A Critical Review of Literature on Goods and Service Tax in India

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Abstract: The Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and services. It is a tax on value addition at each stage having the benefit of availing continuous set-off of Input Tax Credit thereby giving relief to the taxpayers from the burden of cascading i.e. tax on tax. This new form of taxation replaces almost all of the indirect taxes contributing to a significant improvement towards a comprehensive indirect tax reform in India. The authors study the past literature relating to GST that helps them to form a critical review on the above topic thereby suggesting areas of future research for filling up the research gaps.

Keywords – GST, India, Study, Goods, Services, Tax, Author.

1. Introduction

The seeds of Goods and Service Tax were sown by the A.B Vajpayee Government in 2000 by setting up an empowered committee to streamline the GST model for implementation. Later, in the year 2003, the Kelkar Task Force on implementation of the FRBM Act, suggested a comprehensive Goods and Service Tax based on VAT principle. However, at the national level, the proposal of introducing Goods and Services Tax was first raised by the then Finance Minister P. Chidambaram in his budget speech. In the budget speech the Finance Minister had announced the target date for implementation of GST to be 1st April, 2010 and formed another empowered committee of State Finance Ministers to design the roadmap. The committee submitted its report to the Government in April 2008 and released its First Discussion Paper on GST in India in 2009. The target date for implementing GST on 1st April, 2010 was lapsed by the dissolution of the Government led by the Congress party. The N.D Modi Government after coming into power introduced the GST Bill in the Parliament by its Finance Minister Arun Jaitley on 19th December 2014. The two houses of Parliament passed the Bill which, after ratification by the States, received assent from The President on 8th September 2016. This bill is known as the Constitution (122nd Amendment) Bill or the GST Bill. The new Constitutional (122nd Amendment) Bill will confer powers to Parliament and State Legislatures to make laws for levying GST. Presently, the Centre and the States Government are gearing up to implement the GST law on 1st April, 2017.

2. Objectives of the Study

i. To understand the concept of Goods and Service Tax and gain idea regarding its proposed implementation in India.
ii. To study the past literature related to GST and identify the research gaps in this field for enabling further research.
iii. To provide conclusive remarks on the state of affairs w.r.t GST in India.

3. Research Methodology

The present study is based on the past academic literature. The secondary source of data mostly containing journals, research publications like conference proceedings, published and unpublished thesis and internet has been used to achieve the above stated objectives.

4. Goods and Service Tax: A Literature Survey

Bovenberg (1992)¹ The author uses a general equilibrium model to assess different instruments of indirect taxation in middle income countries. The author has specifically studied Thailand and studied the impact of these different instruments on the revenue generation for government, their effectiveness, etc. The paper studies the impact of these instruments in Thailand and its economy compared with similar international economies and the effect on the inequality in income in Thailand. The author has concluded with suggestions on various methods to increase the effectiveness of indirect taxes.
Williams (1996) The author has studied contemporary indirect tax systems in the world and compared them with the indirect tax or VAT system in Republic of Fiscalia. The author has discussed the various advantages and disadvantages of the various VAT/GST systems in the world in light of adopting the best practice in the Republic of Fiscalia. The author also discusses whether the creation of an International body on the lines of United Nations would help make VAT a seamless tax across countries.

Poirson (2006) The author in this paper has studied the Indian tax system from the perspective of how effective it is towards encouraging growth of the economy. The author has compared the Indian tax system to other countries and concluded that Indian economy is highly indirect tax dependent, effective tax rates and productivity are lower, and marginal tax rates are higher. The study has concluded that indirect taxes are a big contributor of total taxes which can be regressive, effective tax rates are lower and marginal effective tax rates are high. The proposed tax reforms including introduction of GST is expected to improve tax productivity and reduce the marginal effective tax rates. However, the author states that businesses which rely on borrowing or external funds would continue to be having high marginal taxes.

Halakhandi (2007) GST was supposed to be introduced in India way back in 2010. It has been getting postponed due to various reasons major one being getting to a consensus between the various states and the centre for compensation. The author in the paper has discussed the existing laws in India for indirect taxes, the VAT laws in various states with their advantages and disadvantages, impact of proposed GST, compliances under the proposed GST, etc. The author has also used various numerical examples to demonstrate cost effectiveness of GST.

White (2007) The author in his paper has discussed the benefits and problems of the GST system in New Zealand and concluded that the system is one of the best worldwide since it has fewer exemptions and uniform rate. It advocates that countries proposing to introduce GST should study the New Zealand GST so also invest more in educating the general public on GST. The author also suggests that countries should generally take more time and effort on the VAT, its administration, its benefits and drawbacks since in countries where it is applicable it contributes almost 25% of the total tax revenues. Overall global entities like World Bank, International Monetary Fund, OECD, etc should spend more time and efforts on publicising this tax, doing research on it and educating general public about it. The author states that GST or VAT economies where there are multiple VAT rates, too many exemptions, restricted Input Tax Credit result in diluting the benefits of GST and complicate the administration thereof. New Zealand GST has a single rate, very nominal exemptions and hence is most optimum in achieving the benefits of GST. Basically the author stresses the need to have international bodies and networks to disseminate information and research about the VAT/GST laws worldwide so that at the time of introduction of the tax in any country there will be enough reference and research material available on the subject.

Feria (2009) The authors in this paper study the taxation system under indirect taxes specifically of financial services in Australia and the European Union and whether the Australian system of taxation is better or not. Further, in case the Australian system is better whether there are any points which can be implemented in the European Union.

Ahmad (2009) The authors in the paper have discussed the proposed GST to be introduced in India, specifically in relation to the place of supply rules for services to be adopted, the method to apply dual GST. The authors have discussed the options to introduce the dual GST in India which could be Concurrent Dual GST, National GST or State GST. Under the concurrent dual GST the better option was the one where GST is applied on both goods and services. The other option explored was whether the Central GST would be on goods and services but state GST would be only on goods. This option also recommended one single return with both CGST and SGST details and PAN based registration. Given the difficulties in identifying the state where SGST on services is payable, one more variant of dual GST was where the centre collects SGST on behalf of states and then apportioning it on some scientific basis. The national GST is combining state and centre taxes with any one body collecting taxes and then distributing depending on some agreed basis. The third model where the CGST and SGST would coexist that mainly requires a constitutional amendment so that states can tax services and centre can tax goods. Further the place of supply of services needs to be robust to allow decision on which state would collect the SGST especially in case of intangible services. The authors then discuss the various rates available to tax, the slab structures, exemptions, etc. The paper concludes that whilst GST is much awaited all these issues need to be addressed for it to be effective.

Bird (2009) The authors in the paper discuss the indirect tax system in Canada, where there is a federal VAT – the GST, state level VAT
administered in some provinces – HST, the provincial sales tax PST, the retail sales tax and in some cases no VAT at the states. Thus, multiple taxes known by different names like GST, HST, PST and QST operate simultaneously in Canada. Canada thus has a central or federal level GST and sub national level HST/PST/RST. The paper discusses how the system of VAT based on value addition payable on destination based consumption is working in Canada. In some of the states the tax is administered at a federal level whereas in some is it is only provincial. In the states where the federal administration is followed, the central government administers both the central GST and the provincial sales tax called HST. The HST is then distributed to the states based on the level of consumption. In Canada, some states have only GST and some have GST and local sales tax also known as Provincial Sales Tax and/or retail sales tax. Further under GST the financial services are treated as exempt services i.e. no ITC available whereas in some of the provinces for eg. in Quebec, they are treated as zero rated and hence ITC is recoverable. However the recovery of ITC has certain restrictions. This double system has led to quite a few issues. The paper has discussed these issues caused by different base/treatment given to the same products under GST and QST/PST and concluded that in a federal scenario it is advisable that the base for taxation be same under all taxes.

NCAER (2009) In this paper, the authors have pointed out that the introduction of GST in India would lead to benefits like increase in efficiency in use of energy, increase in general economic welfare, increase in the imports, increase in the GDP, increase in the return on capital, optimum returns and allocation of the factors of production, reduction in general price level, etc. The paper has stated how indirect taxes have always been a major contributor to the GDP in India as compared to most countries forming a part of the study. Similarly in India, indirect taxes form major part of the total taxes collected in the economy. The paper further states that with the introduction of GST, resources would be used better; the tax could become environment friendly. Further, the recommended rate for the comprehensive GST is 6-10 %. It is also suggested that there should be fewer taxes, most indirect taxes should be subsumed within the GST, and there should be very few exemptions. The paper also studies the impact of the proposed GST on the imports, tax collections, exports, etc.

Schenk (2009) The author studies the American VAT system for VAT on financial services in comparison to the GST/VAT applied universally. The charges for value addition under financial services are difficult to quantify thereby giving rise to difficulties in charging VAT/GST. When fees are charged for financial services they may be liable to GST/VAT however it is very difficult to value the services imbedded in the interests charge by financial institutions. This is because interest income also has a portion of income for bringing the lender and borrower together in addition to the return on money lent. However, this portion is very difficult to segregate and identify. Due to this most economies either exempt financial services (leading to build up of ITC costs) or zero rate financial supplies. The paper recommends finally that exempting financial services increases costs. Hence, something on the lines of Australian system of VAT should be followed where partial ITC is allowed (approx 75%) based on the status of taxability under GST of the recipient of services. The paper has also discussed the various systems adopted by New Zealand and Singapore. In these countries B2B supplies are zero rated and B2C are exempt. Thus the cascading effect is reduced. This would be relevant in the Indian scenario where the ITC credit of 50% is allowed irrespective of the status of the customer.

Keating (2010) GST is operative in both Australia and New Zealand with anti evasion/avoidance provisions under the GST law framed in both the countries. The author compares the said anti evasion provisions in both countries, examines their effectiveness and also whether tax payers have successfully evaded the law. The author concludes that if the law interpretations based on the New Zealand Court decisions are referred to, it implies that assessees will find it difficult to evade the law.

Govind (2011) The author in the paper has discussed the current indirect tax system in India and its drawbacks, the benefits of the proposed GST to be introduced in India and suggestions to improve the proposed laws. The author states that given the various complexities of the current service tax legislation, the cascading effect of VAT and the blocked input tax costs, it would be very necessary for India to introduce GST at the earliest. The paper also analyzes and discusses the proposed GST in India. Specifically the author has discussed the proposed GST rates, exemptions, the dual system of GST, the issues envisaged therein, suggested solutions for it, the administrative changes required for it, etc. The author has on these points compared the framework in India with other countries where GST is already operational. The author has discussed the complexities in the existing legislations around contentious issues like taxability of goods and/or services, taxing of renting of property, interpretation of place of provision of services, what is included in services,
etc. The author has also stated that the most difficult issue in the GST implementation is the method of distributing the GST between states and centre, the ITC rules for each, the returns administration for each and so on. However the author concludes that even with all these difficulties GST is an important tax which would have far reaching positive impact on the Indian economy so solutions to issues mentioned would need to be found and the tax implemented. It is also essential to have a robust IT system in place and clarity of law before its implementation.

Roychowdhury (2011) The author in his paper has explored the existing indirect tax of VAT and then gone on to explore the law surrounding proposed GST to be introduced in India along with the benefits thereof and the issues in implementing the same. The author has discussed how in India it has been proposed to introduce SGST and CGST. The author has also discussed the benefits and drawbacks of this dual type of GST. Further the author suggests that ideally under the proposed GST, the place of taxation of services should be destination based and not origin based. Further exports should not be taxed and imports should be liable to tax. Thus, states where consumption of goods/services is high will benefit under the proposed GST. The author also suggests reduction of exemptions under GST, since they lead to errors in the system of ITC chain. Specifically the author has discussed the concept of IGST in his paper. Under IGST, the centre will levy IGST which is the combination of both CGST and SGST on all interstate transactions of goods and services.

Tripathi (2011) The authors have discussed the concerns faced in India post the implementation of VAT, the learning we could take from it, the effects on the social order in India. All this is discussed in the background of the impending GST in India. The authors have discussed the various issues around VAT, how it impacts the different sections of society. VAT is present in all goods produced and GST would be present in all goods and services produced making it a tax payable by all sections of the society. Thus, it is a tax which may help to increase the revenue but impacts even the poorer sections of society.

Benedict (2011) The author studies the legal provisions dealing with financial services under the Australian GST law with the intention to verify whether the provisions have been construed correctly in light of the original purpose of the legislation and how the concerns identified may be rectified. The author also examines the provisions followed in Australia to tax financial services provisions and whether the intention of the legislature in taxing the financial services is apposite.

Deol (2012) The author in this paper has discussed the background of GST proposed to be introduced in India. The country has a federal government and indirect taxes contribute greatly to the revenues of the states. It is not possible to introduce GST in India unless there is consensus within the states and centre. The author discusses the advantages, the issues the states have with its implementation, etc in the paper. The author has also stated the ‘zero rating model’ for interstate sales. Under this model the exporting state dealer does not charge any indirect tax on the sales. However, the importing state dealer declares all his imports and pays tax on them in his state somewhat similar to an international reverse charge system operating currently. Under this system the compliance is simpler and GST remains a destination based tax. Another option discussed is the one like in Canada where the centre will distribute the federal GST on interstate sales based on equity. However this model is ridden with problems and is highly unlikely. A charge of both CGST and SGST is another model put forth in the paper. Further, the paper discusses how it is evident that introduction of GST will definitely increase the tax base, reduce the costs of tax imbedded in prices of products and generally increase the exports. Further, in relation to compliances the paper states that the registration, returns, etc are proposed to be PAN based and separate for centre and state. The paper concludes that introduction of GST would be advantageous to Indian economy.

Firth et al. (2012) The topic of GST on financial services as always been a subject matter of great debate. There is a problem in taxing financial services due to their intangible nature, the confusion around the location of service provider and service recipient and the value of the service. The authors in their paper are trying to address these issues especially for the country of Canada. The authors in their paper have discussed the existing laws and suggested changes to the existing laws for better efficiency in taxing financial services. When financial services are exempted, as is the case in Canada, the input costs include ITC resulting in increase in costs. However, valuing the exact financial service is difficult and hence not adopted. In the situation, the authors have suggested zero rating i.e. allowing ITC to the service provider in case the recipient is a business. This means that in B2B transactions the financial services be treated as zero rated and ITC allowed and in others it be treated as exempt and no ITC allowed. However, under this approach, the service providers would need to identify the status of customers and account for the two types of services separately leading to a different set of challenges.
The authors have also suggested the methods to tax import of financial services and suggested time limits on retrospective legislative amendments to reduce uncertainty in doing business. Further the amendments should be accompanied with sufficient time for implementation and education of the public to avoid costs to the business since these taxes have to be collected from the customer and paid.

Herekar (2012)\(^\text{18}\) The Ministry of Finance had set up the Task Force with Mr. V. Kelkar as the chairman of the Task Force. The main task of the Task Force was to evaluate the impact of the proposed GST on the Indian economy. The author in the paper has studied the different parts of GST and their impact on the common man, the business and the economy. The author has concluded based on secondary data that if GST is introduced in India, it would have a positive impact on the overall economy. The author has specifically discussed the types of GST i.e. CGST, SGST and IGST, the exemptions under GST, the treatment of imports and exports under GST, the adjustments of ITC, etc.

Millar et al. (2012)\(^\text{19}\) The authors have discussed the GST systems prevalent all over the world and their key points and drawbacks and compared the same to the Australian GST. GST was introduced in Australia in 2000. It had replaced the federal wholesales sales tax and a number of indirect taxes applied by the individual states and territories. Constitutionally, the GST in Australia is a federal tax collected by the central government and then distributed to the different states and territories depending on their contributions and on the taxes they have lost on account of introduction of GST. Customs duty is out of the purview and continues to be administered by the customs authorities at the various points of entry into the country. The paper then discusses the GST system in Australia in detail with reference to all things like registration, returns, appeals, litigation, taxing of imports-exports, refunds of ITC, etc.

Bird (2012)\(^\text{20}\) The author traces the history of sales tax in Canada from inception to the current GST, HST, QST, etc in the federal background i.e. where there is a central government charged GST or sales tax or VAT and various state province level taxes charged like HST or PST. Further, there are independent VATs charged like QST. Thus, the paper traces the best methods/processes for federal VAT taxation. The paper discusses various methods to improve the federal taxation. The main principle of VAT is that the credit is invoice based and the taxability is destination based. Canada originally had Manufacturer’s Sales Tax or MST which was replaced by GST in 1991. However, the opposition to the same was so high that the party which introduced GST, lost the elections in 1993. Later, the new government though promising to eliminate GST, only introduced a variant in the form of provincial VAT - HST in few provinces where the base for taxation was similar to the federal GST. These provinces were compensated for the introduction (unlike Quebec which was not compensated at all). Thus few provinces administered GST and HST whilst Quebec had GST and QST. The others continued with the Retail Sales Tax or RST. Thus, the provinces applying HST had the GST component imbedded in it, were compensated for administering GST. Quebec administered QST separate from GST. The place of supply rules are predominantly origin based. Thus, the provinces have chosen to have independent Subnational VATs (QST) or subsumed them with GST – HST.

Debruyne (2013)\(^\text{21}\) The author has in the paper discussed the existing laws in relation to taxes in Malaysia and then discussed the proposed GST to be introduced in Malaysia. Currently in Malaysia the main indirect taxes operational are service tax, sales tax, import and export duties and excise. The author has then discussed whether the GST when introduced to subsume these indirect taxes should be imposed on consumption, gross product or the income. Further whether the GST should be origin based or destination based. The paper lists all the benefits and drawbacks of the proposed GST along with inputs from the global experience.

Borec (2013)\(^\text{22}\) The authors are consultants with PwC Switzerland and have discussed how assesses may comply with the VAT laws given that the GST is a destination based tax. Effective 1 January, 2015, the place of supply rules have been modified to change the taxability of the services like telecommunication/broadcasting, etc in B2C cases from location of service provider to location of service recipient. The authors mainly deal with B2C cases where the VAT compliances would need to be done in the state where the customer is located.

Gelardi (2013)\(^\text{23}\) The author in the paper has studied the expected impact on consumers of the proposed National Consumption Tax to be introduced in USA since it would mean additional costs to the consumers. This proposed tax would be federal and in addition to the existing state sales tax in the various states of the US. For this study, UK and Canada where the VAT or GST a similar tax on consumption, is already operative has been studied to see the change in consumer behaviour with introduction of these taxes. The author concludes that there is not substantial impact on consumer behaviour due to introduction of these consumption taxes, however the rates of these taxes...
do impact the same in UK and Canada. If the rate change is major in these taxes, marked change in consumer behaviour is also observed. However given that in US the tax is not replacing existing taxes but is additional the same results may not follow since to an extent in UK and Canada GST or VAT replaced existing taxes to a large extent.

Mansor et al. (2013)²⁴ GST has always been considered as a tool in the hands of any Government to increase revenue. The Malaysian Government introduced the said tax in Malaysia in order to reduce its budget deficit. The authors in the paper have discussed the readiness of the Malaysian economy in adopting the said newly introduced GST along with the reactions of various sections of the society. The existing indirect tax laws in Malaysia are two, one Sales Tax for transactions in goods and the other Service Tax, covering transactions of services. Both are applicable to entire Malaysia. Further they are one stage taxes i.e. they are applicable either at the input stage or output stage. The proposed GST is considered multistage as it applies at every stage when the value addition takes place. Further ITC of the earlier stage is available to reduce the final tax costs. Hence, GST is considered a better tax as it reduces costs with the ITC mechanism, increases compliance as to avail ITC the dealers at each stage have to be GST registered and increases the revenue for the Government.

Khan et al. (2013)²⁵ The authors have in the paper presented the importance of GST in India, its relevance in generating additional revenue for states and its benefit as a transparent tax. The paper also discusses various steps which could be taken to improve the proposed GST like lesser exemptions, more comprehensive coverage of all taxes into GST, etc. The paper discusses the various proposed provisions of GST and their implications. GST is proposed to be introduced with CGST, SGST and IGST. ITC of each can be set off only against the output of the same tax. Further central government will collect IGST from the exporting state and transfer it to the importing state. The total rate will be a sum of the CGST and SGST rates. Further for different products different rates will apply. For eg – for essential products the CGST and SGST rates will be lower. The classification of the goods/services as essential or otherwise will be same for CGST and SGST. The paper also discusses global provisions of GST and tries to draw similarities with the proposed GST in India.

Hove (2013)²⁶ The author in this paper has conducted a study of various measures to curtail tax evasion by using the Beitbridge border post in Zimbabwe. The author has used the staff and clients of Zimbabwe Revenue Authority for the survey. These people have been interviewed and asked to answer questions for the survey. The author found that tax evasion was on the higher side due to reluctance of businesses to be tax compliant due to the unreasonable high tax thresholds and lack of lucidity in the use of tax revenues. Amongst other things the author recommends reviewing the tax thresholds and educating the public on the uses of tax compliances. This is because the revenue lost to the parallel market due to non compliance is very high. This revenue can be used for public benefit and welfare schemes like education, transport, infrastructure, health, telecommunications, etc. Currently the revenue only makes the corrupt more rich and in totality is detrimental to the economy. Thus the paper strongly recommends reform and public awareness to ensure compliance. However, care needs to be taken that the regressive nature of GST – since it applies to all irrespective of income bracket is taken care of by law rating necessary goods. Further, people need to be educated on its benefits, information technology has to be in place for both the government and businesses, law has to be clear, accountants/tax consultants need to be educated, etc. The author has also provided data from the Asian Development Bank (2009) showing how different GST rates have different impacts on the poverty rates in developing economies.

Garg (2014)²⁷ GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy i.e. the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation reforms in India – the Goods and Service Tax (GST) is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India’s economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.

Pinki et al. (2014)²⁸ The authors in the paper have explored the concept of GST, the need to introduce it in India, the hurdles in introducing it in India and suggestions to overcome the same. The paper also discusses the benefits of introducing GST at the earliest. The authors have discussed the
options to introduce the dual GST in India which could be Concurrent Dual GST, National GST or State GST. Under the concurrent dual GST the better option was the one where GST is applied on both goods and services. The other option explored was whether the Central GST would be on goods and services but state GST would be only on goods since state to collect GST in services is difficult to determine. This option also recommended one single return with both CGST and SGST details and PAN based registration. The authors have also discussed the constitutional amendments required if GST is ever to be introduced since without the amendment taxing both goods and services using one tax is not possible. The paper also highlights the issues in the credit mechanism in the CGST/SGST model since it is difficult to practically implement in terms of determination of place where service is taxable. The other challenges to introduction of GST in India highlighted are the availability of strong IT network, infrastructure and programmes, agreement on other provisions like basic threshold, exemption to goods/services, rates to be applied, etc.

Rashid et al. (2014)29 In this paper the authors study impact of GST in Malaysia since it is proposed to introduce GST in Malaysia in 2015. The GST is being introduced mainly so as to increase the revenue collections of the government and reduce the deficit. The authors have studied the impact of the introduction of this GST and its relation to certain indicators like the consumer price index and the structural balance. For this the relation between these factors and the GST are studied for Singapore, Thailand and Indonesia so that whilst implementing GST in Malaysia the administration can adopt the best practice. The paper recommends transparency in implementing GST and review of the rates/base of GST after 5 years and rectification based on the 5 year experience.

5. Limitations of the Study

It would be almost impossible to fully summarise all the research that has been conducted in the field of Goods and Service Tax. However, it is attempted to provide a summary of the major research that has taken place on the key issues which have emerged, and the means by which they can be handled.

6. Suggestions for Future Research

i. Rethinking the challenges of implementing GST in India.

ii. Analysing the readiness and effectiveness of Information Technology to support the GST implementation in the current scenario in India.

iii. Studying the impact of GST implementation on different sectors of the Indian economy.

7. Conclusion

After a thorough analysis of the above literature it can be concluded that GST will provide relief to producers and consumers by subsuming the several indirect taxes in India. In this paper the concept and the benefits of introducing GST in indirect taxation system has emerged out. The Indian Government is fully prepared to introduce the Goods and Service Tax or the GST on the target date i.e. 1st April, 2017. The Study of literature indicates that the implementation of Goods and Services Tax helps in better utilization of resources and makes the taxation system environment friendly. The taxes for both Centre and States will be collected at the point of sale. Both will be charged on the manufacturing cost. Individuals will be benefited by this as prices are likely to go down. The lower price of goods increases consumption and more consumption leads to higher production thereby leading to economic growth and development of the country. Further, it will divide the tax burden equitably between manufacturing and services and help in building a transparent and corruption free tax administration.

8. References


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