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IMPLEMENTATION OF GST IN FOREIGN COUNTRIES:A CASE STUDY

*Dr. Kishore Kumar Das **
*Dr Swayambhu Kalyan Mishra ***

ABSTRACT

Goods and Services Tax (GST) is a proposed system of indirect taxation in India merging most of the existing taxes into single system of taxation. The constitution of India was amended (One Hundred and First Amendment) Act 2016.The GST is governed and administered by GST council with Union Finance Minister as its Chairman.GST would be a comprehensive indirect taxon manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the central and state governments. In this context it has been studied in the paper that GST implementation is not new in the world .It has been already in effect in major economies of the world. So there is a need to study the economic and social effects of this tax regime in countries, though due to time and other constraints the scope of the study was limited to one country i.e.Australia. The objectives were to study the extent of GST implementation in the country and to find out the social and economic effects of such implementation. The study clearly revealed that Australia was the fifth country among the countries in Oceania to implement the GST due to the inherent political disagreement to GST and the economic and social effects was that GST was viewed as a regressive tax and the Australian economy recorded negative economic growth for the first time in more than 10 years.

Keywords: *GST,*
Regressive Tax,
Single Taxation,

INTRODUCTION

Goods and Services Tax (GST) is a consumption tax imposed on the sale of goods and services. In some countries it is also called Value Added Tax (VAT). Goods and Services Tax (GST) was introduced in France in 1950s and has been adopted by more than 120 countries, including all member states of the European Union (EU). Goods and Services Tax (GST) is a percentage tax on value added (the difference between sales and the cost of purchased material inputs) at each stage of production. There are three basic types of value added taxes (VAT) depending on how the investment is treated in the tax base, GDP-type GST, consumption-type GST, and income-type GST. Under the GDP-type GST system, no deductions are allowed for capital investment and depreciation of capital when calculating the tax base. The tax is equivalent to a sales tax applicable to both consumer and capital goods. Under the consumption-type GST system, capital investment is subtracted from the value added in the year of purchase. The tax is equivalent to a sales tax applicable to consumer

* *Dean: School of commerce and Management studies, & Controller of Examinations, Ravenshaw University,*
** *Lecturer in Management, School of Management Studies, Ravenshaw University*

goods. Under income-type GST system, the tax base excludes the depreciation of capital. The tax is imposed on net domestic product, which is close to national income. Almost all countries that have established the Goods and Services Tax (GST) system adopt the consumption-type GST in which all purchases of capital goods from other firms are deductible from a firm's sale (Shoup, 1990). However, some countries such as Argentina, Peru and Turkey have adopted the income-type GST, and countries such as China, Finland, Morocco and Senegal have employed a GDP-type GST. GST rates vary significantly among countries. The standard GST rates range from 25% (Denmark, Hungary, Sweden, and Norway) to 5% (Singapore). Reduced rates and tax exemption are applied to certain goods and services. Revenues from GST account for a significant portion of government revenue in many countries. Of total central government revenue, general sales tax and GST accounted for 33.25% in Greece in 1998, 31% in U.K. in 1999, 28% in France in 1997, 42.58% in Argentina in 2000, 35.7% in Hungary in 2000, 30.20% in Russia, and 33.7% in Ukraine in 2000.

According to economists, the inflationary impact depends on the manner in which GST is implemented. Depending on the structure of the scheme, the GST may result in price increases of certain products and in other cases, reductions. One of the ways to minimize the inflationary impact on the economy, they point out, is to introduce an initial low rate for GST, and then, progressively increase the rate over the years, as in the case of Singapore that has managed its inflationary pressures well.

A study by the University of Queensland, Australia, found that GST had a significant but transitory impact on inflation only in the quarter to September 2000 after the implementation of the new tax scheme at 10% in July 2000. During the quarter under review, the study claims that inflation in the country as a whole showed an average increase of 2.6%. In the case of Australia, there was evidence of a spike in domestic consumption in the months leading to GST implementation as consumers rushed to purchase products, particularly those that they believe would be substantially more expensive once the new scheme came into effect. Domestic consumption and economic activities declined once the GST came into effect, and resulted in its economy contracting during the first quarter of 2001. But consumption returned to normal soon after.

It is widely believed that for the implementation of GST to go down well with consumers, the scheme has to come with some compensatory measures such as the reduction of income taxes to put more money in the pockets of households and to boost their purchasing power. And to ensure that the low-income and poor consumers – who may not enjoy the benefits of lower income taxes as most likely they are already exempted from such payment in the first place - are not worse off with GST, zero-rating some basic essential products and providing other targeted assistance programmes are necessary measures to help them.

SCOPE OF THE STUDY:

The scope of the study is limited to the implementation of GST and the effects of that on the social and economic framework of Australia.This paper gives an idea about the implication of GST adoption in foreign countries.

OBJECTIVES OF THE STUDY:

1. To study the extent of GST implementation in the country.
2. To find out the social and economic effects of such implementation.

LITERATURE REVIEW:

Lledo (2001) analyzed Brazilian Indirect tax system with the two objectives named the reason of not approving a comprehensive reform of the tax system and to know macroeconomic effect of tax system. He achieved these two objectives in the light of fiscal adjustment restriction. For the purpose of the study, A-K model is used giving detail description of CGE models and found positive long run income growth. All factors are increasing due to adoption of single VAT in comparison of existing taxes. His results made a base for political parties to vote in its favour.

Desai and Hines (2005) consider the impact of the GST on international trade, finding that– particularly for other than high income countries–both openness and export performance are negatively related to both the presence of the GST and the extent of revenue reliance upon it. There has previously been no work, however, modeling the take-up of the GST. Only two studies of which are aware have looked at the impact of the GST on the efficiency of and the revenue raised by, the full tax system.

Giesecke and Tran (2009) developed a general equilibrium framework which used VAT model in detail to analyze macroeconomic and sectoral effect of Vietnam' complex tax system. They suggested single rate which is budget neutral instead of three tax rates along with desire o removing many exemptions. They used input- output table of 2005 for the study and found that private real consumption would increase due this single rate VAT.

Ehtisham Ahmed and Satya Poddar (2009),studied , "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will providesimpler and transparent tax system with increase in output and productivity of economy in India .But the benefits of GST depends on design of GST.

Hernandez (2012) evaluated impact of increase in VAT rates replacing parafiscal taxes on employment of Colombia. For his study, he divided labor into two parts- formal and informal labor. He used MEGATAX model and SAM of 2005 for the analysis. He used effective tax rate instead of normal rates in his study. His result showed that Increase in VAT rate had negative impact on household consumption and output. He used a wage curve developed by Blanchflower and Oswald, 1994 for unemployment and the Harris-Todaro approach was adopted to analyze worker's decision regarding to work in formal or informal sector.

Dr .R.. Vasanthagopal (2011) studied "GST in India:A big leap in the Indirect Taxation,System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Agogo Mawali(2014) studied , "Goods and services Tax-An Appraisal" and found that GST is not good for low income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Benedict, (2011) The author studies the law 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.

RESEARCH METHODOLOGY:

In this research secondary data was taken from different sources which includes the information available on the internet regarding GST.All the available journals, articles, papers provided necessary information to finalize the study.

GST AND AUSTRALIA :

In Australia broad based consumption tax was first proposed by then federal treasurer Paul Keating at 1985 taxation summit but due to opposition from Australian trade union and other political circles, was dropped.Subsequently on 28th June 1999, A new Tax System i.e Good and Services Tax Act was passed by Australian parliament after much deliberations due to prolonged effort by the then Prime Minister of Australia Mr.John Howard.. It came into operation on July 1 2000.

All the Australian businesses whose turnover is above the minimum threshold(currently $75,000 per annum) are required mandatorily to register for GST. Also there is provision for small business houses that they also have the option to register.A GST registered business must charge its customer GST on taxable goods and services it provides, but is entitled to a credit for any GST it has paid for its expenditures on these goods and services as well as capital purchases, called as input tax credit.

A business registered under GST must periodically lodge business activity statements which may be monthly,quarterly or annually and at the same time pay the net amount of GST to the tax office,also adequate provisions are there for refund procedure. In Australia, some goods and services like wages,exports,medical services, fresh foods and real estate (re-sale of existing properties) are exempt from GST and other goods and services are input taxed like rental income financial services, new residential and commercial properties,processed foods like biscuits, soft drinks and restaurant meals are subject to GST.

No.	Country	GDP Per Capita (World Bank,2011USD)	Year of Implementation	Current Rate of GST (%)
1	Australia	61,789	2000	10
2	Fiji	4,397	1992	15
3	New Zealand	36,254	1986	15
4	Niue	NA	2009	5
5	Samoa	3,485	1994	15
6	Tonga	4,152	2005	15
7	Vanuatu	3,094	1998	13

Source: *gst.customs.gov.my*

In the above figure it can be clearly visualized that Australia was the fifth country among the countries in Oceania to implement the GST due to the inherent political disagreement to GST and the economic and social effects was that GST was viewed as a regressive tax. In terms of GDP ,Australia has the biggest GDP compared to other countries,but Fiji being smallest country was the first to implement GST.

The economic and social effects of GST implementation was huge, critics have argued that the GST is regressive tax ,which means it has a negative effect on lower income earners,i.e the tax consumes a higher proportion of their income,compared to those earning large incomes. So the Federal Government in Australia made the reductions in personal income tax, state banking taxes,federal wholesale taxes and fuel taxes to manage the hue and cry from the critics, as the people were effectively paying no extra taxes.Before the GST was implemented, in the preceding months there was a surge in consumption as consumers rushed to purchase goods that they perceived would be relatively expensive once the GST has been in effect. But when the tax came into effect ,consumer consumption and the economic growth declined in such a manner that by the first fiscal quarter of 2001, the Australian economyrecorded negative economic growthfor the first time in more than 10 years. However by 2002 to 2004 consumption pattern across all the sectors of the economy returned to growth stage.

CONCLUSION:

It can be concluded from the study that though Australia is the largest country in the ocenia with the highest GDP, but it has taken over a decade to finally reach a consensus regarding the implementation of GST in the country due to due to the inherent political disagreement to GST and opposition from trade unions, other business community which viewed it as a regressive tax ,which will pressurize the lower income groups.

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GST : IMPLICATIONS ON INDIAN ECONOMY

***Major Dr S A Taher* ***

Dr Md K.Nabi* *

ABSTRACT

Goods and services tax structure is very comprehensive when implemented at the national level. Presently companies and businesses pay multiple taxes which increase the cost of product and also hamper the profit level of the company. Multiple tax and complex taxation system is one of the biggest hurdles for economic growth of a nation. Once the GST system is applied there would be single tax system which would record a significant development in comprehensive indirect taxation reform as well as towards the development of the country. It is the biggest tax revolutions which is all set to integrate the state and national economy to boost the overall growth of the country. Even in the worldwide economic crisis India showed remarkable survival in its economic system. The well insulated economic structure in India is the basis of such an amazing withstand. The proposed Goods and Services Tax (GST) is expected to be another milestone in the economic growth in India. The fundamental aim of GST is to make uniform the scattered indirect tax system in India and avoid the cascading effect in taxation. The impact going to make by GST will be a transformation in the entire tax system in India. The implementation of GST will reduce tax burden on manufacturers and thus encourage for the higher production. This process will increase the export of India and it will increase the total GNP. Avoidance of cascading effect empowers the manufacturers to produce to their optimum capacity and retards growth. The study intends to explore the impact of GST implementation in Indian economic system.

Keywords: GST, Indirect Tax, Indian Economy, Tax Administration, Cascading effect.

INTRODUCTION

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the **economic growth** of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services **Tax** Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. On bringing GST into practice, there would be **amalgamation** of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as **international market**. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%. Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods.

* *General Secretary of Odisha Commerce Association and Reader in Commerce , V.N Auto College Jajpur Road*

** *Asst Prof Jamia Milla Islamia, New Delhi*

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of **credits**. The current system taxes production, whereas the GST will aim to tax consumption. Almost 150 countries have introduced GST in some form. France was the first country to introduce GST in 1954. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below:-

Table – 1: Rate of GST prevalent in Some Countries

Country	Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
Sweden	25%
New Zealand	15%

World over in almost 150 countries there is either GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. This means that goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax fall on the consumer 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 output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs. Since VAT was beneficial for the taxation system but with certain shortcomings which are expected to be overcome by the Goods and Service Tax. Thus, it would definitely a positive reform for the Indirect tax system in India.

Objectives of the Study

The objectives of the study are as follows:

1. To understand the concept of Goods and Services Tax.
2. To examine the major features of the Goods and Services Tax.
3. To evaluate the impact of GST on the supply of goods and services.
4. To study the implications of Goods and Services Tax on Indian economy.

CONCEPT OF GOODS AND SERVICES TAX (GST)

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

SALIENT FEATURES OF THE GST

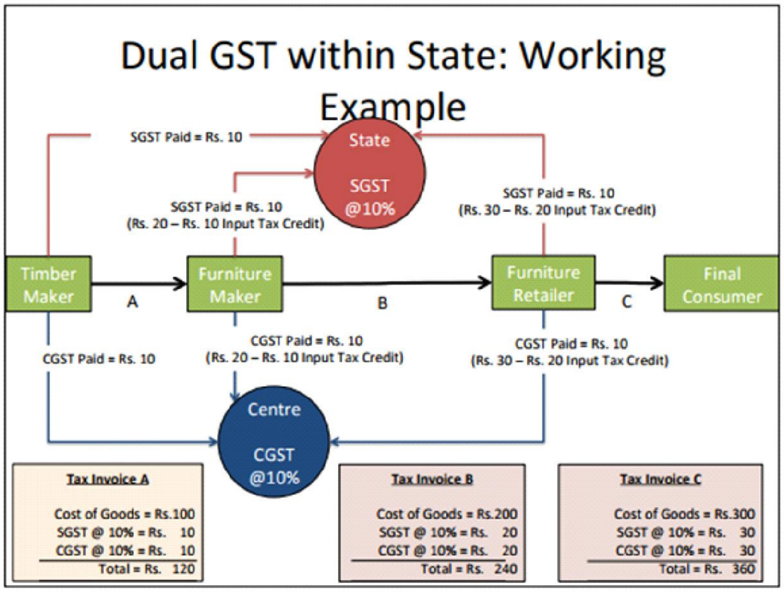
The salient features of the Goods and Services Tax are as follows:

1. The GST shall have two components: one levied by the Centre (referred to as Central GST), and the other levied by the States (referred to as State GST). Rates for Central GST and State GST would be approved appropriately, reflecting revenue considerations and acceptability.
2. The Central GST and the State GST would be applicable to all transactions of goods and services made for a consideration except the exempted goods and services.
3. The Central GST and State GST are to be paid to the exchequer of the Centre and the States individually.
4. Since the Central GST and State GST are to be treated individually, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST.
5. Cross utilization of ITC between the Central GST and the State GST would not be permitted except in the case of inter-State supply of goods and services.
6. Ideally, the problem related to credit accumulation on account of refund of GST should be avoided by both the Centre and the States except in the cases such as exports, purchase of capital goods, input tax at higher rate than output tax etc.
7. To the extent feasible, uniform procedure for collection of both Central GST and State GST would be prescribed in the respective legislation for Central GST and State GST.
8. The States are also of the view that Composition/Compounding Scheme for the purpose of GST should have an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover.
9. The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.
10. Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 14/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance.

IMPACT OF GST ON THE SUPPLY OF GOODS AND SERVICES

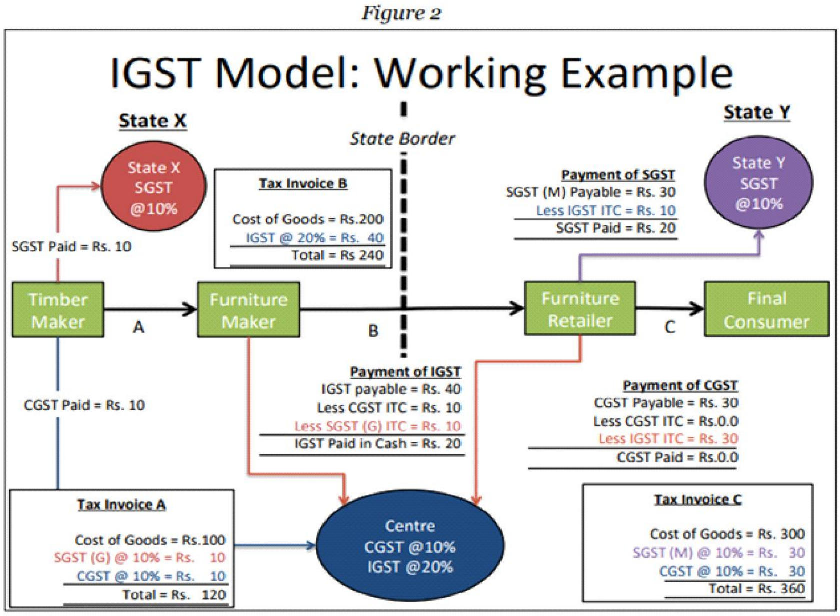
There are two components of GST such as Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted. The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise. A diagrammatic representation of the working of the Dual GST model within a State is shown in Figure 1 given below**:**

Figure 1: GST within State



In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination -based tax, all SGST on the final product will ordinarily accrue to the consuming State. A diagrammatic representation of the working of the IGST model for inter-State transactions is shown in Figure 2.

Figure 2



GST : Implications on Indian Economy

The Goods and Service Tax (GST) bill is expected to have wide ranging ramifications for the complicated taxation system in the country. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. However, the reform is likely to benefit the manufacturing sector but may make things difficult for the services sector. It is expected that the GDP growth is likely to go up by 1 to 2 %. The response is mixed from countries around the world. While the New Zealand economy had a higher GDP growth, it was lower in case of Canada, Australia and Thailand after the GST was implemented. The one per cent tax that has been proposed as a sop to appease the States for compensating their loss of revenue from the inter-state CST is likely to play a spoil sport. It is probable that it may affect the GDP adversely. The GST Tax rate is expected to be around 17-18% and can be assumed as a tax neutral rate. This tax rate is not likely to give any incremental tax revenue to the government. The rate will prove beneficial for the manufacturing sector where the tax rate is around 24% at present. The major manufacturing sectors that will benefit the most are FMCG, Auto and Cement. This is because they are currently reeling under 24 to 38 per cent tax. The sector which is going to be adversely affected is the services sector. Already there has been a hike from 12 to 14% from the 1st of June this year. Another 4 per cent increase will break their backs. The uniformity in the taxation rate is fine but it should not result in disparity for the goods and services sectors. Nobody has thought of the implications it will have in the services sector if the government moots a higher GS Tax rate like 20% or 24%. The higher GST rate will definitely boost the tax to GDP ratio, while giving financial muscle to the government for increasing the capital expenditure. This is likely to spur growth in the economy. There is definitely a silver lining to the whole exercise. The unorganised sector which enjoys the cost advantage equal to the taxation rate can be brought under the GST bill. This will bring a lot of unorganized players in the fields like electrical, paints, hardware etc. under the tax net. It is easier said than done. It will take a lot of meticulous planning in the implementation of the GST reform for capturing the unorganized sector under its ambit. For one it will widen the tax reach and secondly it will benefit the organized players who lose out revenue to the unorganized sector at present. There are still a lot of unchartered territories which need to be looked into. This will bring sanctity to the taxation system without hurting any of the sectors adversely. To The Individuals and Companies - With the collection of both the central and state taxes proposed to be made at the point of sale , both components will be charged on the manufacturing costs and the individual will benefit from lowered prices in the process which will subsequently lead to increase in consumption thereby profiting companies.

CONCLUSION

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 and combination thereof. All sectors of economy whether the industry, business including Govee\rnment departments and service sector shall have to bear the impact of GST. Goods and Service Tax (GST) is all set to integrate State economies and boost overall economic growth of the country. 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. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simplified user-friendly and transparent tax system is required which can be possible by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide uniform tax rate. It is execution will also result in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Thus, the implementation of GST augurs well for the future of Indian economy.

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IMPACT AND IMPLICATION OF TAX REFORMS ON INCOME OF THE INDIVIDUAL ASSESSE IN INDIA: AN EXPLORATORY STUDY

Mr. Prakash Chandra Swain *

ABSTRACT

Indian personal income-tax system was plagued by a number of deficiencies which necessitated reforms. The Income Tax Act, 1964 come into force w.e.f. 1st April, 1962, extends to whole of India, consists of 23 chapters 14 schedules and more than 300 sections and numerous sub-sections. This Act suffers from various loop holes due to its complexities in structure. This paper studies the basic features of current personal income tax structure in India such as income slabs and tax rates, basic exemption limits and irrationality. Further, a systematic attempt has been made in this paper to make comparative analysis of income exempted from tax for male, female, senior citizen and super senior citizens in the recent structure of personal income tax in India. This paper is also intended to explore the trend of tax rates and tax liability of general Tax payers. Finally, few suggestions have been recommended to the Ministry Of Finance, CBDT and Income Tax Departments to frame tax friendly policies while to bring reforms in the present tax regime.

If we do away with the exemptions, tax rates can be lowered which would on balance create greater incentive to save and invest. It will also bring larger proportion of savings into the banking system thereby increasing the productivity of our investments. If we have a simple tax system with low and stable tax rates, it will stimulate a large numbers of individual assesses to imbibe positive feeling by contributing a part of their incomes in the name of tax for the noble cause of economic development.

***Key words**: Income Tax Rates, Income Slab, Exemption, Tax Liability, Tax Load, Income Tax Act.*

INTRODUCTION

Income tax was first introduced in India in 1860 by James Wilson who become the India's first Finance Minister. The First Income Tax Act passed in India in 1922. After the independent, this old act was replaced by the present Income Tax Act 1961.As per this act every person (Individual, HUF, A Firm, A company, A co-operative society and any other artificial judicial Person) whose total income exceeds maximum exemption limit is liable to pay Income Tax at the rate prescribed in this act. The scope of total income under the tax laws depends on the residential status of the assesse.

Tax system in India is guided by its own set of laws. Direct Tax code- 2013 has been introduced in India w.e.f. 1st April 2015 to consolidate and amend the law relating to all direct tax namely, income tax, dividend distribution tax, branch profit tax and wealth tax etc. The prime objective of direct tax code- 2013 is to establish an economically efficient,

* *Ph.D. Research Scholar Dept. of Commerce, Ravenshaw University, Cuttack*

effective and equitable direct tax system in India which will facilitate voluntary compliance and help increase the tax – GDP ratio. It consists XXI chapters divided into eight parts (A, B, C….H), 23 schedules and 321 sections. The basic features of Direct Tax code are single code, use of simple language, reducing the scope of litigation, ensuring that the law can be reflected in a form, consolidation of regulatory function sand proving stability in tax rates etc.

REVIEW OF LITERATURE

The total tax revenue for the government of India is dependent upon three variables Viz., tax rate, tax base and national income. A good tax system is character in income of public bodies or national income, the technique of measuring this response is tax elasticity and tax buoyancy (Gupta,2009). Tax players attitude pay a vital role in tax policy making of any country. In India, tax reforms have made several times till 2010, still there is a need to have more reforms in income tax structure whatever in the form of broadening of exemption limits, reducing the tax rates, reorganisation of prevailing tax slab rates or to make income tax structure so simple that all people could understand it and can follow the tax laws willing fully (Gupta and Gupta 2013). A present scenario and future prospects of reformed tax structure should be as per the FRBMA road map (Jha, A. 2013). It is observed that the frequently changes in administration of direct taxes during the period from 2001 to 2010, reflects the history of socio- economic thinking in India (CBDT report, 2009). Due to multiplicity of taxes there is unhappiness among tax players of India regarding tax structure. An ideal tax system must follow Adam smiths canon of taxation, but due to over dependence on direct taxes, the direct tax system suffers from the problems like inequality, regressive, uneconomical, inflationary etc (Ghuge and Katdare, 2015).

OBJECTIVES OF THE STUDY

1. To study the features of direct tax code-2013
2. To examine income level slab and tax rates for the periods FY 2012-2013 TO FY 2016-2017
3. To study the impact of tax reforms on income of the individual assessee in India
4. To identify problem of the present income tax structure.
5. To suggest the individual tax income, investments and expenses to optimize their tax liability.

LIMITATIONS AND SCOPE OF THE STUDY

There are several tax players namely individuals, Hindu undivided families, firms, AOPs , BOIs, cooperative societies and other artificial judicial persons. This present study is confine only to general tax players if individual persons. Hence there is further scope of study.

DIRECT TAX CODE: IMPORTANT REFORMS

1. Single code of Tax i.e. DTC replaced the earlier Income Tax Act and Wealth Tax Act.
2. Concept of Assessment year and previous year abolished only the “Financial Year” terminology.
3. The residential status “Residential but not ordinary resident” omitted. Only status “Resident of India” and “Non-Resident in India” exists.
4. Assesse is defined in three terms i.e.
   (i) The person who is paying tax and / or, who is liable for proceeding under the act.
   (ii) The person, whom the amount is refundable.
   (iii) The person who voluntarily files the return irrespective of tax liability.

COMPUTATION OF TOTAL INCOME: THE NEW STRUCTURE

1. Income from all sources are broadly divided in two sources, namely ordinary sources and special sources.
2. Ordinary sources income are grouped under the following five heads
   (i) Income from Employment
   (ii) Income from House Property
   (iii) Income from Business
   (iv) Capital Gains
   (v) Income from Residuary Sources

   The five categories of ordinary sources can be having multiple sources under each head.
3. Special sources income are as follows
   (i) Any Assesse: Income by way of winning from any lottery, crossword puzzle, race, gambling and betting
   (ii) Non Resident: Interest, dividend, capital gains any other investment income, royalty or fees for technical services
   (iii) Non- resident sportsman who is not a citizen of India: Income from sports in India.
4. Computation of total Income: The computational process

Steps:

(i) Computation of current income from ordinary sources
(ii) Compute Gross Total Income from ordinary sources by deducting brought forward unabsorbed losses from step (i)
(iii) Compute total income from ordinary sources by deducing incentives under sub-chapter I of chapter III
(iv) Finally compute Total Income for the financial year which is the sum total income from ordinary sources and total income from special sources.

COMPUTATION OF TAX ON TOTAL INCOME-THE REFORMS AS PER DTC-2013

The normal tax rate applicable to a resident individual will depend on the age of the individual. However in the case of Non- Resident Individual the Tax Rates will be same irrespective of his age. For the purpose of ascertainment of the applicable tax Slab, an individual can be classified as follows:

- Resident individual bellow the age of 60 years (R-1)
- Resident individual of the age of 60 years or above at any time during the financial year bu below the age of 80 years (R-2)
- Resident individual of the age of 80years or above at any time during the financial year (R-3)
- Non-Resident individual irrespective of the age (R-4)

Depending upon the category individuals (R-1, R-2, R-3 AND R-4), the income tax slabs and rates for the financial year 2012-13 to 2016-17 are reformed as follows:

Table – 1: Income Tax slabs and Rates: Resident aged below 60 years

	Lower Slab			Middle Slab			Higher Slab(>10,00,000)		
	Income	Rate	Tax Liability at maximum income	Income	Tax Rate	Tax Liability at maximum income	Income	Tax Rate	Tax Liability at maximum income
2012-13	Rs.2,00,001/- to Rs.5,00,000/-	10%	Rs.30,000/-	Rs.5,00,001/- to Rs.10,00,000/-	20%	1,00,000	Rs.10,00,001/- to Rs.15,00,000/-	30%	Rs.1,50,000/-
2013-14	Rs.2,00,001/- to Rs.5,00,000/-	10%	Rs.30,000/-	Rs.5,00,001/- to Rs.10,00,000/-	20%	1,00,000	Rs.10,00,001/- to Rs.15,00,000/-	30%	Rs.1,50,000/-
2014-15	Rs.2,00,001/- to Rs.5,00,000/-	10%	Rs.25,000/-	Rs.5,00,001/- to Rs.10,00,000/-	20%	1,00,000	Rs.10,00,001/- to Rs.15,00,000/-	30%	Rs.1,50,000/-
2015-16	Rs.2,00,001/- to Rs.5,00,000/-	10%	Rs.25,000/-	Rs.5,00,001/- to Rs.10,00,000/-	20%	1,00,000	Rs.10,00,001/- to Rs.15,00,000/-	30%	Rs.1,50,000/-
2016-17	Rs.2,00,001/- to Rs.5,00,000/-	10%	Rs.25,000/-	Rs.5,00,001/- to Rs.10,00,000/-	20%	1,00,000	Rs.10,00,001/- to Rs.15,00,000/-	30%	Rs.1,50,000/-

Source: Finance Bill and Income Tax Department Reports

- Taxable income excludes long term capital gains @1% shall be liveable on the amount of income tax & surcharge if any.
- Surcharge shall be payable 10% of the income tax if the income exceeds 1 core for the financial year 2014-15, 15-16 and 12% for the financial year 2016-17

TAXATION ON CAPITAL GAINS:

Capital gains are taxed differently from income. An individual like a hard-working super speciality scientist pays over 30% of his income, while the lazy inheritor of equity can earn tax free dividends and capital gains. The long term capital gains (LTCG: Assets held more than 36 months) Tax rate

Table 2: Income Exempted from Tax/Tax Free Income

Financial Year	Individual Assessee			
	Individual Resident aged below 60 year	Senior citizen 60 years or more but below 80 years	Super senior citizen 80 years or more	NRI
2012-13	Rs.2,00,000/-	Rs.2,50,000/-	Rs.2,50,000/-	Rs.2,00,000/-
2013-14	Rs.2,00,000/-	Rs.2,50,000/-	Rs.5,00,000/-	Rs.2,00,000/-
2014-15	Rs.2,50,000/-	Rs.3,00,000/-	Rs.5,00,000/-	Rs.2,50,000/-
2015-16	Rs.2,50,000/-	Rs.3,00,000/-	Rs.5,00,000/-	Rs.2,50,000/-
2016-17	Rs.2,50,000/-	Rs.3,00,000/-	Rs.5,00,000/-	Rs.2,50,000/-

OBSERVATIONS

It's observed that the tax free income of individual assesses was Rs.2 lakhs for ordinary residence and NRIs during the financial years 2012-13 and 2013-14. Such tax free income has been raised from two lakhs fifty thousand for the years 2014-15 and onwards. Similarly for the senior citizens the tax free income raised from two lakhs fifty thousand to three lakhs. But the Govt. of India is very much keen towards the super senior citizens by raising the exempted income limit from Rs.2,50,000 to Rs. 5,00,000.

Table 3: Income slab and Tax Rates applicable to Individual Tax Payers for the periods from Financial Year 2012-13 to 2016-17

Financial Year(s)	R-1 and R-4		R2		R3	
	Net Income Range (Rs.)	Tax Rate	Net Income Range (Rs.)	Tax Rate	Net Income Range (Rs.)	Tax Rate
2012-13 & 2013-14	Upto 2,00,000 2,00,001 to 5,00,000 5,00,001 to 10,00,000 Above 10,00,000	Nil 10% 20% 30%	Upto 2,50,000 2,50,001 to 5,00,000 5,00,001 to 10,00,000 Above 10,00,000	Nil 10% 20% 30%	Upto 2,50,000 2,50,001 to 5,00,000 5,00,001 to 10,00,000 Above 10,00,000	Nil Nil 20% 30%
2014-15, 2015-16 & 2016-17	Upto 2,50,000 2,50,001 to 5,00,000 5,00,001 to 10,00,000 Above 10,00,000	Nil 10% 20% 30%	Upto 3,00,000 3,00,001 to 5,00,000 5,00,001 to 10,00,000 Above 10,00,000	Nil 10% 20% 30%	Upto 2,50,000 2,50,001 to 5,00,000 5,00,001 to 10,00,000 Above 10,00,000	Nil Nil 20% 30%

Source: Finance Bill and Income Tax Department Reports

- Taxable income excludes long term capital gains. @1% shall be levied on the amount of income tax and surcharge if any.
- Surcharge shall be payable 10% of the income tax if the income exceeds 1 crore for the financial year 2014-15, 15-16, and 12% for the financial year 2016-17.

Table 4: Computation of Tax Liability and Average Tax Rate for the period Financial Year 2012-13 to Financial Year 2016-17: Resident aged below 60 years

Financial Year	Tax liability on first income slab	Tax liability on second income slab	Tax liability on third income slab	Total Tax liability on taxable income	Effective rate of tax burden (In %)
2012-13	Rs.30,000/–	Rs.1,00,000/-	Rs.1,50,000/-	Rs.2,80,000/-	18.67
2013-14	Rs.30,000/–	Rs.1,00,000/-	Rs.1,50,000/-	Rs.2,80,000/-	18.67
2014-15	Rs.25,000/–	Rs.1,00,000/-	Rs.1,50,000/-	Rs.2,75,000/-	18.33
2015-16	Rs.25,000/–	Rs.1,00,000/-	Rs.1,50,000/-	Rs.2,75,000/-	18.33
2016-17	Rs.25,000/–	Rs.1,00,000/-	Rs.1,50,000/-	Rs.2,75,000/-	18.33

It's observed that the effective tax rate during the financial years 2012-13 and 2013-14 was 18.67% while such effective tax rate was 18.33% during the financial years 2014-15 to 2016-17. Thus the effective tax rate shows decline rate which is a barrier towards collection of more revenue in the form of tax.

The above table shows a case study of resident individual's tax payers belonging to three different income tax slabs. It's observed tax liability at maximum income of Rs. 5,00,000 (income slabs) pays Rs. 30,000 for the years 2012-13 and 2013-14, Rs. 25,000 for the years 2014-15 to 2016-17. Thus tax burden of lower income slab groups has judiciously justified. However tax liability at maximum income group belongs to middle slab and higher slab has not been changed during the last five years. Thus it shows there is a consistency in the tax liability for higher income groups.

FINDINGS OF THE STUDY:

1. Disparity in tax paying classes
2. Due to the inflationary tendency in the country, those who fall in the higher tax bracket i.e. 30% feel double snag, which can affect adversely their sustainability on the one hand, and willingness to contribute for tax payments on the other.
3. The implication of direct tax reforms on regular tax payers is found judicious. The Govt. of India, Ministry of Finance, and Central Board of Direct Taxes formulated the tax reforms only for the honest tax payers and not for the dishonest corrupted and unethical citizens of India.

SUGGESTIONS:

It is tax season, and as the salaried individual hurry to meet the deadlines to submit proof of investments and claim benefits, for freelancers, the scenario is quite different. As individuals, they can claim the tax saving deductions that are available to their salaried counterparts under section 80 and as freelancers, they can claim the deductions so as well as or the expenses incurred for doing their business. A tax prayer pays high tax because his pay structure is not tax friendly. He should plan to get more tax free allowances, invests in the National Pension Scheme (NPS) and reduce his tax liability.

CONCLUSION :

Each tax payer is aware that the amount he contributes in the form of tax helps the Indian economy to grow but due to high personal income tax rate and other irrationalities in the present tax structure, assesses not willingness to contribute towards this noble cause. It is the responsibility of the Ministry of Finance Govt. of India to reform the existing tax laws and redesign the prevailing tax structure in a friendly system. So that it's positive implications will be on the Indian assesses to feel payment of tax is a moral obligation for building developed economy like USA and UK.

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"IMPLEMENTATION OF GOODS & SERVICE TAX (GST) IN INDIA– EMERGING OPPORTUNITIES & IMPACT STUDY ON MANUFACTURING SECTOR"

Dr. D.N. Mishra *

Ms. Jayashree Swain **

ABSTRACT

India is expected to emerge as one of the leading economies in the world over the next decade in the light of a positive political and economic scenario. In this regard Indian government plays a very vital role to boost the Indian economy by bringing some reforms. The present Indirect Tax System in India in general, is a complex system of interconnecting laws and regulations, which includes specific laws of different states. The Indirect Taxation regime encompasses various types of taxes like Sales Tax, Service Tax, Custom and Excise Duties, VAT and Anti-Dumping Duties. So Indian government again move towards to make a tax reform as GST that can be introduced for a better indirect taxation system in India– The serialized set of Indirect Taxes so far activated at the central and state levels should be amalgamated and treated as a single tax. Goods and Services Tax (GST) would be a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. One of the biggest taxation reforms in India the (GST) is all set to integrate State economies and boost overall growth. Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end distortions of differential treatments of manufacturing and service sector.

Key-word: VAT, GST, CGST, SGST, Indirect Tax Regime, Input Tax Credit

INTRODUCTION :

The introduction of the GST in India is the landmark reform in indirect tax regime which will have structural impact in contemporary Indian economy. The Govt. of India implemented the historic tax reform in Indirect taxes from 1st July 2017 since independence. At present more than 150 countries have implemented the GST in the World with the thrust objective to maintain the transparency in the system and to avoid tax evasion in phased manner and to push the further infrastructures to match the expectation of the industrial houses, farmers, traders and the citizen of each country. It has replaced total indirect structure such as central excise, custom, entry tax and service tax etc. GST will unify all the indirect tax under an umbrella in order to foster a common market in the country.

Objective of the Study :

- To overview the present indirect tax structure in India with justification of introduction of GST in India.
- To understand the core concepts of Goods and Service Tax (GST) with empirical analysis of GST Model and examine various opportunities and challenges after the implementation of GST from 1st July 2017 particularly the impact in financial sector.

* *Associate Professor & Principal, D.A.V School of Business Management.*

** *Faculty in Economics, D.A.V School of Business Management.*

Research Methodology

The study focuses on extensive study of Secondary data collected from various books, National & international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service tax.

Literature Review

Ehtisham Ahmed and **Satya Poddar (2009)** studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 140 countries in world and a new preferred form of indirect tax system in Asia also.

Jaiprakash (2014) in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Responses of industry and also of trade have been indeed encouraging. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunities to introduce it when the circumstances are quite favourable and economy is enjoying steady growth with only mild inflation.

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Nishitha Gupta (2014) in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government.

Mrs. Poonam (2017) in her study stated that the introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax. The cascading or double taxation effects could be reduced by combing many central and state taxes. Consumer's tax burden will approximately reduce to 25% to 30% after introduction of GST. After introduction of GST Indian products would became more competitive in the domestic and international markets. This tax would instantly encourage economic growth.

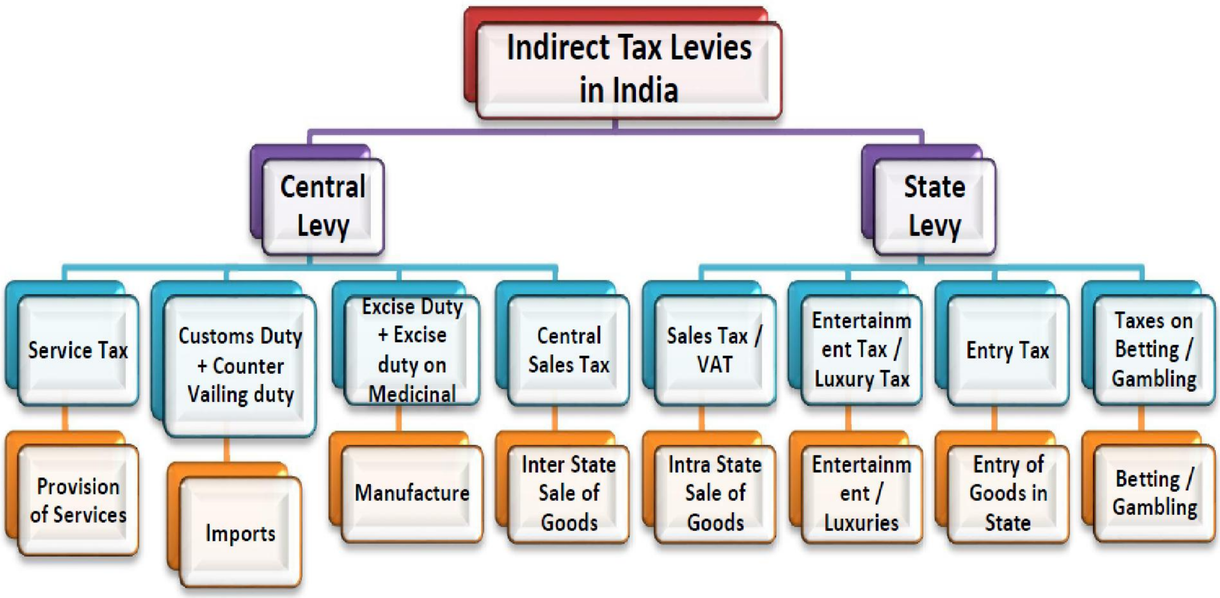
An Overview of Present Indirect Tax Structure

The growth and prosperity of any economy in the World is exclusively depends upon the revenue generated from both indirect and direct taxes. The finance is the pre-requisite strength for creating the basic and core infrastructure in order to facilitate trade, industry and other ancillary services.

The taxation policy of Govt. aims to meet its legitimate need to collect the tax revenue to fund public services and developing core infrastructure in phased manner which is the important instrument for stimulating industrial growth, promotion of trade and commerce and generating employment opportunity for young India.

The Constitution of India has bifurcated the power of taxation between Central Government and the State Government.

The present Indirect Structure is depicted in the following diagram:-



The Ministry of Finance, Govt. of India has initiated many tax reforms and made structural changes in economic policy in phased manner in order to strengthen our tax regime.

Let us examine the transition of Central Sales Tax (CST) to Value Added Tax (VAT) with help of a case study through an illustrated model which will help for understanding the calculation of taxation under previous tax structure.

Illustrated Model No.1 (CST to VAT)

Particulars of Supply Chain	Value Added	CST Regime			VAT Regime		
		Value of Output	Tax (10%)	Selling Price	Value of Output	Tax (10%)	Selling Price
Farmer to Miller	-	30	-	30	30	-	30
Miller to Baker	20	50	5	55	50	2	52
Baker to Shopkeeper	35	90	9	99	87	3.5	90.5
Shopkeeper to Consumer	20	119	11.9	130.9	110.5	2	112.5

Note 1: Supply Chain FARMER → MILLER → BAKER → SHOPKEEPER → CONSUMER

Note 2: We have assumed the tax rate i.e. 10% in both the case of CST & VAT system in the above illustrated model.

In the CST system, at the initial stage, suppose value of raw material *i.e.* wheat is Rs.30. Though the farmer is not paying any taxes so there will be no change in the selling price of wheat to the miller. Now the miller will purchase the wheat at Rs.30, then he made value addition to the product by Rs.20 which resulted the value of output at Rs.50. As CST is the tax which is paid on the value of output, so by calculating 10% tax on the value of output is Rs.5. Now the selling price has become Rs.55. Similarly in subsequent stages, baker to shopkeeper and shopkeeper to consumer, we can find that the tax burden is paid on the entire value of output under the CST system. At the end, the ultimate consumer pays Rs.130.9 for the finished product whereas Rs.25.9 (i.e. Rs.5+ Rs.9+ Rs.11.9) is the tax burden on the part of consumer.

Under the VAT system, the same supply chain method is followed, where it is found that tax is paid on the value addition made to the product in different stages. The value addition in first stage is Nil, in second stage is Rs.20, in third stage is Rs.35 and in fourth stage is Rs.20 respectively. On the basis of assumption on VAT rate i.e. 10%, the amount of tax payable for each stage will be Nil, Rs.2, Rs.3.5 and Rs.2 respectively. At the end, the consumer pays Rs.112.5 for the product bearing the tax burden of Rs.7.5.

From the empirical analysis of illustrated Model No-l, it is found that ultimate tax burden in the same business transactions under Central Sales Tax (CST) System is Rs.25.9 when consumer pays Rs.130.9. But in Value Added Tax (VAT) System the ultimate tax burden is Rs.7.5 when consumer pays Rs.112.5. The tax burden in CST system is comparatively more than VAT system because of reduction in cascading effect i.e. tax on tax.

Multiplicity of taxes at the State and Central levels has resulted in a complex indirect tax structure in the country that is ridden with hidden costs for the trade and industry. Firstly, there is no uniformity of tax rates and structure across states in our country. Secondly, there is cascading of taxes due to 'tax on tax'. No credit of excise duty and service tax is paid at the stage of manufacture but is available to the traders while paying to the State level sales tax or VAT and vice-versa. Hence, the prices of goods and services get artificially inflated to the extent of 'tax on tax'. Therefore, Indian industries are not able to compete in the global market because of higher cost of a product. There are more than 150 countries who have adopted GST with an intention to maintain transparency and single motto of one country having one taxation system.

Emerging opportunities in GST:-

(1) **GST will empower Indian Industrial houses and trade centre.** The GST will facilitate industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the new GST model. A simplified tax design articulated and online tax procedure will encourage business enterprises for further development in core business activities because of the competitive price and congenial business environment.

(2) **GST will encourage the exporters to penetrate the global market** The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input goods and services and phased out services of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. It will boost export business in the international market and will certainly enhance foreign exchange reserves position of our country.

(3) **GST for the common consumers** The cascading effects of CENVAT and service tax will be removed with a continuous chain of set-off from the producer's point to the retailer's point. The ultimate tax burden in GST will be less than the present indirect tax structures so that end consumers will be beneficial to purchase at lower price. It will have multi-fold positive impact such as increasing purchasing power of customers, creating further demand for the product and ultimately boosting Indian economy.

(4) **Scope for enhancement of Tax Revenues both Central & State Govt.** GST will do away with multiplicity of taxes which will ensure widen tax-base. It resulted scope for generating more revenue through GST model. The gap of deficit budget will be reduced in phased manner and pump more and more financial resources for creating world class infrastructure.

GST: Impact on Manufacturing:

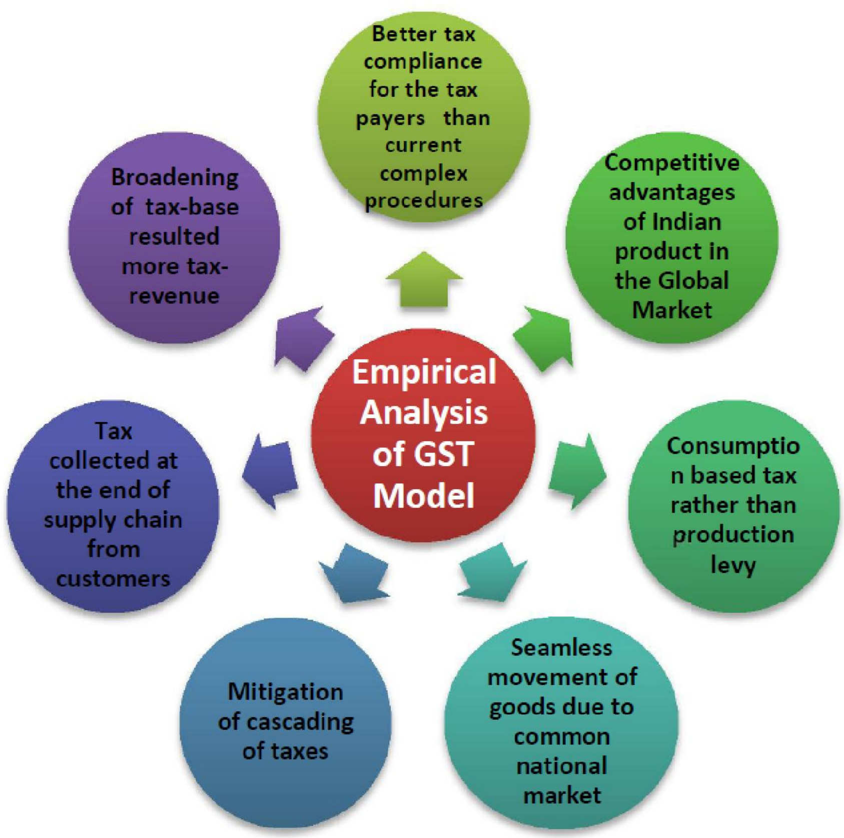
(1) **Reduced Cost of Production**: The new GST regime will be greatly beneficial as it would reduce in tax cascading and may lead to lower cost of production.

(2) **Hassle-free Supply of Goods**: State-border checkpoints, which are tasked with material scrutiny and location-based tax compliance, negatively impact the overall production and logistics time and account for roughly 60% of a truck's transit time. The new GST regime will unify the Indian market and assist the smooth flow of goods within the country.

(3) **Increased Compliance Requirement:** While the new GST regime may offer many benefits to businesses, it also has a flip side. Taking a cue from the OECD's (Organisation for Economic Co-operation and Development) guidelines for place of supply, which were released earlier this year, GST may lead to increased compliance requirements.

(4) **Area-based Exemptions:** As GST would lead to the entire country being considered a common and unified market, the current area-based exemptions would become irrelevant.

Empirical Analysis of the GST Model



CONCLUSION

The introduction of GST and the commitment for the implementation by Govt. from 1st July 2017 is the landmark reform in the indirect tax regime. From the above empirical analysis in the GST model, there will be multi-fold benefits to industrial houses, ultimate consumers, traders, taxation authorities and both Central & State Govt.

To conclude the prologue of GST will help to reduce distortion of prices due to tax policies, also reduce the burden of tax payer by eliminating the cascading of taxes at multiple levels, help in equal distribution of burden of taxation between manufacturing and services and to lower the tax rate by broadening the tax base. We have to move into a transparent and IT enabled taxation system in order to facilitate better prospects and functioning of our trade and corporate houses which will ultimately contribute towards the growth and development of our Indian economy and strengthening the position of India in the global market.

"Simplicity is Beauty"

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VALUE ADDED TAX (VAT) AND ITS IMPACT ON REVENUE GENERATION : AN ANALYSIS

***Dr. Anam Charan Raul* ***

ABSTRACT

Indirect Tax system plays an important role in the economic development of a country by influencing the rate of production and consumption. The Government of India has after committing to the World Trade Organization (WTO) regime, decided to modernize and streamline its indirect taxation, in the light of the experience of other WTO member countries. The paper examined the impact of value added tax on revenue generation in India. The Secondary Source of data has been used. Data analysis was performed with the use of stepwise regression to examine the relationship between VAT and revenue generation in India. The required data has been collected from Reserve Bank of India Publications and also from various megazines In order to study the impact of Value Added Tax on revenue generation; Data has been collected for post- VAT period (2009-2016). For the analysis of data, stepwise regression analysis has been used. Findings showed that Value Added Tax has statistically significant effect on revenue generation in India. The result of the study revealed that value added tax is beneficial to the Indian economy. This can be understood from the behavior of the variable in this research, which shows that value added tax is statistically significant to revenue generation in India. The result of this study indicates that if GST is introduced, the revenue base of the country will increase.

Key words : Taxation, Value Added Tax, GST, Tax Revenue, State Taxes,

INTRODUCTION:

Value Added Tax (VAT) means the tax which is payable only on value-added. It is multi-point tax system but without the effect of double taxation. Value is added to the products, which an organization buys from other organizations such as raw materials, partly finished goods etc. After buying the organization applies its own labour and machine to manufacture the final products. VAT is a tax, which is imposed at every stage of production ie., from production level to retail level. Under VAT tax is calculated on value Added where value added is the difference between sales value and purchase value. The reform of the tax system was an important component of structural adjustment initiated in 1991. With the reforms of central taxes, the focus was shifted to the reform of state taxes, particularly the sales tax. This was because, the sales tax contributes nearly 60% of the State's Own Revenues and almost one third of the domestic trade taxes in the country. The relevance of VAT has been under discussion ever since it was proposed by Jha Committee in 1977. In 1986, this idea was put into practice through the introduction of MODVAT as a partial replacement to excise duties. By 1994, the scope of the tax was expanded.

* *Lecturer in Commerce, M.P.C. (Auto.) College, Baripada, Mayurbhanj, Odisha*

Value added tax in simple terms could be defined "as a tax on the value addition at different stages of manufacturing and distribution of goods and services". It is a form of indirect tax in the nature of a multi-point sales tax with a set off or credit for tax paid on purchases / services. Each transaction of goods sold in the course of business is taxed, thus providing revenue to the government on value addition at each stage.

The primary objective is in the forefront of the evolution of value added tax Law, the State must ensure that barriers to inter-state trade should be eliminated in order to create a unified national market. It will agree that the VAT process must be simple, transparent, and consistent in structure.

At the state level, efforts were made to bring the states together to agree for transforming their existing sales tax system to VAT system. This issue attracted considerable attention. Towards forgoing a consensus, the Union Finance Ministry appointed a Committee of State Finance Ministers from 10 different state governments to work out the rationalization measures and to achieve a co-coordinated structure of sales taxation in the states. The Committees of States' Finance Ministers in 1995 and 1998 respectively and of the Chief Ministers in 1999 have put forth recommendations to replace sales tax by VAT.

The first major breakthrough in the direction of tax reform came in the form of an agreement between Union Finance Ministers and the State Chief Ministers on November 16, 1999. The main objectives are:

1. Implementation of floor rates within the existing sales tax regimes.
2. Elimination of the tax based industrial incentives for new and expanding industries.
3. Replacing the existing system of sales tax with a VAT at the state level VAT.

On the basis of the above objectives, Empowered Committee comprising of nine State Finance Ministers was constituted on 17th July 2000 to monitor the decisions taken in Chief Ministers Conference. Empowered Committee decided to rationalize the further rate structure under VAT to 5 rates:

1. Nil for certain goods.
2. 1% for gold, silver and precious stones.
3. 4% for certain essential goods and industrial inputs.
4. 20% for liquor and some petroleum products.
5. A Revenue Neutral Rates (RNR) of 10 to 12.5% for other goods.

In the budget 2002, the CST Act was amended and some of these amendments would help in implementation of VAT. Central government has agreed to compensate the states for loss due to implementation of VAT. The compensation package is 100% in the first year, 75% in second year and 50% in third year. The Committee recommended adoption of VAT from 1st April 2003. But, Haryana is the only state to introduce VAT from 1st April 2003. The target date for introduction of VAT was rescheduled in the meeting of Empowered Committee on June 18, 2004 with the new target set for April 1, 2005.

During this period, the Empowered Committee constituted to monitor the transition to the new tax regime through sustained deliberations, and at last 16 states have agreed to introduce VAT from 1st April 2005.

It may be noted that the postponement of introduction of VAT from 1st April, 2002 to 1st April 2005 was due to various reasons such as divergent views on treatment of existing sales tax incentives already granted by states, treatment of Central Sales Tax under VAT, lack of commitment by central government at that time on compensating the states for loss in revenue etc. The important reason for postponement was lack of preparedness by the states. After a lot of persuasion by central government, VAT was introduced from 1st April 2005.

REVIEW OF LITERATURE :

Sury M M (1997) has held the view that sales tax is the most intricate and controversial aspects of India tax system. The study has described and analyzed different dimensions of sales tax in India such as historical evolution, nature, problems and alternative remedies for its simplification and rationalization.

Shome Parthasarathi (2001) analyzed the economic principles underlying the VAT and framework for correct revenue implications of introducing a VAT that would replace the sales tax. The place of a VAT in a particular state among other state VATs is of special concern. This aspect is analyzed in the context of further action needed to harmonize VAT across states. Possible alternative treatments to bring in inter state sales within the base of an eventual VAT covering all states is also addressed in some detail.

Rao Hemalata (2002) discussed the need for commodity tax reforms in India. The study also analyses the concept and design of VAT, the issue relating VAT bases, Exemptions, Rates, Computation methods and the principles of VAT. This study also discusses in detail options of VAT in India, treatment of interstate sales, the CST, options of state level VAT and other relevant issues like the VAT administration, Audit, Planning and preparations.

Dr.Raja J Chelliah, (2003) have described at length the major defects of state sales taxes as cascading type which leads to escalation of costs, distortion in resource allocation and also as creator of barriers to free trade within the Indian Union. The authors have also opined that the sales tax system that operated is neither in the interest of individual states nor in the national economy as a whole. Apart from explaining the meaning and characteristics of VAT, the study has also argued for a case as why VAT is to be preferred to the state sales tax system.

Rao Kavita (2004) made an attempt to provide some dimensions to the extent of gain/lose to states from the introduction of VAT. The estimates indicates that the impact varies considerably across states, while some states seem to gain consistently from such a transition, in some states the gains could convert to losses depending on the assumptions on increments to value added. The estimates are based on the assumption of all states are adopting uniform VAT design. One way for the states to avoid incurring losses with introduction of VAT would be through variations in the rates and structure of VAT.

Dr.Astha Ahuja (2004) has examined various theoretical issues related to the operation of VAT. It provides an overview of the present tax system of India. This study also traces the efforts made by the central and state governments in India to rationalize indirect tax system of the country in the direction of VAT. The study has also drawn on the experience of other countries and evaluates various options available for a smooth switchover to VAT in India.

Sukumar Mukhopadhyay (2005) provides a comprehensive coverage of the economic ramifications of VAT. The author has also analyzed the VAT design in India, which is based on 'White Paper' on State Level Value Added Tax released by Empowered Committee of State finance ministers on January 17, 2005. In addition, the author has provided an analysis of the VAT design in selected states like Karnataka, Delhi, Haryana, Maharastra and West Bengal.

Charles McLure, Jr. (2005) discussed opportunities, risks and challenges on the assumption that a transaction based credit invoice method VAT would be enacted as an additional source of federal revenue. This study analyses that the federal adoption of a VAT would create opportunities for the states to improve their tax systems substantially by replacing their existing retail sales taxes. But the study does not discuss other aspects of the desirability of the federal governments entering what has long been considered the fiscal preserve of state and local governments.

Purohit M.C (2007) presents evaluation of VAT and analyses its rationale and brings out the reasons for its popularity as a fiscal measure. In the Indian context, it presents up to date development in introduction of VAT by the union and by all the states. The study presents an extremely informative account of the management of VAT in France, GST in Canada and federal & state VAT in Brazil. Taxation has not contributed significantly on revenue generation in Nigeria.

OBJECTIVE OF THE STUDY :

1. To examine the relationship between VAT and revenue generation in India.

HYPOTHESIS FOR THE STUDY :

H0: Value Added Tax (VAT) has no contributed significantly on revenue generation in India.

H1: Value Added Tax (VAT) has contributed significantly on revenue generation in India

METHODOLOGY

For the study only secondary data are taken which are collected from the publication made by Reserve Bank of India (RBI) and some of the data collected from different magazines. In order to study the impact of Value Added Tax on revenue generation, data has been collected for post- VAT period (2009-2016). For the analysis of data, stepwise regression has been used. The regression equation used for the prediction can be expressed as, Y=a+b_1 X_1……..ì

Where,

Y = Total revenue collected

a = constant

b_1 = Partial regression coefficient attached to variable X_1

X_1 = VAT

X_2 = State Excise

X_3 = Taxes on Vehicles

X_4 = Taxes on goods and passengers

X_5 = Taxes on electricity

X_6 = Taxes on Entertainment

X_7 = Taxes on others

RESULTS AND DISCUSSIONS

In India, total revenue includes tax revenue and non-tax revenue. The share of tax revenue is 71% and non-tax revenue is 29% in 2015-16. The major contributor for tax revenue is State's own tax revenue which includes taxes on income, taxes on commodities and services and property taxes. Among these commodity and service tax contributes highest (82.2%) to the State's own tax revenue. Commodity and service tax includes Value Added Tax, State Excise, Taxes on Vehicles, Taxes on Goods and Passengers, Taxes on Electricity, Taxes on Entertainment and Others. Value Added Tax is the one of the important contributor to commodity and service taxes. The share of VAT has increased from 68% to 71% from 2009 to 2016.Theresultdepictstherelationship between the dependent variable (total collected revenue) and independent variable (value added tax). The value added tax has a strong positive correlation of 0.992 with the dependent variable, total revenue. In order to test the significance of hypothesis, the results revealed that only the value added tax selected on the basis of highest partial correlation to meet the entry probability requirement of less or equal to 0.05 (d" 0.05). The result further showed that the value added tax has a strong positive correlation of 0.996 with the dependent variable, total revenue.

Further, the result showed that value added tax had R^2 of 0.987 on the total revenue of India which implies that value added tax predicts 93.7% of the variation in total revenue. To further affirm the significance of this test, the result also showed that the regression sum of square is greater than the residual sum of square which means that the independent variable accounted for the better part of the variation in India's total revenue.

Again the significant of the R^2 was tested with the ANOVA where by F value which is statistically significant at 0.000 confirms the strength of the contributions of value added tax account for a high explanation of the India's total revenue, thus affirming the model as a viable tool for measuring the country's total revenue.

The implication of this result is that value added tax has contributed most to total revenue in India and thus justifying the fact that value added tax has a significant effect on total revenue in India and an improved strategy such as monitoring aimed at improving the value added tax which will boost the total revenue in the country.

CONCLUSION

The result of the study revealed that value added tax is beneficial to the Indian economy. This can be understood from the behavior of the variable in this research, which shows that value added tax is statistically significant to revenue generation in India. The result of this study indicates that if GST is introduced, the revenue base of the country will increase which is ultimately helpful for the growth of Indian economy and also increase the standard of living of Indian Peoples.

RESULTS:

Model Summary

Model	R	R Square Square	Adjusted R	Std. Error of the Estimate
	.992[a]	.987	.991	.01748
a. Predictors: (Constant), VAT				

ANOVA[s]						
	Regression	Sum of Squares	df	Mean Square	F-test	Sig.
	Residual	.272	1	.272	888.710	.000[b]
	Total	.002	7	.000		
a. Dependent Variable: Total Revenue						
b. Predictors: (Constant), VAT						

Coefficients						
Model		Un-standardized Coefficients		Standardized Coefficients	t-test	Sig.
		B	Std. Error	Beta		
1	(Constant)	.870	.169		5.143	.001
	VAT	.936	.031	.996	29.811	.000
a. Dependent Variable: Total Revenue						

Excluded Variables

Model		Beta In	t-test	Sig.	Partial Correlation	Co-linearity Statistics
						Tolerance
1	State_Excise	.371[b]	1.010	.351	.381	.008
	Taxes_Vehicle	–.336[b]	–.618	.559	–.245	.004
	Goods_Passengers	–.004[b]	–.022	.983	–.009	.045
	Taxes_Electricity	–.038[b]	–.221	.832	–.090	.044
	Taxes_Entertainment	.122[b]	1.023	.346	.385	.078
	Taxes_Others	.150[b]	.737	.489	.288	.029

a. Dependent Variable: Total Revenue

b. Predictors in the Model: (Constant), VAT

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REFORMING INDIRECT TAX STRUCTURE IN INDIA THROUGH GST

***Mr. Maheswar Sethi* ***

ABSTRACT

Goods and Services Tax is considered as the biggest indirect tax reform since independence aims at integrating 29 states into a single market by removing complex tax structure, multiple taxation, cumbersome process of tax compliance and administration and cascading effect of taxation embedded in the present indirect tax structure of India. This is because tax barriers in the form of Central Sales Tax, entry tax and restricted input tax credit have fragmented the Indian market. GST, the one-nation-one-tax regime will certainly ensure transparency, efficiency in tax administration and enforcement, removal of economic distortion, better allocation of resources, better ease of doing business and tax payer friendly environment. Though GST has been designed with many noble objectives there are lot of speculations with regards to the real benefits it will generate and various challenges in course of its implementation. So this paper aims at giving a conceptual framework of GST, the major benefits expected to evolve out of it and the major implementation challenges. Further efforts have been taken to capture the ways in which GST will have impact on the economy. The study is of descriptive in nature and data have been gathered from various secondary sources like journals, magazines, articles, media reports and government portals. The study revealed that benefit of GST will multifarious like transparency tax regime, better allocation of resources, reduction in cost of goods and services, better tax administration, reduction in corruption and tax evasion, efficiency in logistic, seamless movement of goods and services, competitive exports etc. Each and every sector of the economy will feel the effect of GST but we hope this novel reform will deliver positive effect to all. Further, there are lot of challenges the reform has to bear in its implementation such are Poor IT network, capacity building and restructuring of the departments to deal GST, problem of dual control and jurisdictional issues, determining revenue neutral rate etc. The success of GST depends on how the government is moving forward to remove the challenges to reap the full benefit out of it.

Key Words : *Tax Reform, GST, Benefits, Challenges, Impacts.*

INTRODUCTION

The indirect tax structure prevailing in India is the major impediment in its economic growth and competitiveness. Tax barriers in the form of Central Sales Tax, entry tax and restricted input tax credit have fragmented the Indian market. Cascading effect of taxes on cost of products makes the product and services more costly and makes the domestic manufacturer less competitive in global forum. Complex multiple taxes making the process of compliance a complex and costlier affair. The removal of tax barriers on introduction of GST across the country with seamless credit will make the fragmented Indian market into a common one leading to economies of scale in production and efficiency in supply chain.

* *Lecturer, P. G. Department of Commerce, Berhampur University, Bhanja Bihar, Ganjam-760007, Odisha,*

It will ensure better ease of doing business and trigger growth of trade and commerce. It will have positive impact on organized logistic and warehousing industry. GST will remove cascading effect of taxes on the cost of production of goods and services and will provide seamless credit across the value chain. This will significantly reduce cost of indigenous goods and services and will promote “Make in India”.

OBJECTIVE OF THE STUDY

This study has the following objectives.

- To have a conceptual understanding of the GST.
- To discuss what makes GST an important tax reform.
- To discuss the challenges in the process of implementation of GST.
- To highlight its impacts on economy.

RELEVANCE OF THE STUDY

The taxation system is considered as effective tools in the hands of the government to give direction to the economy. Tax is the major source revenue for the government by which government ensures growth and development of the economy and ensure socio-economic well being of the citizens. As with the level of development our economy is shifting more towards industrial and services economy, the tax structure regulating such sectors must be simple, vibrant, effective and tax payer friendly. The present indirect tax structure of the country embedded with complexities, multiple taxation, cumbersome process of tax compliance have fragmented the Indian market and creating impediment in growth and competitiveness of the industrial and services sectors. At this juncture introduction of GST is considered to be the biggest tax reform in the country since independence. But there are a lot of debate on success of the Goods and Services Tax.

In light of the above backdrop this study aims at shading lights on conceptual framework of GST, the challenges it is supposed to face and the benefits expected to be derived out of it implementation so as to enhance the understanding of what actually it is and what are the other dimension to it.

SCOPE OF THE STUDY

The research design chosen for the study is descriptive in nature. The scope of the study includes an in-depth analysis of the biggest indirect tax reform in the country since independence called Goods and Services Tax. Here greater efforts have been taken to give a conceptual understanding of the GST, its benefits to the economy and all its stakeholders, implementation challenges and implications on the different sectors of the country. As the said reform is yet to be implemented it is very hard to predict the real consequences exactly. So the findings of this paper are the expected outcomes which are likely to be resulted from the implementation of the biggest indirect tax reform in India.

RESEARCH METHODOLOGY

The research paper is an attempt of exploratory research, based on data gathered from various secondary sources like journals, magazines, articles, government portals and media reports. To accommodate with the objectives of the study, the research design employed is of descriptive type. This research design has been adopted to have greater accuracy and in depth analysis of the subject under study. This study may suffer from the problem of mismatch between its finding and reality which will be felt after implementation of the indirect tax reform.

WHAT IS GOODS AND SERVICES TAX?

The Goods and Services Tax (GST) is the biggest reform in India’s indirect tax structure since independence. It is a comprehensive tax levied on supply of goods and services across India. It is a destination based tax and the taxable event is the supply as against the existing taxable event of sale, manufacture or provision for services. It subsumes many indirect taxes to make the "one India one tax" approach a reality. It will eliminate the cascading effect of taxes and will simplify tax compliance and administration. The uniform process across the nation will significantly improve the "Ease of doing Business".

Features of Goods and Services Tax

- It is a destination based taxation.
- Apply to all stages of the value chain.
- Apply to all taxable supplies of goods or services made for a consideration except: (a) Exempted goods (b)Goods or services outside the purview of GST (c) Transaction below the threshold limits.
- Dual GST having two concurrent components: (a) Central GST-levied and collected by centre (b) State GST-levied and collected by states.
- CGST and SGST on intra-state supply of goods and services in India.
- IGST (Integrated GST) on inter-state supply of goods and services in India and import of goods and services-levied and collected by centre.
- Export of goods and services are zero rated.

The Objectives of GST

The goods and services tax has the following noble objectives:

- Ensuring availability of input credits across the value chain.
- Minimizing cascading effect of taxation.
- Simplification of cumbersome tax administration and compliance.
- Harmonization of tax base, laws and administrative procedure across the nation.
- Avoiding classification issues by minimizing tax rate slabs.
- Prevention of unhealthy competition among states involved in the value chain.
- Increasing the tax base and raising tax compliance.

Inclusion of Taxes within the Ambit of GST

With the introduction of GST following taxes will be subsumed within its preview. **At the Central Level**

- Central Sales Tax
- Central Excise Duty
- Additional Excise Duty
- Excise Duty Levied under Medicinal and Toiletries Preparations.
- Services Tax
- Additional Custom Duty
- Special Additional Duty of Custom
- Central Surcharges and Cess

At the State Level

- Value Added Tax
- Luxury Tax

- Entertainment Tax (other than tax levied by local bodies)
- Octroi and Entry Tax
- Purchase Tax
- Taxes on Lottery, Betting and Gambling.
- State Surcharges and Cess

What Not Covered within the Ambit of GST?

- Petroleum Products (to be brought under GST from the date to be notified by the GST council)
- Entertainment and Amusement Tax Levied and Collected by Local Bodies.
- Alcohol for Human Consumption.
- Real Estate-Stamp Duty
- Custom Duty
- Tax on Sale and Consumption of Electricity.

WHAT MAKES GST AN IMPORTANT TAX REFORM?

The present indirect tax system of the country is very complex due to existence of multiple taxes in different forms in a single value chain system. This multiple taxation giving rise to cascading effect of tax that makes goods and services more costly to the final consumers. The present taxation system not only puts the business in problem for tax compliance but also it creates several bottlenecks in tax administration and enforcement by the government. In this context let's discuss what are benefits suppose to evolve out of GST implementation as an important tax reform since independence.

1. It will benefit the consumers through reduction in taxes due to removal of cascading effect.
2. It will subsume all indirect tax except custom duty. This help in removing the complex indirect tax structure of the country and will significantly reduce the cost of tax compliance and transaction cost, thus improving the ease of doing the business in India.
3. Stable, transparent and predictable tax regime will encourage local and foreign investment in India creating significant job opportunities.
4. Export will become competitive as GST will eliminate the cascading impact taxes.
5. It will facilitate seamless movement of goods and services across the nation and leads creation of common national market.
6. Removal of entry taxes, check post and toll plazas will reduce the transportation time and cost which will ensure efficiency in logistic.
7. To claim tax credit, each dealer will insist the dealer behind him in the value chain for documentation. Hence the new GST regime is more effective for reducing corruption.
8. GST will boost "Make in India" programme as manufacturer will avail input tax credit on capital goods.
9. Electronic processing of tax return, refunds and tax payments through GSTNET will reduce corruption and tax evasion.
10. GST will eliminate the scope for double taxation in certain sector due to tax dispute whether a particular transaction is for supply of goods or services like intellectual property rights, software, e-commerce, leasing etc.
11. Better allocation of resource and improved efficiency of domestic production.

12. It will boost revenue for the government as tax evasion sets to drop and input tax credit will encourage suppliers to pay taxes.

IMPLEMENTATION CHALLENGES

Introduction of any reform brings challenges. It is because transition from an existing system to a new system itself raises protest and concerns from stakeholders and the system being new needs caution and serious preparedness to absorb the initial shocks and discomfort. In addition to this, many issues are there which is to be addressed with due care to successfully implement the tax reform.

1. Every change faces resistance because change is seen as suspicious and there is always unwillingness among the stakeholders to adopt a change. GST also likely to face the same situation.
2. Creating a strong network of professional to deal with new tax administration and implementation will put financial pressure on centre and states due to high cost involved in the capacity building.
3. To implement the GST provisions large scale restructuring of departments, institutions and ministries have to be done.
4. High investment for developing IT solutions to create GST network.
5. Issue of loss of financial autonomy of the states as GST is based on the one size fit for all approach.
6. Double registration under centre and state will put the business into cost and complications.
7. Lack of clear mechanism to control tax evasion.
8. Extent of dual control and jurisdictional issues between centre and states over implementation and enforcement.
9. While deciding the GST rate keeping in mind the Revenue Neutral Rate, the RNR fixed by the government may be greater than the current tax rate prevailing in a particular sector. Such rate will adversely impact that sector.
10. Issue relating to fixation of exemption threshold limit.
11. While GST will simplify the tax structure, it will increase the burden of procedural and documentary compliance. Number of return and extent of information will increase significantly.

IMPACT OF GST ON ECONOMY

Implementation of GST will be one of the most significant reforms affecting all factors of production and economies. It will turn India into a common market, leading to greater ease of doing business and big savings in logistic costs for companies across sectors. The other impacts of GST are as follows

1. Implementation of GST across India will remove economic distortions and result in efficient allocation of factors of production thus leading to improved GDP and exports.
2. The transition to GST is expected to reduce inflation as effective tax on goods will decline. Services currently not charged with taxes also expected to remain exempted under GST regime. So the overall transition to GST will not have significant impact on inflation.
3. Removal of entry and toll plazas will save 60% of the time wasted in course of negotiation at those points. The additional distance covered in those time will enhance productivity and efficiency in logistic and reduce logistic cost.
4. The impact on distribution chain will be better planning for distribution chain, just in time approach of inventory management, speedy realisation of the capital blocked in inventory and additional cost involved in excess warehouses.

5. Manufacturing sectors will reap the benefits of cost cutting through removal of cascading effect, better inventory management and compliance cost reduction. The sector which have long value chain from basic goods to final consumption with operation spreading in many states such as FMCG, pharma, consumer durables, automobiles and engineering good will benefit most out of GST.
6. Profitability will be enhanced as GST will speed up the operating cycle and ensure implementation of just in time inventory method thereby reducing the working capital requirement blocked in maintaining stocks.
7. GST will boost inflow of international investment and encourage domestic savings.

CONCLUSION

Redefining indirect tax structure in India through GST is the biggest reform so far. The indirect tax system not only a source of revenue the government, it also determines the growth and prospectus of various sectors of the economy. But the present complex indirect tax structure is the major impediment to the growth of the economy. This is because tax barriers in the form of Central Sales Tax, entry tax and restricted input tax credit coupled with cascading effect of taxation and cumbersome tax compliance have fragmented the Indian market. So to ensure economic progress GST, the one-nation-one-tax regime will certainly ensure transparency, efficiency in tax administration and enforcement, removal of economic distortion, better allocation of resources, better ease of doing business and tax payer friendly environment. When our economy is growing at a noticeable pace and to spur more growth a supportive fiscal and monetary policy is of greater need. GST is the right step in this direction to create an ecosystem where economic activities can be accelerated and economy can grow at good pace. The study revealed that though GST has been designed to achieve multiple noble objectives benefit like transparency tax regime, better allocation of resources, reduction in cost of goods and services, better tax administration, reduction in corruption and tax evasion, efficiency in logistic, seamless movement of goods and services, competitive exports etc., there are multiple issues that will pose challenges in course of its implementation. Such challenges are resistance from stakeholders, time and cost involved in capacity building, large scale restructuring of departments and establishments, cost of creating IT network, issue relating to loss of financial autonomy of the states, problem of dual control, fixation of revenue neutral rate, increased volume of tax return and information contents etc, that the GST is to encounter in course of its implementation. The impact of GST will be felt in various fronts like improved GDP, reduced inflation, improved logistic efficiency and supply chain management, better inventory management, boosting inflow of foreign investments etc. So each and every sector of the economy will feel the effect of GST but we hope this novel reform will deliver positive effect to all.

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SUSTAINABLE TOURISM DEVELOPMENT: ISSUES AND CHALLENGES

Dr. Bhagabata Behera *

ABSTRACT

The concept of 'sustainability' has become one of the remedial tool to address the environmental and economic crisis in the 21st century. Sustainability is the process suggested to improve the quality of human life within the limitation of global environment. Sustainable tourism is considered as tourism development that meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future, leading to management of all resources in such a way that economic, social, and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems. It provides a unique solution to lead quality human lives which result in degrading the environment or impinging on the well being of other people. Tourism can be seen as an economic activity that produces a range of positive and negative impacts. Sustainable tourism aims to safeguard the resources of destinations. Sustainable tourism is very much essential to achieve the greatest balance between economic benefits and social and environmental costs. The present paper is thus an attempt to give an overview of Indian tourism sector and suggest the ways and means how the sustainability can be managed so that overall sustainable development can be possible.

Key words: *Tourism, environmental impacts, sustainability*

INTRODUCTION

Sustainable tourism is an implementation of the concept of sustainable development, applied to tourism. The purpose of sustainable tourism is to ensure that development is a positive experience for local people, tourism companies and tourists themselves Tourism is a rapidly growing phenomenon and has become one of the largest industries in the world .The impact of tourism is extremely varied. It plays a vital role in respect of socio-economic and political development of a country by offering huge employment opportunities for both skilled and unskilled persons and also ensures inter-cultural exchange between the countries which can help in increasing cultural understanding and awareness among the people. Tourism in service sector plays a vital role and the biggest industry in the world, which contribute more than 12% of the world GDP. Its size threatens vulnerable destinations whose culture heritage is their main attraction, while on the other hand sustainable tourism can play a vital part in addressing such developing country problems as poverty, poor infrastructure, unemployment, and a decline in a nation's sense of cultural identity. The mutual dependence that exists between tourism and cultural heritage is becoming more evident. While culture heritage creates a foundation for tourism's growth, tourism has the power to generate funds that make conservation possible. Cultural heritage loses much of its meaning without an audience, and a society participating in and benefiting from it. Without sustainable management, tourism loses its potential for growth.

* *Assistant Prof. in commerce, School of commerce and Management Studies, Ravenshaw University, Cuttack,*

Sustainable tourism is synonym of eco-tourism. In general sense, eco-tourism means management of tourism and conservation of nature in a way so as to maintain the fine balance between the requirements of tourism and ecology on one hand and the needs of the local communities for jobs, new skills, income generating employment and a better status for women on the other hand. To understand the principles behind sustainable tourism development, it is first necessary to appreciate how the idea evolved. During the 1980s, it became apparent that major global environmental changes were occurring suddenly and silently and that these changes had not been predicted by scientists. The world also became more aware that there was an element of uncertainty and risk in relation to the effect of a range of human activities on global environments. To rectify these problems, fundamental changes were required in our style of living. The concept of sustainable development came from this realization. It was first mentioned in 1987 in a report published by the World Commission on Environment and Development. It defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Keeping this aspect in mind, an attempt has been made here to create awareness about the need for sustainable tourism development, the impact of tourism growth and the future challenges before tourism industry.

Objectives of the Study:

The present study is carried out with the following objectives:

- To study the negative and positive impact of tourism to the environment and society at large.
- To analyze the challenges faced by tourism sector in the present changing environment.
- To discuss how sustainable development and sustainability can be managed in tourism sector.

Methodology:

The present study is basically a descriptive research consisting of a fact-finding operation and survey of the opinions and characteristics of a given population. The study consists of reviewing the major concepts, principles, and researches that dealt with sustainable tourism at macro level. It is mainly give emphasis on sustainability and sustainable development in tourism sector .The study particularly indicates how sustainable development can be captured in the present changing environment.

Sustainable Tourism

Sustainability in tourism is one of the most significant concepts in the current environment. There are many reasons about it. Apart from transport, tourism does not consume additional non-renewal resources. A community's resources, its culture, traditions, shops, leisure facilities, etc represent the core resources base for tourism. Tourism represents one of the few economic opportunities available to remote communities. It provides ample scope to reduce poverty, create employment for financially deprived people and stimulate regional development. This can provide an economic incentive to conserve natural and cultural assets. And foster greater understanding between peoples and a greater global consciousness.

The World Tourism Organization defines sustainable tourism as "tourism which leads to management of all resources in such a way that economic, social and aesthetic needs can be filled while maintaining cultural integrity, essentials ecological processes, biological diversity and life support systems." Over the last 10 years sets of principles have been developed to try to operationalise the idea. These principles identify sustainable tourism as having four pillars economic, ecological, cultural and community sustainability. Various guidelines have been developed for each.

Impact of Tourism:

The massive movement of tourist's world over and the economic transformation that is taking place because of tourism growth are the known features of tourism. However, the unimaginable growth of international tourism has brought rapid changes in the economic, social, environmental, wildlife and cultural set-up of nations. The highlight of World Tourism 2012 shows that:

- Globally about 7% of total carbon emissions are attributed to air travel from tourism.
- In France, Personal travel consumes about 53 million tones/equivalent petrol in energy per year, or 11% of total energy consumption in transportation, mainly 80% of domestic tourist travel is private automobile.
- Tourism plays 20% less than average employees in other areas and 13-19 million children are employed in the industry.
- In US, tourism consumes 870 billion liters (230 billion gallons) of water per year, Produces 317 million tones CO_2 equivalent, and generates 11 million tones of suspended solids in sewage.
- Increased ocean levels and disturbed weather patterns due to climate change will affect all major destinations in the world.
- Least developed countries contribute only 0.8% of tourism flows, and over 85% of tourism revenues are lost in leakages by the time they reach destinations in Africa.

Negative impact from tourism occurs when the level of visitors use is greater than the environment's ability to cope with this use within the acceptable limit of change. Every year in the Indian Himalaya, more than 250,000 Hindu pilgrims, 25000 trekkers and mountaineering expedition climb to the sacred source of the Ganges River and Gangotri Glacier. They deplete local forests for firewood, trample riparian vegetation, and strew litter. Many of these impacts are linked with the construction of general infrastructure such as roads and airports and tourism facilities including resorts, hostels, restaurants, shops, golf courses and marines. The negative impact of tourism development can gradually destroy the environmental resources which it depends.

Tourism also results in certain positive results and outcomes. It has potential to promote social development through employment creation, income distribution and poverty alleviation. Other potential positive impacts of tourism include:

- Tourism as force for peace.
- Developing pride, appreciation, understanding and tolerance for each other's culture.
- Tourism is one of the highest foreign exchange earners.
- It is a great source of Employment generation.
- It stimulates infrastructure investment.
- Reducing negative perception and stereotypes.
- Psychological satisfaction with interaction.

Tourism is the only international trade in service s in which the less developed countries have consistency had surpluses compared with the rest of the world. Developing economies, particularly the more dynamic emerging economies such as India, have been experiencing an increased demand for travel. This has led to rapid growth in domestic as well as international tourism.

The challenges:

In the wave of globalization the whole world is turning into a 'global village' with a uniform, commercialized culture .Numerous, particularly turbulent changes are currently taking place in the field of leisure and travel. Not only has the new consumer gone into top gear, society as a whole has become ever more fragmented. With the growth of tourism, the people of every nation wish to know about the destinations, cultures and tourism potentials of other countries because of which tourism industry faces tremendous challenges at global level .Some of the major challenges before tourism are:

1. **The challenge of globalization:** Everything is in a state of flux: demand, labour, Technical knowhow and capital are all flowing to where the biggest hopes for the future are lie, with resultant standardization of production technologies, business strategies marketing plans and management styles. Tourism sector is significantly affected by this.

2. **The challenge of the changing climate:** The consequences of changing climate are crucial for tourism. Not only the rising snow line or higher sea levels, but also the increasingly capricious weather with the greater tendency towards natural disasters, changes in the permafrost areas, adjustments by flora and fauna as well as the melting glaciers represent major challenges for mountain and coastal regions.

3. **The challenges of an aging population:** The demographic composition of the population of most of the industrially advanced countries will change radically. While the proportion of young people will fall drastically in the coming years, the percentage of senior citizens will increase by up to 1% per year.

4. **The challenges of changing values:** The system of shared basic values that makes for social cohesion has now virtually disappeared. Our 'live of the moment' society is characterized not only by individualism but also by many sub groups with their own value patterns, each of them claiming to represent society. Cultural identity seems to be increasingly reduced to leisure behavior, and steadily becoming the last common identity area.

5. **The challenge of mass leisure:** It appears that in addition to its mass prosperity, mass mobility and mass tourism, a kind of mass leisure is the hallmark of our society. Only few people managed to interpret leisure time as social time, culture and education time , or ,'time really for themselves' .In other words, yesterday's working society runs the risk of becoming tomorrow's mass leisure society with media, consumption ,activity and mobility as salient features .Leisure time –even during holidays should be upgraded to social ,cultural ,educational and personal time.

Findings and suggestions:

In order to prepare a desirable future of tourism industry and to face the challenges before this industry, we should not only analyze the prevailing trends of tourism but also find a joint approach .Keeping this aspect in mind; the following suggestions can help tourism professionals and policy designers in making the future of tourism desirable.

1. **Financial sustainability –** Tourism should be financially viable not only in the current circumstances but also in future. The major obstruction to sustainable development through tourism is an excess dependence on market mechanisms to guide tourism development and consumption decisions. It needs a joint venture among the stakeholders of the local tourist destination. This venture must use both market and non-market tool to execute a shared sustainable development vision. It could be achieved through use of globally accepted and verified guidelines for future course of action and documentation. Sensitize the people about fair and environmental friendly atmosphere. Innovation of eco friendly diversified products to win the heart of the tourists. Adequate training most be imparted to promote ethics in this channel.

2. **Ecological Sustainability**- It is one of the important pillars of sustainable tourism. Sustainability most be ensure from the various angle of eco-system. A governance code may be established for each level of administration. There is immediate requirement of formulation of strategies at every level so that the overall objectives of sustainability can be achieved. Sustainability principles most be applied while designing, planning and developing the entire process. There should be a continuous research on tourist behavior on the concept of sustainable tourism.

3. **Cultural Sustainability-** It can be achieved through people's participation in various welfare activities so that they can strengthen the community identity. Education and training most imparted in order to protect traditional and natural resources. Custom and traditions of the locals should not be diluted. Strengthen, nurture and encourage the community's ability to maintain and use traditional skills. The tourists most be educated about the desirable and acceptable behavior.

4. **Local Sustainability**- It must be design to see the financial interest of the local communities. Financial interest of the locals is one of the barometers for ensuring sustainability. The industry should provide adequate quality

employment to the host community. Ensure an equitable distribution of financial benefits throughout the entire supply chain. Provide financial support to the local trade to be a part and parcel of tourism.

Conclusions

This paper has introduced some of the key features behind sustainable tourism. The principles of sustainable development focus on taking a longer-term and more cautious approach to development to ensure that our children can enjoy a quality life. Though the single most important input to achieving sustainable tourism is probably political will, knowledge and information is also vital. Sustainable tourism has identified how the tourism industry can contribute to overall sustainable development and continue to provide high quality, low impact experiences. Sustainable tourism is built around four pillars of tourism, economic sustainability, ecological sustainability, cultural sustainability and local sustainability. The above four element most be tackle in order to achieve sustainable tourism.

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Perception of Remuna Degree College Students on Tax Reforms in India with reference to Goods and Services Tax (GST)

Dr.Dhirendra Kumar Jena *

ABSTRACT

Taxation is a major source of income by government to make expenditure on different developmentalactivities and social welfare. So there is a need of efficient and fair tax system for economic development of a country. In India tax system is continuously evolving to earn more revenue and to make simple and transparent tax system. One of the greatest tax reforms in India is Goods and Services Tax (GST).This study aims to examine the tax knowledge of students towards the tax reform in India particularly for goods and service tax. Another objectiveis to study the understanding of the student towards the Challengesof GST implementation in India and to identify the opinion of the student towards awareness of GST implementation. There are 100 students have been chosen as respondents in this study out of different stream in Remuna Degree College, Remuna, Balasore. Simple random sampling has been chosen as sampling technique and has been analysed by using Statistical Packages for Social Science (SPSS) and MS Excel.Various statistical methods like ANOVA, Correlation, and Chi- Square have been used in this study. This study provides evidence for the acceptance and rejection of society, especially fromstudents on GST Taxreform.

Keywords : Goods and Services Tax (GST),*VAT (Value added Tax), Student perception, impact.*

1. INTRODUCTION

Goods and Services Tax (GST) is one of the vital tax reforms in our country. There are many taxes in present system.Some have been levied by state govt and some by central government. There are many shortcomings in the Present Indirect Tax structure. First,thereare different tax rates on same product under existing VAT / Sales Tax under different States. So price of the same product is different in the different states. As a result there is no common economic market. Second, Excise is levied on the manufacturing of products and its credit is not available against liability of VAT. VAT is charged on the value of Excise. So there is a cascading effect i.e. Tax on Taxes.

Third, there are multiple taxable events existing in our present system.Excise is charged on manufacturing of Goods whereas for Sales Tax is charged Sale of goods & Service Tax .Because of multiplicity of Taxes there is a high cost of compliancefor both assesses as well as for the Government in order to avoid the above shortcomings .GST have been going to introduce in India .Many countries in the world have introduced GST or Federal VAT. India is going to introduce

* *Dept. of Commerce Remuna Degree College, Remuna*

dual GST model. It will consist of a Central GST and a State GST. The implementation of GST will abolish existing taxes like excise duty service tax, Central Sales Tax, State-level sales tax, octroi, turnover tax, etc.

2. LITERATURE REVIEW

Mawuli (2014) studied "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Vasanthagopal (2011)studied"GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ahmed and Poddar (2009) studied "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simplier and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Kumar(2014) studied "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, et. al (2014) studied "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Khurana & Sharma (2016)studiedGST will widen the tax base, improve tax compliance and will remove unhealthy competition among states. It will redistribute the burden of taxation equitably among manufacturing and services. It ensures uniformity of tax system across the states. It will integrate the tax base and allow seamless flow of Input Tax Credit (ITC) resulting in reduced cost of goods and services. It will improve disclosure of economic transactions. It will mitigate cascading and double taxation thus enables better compliance. It will also lead to transparency in tax system resulting in difficulty of tax evasion.

The Constitution Amendment Bill for Goods and Services Tax (GST) has been approved by The President of India post its passage in the Parliament (Rajya Sabha on 3 August 2016 and Lok Sabha on 8 August 2016) and ratification by more than 50 percent of state legislatures. The Government of India is committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement GST by April 2017.With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions.GST will be a game changing reform for the Indian economy by creating a common Indian market and reducing the cascading effect of tax on the cost of goods and services. It will impact the tax structure, tax incidence, tax computation, tax payment, compliance, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system.GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems .

The problem statement in this study is about the knowledge and opinion from students in Remuna Degree College, Remuna towards GST. Nowadays many students confuse about GST whether it will benefit or become burden to them.

However the implementation of GST becomes a big question because most people have a different understanding of the GST. During the announcement of the proposal and implementation of the GST, people, especially full-time students who will facing the world of work out there understand the GST and determine the components contained in the tax system? Most people are not exposed to information and knowledge of GST . The debate appears to some people, especially students, which have a different opinion on the implementation of the GST whether the tax burden on society. The question also arises whether the implementation of GST will affect low-income earners and whether the tax system of GST significantly affects the development of the country. All these questions will be answered by a thorough study

3. RESEARCH OBJECTIVES

The objective of the study is objective and purpose of the study was conducted. The purposes ofthis study, the intended objectives are as follows:

(i) To study the tax knowledge of full-time studentstowards the compliance of GST implementation.

(ii) To study the understanding of the studenttowards the compliance of GST implementation.

(iii) To identify the opinion of the student towardsawareness of GST implementation.

4. METHODOLOGY

Questionnaires were distributed to all 100 respondents in one of the College in Balasore.This questionnaire has five parts. Section A contains questions on demographic variables. Section B is a question of Tax knowledge that included several questions, yes and no. While Section C is the section of 5 questions related to understanding to implementation of the GST. Each question made up of five measured in Likert scale point, from ‘1’ (strongly disagree) to “5” (strongly agree). Respondents are required shows the level of agreement or disagreement with each statement said. Section D which is contain a subjective question in the form ofperception. Last Section is E contains 11 question regarding impact of GST in future .Simple random sampling has been chosen as sampling technique and has been analysed by using Statistical Packages for Social Science (SPSS) and MS Excel. Various statistical methods like ANOVA, Correlation, and Chi- Square have been used in this study. Descriptive analysis was performed, followed by reliability test to ensure the consistency of identifying variables.

5. DATA ANALYSE AND DISCUSSION

Table – 1

Reliability Statistics

Cronbach’s Alpha	N of Items
.764	39

The value of Cronbach’s alpha is .764 in the Reliability Statistics table. The alpha is more than .7 so the data is acceptable to predict the population inference.

The following table-2 show a frequency which displays the number of times (count) that value occurs for each value of a variableStream. The table also displays the number and percentage of cases for each value of the variableStream.

Table – 2

Stream

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Science	43	43.0	43.0	43.0
	Arts	49	49.0	49.0	92.0
	Commerce	8	8.0	8.0	100.0
	Total	100	100.0	100.0	

It has been found that participation arts student is more followed by science student. Commerce student has less participation due to smaller size in comparison to other stream.

The following table-3 show a frequency which displays the number of times (count) that value occurs for each value of a variable Knowledge**.** The table also displays the number and percentage of cases for each value of the variable Knowledge**.**

Table – 3

Knowledge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	5	5.0	5.0	5.0
	Yes	95	95.0	95.0	100.0
	Total	100	100.0	100.0	

The above table shows that 95 percent has tax knowledge. It can be concluded that they are capable of giving questions.

Table-4cross tabulation displays the number of cases in each category by knowledge and stream.

Table – 4

Know1 * Stream Cross tabulation

		Stream			Total
Count		Science	Arts	Commerce	Science
Know1	No	4	1	0	5
	Yes	39	48	8	95
Total		43	49	8	100

It has been found that all commerce student has fully knowledge about GST and very few student in Arts has not any knowledge about GST and some science student has also not any knowledge about GST.

Table-5cross tabulation displays the number of cases in each category by stream and main source supply information on GST.

Table – 5

Source supply information and Stream

Count		Stream			Total
		Science	Arts	Commerce	Science
Know 7	Article/Magazine	13	14	2	29
	News Paper	20	20	3	43
	Electronic Media	6	7	1	14
	Others	4	8	2	14
Total		43	49	8	100

It has been found that majority of the student has news paper as source of supply of information. Next source is Article/Magazine followed by others.

Table-6cross tabulation displays the number of cases in each category by sex and main source supply information on GST.

Table – 6

Sex * Knowledge Crosstabulation

Count		Know7				Total
		Article/Magazine	News Paper	Electronic Media	Others	Article/ Magazine
Sex	Male	5	6	0	1	12
	Female	24	37	14	13	88
Total		29	43	14	14	100

It has been found that majority of the female student has news paper followed by Article/Magazine as source of supply of information.

Table-7 shows chi-square statistics to know sex and source of supply of information are independent.

H0: There is no relationship between sex and source of supply of information on GST.

H1: There is relationship between sex and source f supply of information.

Table – 7

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.132(a)	3	.372
Likelihood Ratio	4.764	3	.190
Linear-by-Linear Association	2.003	1	.157
N of Valid Cases	100		

a 3 cells (37.5%) have expected count less than 5. The minimum expected count is 1.68.

A low significance value (typically below 0.05) indicates that there may be some relationship between the two variables. Here significance level is more than .05. So there is no relationship between sex and source of supply of information on GST and sex and supply of information are independent.

The correlations table-8 displays Pearson correlation coefficients, significance values, and the number of cases with non-missing values in understands about GST and main source supply information on GST.

Table – 8

Correlations

		Know7	Know2
Know7	Pearson Correlation	1	.081
	Sig. (2-tailed)		.423
	N	100	100
Know2	Pearson Correlation	.081	1
	Sig. (2-tailed)	.423	
	N	100	100

It has been found from the above table there is positive low degree of correlation between understands about GST and main source supply information on GST.

This following table-9 contains the output of the Chi-Square test.Small significance values (<.05) indicate that the observed distribution does not conform to the hypothesized distribution.

Table – 9

One-Sample Chi-Square Test Statistic

	Know2	Know3	Know4	Know5	Know6
Chi-Square(a)	.640	.160	9.000	.160	.640
df	1	1	1	1	1
Asymp. Sig.	.424	.689	.003	.689	.424

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.

From the above table it is clear that except variable Know4 all significance variables is more than .05. So it can be concluded that student understand about GST , they know the possibility of date GST will be introduced in India , they support GST and they understand the old tax system VAT but they do not understand all concept of GST.

The results of the analysis have been presented in one-way ANOVA in following table-10.

Table – 10

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Imple1	Between Groups	1.208	2	.604	.312	.733
	Within Groups	187.782	97	1.936		
	Total	188.990	99			
Imple2	Between Groups	5.785	2	2.893	1.363	.261
	Within Groups	205.855	97	2.122		
	Total	211.640	99			
Imple3	Between Groups	.968	2	.484	.224	.800
	Within Groups	209.782	97	2.163		
	Total	210.750	99			
Imple4	Between Groups	2.460	2	1.230	.678	.510
	Within Groups	175.980	97	1.814		
	Total	178.440	99			
Imple5	Between Groups	4.805	2	2.403	1.347	.265
	Within Groups	172.985	97	1.783		
	Total	177.790	99			

In one-way ANOVA, the total variation is partitioned into two components. Between Groups represents variation of the group means around the overall mean. Within Groups represents variation of the individual scores around their respective group means. Sig indicates the significance level of the F-test. Small significance values (<.05) indicate group differences. Since all significance values is more than .05 it can be concluded the following.

- GST is not easy to manage
- Auditing will be more effective with GST
- the GST tax classification is very clear
- GST will encourage voluntary compliance
- An open public debate related to GST should be done

Table-11 shows the results of one-way ANOVA between Attitude and stream as factor.

H_0: There is no difference opinion between attitude and stream of student

H_1: There is no difference opinion between attitude and stream of student

Table – 11

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Attutude1	Between Groups	3.220	2	1.610	.695	.501
	Within Groups	224.570	97	2.315		
	Total	227.790	99			
Attutude2	Between Groups	1.759	2	.879	.442	.644
	Within Groups	192.991	97	1.990		
	Total	194.750	99			
Attutude3	Between Groups	.493	2	.246	.125	.883
	Within Groups	191.867	97	1.978		
	Total	192.360	99			
Attutude4	Between Groups	4.257	2	2.129	1.372	.259
	Within Groups	150.503	97	1.552		
	Total	154.760	99			
Attutude5	Between Groups	.124	2	.062	.037	.963
	Within Groups	161.266	97	1.663		
	Total	161.390	99			
Attutude6	Between Groups	4.257	2	2.129	1.372	.259
	Within Groups	150.503	97	1.552		
	Total	154.760	99			

		Sum of Squares	df	Mean Square	F	Sig.
Attutude7	Between Groups	1.388	2	.694	.491	.614
	Within Groups	137.172	97	1.414		
	Total	138.560	99			
Attutude8	Between Groups	14.080	2	7.040	4.229	.017
	Within Groups	161.480	97	1.665		
	Total	175.560	99			
Attutude9	Between Groups	1.228	2	.614	.343	.710
	Within Groups	173.522	97	1.789		
	Total	174.750	99			
Attutude10	Between Groups	1.749	2	.875	.599	.551
	Within Groups	141.641	97	1.460		
	Total	143.390	99			
Attutude11	Between Groups	.422	2	.211	.150	.861
	Within Groups	136.138	97	1.403		
	Total	136.560	99			
Attutude12	Between Groups	1.048	2	.524	.311	.734
	Within Groups	163.542	97	1.686		
	Total	164.590	99			
Attutude13	Between Groups	1.889	2	.944	.534	.588
	Within Groups	171.501	97	1.768		
	Total	173.390	99			
Attutude14	Between Groups	5.088	2	2.544	1.356	.262
	Within Groups	181.952	97	1.876		
	Total	187.040	99			

Since all significance values is more than .05 except Attutude8 variable it can be concluded the following.

- Citizens are ready with the implementation of Goods and Services Tax (GST)
- The time for the implementation of Goods and Services Tax (GST) is suitable
- Goods and Services Tax (GST) will cause an decrease in the cost of living
- Goods and Services Tax (GST) has made the small business trapped into hardship
- I am not sure how Goods and Services Tax (GST) works
- The sentences and wording in the Goods and Services Tax (GST) guide should be lengthy and user-friendly

- The implementation of Goods and Services Tax (GST) will result in the products or services to be more expensive
- The forthcoming Goods and Services Tax (GST) will not confuse the consumer
- The Goods and Services Tax (GST) system is a legitimate way for the government to collect revenue to manage an economy
- Goods and Services Tax (GST) is fair to the society
- Goods and Services Tax (GST) encourage individuals to save part of their income.
- Goods and Services Tax (GST) will give positive impact on me personally.
- The implementation of Goods and Services Tax (GST) GST will improve India's economic
- Goods and Services Tax (GST) is a good method to replace VAT / Sales Tax

Following Table-12 shows the results of one-way ANOVA betweenGST impactand stream as factor.

Table – 12

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Impact1	Between Groups	5.905	2	2.952	1.596	.208
	Within Groups	179.485	97	1.850		
	Total	185.390	99			
Impact2	Between Groups	.709	2	.354	.185	.831
	Within Groups	185.401	97	1.911		
	Total	186.110	99			
Impact3	Between Groups	2.207	2	1.104	.690	.504
	Within Groups	155.033	97	1.598		
	Total	157.240	99			
Impact4	Between Groups	10.575	2	5.288	3.271	.042
	Within Groups	156.815	97	1.617		
	Total	167.390	99			
Impact5	Between Groups	22.588	2	11.294	.397	.674
	Within Groups	2761.602	97	28.470		
	Total	2784.190	99			
Impact6	Between Groups	1.021	2	.511	.301	.741
	Within Groups	164.419	97	1.695		
	Total	165.440	99			
Impact7	Between Groups	1.033	2	.517	.380	.685
	Within Groups	131.877	97	1.360		
	Total	132.910	99			

		Sum of Squares	df	Mean Square	F	Sig.
Impact8	Between Groups	.759	2	.379	.207	.814
	Within Groups	177.991	97	1.835		
	Total	178.750	99			
Impact9	Between Groups	.351	2	.175	.599	.552
	Within Groups	28.399	97	.293		
	Total	28.750	99			
Impact10	Between Groups	.348	2	.174	.692	.503
	Within Groups	24.402	97	.252		
	Total	24.750	99			
Impact11	Between Groups	.281	2	.141	.090	.914
	Within Groups	152.159	97	1.569		
	Total	152.440	99			

Since all significance values is more than .05 except Impact4 variable it can be concluded the following.

- Thereis Need of Change in law, concept and procedure.
- Thereis Need of Change in tax-rate.
- There is Need of Changed system of tax credit.
- Stock transfer from one State to other will not be treated as inter-State sale.
- There will be no tax on Stock transfers to branches/consignment agents within the State.
- There is need of redesign business procurement models by industries.
- Thereis need of change in all existing contracts by industry.
- Grey-market operators may reduce due to implementation of GST.
- Thereis need up gradation of Tax Software.
- Is there need Training for GST?
- Is there need Single Competent Professionals for GST

6. CONCLUSION& RECOMMENDATION

This study provides perception of student in Remuna Degree College for GST implementation. The implementation of studies has shown that some things need to be considered and discussed involving all the answers given by each respondent in the survey results. Students are of opinion that article or magazine has become main source supply information about GST. Many students are not clear about the concept of GST. It has been found that GST system is not easy to manage, there is a need of proper auditing system to be more effective of GST, GST tax classification should be very clear, it will encourages voluntary compliance and an open public debate should be done for awareness of GST. When inference about GST regarding attitude of student it has been found that citizen are ready to welcome Goods and Services Tax (GST) , the time for the implementation of Goods and Services Tax (GST) is suitable , cost of living will decrease and product or services will less expensive . The sentences and wording in the Goods and Services Tax (GST) guide should user friendly. GST is fair to society and help full in improving economy and introduction and it is a good method to replace VAT/ Sales Tax. Again it has been found that there is a need of change in existing indirect tax law due to complex in nature. Many dealers will face the change in tax rate so they have to take detailed knowledge about GST system. Students are of opinion that Stock transfer from one State to other should treated as inter State sale which is not prevailing under current tax system and no tax should be payable on stock transfers to branches/consignment agents within the State. There is a need of redesign business procurement models by industries and software up gradation is necessary. There is a need of alteration of existing contract by the industry due to avoid future probable loss after implementation of GST. Training will be essential to the staff members of business community, marketing personnel, accountants and legal department for better understanding about GST. Instead of separate consultants for existing tax like Excise Duty, Service Tax and VAT, there is a need of one Single Competent Professional for GST will be required.Steps should be taken be the government and institution to provide clear and comprehensive informationto the students about GST so that there will be universal acceptance of the public to the GST.

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APPENDIX – 1

Section – A

1. Name :
2. Address :
3. Sex :
4. Age :
5. Stream :

Section – B

6. Tax Knowledge

	Tax Knowledge	Yes	No
1.	Have Tax Knowledge		
2.	Do you understand about GST?		
3.	Do you know the date GST will be introduced in India?		
4.	Do you understand the all concept of GST?		
5.	Do you support the GST?		
6.	Do you understand the old tax system VAT?		
7.	What are tool that has become a main source supply information on GST?		
	a. Article/ Magazine		
	b. Newspaper		
	c. Electronic Media		
	d. Others		

Section – C

7. Views on the issues may arise in the implementation of the GST.

Variable	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
GST is not easy to manage					
Auditing will be moreeffective with GST					
In my opinion, the GST taxclassification is very clear					
GST will encourage voluntarycompliance					
In my opinion, an open publicdebate related to GST should bedone					

Section – D

8. Student's perception towards goods and services tax

Variable	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
Citizens are ready with the implementation of Goods and Services Tax (GST)					
The time for the implementation of Goods and Services Tax (GST) is suitable					
Goods and Services Tax (GST) will cause an decrease in the cost of living					
Goods and Services Tax (GST) has made the small business trapped into hardship					
I am not sure how Goods and Services Tax (GST) works					
The sentences and wording in the Goods and Services Tax (GST) guide should be lengthy and user-friendly					
The implementation of Goods and Services Tax (GST) will result in the products or services to be more expensive					
The forthcoming Goods and Services Tax (GST) will confuse the consumer					
The Goods and Services Tax (GST) system is a legitimate way for the government to collect revenue to manage an economy					
Goods and Services Tax (GST) is fair to the society					
Goods and Services Tax (GST) encourage individuals to save part of their income.					
Goods and Services Tax (GST) will give positive impact on me personally.					
The implementation of Goods and Services Tax (GST) GST will improve India's economic					
Goods and Services Tax (GST) is a good method to replace VAT / Sales Tax					

Section – E

9. Do you think GST has impact on following Factor?

Variable	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
Is there Need of Change in law, concept and procedure ?					
Is there Need of Change in tax-rates ?					
Is there Need of Changed system of tax credit ?					
Is a Stock transfer from one State to other will be treated as inter-State sale ?					
No tax onStock transfers to branches/ consignment agents within the State ?					
Is there need of redesign business procurement models by industries ?					
Is there need of change in All existing contracts by industry ?					
IS Reduction in Grey-market operators possible due to implementation of GST ?					
Is there need Up gradation of Software ?					
Is there need Training for GST ?					
Is there need Single Competent Professionals for GST					

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Imposition of MAT and Its Impact on Performance of Indian SEZs

Sibaprasad Dash *

ABSTRACT

The end part of 20th century was witnessed several tax reforms throughout the world including India. The wave of tax reforms that began in the mid-1980s was not ended till now. Significant changes have taken place in Indian taxation policy during last twenty five years. One of these tax reforms was taken place in 1997-98 that is imposition of Minimum Alternate Tax (MAT) on those industries which are not eligible to pay any tax due to tax holidays. But MAT was not applicable to SEZ units and developers of SEZs. In February 2012, the then union finance minister Shri Pranab Mukherjee announced withdrawal of MAT exemptions from all SEZ units and SEZ developers in the Finance Bill, 2011-12. An SEZ is a type of managed industrial cluster which focuses on exports and encourages the inflow of Foreign Direct Investment (FDI), creation of employment opportunity, deployment of infrastructure and inflow of modern technology. These enclaves are enjoying a range of fiscal and non-fiscal incentives, which are not available to firms located in the rest part of the country. While talking of fiscal incentives, most of the countries who promote SEZs, largely provide tax concessions and deductions to firms situated inside of this cluster. On that basis many tax incentives like exemption from Income Tax, Sales Tax, Service Tax, Excise and Custom Duty are given in India to enhance foreign trade. Among all tax incentives, the exemption from Minimum Alternative Tax (MAT) was one. But this exemption was withdrawn with effect from 1st April 2012 vide Finance Act- 2011.MAT is levied on the principle that everyone participating in the economy must contribute to the exchequer. That is why Ministry of Commerce amended the Income Tax Act and Special Economic Zones Act- 2005.But after withdrawal of MAT exemptions, the performance of SEZs was adversely affected.

On the basis of secondary data, this paper tries to through light on effect of withdrawal of MAT exemption on the performance, investment and employment of SEZ units and SEZ developers situated throughout India.

Key words: Special Economic Zone (SEZ), Developers of SEZ, Minimum Alternative Tax (MAT), fiscal Incentives, Non-fiscal Incentives, Investment, Employment.

INTRODUCTION

The term Special Economic Zones (SEZs) covers a broad range of managed industrial clusters. It includes Free Trade Zones (FTZs), Export Processing Zones (EPZs), Economic and Technological Development Zones (ETDZs) and High-tech Industrial Development Zones (HIDZs) etc. However, they share one common feature i.e these zones are export oriented units. That is why these zones receive certain fiscal as well as non-fiscal incentives from the government which are not available to industries located outside of it. Fiscal incentives can be in the form of tax or duty reductions,

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* *M. Phil Research Scholar, Gangadhar Meher University, Sambalpur*

exemptions and subsidies. These can include direct tax benefits and indirect tax benefits. Non-fiscal incentives are in the form of single-window clearances like setting up of units, support in acquisition of land, training for employees and simplified procedures for custom clearances etc.

The benefits offered to SEZs on direct taxes under the Income Tax Act are given in the Second Schedule of the SEZ Act, 2005. MAT exemption was one of the important direct tax benefits that SEZs enjoyed under the SEZ Act, 2005. However, in the Union Budget 2011-12, it was announced that the MAT exemptions will be withdrawn from 1 April, 2012 and neither developers nor units will enjoy MAT exemption any longer. Subsequently, the Finance Act, 2011, notified the imposition of MAT on SEZs.

LITERATURE REVIEW

Gupta (2015) aims at evaluating the export the performance of the Special Economic Zones, total exports of SEZs, share of SEZs in the total exports of India and employment generation by SEZs in India and found that there was a significant increase in the exports from SEZs in India the share of SEZs in total India's export is also increasing and suggested to reduce the concentration of SEZs within a particular locality.

Rao (2015) has attempted to analyze the Indian tax system from the perspective of the best practice approach to tax policy and reform. The paper argues that the best practice approach to tax policy and reform is to broaden the base, reduce the rates and their differentiation and evolve a simple and transparent system. Again, the paper underlines the need for reforming both direct and indirect tax systems not only to increase the revenue productivity but also to improve the business climate in the country.

RELEVANCE OF THE STUDY

SEZs are the industrial clusters which are established with the objective of export promotion. That is why Govt. of India provides several fiscal and non-fiscal benefits for the smooth running of those industries which are situated within these clusters. Among the fiscal incentives, MAT exemption is one.MAT was not applicable to SEZs. But Govt. decided to withdraw that exemption from 1st April, 2012. Many industrialists and scholars opposed that step because all of a sudden, govt. adopted it without any prior information. They argued that Govt. should withdraw imposition of MAT on SEZ units otherwise the foreign trade of India will badly hampered. But govt. neither withdraws that tax reform nor reduce the MAT rate.

On that basis the study tries to through light on impact of withdrawal of MAT exemptions on SEZs and SEZ developers of Indian regime.

STATEMENT OF THE PROBLEM

Imposition of MAT on SEZs is one of the major tax reforms which were taken place in the Finance Act- 2011. After implication of such reform, immediately the performance of SEZs had gone down. The major impacts were (a) low growth in employment, (b) negative trend of investment in SEZs, (c) few registration of new industries, (d) opposition of trade unions regarding withdrawal of the decision and so on. Considering these problems, there is a need to through light on different limitations of MAT imposition on SEZs and effective steps should be taken to short down the problem.

OBJECTIVES OF THE STUDY

The study aims at the following objectives.

- To evaluate the impact of the withdrawal of the MAT exemptions from SEZs on the value of export.
- To understand the effect of the withdrawal of the MAT exemptions on investment as well as employment of SEZ units.

RESEARCH METHODOLOGY

In this research paper secondary data have used and secondary data have collected through the official website of Department of Commerce, websites of various SEZs, and various research papers, journal articles, magazines and newspapers. This research paper evaluates the performance of the zones by using the secondary data. The percentage analysis and the CAGR (Compound Annual Growth Rate) methods are used to analyze the data.

A BRIEF OVERVIEW OF MAT AND ITS IMPOSITION ON SEZS

MAT is a form of income tax levied on companies, was first introduced in India through the Finance Act of 1983 *via* Section 80VVA. It was effectively imposed by the Finance Act of 1987 under section 115JB of the Income Tax Act, 1961. A number of countries, namely Brazil, Russia, China, South Africa, Austria, Belgium, Republic of Korea and the US, levy MAT. However, countries differ in their approach as to who should be covered under MAT. The rationale behind the imposition of MAT is to bring 'zero tax' companies into the tax net. A 'zero tax' company refers to a company that may have high profits in its books and distributes dividend to its stakeholders but does not pay any tax due to certain exemptions under the income tax law, which eliminates its tax liability. To curtail this, MAT imposes a compulsory tax liability on a company based on the book profits. If a percentage of the book profit is greater than the standard tax liability, then companies have to pay MAT. In the case of India, the book profit of a company is determined as net profit as per the profit and loss account with upward and downward adjustments under Section 115JBof the Income Tax Act, 1961, for the purposes of computing MAT.

After the imposition of MAT, the rate of MAT (See Table 1) has increased over the years. The rate of MAT has been 18.5 per cent with effect from 1 April, 2012. In reality, it is even higher as it includes surcharges and cess, which are applicable on book profit.

Table – 1: Rate of MAT in India

Assessment Year	Rate of MAT (in Percentage)
2009- 10	10
2010- 11	15
2011- 12	18
2012 onwards	18.50

Source: *Extracted from Ministry of Finance (2016)*

Before the withdrawal of the MAT exemption, a large number of SEZs were approved and notified but they failed to become operational. The sudden imposition of MAT on SEZs has faced significant criticism from various stakeholders including developers, units and SEZ experts on several grounds. The criticisms are:

- MAT exemption is a part of the SEZ Act 2005 and without making any changes in this Act, the exemption was withdrawn.
- The imposition of MAT highlighted the lack of co-ordination between the Ministry of Finance and the Ministry of Commerce and Industry.
- The imposition of MAT has taken away the benefits of income tax exemptions enjoyed by SEZ developers and units.
- Experts argued that there should be predictability in the tax policy so that it does not hurt business sentiments.

- It has been pointed out that MAT affects the working capital requirements of companies as it is a form of advance tax. Hence, it is likely to affect the performance of an SEZ.

Thus, there is an on-going debate on whether MAT should be imposed on SEZs.

PERFORMANCE OF SEZS BEFORE AND AFTER IMPOSITION OF MAT

As on 31 December 2016, 405 SEZs were approved under the SEZ Act, 2005. During the same period, there were 329 notified and 206 operational SEZs. Statistics provided by EPCES shows that as of 31 March, 2016, the SEZs have attracted investments worth Rs. 4,06,690Crores and have generated direct employment for more than 1.6 million people. In the year 2015- 16, exports worth Rs. 4673.37 billion were made only from the SEZs.

(a) Exports from SEZs– Before and After the Imposition of MAT

Ideally, exports, imports and net foreign exchange earnings should be the indicators for the performance of an SEZ. However, this study tries to measure the performance of SEZs on the basis of gross export because the aim of SEZs is export not import. Exports from SEZs increased from Rs.346.15 billion in 2006- 07 to Rs.4,673.37 billion in2015- 16. In real terms, exports from SEZs witnessed a more than thirteen-fold increase during this ten year of study period. However, the export performance has not been uniform. Export performance of SEZs are in growing trend , registering a growth rate of around 93 per cent in 2007–08, 121 per cent in 2009–10, but in subsequent years, the growth rate slowed substantially to around 15 per cent in 2011–12; the growth rate was negative in 2014–15. But again 0.77 percent growth was achieved in 2015- 16.(See Table- 2).

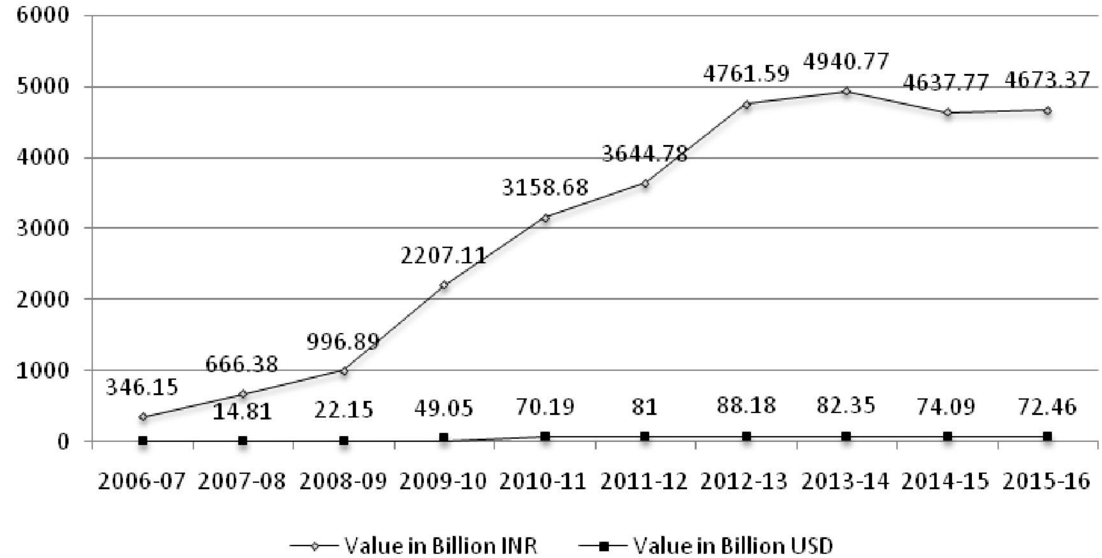
Table- 2: Gross Export from SEZs in India

Years	Total Export from India			
	Value in Billion INR	Growth Rate	Value in Billion USD	Growth Rate
2006-07	346.15	–	7.69	–
2007-08	666.38	93	14.81	92.59
2008-09	996.89	50	22.15	49.56
2009-10	2207.11	121	49.05	121.44
2010-11	3158.68	43.11	70.19	43.1
2011-12	3644.78	15.39	81.00	15.4
2012-13	4761.59	31	88.18	8.86
2013-14	4940.77	4	82.35	–6.61
2014-15	4637.77	– 6.13	74.09	–10.03
2015-16	4673.37	0.77	72.46	–2.2

Source: *Press Information Bureau, Ministry of Commerce & Industry Government of India*

Table- 2 also compares the value of export not only in terms of INR but also in USD. In 2007- 08 the growth rate was almost equal. This growth rate was continued till 2011- 12. But there was significant differences can be noticed from 2012-13. In 2013- 14, growth rate was 4% in terms of INR but it was -6.61 % in terms of USD. This negativity is continuing till 2015- 16, but it INR, it is positive (0.77%). Figure- 1 shows the trend of growth in Indian export both in terms of INR and USD.

Figure- 1: Gross Export from SEZs in India



It is clear from the above figure that after imposition of MAT, the growth rate of export of India from SEZs was decreased. In 2014- 15 the export also had gone down. But in 2015- 16, as shown in Figure- 1 was increased in terms of INR. But in terms of USD, the total export was decreasing from 2012- 13 FY till 2015- 16 FY.

(b) Contribution of SEZs to Indian Economy

In order to assess whether the slowdown in export growth from SEZs is due to global economic factors that would affect the country's overall export or from factors specific to SEZs, it is important to analyse export performance of SEZs with the export performance of the rest of the economy. In calculating total exports, only merchandise exports are considered.

Table- 3: Contribution of SEZs to Indian Export

Years	Exports (Value in Crores INR)	
	SEZs' Performance	Indian Performance
2006-07	34,615	5,71,779
2007-08	66,638	6,55,863
2008-09	99,689	8,40,755
2009-10	2,20,711	8,45,533
2010-11	3,15,868	11,18,823
2011-12	3,64,478	14,54,066
2012-13	4,76,159	16,35,261
2013-14	4,94,077	18,73,788
2014-15	4,63,777	18,96,348
2015-16	4,67,337	17,08,841

Source: *Brochure of EPCES (2014), Press Information Bureau, Ministry of Commerce & Industry Government of India*

The total merchandise exports in 2006- 07 was recorded Rs. 571779 Cr. Out of which Rs. 34,615 Cr. was from SEZs. Every year, the SEZs' performance as well as Indian performance was growing till 2013- 14. But it can be noticed that in 2014- 15 the total export of SEZs was reduced to Rs. 4,63,777 Cr. But National export was increasing. Again in 2015-16, the SEZs were performed well but total country's export was reduced. The Figure -2 and Figure- 3 have prepared from the data given in Table- 3.

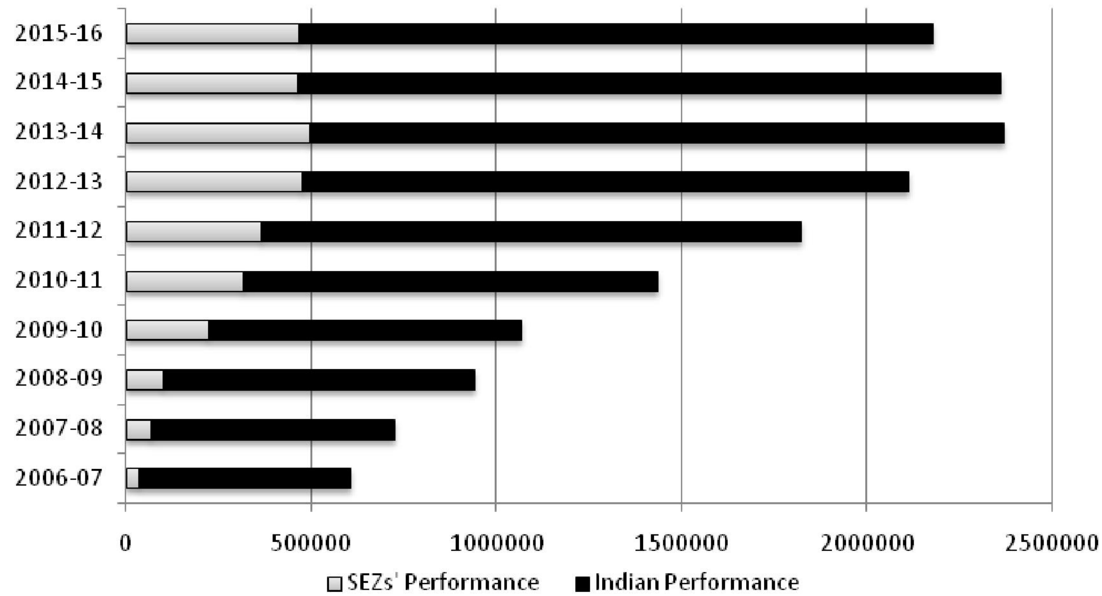


Figure- 2 pointed out that the SEZs export was increased in 2012- 13 though MAT was imposed, but from 2013- 14 the export was decreased and it was continued up to 2015- 16.

Figure- 3: Contribution of SEZs to Indian Export (in Percentage)

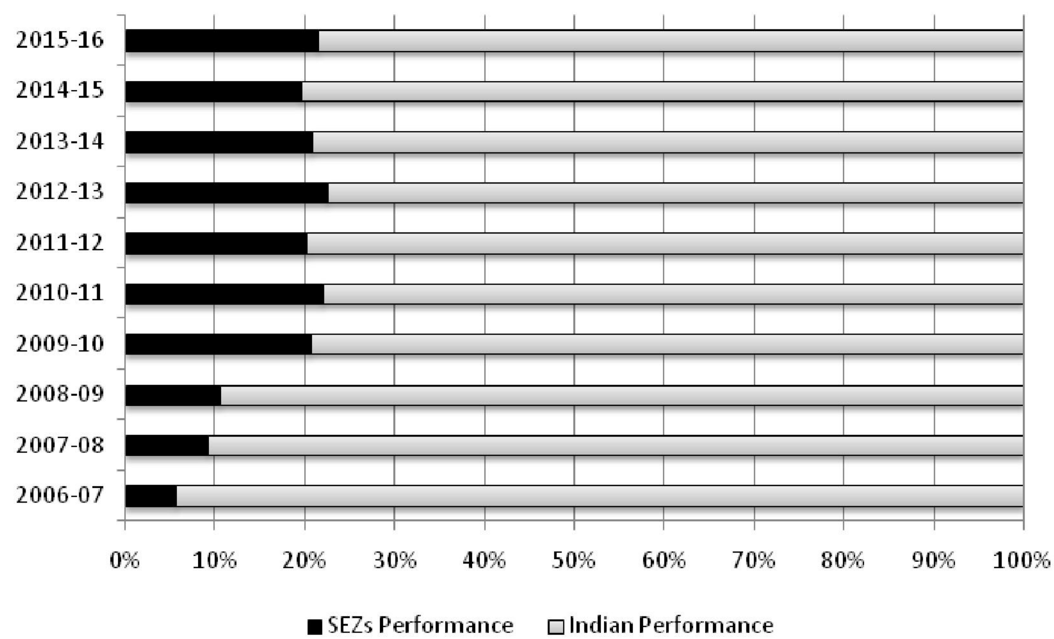


Figure- 3 elaborates that after imposition of MAT, the percentage of contribution of SEZs to Indian economy was increased in 2012- 13. After 2012- 13, the percentage contribution of SEZs was decreased. But in 2015- 16 FY, though the total export from SEZs decreased, but the percentage of contribution to Indian economy was increased as compared to rest of the Indian economy.

(c) Investment in SEZs before and after the Imposition of MAT

By 2007- 08, the total investment in SEZs was Rs. 78,028 Crores. It was increased to Rs. 4,06,690 Crores in 2015-16. In the beginning the growth rate was 51.49% in investment in 2008- 09. And it was reduced to 25.62% in 2009-10 financial year. But growth was -0.46% recorded in 2011-12 due to imposition of MAT on industries located in SEZs areas. From the next year regular enhanced growth was recorded in the amount of investment up to 2015- 16. Table- 3 described the details regarding total investment in the industries situated in these clusters.

Table- 4: Total Investment in SEZs of India

Years	Investment in Crores	Growth Rate (%)
2007-08	78,028	–
2008-09	1,18,207	51.49
2009-10	1,48,489	25.62
2010-11	2,02,810	36.58
2011-12	2,01,875	–0.46
2012-13	2,36,717	17.26
2013-14	2,96,663	25.32
2014-15	3,38,794	14.20
2015-16	4,06,690	20.04

Source: *Press Information Bureau, Ministry of Commerce & Industry Government of India, Fact Sheet(as on 31.12.2016) and EPCES.*

Table- 4 shows that there was a growing investment in SEZs of India from 2007- 08. But in 2011- 12, the though value of investment was increased to Rs. 2,01,875 Crores, but the growth rate was negative by 0.46%. After 2011- 12 FY, the amount of investment is increasing not only in terms of value but also in percentage of growth.

(d) Employment in SEZs before and after the Imposition of MAT

Though there was a fluctuating trend in the investment sector but in terms of employment it is completely different. In 2007- 08, the total number of people engaged in SEZs was 3,36,235 which was again increased to 5,84,957 in 2009-10. The growth rate was 34.35% in that year. But it was reduced to 24.88% in 2011- 12. This down trend can be noticed in 2013- 14 and 2014- 15 also. But again in 2015- 16, the growth rate was 17.06%, which was better as compared to 2014-15.

Table- 5: Employment provided by SEZs in India

Years	Employment (in Person)	Growth Rate (%)
2007-08	3,36,235	-
2008-09	3,84,957	14.49
2009-10	5,03,611	30.82
2010-11	6,76,608	34.35
2011-12	8,44,916	24.88
2012-13	10,74,904	27.22
2013-14	12,83,309	19.38
2014-15	14,42,316	12.39
2015-16	16,88,337	17.06

Source: *Press Information Bureau, Ministry of Commerce & Industry Government of India, Fact Sheet(as on 31.12.2016) and EPCES.*

From Table- 5, it is clear that there was a constant increase in the number of employment generated in 2007- 08 up to 2010- 11. In 2008- 09, it was 14.49%, in 2009- 10, it was 30.82% and in 2010- 11, it was 34.35%. But after imposition of MAT, the number of employed person in SEZ was increasing but the percentage of growth was in decreasing trend till 2014- 15 FY. There was again a growth in the percentage of employment generation of 17.06% in 2015- 16.

FINDINGS OF THE STUDY

This study aims at the evaluation of impact of the withdrawal of the MAT exemptions from SEZs on the value of export and the effect of the withdrawal of the MAT exemptions on investment as well as employment of SEZ units. After data analysis, many findings have extracted. The followings are the major findings.

- The total export of SEZs of India is increasing in terms of Indian Rupee but after imposition of MAT it is falling every year in terms of US Dollar.
- The percentage of participation of SEZs in whole country's export was also decreasing after withdrawal of MAT exemptions. But in the Financial Year 2015- 16, the contribution has increased.
- Immediately after imposition of MAT on SEZs, investors had withdrawn capital from market in 2011- 12 due to risk of loss. But after 2011- 12, the SEZs get back their capital from investors. And every year the total investment is increasing.
- After imposition of MAT, though immediately total number of employment was not decreased, the impact can be seen from 2013- 14 financial year. Every year number of employment was rising but the growth rate was decreasing. In 2015- 16, again the employment has increased in a higher growth rate.

SUGGESTIONS

- The Government should take certain steps which will demonstrate its continued support to SEZs. Such steps can include withdrawal or reduction of MAT rates for SEZs or alternatively the surplus lying unutilized in MAT Account should be refunded.
- A number of countries offer direct income tax or corporate tax exemption to SEZs, some of which can be more than that offered by India. Further, India has one of the highest corporate taxes. So the corporate tax rate should be reduced especially for those which are located in SEZ clusters to achieve global competitiveness.
- SEZs are key instruments for developing production networks and, therefore, they are a key component of the present government's "Make in India" campaign. Hence, the focus of the government should be on making SEZs successful through the right policy.
- Tax incentives have to be carefully designed so that they do not create an unequal level playing field between SEZs and DTA (Domestic Traffic Area).

CONCLUSION

Globally, SEZs are given a range of direct tax exemptions (including income tax exemptions, corporate tax exemptions etc.) to attract investment, technology and global best management practices. In India, too, the SEZ developers and units receive a set of direct tax incentives which are listed in the SEZ Act of 2005. One of these incentives, the MAT exemption, was withdrawn under the Finance Act of 2011 retrospectively from 1 April, 2005. After withdrawal of these incentives, the cost of production will be high. As a result Indian industries will not perform well in global market. That is why govt. should take some steps which will be helpful in recovery and growth of units located in SEZs.

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IMPACT OF MICROCREDIT PROGRAMME ON SOCIO ECONOMIC ISSUES OF MICOCREDIT BORROWERER

***Dr. (Mrs.) Ranjita Nayak* ***

ABSTRACT

SHG - Bank Linkage Programme has traversed twenty-five years of unabated journey towards empowering the rural poor, in general and rural women in particular. Taking a big leap from a pilot in 1992, SHG Bank Linkage Programme has now become the largest community based microfinance initiative with 85.77 lakh SHGs as on 31 March 2017 covering more than a hundred million rural households. SHG - Bank Linkage Programme is a strong intervention in economic enablement and financial inclusion for the bottom of the pyramid. Considering the matter it has been attempted to examine the impact of microcredit programme (MCP) on social economic activities of the microcredit borrower which enhances the economic decisions so also Odisha. Considering the above, the paper has been tired to measure RRBs Microcredit impact on some activities contributed to household and to the community of the borrowers using data obtained from primary source. For the purpose of the study the researcher has considered the members of the Women Self Help Groups (WSHGs) as microcredit borrower. To know the microcredit impact on socio political decisions eight parameters related to contribution to household and contribution to the community have been considered. Descriptive as well as inferential statistical tools have been used to get conclusion. The hypotheses for the study are tested with 'Z' proportion test. This study found that microcredit has no impact on the household's socio political decisions.

Keywords: *WSHGs, Microcredit, MCP,*

I. INTRODUCTION

In 1992 under the SHGs bank linkage programme (SBLP) by NABARD, the banks came into the picture and lent funds to SHGs (Micro clients). Microcredit has a greater role to play in India where approximately 40% of people live in extreme poverty. In the ensuing years, RRBs have to face tight competition with the commercial banks for their growth and survival irrespective of the fact that their very role in the society required a special status and a different set of policies.

In this article, a basic and middle-range approach to impact analysis has been applied as 'impact assessment'. The researcher has received 300 questionnaires from 60 WSHGs and in each SHG 5 members are selected randomly of 4 blocks of two districts that participated in the survey but out of them 25 have one or more missing responses which are discarded and not subjected to further analysis. The final sample size is 275. For the purpose of study, the survey has been conducted in two districts of Odisha i.e Angul and Dhenknal of Odisha Gramya Bank(OGB). These respondents are selected randomly represented various background across caste, rural, semi urban and urban, union member of the SHG

* *Asst. Professor of Commerce, B.J.B. Jr. College, Bhubaneswar*

and educational status etc. The draft questionnaire and analysis of the data for both rounds of the survey followed the core AIMS data analysis plan. This has called for a set of descriptive tables for data from Rounds 1 and 2, plus statistical analysis of percentage and Z proportion test. The quantitative analysis tested two core hypotheses about impact at individual and the household levels. Micro credit is considered a fungible as it is interchangeable with other monetary units and difficult to trace in addition to other household resources that can be allocated to the activity (or activities) considered most important by the individuals within the household.

This article attempts to test the hypothesis that Microcredit programs (MCP) inputs like credit, works, training and other technical assistance contribute in improving social and political decisions of borrowers. Besides their normal responsibility the main focus has been on issues what they are contributing to their Household and community such as eight questions have been asked to know. The additional contributions to the household which the researcher point out are 'Able to feed family, Able to educate children, Works longer and harder than others, Contributes large share of income and Takes major decisions in household The Round 1 and Round 2 analytical approach has been applied to measure the impact on economic decisions.

2. LIERATURE REVIEW

In this section, it has been intended to review some of the few earlier important studies undertaken by different authors of national and international those are directly as well as indirectly related to the researcher area have been reviewed. Few of these are as:

Mosley and Hulme (1998) explained that many studies avoid calculations of poverty impact and often treat the fact that small loans are being made as the proof that the poor are being reached and the fact that loans are being repaid as proof that incomes have increased.

Kernan (2002) uses primary data on household participants and nonparticipants in Grameen Bank and two similar microcredit programs to measure the total and noncredit effects (noncredit services and incentives) of microcredit program participation on productivity. The total effect is measured by him estimating a profit equation and the noncredit effect by estimating the profit equation conditional on productive capital. Productive capital and program participation are treated as endogenous variables in the analysis. He found large positive effects of participation and the noncredit aspects of participation on self-employment profits.

Puhazhendi (2002) in his study on economic impact of the program by NABARD, covering 115 members from 60 SHGs in three backward eastern states, viz., Chattisgarh, Orissa ,and Jharkhand revealed that there was significant increase in assets (up by 30%) and income level (up by 23%) of the members , with more than 80 per cent members coming from SC/ST and backward classes.

Borchgrevink et. al (2005) studied marginalized groups, credit and empowerment for the case of Dedebit Credit and Saving Institution (DECSI) of Tigray. The study finds that female household heads are extremely marginalized groups and also young households' rural landless households and urban house-renting households are the other marginalized groups. Trough two-phase assessment, the study found that the DECSI's programme has had a positive impact on the livelihood of and as well enhanced the social and political position of many clients.

Brett (2006) in his study revealed that having borrowed money from a microfinance organization to start a small business, many women in El Alto, Bolivia are unable to generate sufficient income to repay their loans and so must draw upon household resources. His article explores the range of factors (the social and structural context) that condition and constrain their success as entrepreneurs. The paper argues for a shift from evaluation on outcomes at the institutional level to outcomes at the household level to identify the forces and factors that condition women's success as micro-entrepreneurs.

Nirantar (2007) examined the impact on women members joining SHGs. Very limited efforts were made on the part of sponsoring agencies to provide literacy training to SHG members. Forty-seven per cent of groups formed under government programmes had not received any kind of capacity building input during the past two years and only 19% had received inputs on income generation and livelihoods. Less than 50% of groups studied had made any kind of linkages with the panchayat and only 36% of groups had taken up any social issue in the past two years. Only 11% of groups formed under government programmes had taken up issues such as domestic violence. Fifty-eight per cent of the groups had not received any loans even though more than 90% of the groups were depositing their savings. Most of the larger loans were given to leaders of the groups.

Pokhriyal and Ghildiyal (2011) have viewed services of the banks should not be restricted only to the linking the SHGs and providing the loans, it should be expanded to suggesting various income generating activities to the SHGs and the NGOs promoting SHGs. Average amount of the loan to the SHGs is too less to start any fruitful activity and therefore it is suggested to enhance this income so that it could be used in income generating activities.

Chliova et. al (2014) in their primary empirical meta-analysis, they empirically synthesize a total of 545 quantitative empirical findings from 90 studies conducted to the date. Their findings reveal a positive impact of microcredit on key development outcomes at the level of the client entrepreneurs. Additionally, they scrutinize how the development context influences the effectiveness of microcredit and find that microcredit generally has a greater impact in more challenging contexts.

Crépon et. al (2015) in their report results from a randomized evaluation of a microcredit program introduced in rural areas of Morocco in 2006. Thirteen percent of the households in treatment villages took a loan, and none in control villages did. Among households identified as more likely to borrow, microcredit access led to a significant rise in investment in assets used for self-employment activities, and an increase in profit, but also to a reduction in income from casual labor. Overall there was no gain in income or consumption. They find suggestive evidence that these results are mainly driven by effects on borrowers, rather than by externalities.

Islam (2016) in his paper evaluates the effects of microcredit on household consumption using a large dataset from Bangladesh. Village fixed effects and instrumental variable strategies are used to estimate the causal effects of microcredit program participation. Overall, the results indicate that the effects of microcredit on consumption vary across different groups of poor household borrowers. The groups that benefit the most include the poorest of the poor participants. The benefits are low for households that are marginal to the participation decision. The effects of participation are generally stronger for female borrowers than for male borrowers.

3. RESEARCH GAP AND STETEMENT OF THE PROBLEM

The above review shows that there is more or less positive impact which depends upon various factors size, degree of commercialization, type of institutions, type of poor etc. Only disbursing loan in the name of a woman is not sufficient to accept her involvement in the process. Socio political issues have geater importance in this regard. Till date no study has been made in this direction in Odisha, so in this context the researcher has proceeded to study the RRB's microcredit impact on Socio Political Issue of WSHGs.

4. OBJECTIVES AND METHODOLOGY

4.1 : Objectives

- To find out impact of microcredit of RRB on the borrower's contribution to household.
- To find out impact of microcredit of RRB on the borrower's contribution to community.

4.2 Methodology

The current study is analytical in nature. The author has used primary data. Critical evaluations of the available data are made to draw any conclusion on this research area. WSHGs are considered as microcredit borrowers for purpose of the study.

4.3. Sampling

For the purpose of the study, RRB considered as its universe. In Odisha the DGB which is transformed to NGB in 2008 and thereafter it has been changed to OGB in 2013 is considered for the study.

4.4. Sample Size

In Odisha after amalgamation there are two RRBs, one of them (OGB) is considered for the present study which caters to 13 districts of Odisha.

4.5. Period of the Study

For this survey the respondents are the active members of WSHGs linked with RRB and within 2 years of their formation operating in the Dhenkanal and Angul District. The survey has been conducted in two rounds, i.e Round 1 and Round 2 and the gap between both the rounds is one year.

4.6. Data

120 WSHGs covered from 4 blocks and 30 WSHGs from each block. Five members from each WSHGs i.e 600 microcredit borrowers are administrated with the close-ended questionnaire to collect the data on their views of economic decisions. The final sample size is 442.

4.7. Techniques Used

Descriptive as well as inferential statistical tools are used to arrive at any conclusion. The hypotheses for the study are to be tested with 95% of significance level.

4.8. Hypotheses

In order to conduct the study and examine the objectives, the researcher has formed hypotheses for testing.

$H_0$1: Participation in MCPs of RRB has no impact on the borrowers to contribute to their household.

$H_0$2: Participation in MCPs of RRB has no impact on the borrowers to contribute to their community.

5. ANALYSIS & INTERPRETATIONS

5.1. Analysis of Opinion of Respondents on What They Contribute To Their Household and Community

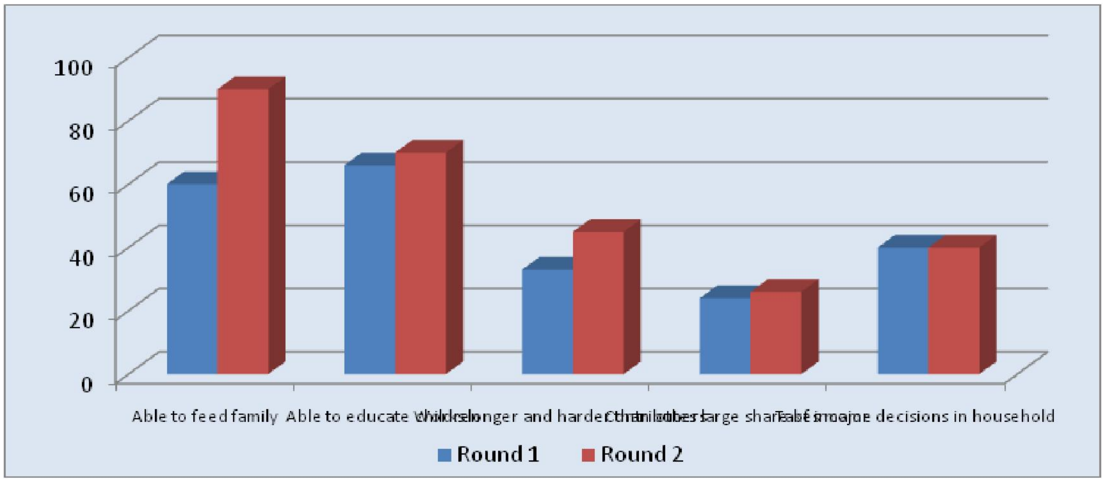
Besides their normal responsibility eight questions have been asked to know what they are contributing to their Household and community. The additional contributions to the household which the researcher point out are ‘Able to feed family, Able to educate children, Works longer and harder than others, Contributes large share of income and Takes major decisions in household.(Table-1)

Table 1: Opinion of Respondents on their Contribution to the Household

Details	Round 1		Round 2		Change
	No. of Respondents	%age	No. of Respondents	%age	
Able to feed family	60	26.91	90	33.21	50.00
Able to educate children	66	29.60	70	25.83	6.06
Works longer and harder than others	33	14.80	45	16.61	36.36
Contributes large share of income	24	10.76	26	9.59	8.33
Takes major decisions in household	40	17.94	40	14.76	-
Total	223	100	271	100	21.52

Source: Primary data

Figure 1: Contribution to the Household



Source: Plotted from Table 1

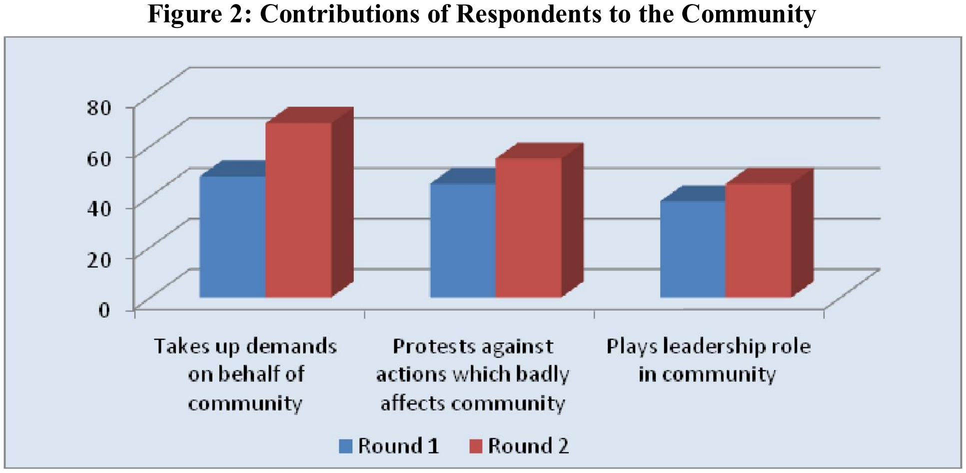
Out of 442 borrowers 223 beneficiaries in 1st round and 271 beneficiaries in 2nd round disclosed that they are contributing some of the things asked by the researcher. The change recorded during the period of study is 21.52%. Considering change at individual case it is observed that the changes in case of 'Able to Feed family' and 'Works longer and harder than others' are more than overall level whereas no change recorded in 'Takes major decisions in household'. This result indicates the decision making power is still yet not increased among borrowers.

Table 2: Contributions of Respondents to the Community

Contribution	Round 1		Round 2		Change
	No. of Respondents	%age	No. of Respondents	%age	
Takes up demands on behalf of community	48	36.64	69	40.83	43.75
Protests against actions which badly affects community	45	34.35	55	32.54	22.22
Plays leadership role in community	38	29.01	45	26.63	18.42
	131		169		29

Source: Primary data

Figure 2: Contributions of Respondents to the Community



Source: Plotted from Table 6.40

The contribution to the community from the microcredit borrowers: 'Takes up demands on behalf of community; Protests against actions which badly affects community and Plays leadership role in community' are 36.64%, 34.35% and 29.01% respectively in the 1st Round and in the 2nd Round 40.83%, 32.54% and 26.63% respectively. Table-2 shows out of 442 respondents 131 respondents in 1st round and 169 respondents in 2nd round are identified who contributes something to community which is interpreted as social development.

5.2. Hypothesis Testing

$H_0$1: Participation in MCPs of RRB has no impact on the borrowers to contribute to their household.

Table 3: 'Z' proportion test summary of Impact of Micro Credit on contribution to the household of women

	Round 1	Round 2	Difference	Remarks
ABLE TO FEED CHILDREN				
Sample proportion	0.2691	0.3321	0.063	
95% CI (asymptotic)	0.2109 - 0.3273	0.276 - 0.3882	-0.163	
z-value	1.5			
P-value	0.1297			P>0.05
ABLE TO EDUCATE CHILDREN				
Sample proportion	0.296	0.2583	0.0377	
95% CI (asymptotic)	0.2361 - 0.3559	0.2062 - 0.3104	-0.1584	
z-value	0.9			
P-value	0.3506			P>0.05
WORKS LONGER AND HARDER THAN OTHERS				
Sample proportion	0.148	0.1661	0.0181	
95% CI (asymptotic)	0.1014 - 0.1946	0.1218 - 0.2104	-0.1292	
z-value	0.5			
P-value	0.583			P>0.05
CONTRIBUTES LARGE SHARE OF INCOME				
Sample proportion	0.1076	0.0959	0.0117	
95% CI (asymptotic)	0.0669 - 0.1483	0.0608 - 0.131	-0.1068	
z-value	0.4			
P-value	0.6678			P>0.05

TAKES MAJOR DECISIONS IN HOUSEHOLD				
Sample proportion	0.1794	0.1476	0.0318	
95% CI (asymptotic)	0.129 - 0.2298	0.1054 - 0.1898	-0.1306	
z-value	1			
P-value	0.3397			P>0.05

Source: Computed from Primary data

'Z' proportion test of Impact of Micro Credit on contribution to the household of women is summarized in Table 3. It is clear from the table that 'P- value' is more than 0.05 for all the variables of contribution to the household of women. This result leads to acceptance of null hypothesis that there is no impact of micro credit on contribution to the household of women.

$H_0$2: Participation in MCPs of RRB has no impact on the borrowers to contribute to their community.

Table 4: 'Z' proportion test summary of Impact of Micro Credit on contribution to the community of women

	Round 1	Round 2	Difference	Remarks
TAKES UP DEMANDS ON BEHALF OF COMMUNITY				
Sample proportion	0.3664	0.4083	0.0419	
95% CI (asymptotic)	0.2839 - 0.4489	0.3342 - 0.4824	-0.2226	
z-value	0.7			
P-value	0.4605			P>0.05
PROTESTS AGAINST ACTIONS WHICH BADLY AFFECTS COMMUNITY				
Sample proportion	0.2901	0.2663	0.0238	
95% CI (asymptotic)	0.2124 - 0.3678	0.1997 - 0.3329	-0.2042	
z-value	0.5			
P-value	0.6477			P>0.05
PLAYS LEADERSHIP ROLE IN COMMUNITY				
Sample proportion	0.3435	0.3254	0.0181	
95% CI (asymptotic)	0.2622 - 0.4248	0.2548 - 0.396	-0.2152	
z-value	0.3			
P-value	0.7415			P>0.05

Source: Computed from Primary data

Further, impact of Micro Credit on contribution to the community of women, for all the variables 'P- value' is more than 0.05 which is indicated in table-4. This result leads to acceptance of null hypothesis that there is no impact of micro credit on contribution to the community of women.

6. FINDINGS AND CONCLUSION

The key objective behind the research work is to measure the microcredit impact on socio economic, political issues of the borrower. The researcher has arrived at following points viz

- Under different types of decision, the self decision in the household which matters more for empowerment the overall change in the study period shows a change of 21.52%. For each variable 'P-value' is 0.3506, 0.583, 0.6678, 0.3397 and 0.1297 respectively and which are greater than 0.05, which is interpreted as the difference observed over study period is not significant.
- Whereas contribution to the community the overall change is 29%. But all the P values in the Z test shows greater than 0.05, so the null hypothesis is accepted and there is no difference found over the study period.

In analyzing the impact of micro credit on socio political issues of marginally poor Women in Odisha it is observed that the impact of credit on such issues over period of study has increased whereas the increase is not so significant. Micro credits still its infancy to be nurtured so policy measures should be taken to improve it.

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HISTORICAL PROSPECTIVE OF INDIRECT TAXES IN INDIA: WITH SPECIAL REFERENCE TO GST

***Muna Sahoo* ***

Anjali Prava Mishra* *

ABSTRACT

The Good and services tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like value-added tax, excise duty, service tax and sales tax. It will be levied on manufacture sale and consumption of goods and services. GST is expected to address the cascading effect of the existing tax structure and result in uniting the country economically. The paper highlights the background, objectives of the proposed GST and the impact of GST in the present tax scenario in India. The paper further explores various benefits and opportunities of GST. Finally, the paper examines and draws out a conclusion.

Key words: *Value Added Tax, Central Value Added Tax, GST, Input Credit*

INTRODUCTION

Government has to play an important role in all round development of society in the modern era. It has not only to perform its traditional functions (defense, maintenance of law and order) but also to undertake welfare and development activities such as health, education, sanitation, rural development, water supply etc. It has also to pay for its own administration. All these functions require huge public finance. Taxes constitute the main source of public finance whereby government raises revenue for public spending.

Indian taxation system can be divided into two parts namely Direct tax and Indirect tax. Direct tax is the tax directly paid to the government by assesse such as Income tax. Indirect tax is paid by intermediaries to the government after collecting from the person who ultimately bears the burden such as value added tax (VAT). Centre government levies indirect taxes such as service tax, central excise duty, CENVAT and custom duty etc. State VAT, central sales tax (CST) and entry tax etc. are some state indirect taxes.

Traditionally indirect taxes specially excise and custom duty had a big share in Indian tax revenue until reforms of 1991 were implemented. Reforms in 1991 laid roadmap for simplification in Indirect tax structure. The share in total tax revenue is decreased. Since then there are various reforms in indian Taxation history such as introduction of MODVAT, Service tax, CENVAT and State VAT. They are mostly concerned with reduction in exemption list to broaden the base and reduction in tax rate. Traditionally Sales tax is producer based that has various limitations. Each reform recommended by various committees suggested ways to come near consumption based tax.

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* *Muna Sahoo, Lecturer in Commerce, Mahendra Institute of Management and Technical Studies (MIMTS)*

** *Anjali Prava Mishra, Research Scholar, Berhampur University, Berhampur, Odisha*

REVIEW OF LITERATURE

Agogo Mawuli (May 2014) studied, "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Dr. R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simplier and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

RESEARCH GAP

The economy of a nation is influenced by three sectors such as agriculture, industry and services. National income from these sectors determines the economic wellbeing of the people. Since time immemorial the government of India has always deficit budget which leads to fiscal deficit. In order to bridge the fiscal deficit gap the source of revenues from different surceases has to be strengthened. Tax is one of the major sources of revenue. It constitutes around 17.70 % of GDP in India as compared to around 29.30 % of other developed and developing countries. Therefor the tax structure of India has to be simplified and people friendly to broaden the tax base and volume of tax. GST is assumed to play a greater role in bringing the reform in tax structure. With this background the study aims at examining the historical tax structure in India adapted from time to time.

OBJECTIVES OF THE STUDY

Basing on the review of literature study of the current problem present paper has the following objectives:-

- To examine historical prospective of Indirect tax system in India.
- To study conceptual framework of Goods and Services Tax structure in India.

RESEARCH METHODOLOGY

Data for the study have been taken from secondary sources such as various published articles, annual reports, all India census report, etc. The data have been analyzed using different statistical tools like percentage, average, etc. The accessible secondary data is intensively used for research study.

HISTORICAL PROSPECTIVE OF INDIRECT TAX

"The king should take wealth from his subjects at the proper time... Like an intelligent man milking his cow every day, the king should milk his kingdom every day. As the bee collects honey from flowers gradually, without causing harm to the tree; the king should draw wealth gradually from his kingdom for storing it."- Bhishma's counsel to Yudhishthira. (Mahabharata, Book 12: Santi Parva: Rajadharmanusasana Parva) "It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold" – Kalidas in Raghuvansh eulogizing KING DALIP.

Evolution of Indirect Taxation in India

Excise duty has been a source of revenue since ancient times. In the Mauryan period, excise duty was collected on liquor and salt. The Moghuls and the British treated salt as a monopoly article for raising revenue. In the Moghul period, products like sugar, cloth, leather, and dairy products were subjected to excise. This continued during the early British rule. However, it was only in 1894 that a beginning was made towards a modern excise system when duty was imposed on cotton yarn for counts above 20 at 5 per cent. Gradually, the base of excise was widened. It included motor spirit in 1917 and kerosene in 1922. Dudes were levied on coffee, tea, and betel nuts in 1944. Before independence, bulk of revenue came from customs duties and excise duties contributed in smaller proportion.

After independence, excise duty was collected on a systematic basis on specified commodities. Revenue from excise duties increased considerably in the 50s and 60s and sharply thereafter. Excise duties were levied under different Acts prior to 1944, which were all consolidated into a single piece of legislation/ the Central Excises and Salt Act, 1944 (now called the Central Excise Act, 1944). The rules applicable to different commodities were all codified as Central Excise Rules, 1944. The base of excise duties grew due to addition of new commodities from year to year. All this was, however, done on an ad hoc basis. Simultaneously, the rates of excise were also kept high for revenue reasons. The non-availability of adequate and reliable database was a major hindrance in streamlining the excise duty structure and widening the tax base.

Journey of Indirect tax system in India

As the government tables the constitutional amendment bill in Rajya Sabha, to make GST a reality, here's a look at the chronology of indirect tax reforms in India.

1935 - Government of India Act, 1935 made tax on sales of goods a provincial subject

The origin of modern general sales tax is traceable to the Government of India Act, 1935.15 Fifteen various committees such as Indian Statutory Commission 1930, Peal Committee 1932, and Joint Parliamentary Committee 1933-36, etc. discussed the problems of provinces and were of the opinion to equip the provincial governments with greater financial resources. Following this, Sir Otto Nie Mayer in 1936, recommended that, 50% of net proceeds of income tax should be assigned to the provinces on the basis of revenue and population.Sales tax was first introduced in India in the province of Bombay, where a tax was imposed on sales of tobacco within certain very limited urban and suburban areas by the Bombay Tobacco (Amendment) Act, 1938, which came into force on the 24th March, 1938. In the Central provinces & levy, again a selective one, on motor spirit and lubricants alone was introduced in January, 1939.

1974 LK Jha Committee suggested introduction of value added tax (VAT) in India

The Government of India had set up an Indirect Taxes Enquiry Committee way back in 1976, under the Chairman of Shri. L.K. Jha, who strongly recommended, the adoption of VAT in India. This committee recommended adoption of MANVAT, a VAT at the manufacturing level. As a result of the MODVAT scheme was introduced with effect from May 1, 1986. Initially it covered selected items in only 37 Chapters. Textile sector was brought under MODVAT in 1996 and the tobacco sector in 2000. MODVAT was extended from March 1, 1994. MODVAT was renamed as CENVAT (Central value Added Tax) with effect from April 1, 2000. All inputs used directly or indirectly (except HSD, LDO and Petrol) are eligible for CENVAT. During Post liberalization, it is said that Value Added Tax in India is one of the most important constituent of tax reforms. VAT can also be referred to as a multi-point destination based system of taxation, such that tax is charged at every step of transaction in the supply chain.

1986 MODVAT or modified VAT, was introduced on selected commodities

When the finance minister announced the MODVAT (Modified Value Added Tax) Scheme in 1986, he proclaimed to have found a solution to what he described as "a vexatious question that has been often encountered in the taxation of inputs and the cascading effect of this on value of the final products. "Underlining the objective of the new venture he said, "Amount of excise duty payable depends upon the value of the final product and the rate of duty. Introduction of Modvat will decrease the cost of final product considerably through the availability of instant credit of duties paid on the inputs and consequential reduction of interest costs."

1991 Raja Chelliah Committee recommended VAT

Prior to the liberalization of Economy, India's tax regime was marred with numerous problems. In terms of direct taxes, there was a high degree of progressiveness in 1960s and 1970s that led to adverse effect on tax collection efficiency. Further, there were large number of exemptions eroded the already narrow tax base in the country. Then, the poor enforcement of direct taxes led to tax evasion at vogue. In terms of corporation tax, there were numerous discriminations between different kinds of the companies that discouraged the investments. Further, double taxation of dividends was also common in those days. In terms of Indirect taxes, the high rates of custom / excise duties were prevalent. There was no VAT, there was no service sector within the purview of tax.

1994 Service tax was introduced in India

Service tax is a tax levied on services rendered by a person and the responsibility of payment of the tax is cast on the service provider. It is an indirect tax as it can be recovered from the service receiver by the service provider in course of his business transactions. Service Tax was introduced in India in 1994 by Chapter V of the Finance Act, 1994. It was imposed on a initial set of three services in 1994 and the scope of the service tax has since been expanded continuously by subsequent Finance Acts. The Finance Act, extends the levy of service tax to the whole of India, except the State of Jammu & Kashmir.

1999 Centre announces decision to introduce VAT in India.

VAT (Value Added Tax) is a form of indirect tax imposed only on goods sold within a particular state, which essentially means that the buyer and the seller needs to be in the same state. Only when tangible goods and products are sold, VAT can be imposed.VAT (Value Added Tax) is governed by respective state Acts. Every state has a separate and distinct VAT act reserved for their state. VAT (Value Added Tax) registration is compulsory for dealers having turnover exceeding Rs 5 lacs (or increased limit of Rs 10 lacs in some states).On registration, such dealer is allotted a unique 11 digit TIN (Taxpayer's Identification Number). An excise or Excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good. This tax is now known as the Central Value Added Tax (CENVAT).Though the collection of tax is to augment as much revenue as possible to the government to provide public services; over the years it has been used as an instrument of fiscal policy to stimulate economic growth. Thus it is one of the socio-economic objectives.

2002 CENVAT was introduced on all commodities at central level

This very often distorted the production structure and did not allow the correct assessment of the tax incidence. Therefore, the Government tried to remove these defects of the Central Excise System by progressively relieving inputs from excise and countervailing duties. An ideal system to realize this objective would have been to adopt value added taxation (VAT). However, on account of some practical difficulties it was not possible to fully adopt the value added taxation.Hence, Government evolved a new scheme, 'MODVAT' (Modified Value Added Tax). MODVAT Scheme which essentially follows VAT Scheme of taxation. i.e. if a manufacturer A purchases certain components(raw materials) from another manufacturer B for use in its product. B would have paid excise duty on components manufactured by it and would have recovered that excise duty in its sales price from A. Now, A has to pay excise duty on product manufactured by it as well as bear the excise duty paid by the supplier of raw material B. Under the MODVAT scheme, a manufacturer can take credit of excise duty paid on raw materials and components used by him in his manufacture. It amounts to excise duty only on additions in value by each manufacturer at each stage.

2003 VAT was introduced in first Indian State of Haryana

The Raja Chelliah Committee constituted in the year 1991 recommended the introduction of VAT in India. Thereafter, the Empowered Committee of the State Finance Ministers was formed in the year 1999 and was entrusted the task of implementing VAT across all the States in India. The implementation of VAT was postponed thrice in 2000, in 2002 and in 2003. Finally, it was announced that all States have agreed to introduce VAT from 1st April 2005. A White Paper was released by Asim Das Gupta, Chairman of Empowered Committee, on 17th January 2005. The White Paper is a policy document indicating the basic policies to be adopted by the States in formulating VAT Act and Rules.

2006- 07 Proposal for GST was first mooted in the Budget Speech for the financial year. Negotiation with States was started to begin soon after

2008 Empowered Committee of State Finance Ministers (EC) was engaged

2009 EC released its First Discussion Paper

2011 Constitution Amendment Bill on GST was introduced

August 2013 Parliamentary Standing Committee submitted its report. Recommendations of Standing Committee was incorporated in the Bill

September 2013 Revised Bill was sent to EC for consideration

March 2014 Incorporating recommendations of EC another revised Bill sent to EC

December 2014 Constitution Amendment Bill was introduced in Lok Sabha

May 5, 2014 Lok Sabha passes GST Bill

May 2015 Lok Sabha passes Constitution Amendment Bill for GST

August 2015 Congress insists on capping GST rate at 18% and specified in the Constitution amendment Bill

July 2016 Centre and states was agree against capping GST rate in the Constitution amendment Bill

August 2016 Centre was to move modified Constitution Amendment bill in Rajya Sabha

CONCEPTUAL FRAME WORK OF GOODS AND SERVICE TAX

INTRODUCTION TO GST

Goods and Services Tax is a broad based and a single comprehensive tax levied on goods and services consumed in an economy. GST is levied at every stage of the production-distribution chain with applicable set offs in respect of the tax remitted at previous stages. It is basically a tax on final consumption. In simple terms, GST may be defined as a tax on goods and services, which is leviable at each point of sale or provision of service, in which at the time of sale of goods or providing the services the seller or service provider may claim the input credit of ta which he has paid while purchasing the goods or procuring the service

Need For Goods and Services Tax in India

There is a saying in Kautilaya's Arthshastra, the first book on economics in the world, that the best taxation regime is the one which is "liberal in assessment and ruthless in collection". The proposed GST seems to be based on this very principle. Firstly, while the present system allows for multiplicity of taxes being collected through an inefficient and non-transparent system, the introduction of GST is likely to rationalize it and thereby plug the loop holes in this system. This will enable the government to stop pilferage and rationalize the overall taxation regime. While many areas are either under-taxed or non-taxed or over-taxed, the GST will help reduce overall tax burden of many organizations.

Introduction of an integrated Goods and Services Tax (GST) to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative in the emerging economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transactions value into value of goods and services for taxation, which leads to greater complexities, administration and compliances costs.

A basis pre-requisite for introduction of GST meaningfully is that both the Centre and the State should replace existing taxes like Excise, State Sales Tax/ VAT, CST, Entry Tax and all other cascading-type Central/ State levies on goods and services. Any losses on account of abolition of multiple taxes are likely to be balanced by the additional GST revenues that will obtain from taxation of services and from access to GST on imports. Moreover, India would obtain full efficiencies of a single national VAT, while retaining a federal structure. This would also be the logical conclusion of the efforts that have been made in the country during last 2 decades in moving towards VAT. Implementation of GST will also remove several roadblocks in the existing taxation system in India. Some of these are:

(a) Tax cascading – The Goods and Services Tax Act will overcome the problem of tax cascading through input tax credit mechanisms. Under this system, sellers or vendors of goods and services are eligible to avail tax credits on the amount of GST paid to eligible procurements. Manufacturers can avail credits for the GST paid to procure inputs, capital goods and services used in the manufacturing process. In the same way, wholesalers and retailers can avail credits for the GST paid on procurement of stock. But the final customer who purchases the product for consumption will not be able to avail and utilize any tax credit.

Tax cascading can be understood by the following example. A tax is applied on a particular product at each stage and no credit is available, then tax will be charged at each stage whenever a good or service changes hands. In other words, tax is applied several times and is charged even on the tax which forms part of the inputs. The following taxes will be applied to the product:

- While purchasing inputs i.e. raw materials for the product, the manufacturer pays sales tax.
- When a wholesaler purchases the product from the manufacturer, then he pays tax on procurement of the product.
- When the retailer purchases the product from the wholesaler, the wholesale again charges tax.
- Lastly, the customer purchases the product from the retailer; the retailer again charges a tax.

This layering of sales tax will significantly increase the final sales price as each party in the supply chain increases the price of the product to recover the tax they paid. The cascading effect will increase then tax is paid on tax. There are a large number of products and range of services that are outside the ambit of CENVAT and service tax. The exempts sectors are not allowed to claim any credit of the input tax. In the same way, under the state VAT, no credits are allowed for the inputs procured and used towards exempted sectors. Non-eligibility for availment of credits leads to tax cascading. Due to large number of exemptions, the effect of tax cascading in India is significantly high.

(b) Complexity – Presently in India, for taxing sale of goods, there is Central Sales tax and respective VAT Acts for each state and Union territory. The Goods and Services Tax will remove this complication by having a unified code for implementation of State GST in different states. The GST will not only subsume a large number of indirect taxes but also solve the classification issues by introducing only one or two rates of tax. Other than this there would be categories that are exempted or zero rated. Presently the activities in a supply chain are subject to several taxes. For example – the manufacture of goods is subject to excise duty and sale of these manufactured goods is subject to state VAT or CST. The GST will ensure uniform single tax across the entire supply chain.

(c) Double taxation – The GST will not make any difference between goods and services as

GST will be levied at each stage in the supply chain. This will help in solving the problem of double taxation. The issue is not only between the taxes of customs duties, excise duties and service tax but also between service tax and VAT. The issue of double taxation was addressed by the Honorable Supreme Court in the case of BSNL vs. UOI (2006(3)SCC-

1), wherein the Court held that the same activity cannot be regarded as both goods and services and hence both service tax and VAT should not be applicable on the same set of transactions. The implementation of GST will resolve the dilemma of a large number of assessees who are not sure of application of the type of tax on certain specified transactions like software development, sale of sim cards by telecom operators, online subscription of newspapers, value added services provided by telecom operators, right to distribute movies etc.

(d) Composite contracts – There are a large number of works contracts which involve the supply of goods and services which are available to customers under different supply chain arrangements. Such situations arise in a gap or overlapping in taxation of goods and services as the States do not have the power to impose tax on services and the Centre does not have the power to impose tax on sale of goods within the state. In such cases, a comprehensive solution can be provided only by implementation of GST.

CONCLUSION

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 whether 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.

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GST : A different preferred Tax of India

***Sidhant Mohanty* ***

ABSTRACT

Tax policies play an important role o the economy through their impact on both efficiency and equity. Traditionally India's tax regime relied heavily on indirect taxes including customs and excise. Revenue from indirect taxes was the major source of tax revenue. In India tax system is continuously evolving to earn more revenue and to make simple and transparent tax system. One of the greatest tax reforms in India is Goods and Services Tax (GST). The idea of a single, unified tax on goods and services administered only by the central government is hugely attractive to many businesses. The basic idea is to create a single, co-operative and undivided Indian market to make the economy stronger and powerful. This paper is an analysis of what the impact of GST will be on Indian tax scenario. The study recommends that if GST is introduced, the revenue base of the country will definitely increase.

MAIN PAPER

CONTENTS

* *M.Phil Scholar (Commerce) G.M. University, Sambalpur*

INTRODUCTION

The Constitution of India is the foundation and source of powers to all laws in India. The constitution of India which came into effect on 26th January, 1950 is supreme and all laws and Govt actions are subordinate to our constitution. The structure of Government is federal in nature. Tax is a compulsory payment to be made by every resident of India. The foundation of an effective and stable finance system of a country lies in its Tax system. The taxation policy of a state aims to address to its legitimate need to collect tax revenue to fund public services and to eliminate competitive distortion faced by local industries, trade and commerce. It works as a vibrant instrument of a stimulating industrial growth, promoting exports, regulating imports, nurturing domestic trade and commerce and thereby generating employment and furthering economic progress of the state. There are two types of tax

(i) Direct Tax :- Direct tax is a tax whose liability cannot be shifted to someone else. For eg. Income tax, corporate tax, wealth tax.

(ii) Indirect tax :- Indirect tax is a tax whose liability can be shifted to someone else. For eg. :- excise duty, sale tax, service tax, etc.

Here the point of interest is indirect tax because GST will replaced all indirect tax which includes Excise duty, service tax, sales tax, VAT, luxury tax, Entertainment tax, etc.

MEANING OF GST

GST, the goods and service tax is proposed to be a comprehensive indirect tax levied on manufacturing sales and consumption of goods and services at a national level. GST shall be based on a uniform rate structure. The basic concepts about GST would draw its basis from the value added tax which has already been introduced in the Indian economy. GST shall bring together most of the taxes that are presently being imposed on goods and service. The concept of GST is unlike. The present tax structure where separate taxes are levied on goods and services. In general term GST is an indirect tax which shall be levied on the manufacturing of goods, sales of goods and even on the consumption of services in India. This world replace the present kind of indirect taxes such as the manufacture of goods is levied by excise duty, sales of goods intra state are levied with VAT, sales of goods inter state is levied with CST, consumption of service is levied with service tax and many other.

GST IN THE INDIAN CONTEXT

The empowered committee of the State Finance Ministers in consultation with the Central Government had constituted a Joint Working Group (JWG) in May 2007 to lay out the road map for the GST. Based on a study of the alternate model i.e India's federal structure, the JWG had suggested the best model for the introduction of dual GST in India.

The basic structure of the dual GST world include a Central Goods and Service tax (CGST) and a State Goods and service tax (SGST0 to be levied on the taxable value of a transaction. The taxable event for this tax would be manufacturing, sales and services consumption of goods and service.

BASIC FEATURES OF DUAL GST

(i) Dual GST is comprised of Central GST and State GST.

(ii) Central GST and State GST is operated throughout the supply / value chain.

(iii) Taxable event is to be supplied as against manufacture (excise) and sales (VAT).

GST is Considered as a preferred tax structure :-

GST is considered as a preferred tax structure because of the following reasons:-

(i) A simplex tax structure with only one or two rates of taxes uniform single tax across the supply chain.

(ii) Reduced transaction cost in the hands of the tax payers.

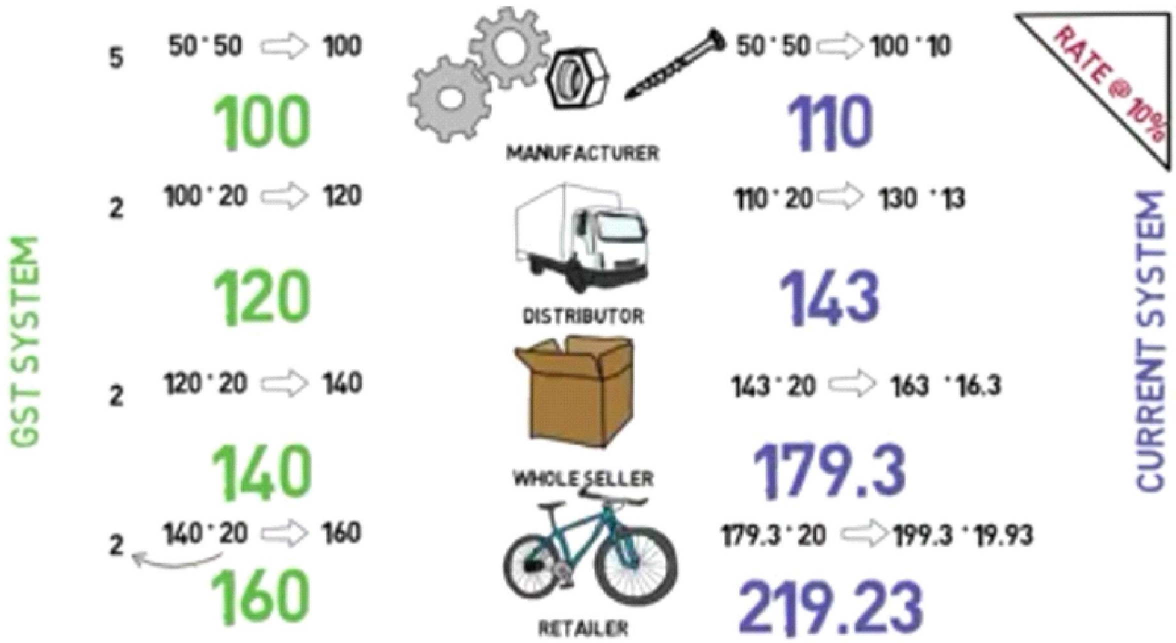
(iii) Increased tax collection due to wide tax base and better compliance.

(iv) Improvement in International cost competitiveness of indigenous goods and services.

(v) Enhancement in efficiency in manufacture and distribution due to economics.

(vi) GST encourages unbiased tax structure that is neutral to business process, business models, organization structure, product substitutes and geographical locations.

How GST Systems is different from current tax system



APPLICATION OF GST SYSTEM IN INDIA

GST is a combination of Central GST and State Central GST or Integrated GST

GST = CGST + (SGST or Integrated GST)

CGST is paid to Central Govt.

SGST is paid to State Govt.

IGST is an integral GST which comes when goods are sold between two states.

CATEGORIES OF GST IN INDIA

There are five categories of GST in India :-

(i) 0% Category - Eg:- Grains

(ii) 5% Category - Eg:- widely used item

(iii) 12% category

To - Normal Items

(iv) 18% Category

(v) 28% category- Luxury items

ITEMS	CURRENT TAX	UNDER GST
(i) Cement	25%	28%
(ii) Coal	11%	5%
(iii) Paints	25%	28%
(iv) Industrial cable	18.5%	18%
(v) Life saving API	5 – 8%	5 - 1%
(vi) Other API	17%	18%
(vii) Formulations	9%	12%
ITEMS	**CURRENT TAX**	**UNDER GST**
(viii) Tooth paste	28%	18%
(ix) Hair Oil	23 – 24%	18%
(x) Soap	23 – 24%	18%
(xi) Diesel Small Car	23.7%	28%
(xii) Motor cycles, Cars, moped	17.4%	28%
(xiii) Tractors	11.9%	12%
(xiv) SUU	27.8%	28%
(xv) A.C.	26%	28%
(xvi) Refrigerator	24 – 27%	28%
(xvii)Cooler	23.5%	28%
(xviii) Lighting (LED)	15%	12%
ITEMS	**CURRENT TAX**	**UNDER GST**
(xix) Aerated Drink	23 – 24%	28%
(xx) Fruit Juice	12%	13%
(xxi) Edible Oil	5 – 6%	5%
(xxii)Sugar	5%	5%

Source – CNBC TV

BENEFITS / ADVANTAGES OF GST SYSTEMS

(1) Elimination of Multiple taxes :

The biggest benefit of GST is an elimination of multiple indirect taxes. All taxes that currently exist will not be in picture. This means current taxes like excise, octroi, sales tax, CENVAT, service tax etc. will not be applicable and all that will fall under common tax called as GST.

(2) Saving more money :

For a common man, GST applicability means the elimination of double charging in the systems. This will reduce the price of goods and service and help common man for saving more money.

(3) Easy of business :

GST will bring one country one tax concept. This will prevent unhealthy competition among state. It will be beneficial to do inter state business.

(4) Easy tax filing and documentation :

For a businessman, GST will be a boon. No multiple taxes means compliance and documentation will be easy. Return filing, tax payment and refund process will easy and hassle free.

(5) Cascading effect reduction :

GST will be applicable at all stages from manufacturing to consumption. GST will provide tax credit benefit at every stage in chain. Today at every stage margin is added and tax is paid on whole amount, in GST we will have tax credit benefit and tax will be paid on margin amount only. It will reduces cascading effect of tax there by reducing cost of product.

(6) Increase in GDP :-

As demand will grow naturally production will grow and hence it will increase gross domestic product. It is estimated that GDP will grow by 1 – 2% due to GST.

(7) Reduction in tax evasion :-

GST is a single tax which will include various taxes, making the system efficient with very little chances of corruption and ax evasion.

(8) More competitive product :

As GST will address cascading effect of tax, inter state tax, high logistics cost it will make manufacturing more competitive. This will bring advantage to businessman and consumer.

(9) Increase in revenue :

GST will replace all 17 indirect taxes with single tax. Increase in product demand will ultimately increase tax revenue for state and central government.

(10) More employment :

As GST will reduce cost of product it is expected that demand of product will increase and to meet the demand, supply has to go up. The requirement of more supply will be addressed by only increasing employment.

CHALLENGES TO BE ADDRESSED

GST can emerge out as an efficient system of taxation if implemented uniformly on a national level. The simplification and consequently, efficiency gains that will be achieved by merging the several taxes that prevail, at the state and central levels. The benefits involved with the GST makes it imperative for the authorities concerned to carefully consider the below given challenges and issue connected to smoother India's transition to the GST regime.

(i) GST's Legislation :

There is a huge challenges of getting the necessary laws governing goods and services taxes. To empower the states as well as the centre to levy and administer their respective GST, the Govt. has to make constitutional amendments wherever required. The constitution does not allow the centre to tax beyond the manufacturing stage nor does it allow the states to tax services. Therefore, the constitution has to be amended by centre to tax at the retail level and the states to tax the services. Making such constitutional amendment is not an easy task as these amendments have to passed by the parliament and state legislative. This will in fact be a significant challenge for the law maker to address.

(ii) Fixaton of the tax rate of GST :

The rates for goods and service across the state have to be uniform. Hence, the tax rate should be rationalized. The tax rate should be fixed scientifically to ensure total elimination of cascading effect without distorting the production or distribution mechanism. The combined GST rate is being currently discussed by the centre and the empowered committee. The rate is expected to be in the range of 14 – 20%. But later the last percentage of tax calculation rise to 28%.

(iii) Taxation of inter state services :

Another issue regarding implementation of GST is taxation of inter state sales of goods and services. GST is levied at the point of final consumption, therefore, we need rules on how the time and place of consumption is to be determined. Above all CST which is presently being levied on inter state sales of goods @ 2% needs to be scrapped off in order to introduce GST.

(iv) Impact on fiscal health of state :

Being a consumption based tax, dual GST will result in better revenue collection for states with higher consumption of goods and services. The backward and less developed states would see fall in collections. The authorities should formulate requisite measure to safeguard the interest of less developed state.

(v) Implications of GST on exports and imports :

Foreign trade transactions should be covered under GST where imports can be subject to tax and exports will be zero rented. In other words the exporters of goods and services need not pay GST on their exports. A comprehensive audit systems should be framed to check possible misuse of the scheme and to provide comfort to the centre and state safeguarding their revenue interest.

CONCLUSION

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

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