

Goods and Services Tax (GST): Networking and its working process

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Abstract

A reform in every step will be an added advantage to every individual, society and also for State. A special case may be the Tax Environment of every country. A reform in the Government Tax System will be a definite help for the country to grow. To move ahead, Goods and Services Tax (GST) is an instrument in the indirect tax system of the country. Has it supports the execution of transparency and eliminates the tax burden between the Inter-states.

This paper helps us to know about the Goods and Services Tax (GST) approach the networking and also an idea about its working process. It clears on the view that what are the unresolved problems in achievement of GST approach in our India and also discussing benefits of GST for common man and for the business sectors. GST mechanism is a game changing approach in our Indian Economy.

Key words: Tax System, Goods and services tax, Goods and services tax Networking, Tax malfunctioning.

Introduction:

Goods and Services Tax (GST) is a mechanism which will change indirect tax approach with only one direct tax method. It always support for implementation of transparency and eliminate tax between inter states. The Consumers, the actual purchasers of goods and services from the manufacturers, will mostly be benefiting without any tax burden, with the free movement of goods around the country. Goods and Services Tax (GST) will reduce the tax managerial problems. And also simplifies the implementation ways in collecting the taxes in India, to create significant change in Indian Tax market.

Types of Goods and Services Tax (GST):

- (a) CGST (Central Goods and Service Tax)
- (b) SGST (State Goods and Service Tax)
- (c) IGST (Integrated goods and services Tax)

Goods and Services Tax (GST) council will create common bases for the above types. Specific destination rules and regulations are also will be established for Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST). Exports may have zero interest and imports will be equal to domestic goods and services tax.

Goods and Services Tax (GST) Network will always follow the dual form of GST where in the intra state level where goods and services are sold immediately CGST and SGST will be levied. If goods and services are sold to other states the IGST (Integrated goods and services Tax) will be levied. Some of the goods will be consider as importing goods in between states and also consider basic custom duty.

The bill for the Goods and Services Tax (GST) has been proposed as an actual cost of 122 Amendment bill during 1999-2000, which was taken by Mr. Atal Bihari Vajpayee. He said Goods and Services Tax (GST) has to be implemented India with some changes. It took mainly 18-20 years to change the bill. And finally, Goods and Services Tax (GST) bill has been approved by Indian government on 28th March 2017.

The changes were made in the Amendment Bill, i.e., where the state will have the power to levy the service tax and where exactly the central can levy the sale tax. It means, a dual model is proposed. In relation, there are two entries. They are Union List Entry: Central government has the power to levy tax and State list Entry: the State government has power to levy tax. This means, sale tax will not be there for Central government and service tax will not be there for the State government.

The reasons behind the increase of black money in our country are many. They are like Unauthorized sources Income, Capital Asset ownership in abroad with no information on tax returns, large number of Inter bank Account transfers having no economic rationale, large Foreign Remittance, in the form of physical cash withdrawal, exchange of Physical Cash between people or firms having no legal evidences, few corrupted authorities providing support to firms, businesses and people for submitting fraud IT returns and so on

So this way the corruption has increased in India. Therefore, our Indian government decided to develop Goods and Services Tax Network (GSTN), i.e., a common digitized network which is having Artificial Intelligence mechanism to detect, analyze and identifies fraud activities automatically.

GST Will support for changes and it creates common tax method in entire India, and in return it will support in eradication of Black money in the country automatically. Thus this helps India to become a developed nation.

Objectives of the Study:

1. To know the thought of Goods and Services Tax.
2. To gain Knowledge about Goods and Services Tax Networking.
3. To learn about the steps eradication of Black Money in India.
4. To Learn Impact of GST in our Indian economy. Business Sector and for common man.
5. To Know GST Council Role, issues in GST implementation Process.

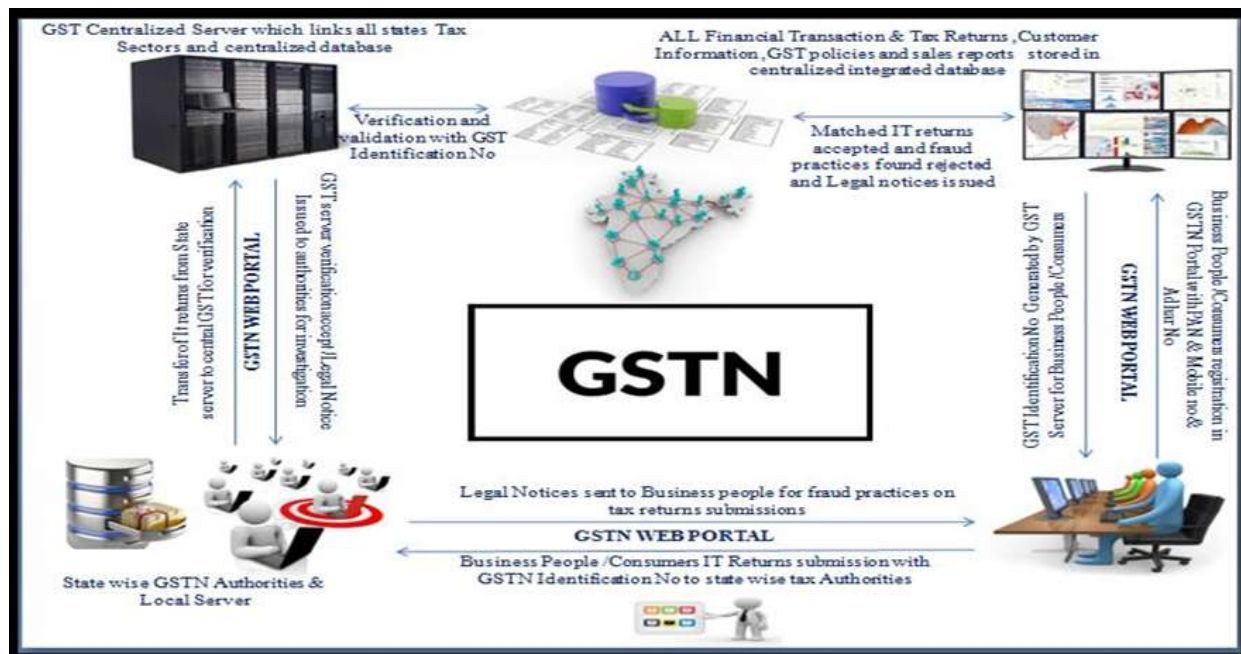
Literature Review:

- 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 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.
- 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.
- Pinki, Supriya Kamma and Richa Verma (July 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.

Research Methodology: As the study is conceptualized one, as such no research study has been made.

A process for eradication of Black Money: India with Goods and Services Tax Network (GSTN):

Goods and Services Tax (GST) also helps in eradicating the black money in the country. Has entire Nation is praying to eradicate the black money; this concept will help us to do so. And this can happen only when it is digitized. Indian Government will have to develop IT network based Goods and Services Tax (GST) network. It is a network, which will help us to connect all Business firms and customers, for filing their returns and paying their taxes also. This also helps the Indian government to increase their tax collection. That means it is indirectly helping to collect the direct taxes also. The process starts with - The people who are registering in GST platform will get **unique no** in GST that will be mapped with their **Permanent Account Card Number (PAN Card)** and **Bank Account statement** and later it will be mapped to PAN number of the respective tax payer.



Till now different turnover figures were being updated by the businesses, like Income Tax, Service Tax, and Excise Duty etc. From now, with Goods and Services Tax Network (GSTN), a query will be generated to know whether Sales Tax returns or Service Tax returns etc, shown by the Business firms. This way we can check that are they matching with that of Income tax reports filed by him or not. Here Goods and Services Tax Network (GSTN) working process of will help us to know, whether there are any mismatches in the furnished reports by the business firms or any other entities.

If it is found any of malfunctioning happened, then the Government will send notices to the concerned business firms via Goods and Services Tax Network (GSTN) and Goods and Services Tax (GST) authorities will enter the premise of the business firms and investigate the operations of business firms.

To end Tax malfunctioning, it can happen only by eradication of the Black Money or when the corruption is eradicated. Even though India can be referred as a developed country, it is facing of financial deficit problem which is because of the Tax malfunctioning. Tax malfunctioning, actually creates a financial deficit to the countries. Eradication of the Black money and the corruption can be done when everything will be digitalized, i.e., Digital Payment Methods will be introduced for all transactions of the goods and services between all the business houses and customers.

When all the business transactions are digitalized using Goods and Services Tax Network (GSTN) System, it will automatically include the consumers and the producer's exchanges. In other words, when a consumer purchases a good or service is rendered by a business house, the Businessmen have to file tax returns properly without any difference, or else they will be punished. Our nation is trying hard to support strongly the Goods and Services Tax (GST), to maintain an integrated one tax method. Where in all the goods and services will be charged with minimal tax with Goods and Services Tax (GST) putting fewer burdens on final customers. Thus, changes the Indian Economy by creating and implementing one single market, which reduces the iterative effect of tax on goods and services. For success of Goods and Services Tax Network (GSTN) System, Indian Government has to take up certain decisions, which have to be followed by all the people in the country.

How to file returns In GSTN:

Working process relating to filing of Tax relating to Goods and Services using in Goods and Services Tax Network (GSTN) is as follows:

- Business firm has to choose Goods and Services Tax Network (GSTN) portal and register with their PAN and Mobile number or with Aadhar number. By this, automatically the Business firm be getting a Unique Goods and Services Tax (GST) Identification Number,

which will be of 15 Digit Code (wherein 5 Digits are related to State code and 10 Digits are of PAN).

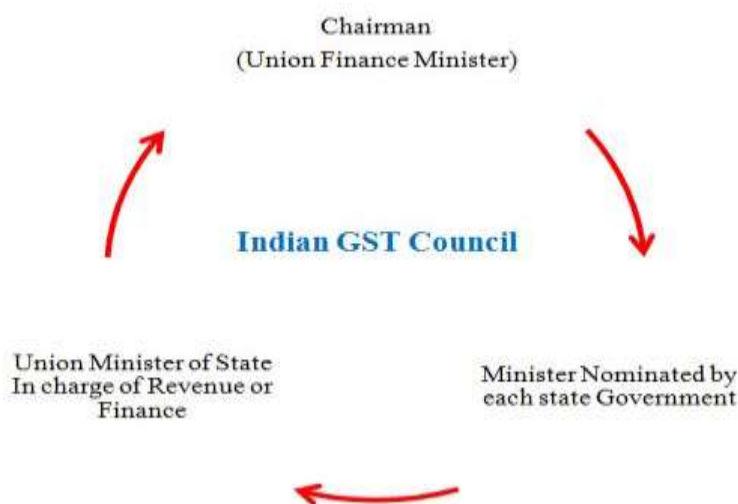
- Automatically, the Goods and Services Tax Network (GSTN) always verifies the transactions with PAN and Bank Account Number.
- Business firms have to file their Tax Returns in Online Goods and Services Tax Network (GSTN) Web Portal.
- Goods and Services Tax Network (GSTN) also supports the starters in the business field which can facilitate filing with their own technology like IT Returns and so on.
- Goods and Services Tax Network (GSTN) also supports Mobile base applications for generating Invoices etc.
- All State tax departments like VAT/excise/service etc., will be integrated into one single Goods and Services Tax Network (GSTN) System.

Benefits of GST Network

Governments Central /State <ol style="list-style-type: none">i. Simple and easy for administrationii. Accurate Control on Leakageiii. Huge Revenue Efficiency
Business People <ul style="list-style-type: none">✓ Easy doing business with easy tax compliance.✓ Uniformity of tax rates and structures will support for good decision making on investments.✓ Elimination of iterative effect of taxes.✓ Transaction cost reduced and it supports to improve competitiveness between firms.
Consumers <ul style="list-style-type: none">▪ The Unique and transparent tax will provide decreasing of Inflation.▪ Relief in Tax Burden.▪ Democracy in Tax (luxury items more taxable and basic goods under tax free)

GST Council:

The Game changing bill GST is accepted in our Loksabha then our president announcing a council to proper Organizing and control of GST activities in India. The GST council which will be a common forum of state and central and also consist of Union Finance Minister as a Chairperson, The Union Minister and in charge of revenue or Finance and finally The Minister In charge of Finance or Taxation or any other Minister nominated by each and every state Government..



- Any Decision of GST Council will be done with three fourth Vote majority
- Council will make recommendation on
 - Taxes,cesses and surcharges to be under the GST
 - Goods and services exempted products from GST
 - Limits of Turnover for application of GST
 - GST Laws and Policies
 - Special considerations and Provisions for some north east states
 - GST council will identify the revenue losses arising out of the implementation of GST and suggest financial support for the state government.
 - Council will always observe all private and government sectors in India with their rules and regulation or policies and that are automatically applied with GST network.

Supporting Bills to implement GST:

- The Central Goods and Services Tax Bill 2017 (The CGST Bill).
- The Integrated Goods and Services Tax Bill 2017 (The IGST Bill).
- The Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill).
- The Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill).
- A state GST will be passed by the respective state legislative assemblies.

Merits and demerits of GST for Common Man:

Merits:

- One Nation One tax it removes a bundle of indirect taxes like VAT,CAD,Excise etc
- Double Tax relief and with simplified tax policies.
- Manufacturing cost will be reduced automatically Daily requirement products available at a low price and increase the demand of products and production also increase.
- GDP growth and lowering the burden on common man
- Decrease corruption and also provide more Job opportunities for common man

Demerits:

- The number of GST returns that we need to file every year (every year around $3*12=36$ returns) in one state if business in multiple states it increases more.
- Service charges of some of the products and services already less but when ever GST is applied automatically service charges are increased Ex telecom, airline service charge rate 15% is presently with GST It will increased to 18%.
- Increase cost of services and add to monthly expenses of common man.
- Ne w GST approach will take specific period of time to understand it completely by common man.
- Efficient invoice and accounting needs to be done with new GST accounting Software for good compliance process but it not done perfectly all the service areas it may lead some time to set it up
- Consumers not getting actual benefits with new GST Approach mediators are increasing their profit margins by bluffing consumers using loop holes in the GST implementation process and proper investigation service not provided for consumers up to till now.

Impact of GST in the Indian Economy

- Life become easy-GST replaces 17 types of indirect tax levies and compliance cost will become low
- Revenue will be getting boosting, evasion will be set to drop and dual over site from state and central.
- Common markets which will be fragmented in states will be pushing up to 20-40%
- Logistics efficiency always moving high
- Many capital goods increase with their investment efficiency.
- Lot of technological innovations with E and M-Commerce with online services.
- Large no in employment will be increased financial growth also will increase
- Financial growth with imports and exports and consumers will get products and services with less cost

Impact of GST in Business Sector

GST replace seventeen types of indirect taxes with new single tax method. This new tax region provide single window system of all the indirect tax making compliance is easy but in our country it comes to practical implementation not so easy most of the business already have a ERP software but they have to change to new GST system they have to change their ERP's either by updating or purchasing new EPR software which support new GST System and also has to train employees to understand new GST System .it's operational cost is very high. Small business has to invest more operation cost for purchasing of new EPR and recruiting GST System experts for training employee and smooth business process and also have to know about different products and which will come under GST and also exempted from GST. Each Business performs analysis impacts of positive and Negative impacts of GST

Positive impacts of GST

- Removes Multiple Taxation
- Less Tax disputes
- Reduces Tax on manufacturers
- Boost GDP by 0.9-1.5%

- Prevent Tax Leakage
- Seamless interstate flow of goods-Lower transit time and higher truck utilization
- Greater cost competitiveness
- Positive impact on sectors like automobiles, consumer durable,Logistics,Entertainment and Etc

Negative impacts of GST

- Multiple control on each and every business
- Credit will be available with GST network
- State lose autonomy to change tax rate
- Loss to manufacture states
- Impact on inflation
- Negative impact sectors like Textile,Media,Pharma and ITES etc

Issues raised in GST Implementation Process

- **Not all items are covered**
 - Certain Items which will give huge revenue and more tax benefits to our government not under taxable process like Tobacco, Petrol and Alcohol etc if these items come under GST common citizens will be more beneficial persons in our country but our government and politicians and some private sectors not accepting to apply GST on all Items.
- **Decision criteria for the tax bracket**
 - GST council will always specifying differing tax brackets for different items it may lead to lobbying and they are having lot of confusions which items comes under different tax brackets they have to get lot of consensus from expert people and citizens after that proper decisions has to implement.
- **Multiple tax rates and brackets**
 - The key aspect of GST is “**One Nation One Tax**” but it changed with multiple tax rates and brackets now higher value consumers are paying more tax
- **Confusion regarding the location of consumption**

- Under the GST Both Central and State will apply the service taxes based on the location of consumption hear lot of confusion arises actually the general principle for to determine the location of the recipient is his address on the records like telephone, land or property, transportation etc this means the service may be consumed across multiple states the tax revenue will be given to the state where the recipient is located are registered.
- **The issue of casual taxable person**
 - The person migrated from one state to another state in the span of short period of time he is getting local registration from different states

Conclusion:

Goods and Services Tax Network (GSTN) will help in eradicating black money. People, who are not reporting every financial transaction to Excise and VAT etc in the form of tax returns they will be caught easily. The people who will file their IT returns properly, they see the benefits. Ultimately with this black money generation will also decreases.

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