% central sales tax, imposed by the Central government on interstate sale of goods, specifically for the tax originating state, will be eliminated. To prevent revenue uncertainty, the 1% extra origin based tax on interstate commerce proves to be enough for that purpose.

The proposed twin GST predicts tax assessment of the same assessable events, that is, supply of goods and services, simultaneously by both, the Centre and the State governments. In this manner, both Centre and States

[1] CENVAT is the modified name for MODVAT. CENVAT is Tax on Value Addition on the goods manufactured according to Central Excise & Customs Act Definition. Here the value addition means the Additional Services/Activities etc. which converts the Input in to Output, and the output is newly recognised as per this act as Excisable goods. GST is the simplified tax calculation mechanism which eliminates the complexities of MODVAT/CENVAT.

will be enabled to force GST over the esteem chain from the phase of generation to utilization. The credit of GST paid on inputs at every stage of value addition would be responsible for the elimination of GST liability on the final output, thereby ensuring that the GST is charged only for the part of value addition at each stage. This would finally lead to a commitment that there will be no 'tax on tax' charged in the country. The credit of GST paid on contributions at each phase of significance worth including would be accessible for the arrival of GST risk on the yield, in this way guaranteeing that GST is charged just with respect to esteem expansion at each stage. This would guarantee that there is no 'duty on assessment' across the nation.

In order to take the GST work ahead, a Joint Working Committee comprising of officers from Central as well as State Governments was composed. This was further divided into three sub -working groups to work separately on draft legislations necessary for GST, process/forms to be followed in GST regime, and IT infrastructure growth needed for smooth functioning of proposed GST. In addition to the above, an Empowered Group for the Development of IT Systems required for Goods and Services Tax regime was set up under the guidance of Mr. Nandan Nilekani ("Nandan Nilekani to head SPV on GST," 2011).

Rationale Behind Moving Towards GST

(1) This exhibit of assessments at the State and Central levels has brought about a complex aberrant expense constitution in the nation, including concealed expenses for the exchange and industry. Firstly, there are no standardized assessment rates and structure crosswise over States. Besides, there is spilling of expenses because of 'tax on tax'. No credit of extract obligation and administration charge paid during the creation phase is accessible to the dealers while paying the State level deals duty or VAT, and the other way around. Facilitate, no credit of State duties compensated in one State can be profited by different States. Thus, the costs of merchandise and enterprises get unnaturally swelled to the degree of this 'assessment on expense'.

(2) The preface of GST would mark a clear departure from the scheme of division of fiscal powers envisaged in the Constitution. The proposed dual GST predicts duty of the same taxable event, that is, supply of goods and services, concurrently by both the Centre and the States. Therefore, both Centre and States will be empowered to impose GST across the value from the stage of manufacture to the consumption. The credit of GST paid on inputs at every stage of value totaling would be available for the discharge of GST accountability on the output, thereby ensuring GST is charged only on the part of value addition at each stage. This would guarantee that there is no 'tax on tax' in the country.

(3) GST will simplify and match the indirect tax regime in the country. It is expected to reduce the cost of manufacture and price increases in the economy, thereby making the Indian trade and industry more aggressive, domestically as well as internationally. It is also expected that preamble of GST will promote a common or faultless Indian market and contribute considerably to the growth of the economy.

(4) Furthermore, GST will widen the tax base, and result in better tax fulfillment due to a robust IT infrastructure. Due to the faultless shift of input tax credit from one stage to another in the chain of value addition, there is an inherent mechanism in the design of GST that would incentivize tax fulfillment by traders.

GST and Small Enterprises

(1) There will be three classifications of Small Undertakings in the GST structure (GST India.com, 2015):

(i) The organizations whose gross annual turnover is below ₹ 1.5 crores would be exempted (Saikia, 2016).

(ii) The organizations whose gross annual turnover lies between the threshold (₹ 1.5 crores) value and composition turnovers have an option to pay a turnover based tax, that is, composite tax or option to adopt GST.

(iii) The organizations above the threshold limit (₹ 1.5 crores) will have to adopt the framework of GST.

(2) Small and medium enterprises will gain from the implementation of GST in following manner :

(i) Manufacturing state (the state in which the products are produced) will be permitted to impose an extra duty percent (say 1%) on supply of the products.

(ii) PAN based identification number will be issued for all the tax payers for the purpose of integrating GST with the Direct Tax.

(iii) The taxpayers would be responsible for submitting the periodical returns, to both the CGST and the concerned SGST authorities.

(3) Exemption Schemes under GST :

(i) The small tax payers (whose gross annual turnover is below ₹ 1.5 crores) will not be included in the tax regime of GST.

(ii) The GST is composed in such a way that there is an upper limit on gross annual turnover and a floor tax rate with respect to the gross annual turnover.

(iii) Resolution of the goods exempted in one state and taxable in other states should be done properly.

(iv) Exempted items from the GST should be listed down properly.

(4) Benefits for Small Enterprises :

GST is considered to profit all organizations in India ; however, small enterprises can celebrate for the following reasons (Desk Era, n.d.):

(i) Ease of Starting a Business: Any new business needs a VAT enlistment from the Sales Tax Department. A business which is operating in many States needs to confront a considerable measure of issues with respect to the diverse strategies and expenses in each state. GST will ensure a consistency in process and the process of enlistment will make new business and expansion in various States considerably easier.

(ii) Higher Exclusions to New Organizations : According to the present structure, any business with a turnover of more than ₹ 5 lakhs needs to get VAT enlistment and pay VAT. GST will make this limit very high, to up to ₹ 10 lakhs and further to it, organizations with turnover between ₹ 10 and ₹ 50 lakhs will be saddled at lower rates. This will bring a break from taxation rates to recently settled organizations.

(iii) Simple Tax Collection : Presently, a startup invests a great deal of time and vitality to deal with the different taxes at different points of time. Clinging to various directions of various States makes the procedure exceptionally unpredictable. GST will improve the procedure by coordinating all expenses, making the way toward paying assessment less complex.

(iv) Respite for Organizations in Both Deals and Administrations : Organizations like restaurants, which fall under both deals and administration tax collection, need to ascertain the VAT and administration assess on both things independently. This makes the estimations procedure exceptionally unpredictable. GST won't recognize deals and administrations, and in this way, the expense computation will be done on aggregate.

(v) Decrease in Coordination Cost and Time Crosswise Over States : Many transport vehicles get deferred amid development crosswise over States because of little fringe charge and check post issues. Interstate development will get to be distinctly less expensive and less tedious as these assessments will be eliminated.

This will further cut down expenses related with keeping up high stocks, as there will be undisrupted development of merchandise. According to a CRISIL (2015) analysis, GST can cut short the logistics costs of companies which produce non-mass merchandise (containing all products other than the essential bulk items transported by railroads - coal, press metal, concrete, steel, nourishment grains, manures etc.) by as much as 20%.

GST is relied upon to acquire financial gain for the nation and a countable enhancement in gross domestic product (GDP) development further by cutting down the monetary shortfall. As per the CRISIL (2015) analysis, GST will support the gross domestic product development and push the duty income of the administration higher to work dually to cut down the monetary deficiency.

Unlike VAT and administration assessment, GST is basically an expense on the expansion at each stage, and is required for the purpose of offer. This implies that the customers bear the GST charged by just the last merchant in the inventory network, along these lines making it less expensive for the purchasers and expanding the gain of their businesses. Furthermore, there are different charges imposed by the State governments on creation, production, and distributive exchange, where no set-off is accessible as input tax credit. These expenses gather and prompt for expanding the cost of conclusive item which the buyer needs to hold up.

GST will help in cutting down monetary shortage by boosting charge accumulation and improving the expense administration, which is relied upon to realize better consistence. Accordingly, GST is a win-win circumstance both for the administration and the citizens.

(5) Implementation of GST for SMEs

(i) The GST might have two segments: one demanded by the Centre (also known as Central GST or CGST), and the other imposed by the States (known as State GST or SGST). Rates for Centre GST and State GST would be approved such that it should reflect the revenue acceptability.

(ii) The CGST and the SGST should be imposed on all exchanges of products and services made for consideration, having an exception of the exempted goods and services.

(iii) Utilization of ITC for both input sources and capital goods between the CGST and the SGST would not be allowed, but it would be permitted only for the inter State supply of products and services (i.e. IGST).

(iv) The Centre and the States would have a common judgment for the complete value chain and for all citizens, specifically the taxpayers for the goods and services endorsed for the States and the Centre.

(6) GST on Export and Import :

(i) GST would not be applicable for the exports.

(ii) Both CGST and SGST will be taxable on the import of products and services in India.

Impact of GST on Startups

At present, India is home to around 4200 new companies and is the third biggest startup environment in the world, expanding over the growth of 40% annually. GST will additionally support the positive assessment around the startup business in India from numerous points of view.

(1) Simple Taxation Assessment Schemes : The application of different tax assessment process in different states will make the tax collection process more complex and cumbersome. Implementation of GST will improve this process by eliminating the different tax assessment structures and implementing only one single tax to be paid by the tax payers. The tax computation will be less demanding and easier, in context of sparing time and vitality for the startup entrepreneurs allowing them to concentrate more on the critical skills required for their businesses rather than assessment of tax calculations. It is observed to be more straightforward and simple to scale up.

VAT enlistment from the sales tax department is mandatory for the beginning of a new business. Whatever may be the kind of business, but a business working in numerous states needs to pay diverse expenses in terms of the fees and taxes in each state w.r.t their fee structure.

GST will bring consistency, simplification, and a centralized mechanism for the enlistment of the organizations. With the implementation of GST, the entrepreneurs will need only a single license and they are all set to start their business simultaneously in different states. This will make the channel for new startups to launch and expand their business easily without having various kinds of hindrances from the State or the Central governments.

(2) Exemption from Taxes : As per the present taxation laws, in several states, VAT is applied uniformly to the organizations with an annual turnover higher than INR 5 lakhs. The organizations with an income of INR 10 lakhs to INR 50 lakhs can bring down the expense rates by adopting the VAT composition schemes. This scheme is bound by various terms and conditions and hence, is not suitable for all kinds of businesses. Nonetheless, with the implementation of GST, organizations with revenue less than INR 10 lakhs will be exempted from GST; and organizations with turnover of INR 10 lakhs up to INR 50 lakhs will be charged with lower tax rates (Parik, 2016).

The consistent movement of goods and a typical market in the country will bring about more prominent efficiencies in coordination, which is, as of now, a very critical point for the startups for two major reasons. One, state border checks lead to a delay in the movement of goods transport vehicles, bringing about deferred conveyances and upgraded item cost to the end-client. Second, most of the organizations have a well-defined infrastructure and logistics facilities which tend to stock – exchange their products to different states and figure out how to abstain from paying expenses on interstate commercial transport. Unexpectedly, new companies neither have coordination nor assets to stock-exchange. In this way, they acquire products through interstate deals, on which they are at a risk to pay focal deals imposed. GST will take out such wasteful aspects, making interstate development of goods less expensive and less tedious. As there will be a continuous development in inventory network, the expenses related with keeping up high stocks will likewise be diminished (Jain, 2017).

As per CRISIL's (2015) press release, GST can diminish the logistic costs for the organizations delivering non-mass products by as much as 20%. This incorporates all the goods other than the essential mass wares transported by railroads - press metal, coal, steel, concrete, manures, nourishment grains, and so on.

GST can possibly develop an additional weight on the startups, specifically in the manufacturing sector or the organizations with a smaller annual turnover. As per the current excise laws, the manufacturing business with an annual turnover not more than INR 1.50 crore is exempted from paying any kind of duty. Once GST comes into force, this turnover limit of confinement could be reduced to INR 25 lakhs, which will definitely lead to dumping of several new upcoming startups (Kably, 2016).

The E-commerce startups will endure the worst part too. The TCS (Tax Collection at Source) lays down the guidelines for GST express that e-commerce business organizations should have to file quarterly and monthly returns and collect the taxes from the sales made from deals made on the entryway. The draft law proposed a levy of 1% without any limit. This will enhance the documentation and administrative costs, the burden of which will, in the long run, be passed on to the clients in the form of higher costs of the products (Choudhary & Roychaudhury, 2017).

Food prices may hike initially after the implementation of GST, which will further lead to inflation. There is, likewise, a lack of clarity in understanding with reference to the assessment of mandi tax in GST or not. Such disparities will definitely influence the startups, specifically the food startups (Sally & Ghosal, 2016).

Discussion

The study has examined the impact of GST with the help of three hypothetical cases.

(1) Hypothetical Case 1 : It can be noted from the Table 2 that the Input tax credit for the wholesaler would be ₹ 1,260 and ₹ 2,160 in the cases of without GST and with GST, respectively. Similarly, the input tax credit for the retailer would ₹ 1,386 and ₹ 2,376 without GST and with GST, respectively. In spite of the fact that the VAT is also

Hypothetical Case 1

Table 2. Comparison Between Multiple Indirect Tax Laws and Proposed One Law

Values in ₹

PARTICULARS	WITHOUT GST	WITH GST
Manufacturer to Wholesaler		
Cost of Production	6000	6000
Add: Profit Margin	3000	3000
Manufacturer Price	9000	9000
Add: Excise Duty @ 12%	1080	
Total Value(a)	10,080	9000
Add: VAT @ 12.5%	1260	-
Add: CGST @ 12%		1080
Add: SGST @ 12%		1080
Invoice Value	11340	11,160
Wholesaler to Retailer		
COG to Wholesaler(a)	10,080	9,000
Add: Profit Margin@10%	1,008	900
Total Value(b)	11,088	9,900
Add: VAT @ 12.5%	1,386	-
Add: CGST @ 12%	-	1,188
Add: SGST @ 12%	-	1,188
Invoice Value	12,474	12,276
Retailer to Consumer		
COG to Retailer (b)	11,088	9,900
Add: Profit Margin@10%	1,108.8	990
Total Value©	12,196.8	10,890
Add: VAT @ 12.5%	1,524.5	-
Add: CGST @ 12%	-	1,306.8
Add: SGST @ 12%	-	1,306.8
Total Price to the Final consumer	13,721.3	13,503.6
Cost saving to consumer		217.7
% Cost Saving		1.59

Hypothetical Case 2

Table 3. Output Tax Calculation

Values in ₹

PARTICULARS	SALES WITHIN STATE	STOCK TRANSFER OUTSIDE STATE	INTERSTATE SALES	TOTAL
Qty. Sold	800	400	600	
Price per unit	10	10	10	
Value of Goods Sold	8000	4000	6000	18,000
Tax Amount:				
CGST(5%)	400			400
SGST(7%)	560			560
IGST(12%)		480	720	1200

Table 4. Calculation of Tax Payable

Values in ₹

Particulars	CGST	SGST	IGST	Total
Tax Payable Amount	400	560	1200	
Less: Input Tax Credit				
CGST	400	-	400	800
SGST	-	560	440	1000
Balance Payable	-	-	360	360

imposed, but still, the consumer is benefited with some amount of savings.

(2) Hypothetical Case 2 - Input Tax Credit : ABC, an enlisted merchant, had input assess credit for CGST and SGST of ₹ 800/ - and ₹ 1,000/ - separately in regard of procurement of sources of information and capital products. He made 1900 litres of completed items. 200 litres was typical misfortune all the while. The last item was sold at uniform cost of ₹ 10 per litre as takes after : -

Products sold inside State = 800 liters.
Completed item sold in between State deal = 600 liters.
Products sent on stock exchange to relegation specialists outside the State = 400 liters.

Assist, CGST and SGST rate on the completed result of the merchant is 5% and 7% separately. Promote IGST exporting is 12%. Ascertain impose risk of SGST and CGST to be paid after assessment credit.

The following implications can be drawn from the Table 3 and Table 4 : Input tax credit of CGST and SGST of ₹ 800 and ₹ 1000 are paid on input sources. This input tax credit ought to be initially used for making the payment against CGST and SGST, individually, and the balance amount is to be utilized for making the payment against IGST. Along these lines, balance amount accessible for the payment of ₹ 400 against CGST and ₹ 440 for SGST and it is subject to pay adjust measure of IGST of ₹ 360 with money (₹1200 - ₹ 400 - ₹ 440 = ₹ 360). Since credit of SGST of ₹ 440 has been used for making the payment for IGST, the State Government will receive the amount of ₹ 440 from the Central Government.

(3) Hypothetical Case 3 - Input Tax Credit : With reference to the above mentioned Case 2, Suppose the merchant buys the products interstate and has input tax credit of IGST amounting to be ₹ 2,500/ -. Calculation of tax payable is explained as follows:

Hypothetical Case 3

Table 5. Calculation of Tax Payable

Values in ₹

Particulars	CGST	SGST	IGST	TOTAL
Tax Payable Amount	400	560	1,200	
Less: Input Tax Credit				
CGST	-	-	-	
SGST	-	-	-	
IGST	400	400	1,700	2500
Balance Payable	-	160.00	-	160

The Table 5 concludes that the Input tax credit of ₹ 2500 against IGST is available. This imposed tax credit should initially be used for making the payment against IGST and the balance amount would be utilized for SGST. In a likely manner for this situation, ₹ 400 and the balance amount of ₹ 400 are used for CGST and SGST, respectively. The merchant is supposed to pay the balance amount of SGST, that is, ₹ 160 by cash (₹ 2500 - ₹ 1200- ₹ 400 - ₹ 560 = ₹ 160).

Important points of consideration for the products generating higher revenue are as follows :

(i) The input tax credit is not applicable to liquor and petroleum products. Hence, they will be evaluated as per the existing tax structure.

(ii) GST would be taxable on Tobacco items. But the government can extend the tax structure over the existing GST rate.

GST, the greatest monetary change since 1991, received the final acceptance in the Rajya Sabha on April 6, 2017. It will supplant a pile of various states and nearby expenses with a solitary bound of esteem added imposed framework to transform the nation into the world's greatest single market. As discussed through various hypothetical cases, GST will not only be beneficial for customers, but also for traders ("Passage of GST Bills a milestone in economic history : Arun Jaitley," 2017).

GST will be a great support in ease of beginning business, as it will provide higher exclusions to new organizations. It will further lead to simple tax collection. GST will further lead to decrease in coordination of cost and time crosswise over different States. Many transport vehicles get deferred amid development crosswise over States because of little fringe charge and checkpost issues. Interstate development will get to be distinctly less expensive and less tedious, as these assessments will be killed. GST rollout will enhance simplicity of working together and urge the ventures to extend their operations, which will help support openings for work. The reasonable picture will be clear once GST is implemented.

Limitations of the Study

- The study is based completely on hypothetical knowledge, as the GST Bill has not been introduced as yet.
- The hypothetical data used is based on various future target parameters which may or may not hold at that point of time in the future.
- On the basis of certain hypothetical assumptions, it is expected that there could be a higher taxation burden of manufacturing on the SMEs.
- The cost of operating various business related activities is expected to be increased. For instance, GST being a new taxation system, may completely require an additional professional assistance for filing GST.
- The existing business software being used by various business houses such as their accounting software or ERPs for filing tax returns already comprises an option of excise, VAT, and service tax. The switch to GST will require these business houses to change their softwares and ERPs, which will lead to increased costs of installation of new software and providing training to the employees.
- Petroleum and its products are not yet considered under GST which will give the States an upper hand to levy the taxes according to them on these products. Since petrol and diesel are the basic utility to run various machinery, the unavailability of input tax credit on such products can hike the final prices of the manufactured goods.

Conclusion

GST is expected to cover majorly all the goods and services, but certain exceptions are also there which includes alcoholic liquor, petroleum and its products, etc. Certain recommendations are being discussed to examine issues relating to such goods and services.

GST council is supposed to be developed which will be guided by the need for a harmonized structure of goods and services tax and for the development of a harmonized national market for goods and services. It is also responsible to resolve disputes which may arise due to its recommendations. The Central government may get the goods exempted from the levy of additional tax if it falls in public interest. Despite several unclear aspects of GST, it is the most agreeable duty to be charged in India. It would bring straightforwardness, effortlessness, transparency, simplicity, and productivity in the way organizations work and government levies taxes.

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