Vol.05 Issue-11, (November 2017) ISSN: 2321-1784
International Journal in Management and Social Science (Impact Factor- 6.178)

GOODS AND SERVICES TAX IN INDIA: A POLICY OF GREAT REFORM IN GOVERNANCE

Dr. Madan Chandra Boro
Assistant Professor, Rangia College, Rangia

Abstract

It was very much in deed of uniform tax regulation in India and finally it reflects as Goods and Services Tax from 1st July, 2017. Presently we find Goods and Services Tax into three parts i.e. State GSST, CGST, and IGST. One Nation One Tax or uniform tax process was political agenda of BJP government and in view of it, GST Council is constituted as the highest body to examine and make recommendations on issues related to GST to Central as well as State Governments. People and experts give their pros and cons views on the policy. This paper aims to clear the concept of GST, its process, institutions, gains, impact and responses of traders. The historical and observation method has been applied to analyse the report. The data used in this study are secondary. Only some primary data of local study on the responses of the trader on GST is also taken for analysing the study report. Scholarly views, debates, writings in various magazines and journals have been used to conceptual description.

Key words: GST- Concept, Features, Rates & Institutions, India, Governance and Responses.

Introduction

The GST Bill was approved by the 22nd Constitution Amendment Bill 2014 and practically come into force on July 1, 2017 to ease the governance. It has appeared as a game changer after enactment as single point tax law and thus creates a history in tax reform in Independent India. Initially there was a problem relating to GST rate and share between centre and state. For it GST council was framed Headed by Arun Jaitley, Finance Minister of Indian and all Finance Minister of states. The Lok Sabha passed the Bill on 6 May 2015 and passed on the same to Rajya Sabha for consideration. The Rajya Sabha referred the Bill to its Select Committee on 14 May 2015 and the Select Committee of Rajya Sabha submitted their report on the Bill on 22 July 2015. The Committee accepted majority of provisions of the Bill and recommended that a few changes. It got a full-fledged Bill after passing in Rajya Sabha and assent of President of India. But the reform in the slabs of GST rests with the GST council. Earlier to it, Union Finance Minister Mr. P. Chidambaram brought the idea of GST aiming to implement comprehensive indirect tax reform to boost Indian economy. He also made an announcement to make effect of GST from 1 April, 2010. But it was not brought to practice in that time.

The word tax is derived from the Latin word '*taxare*' meaning to estimate. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name." The first known system of taxation was in Ancient Egypt around 3000 BC - 2800 BC in the first dynasty of the Old Kingdom.

One Nation One Tax or uniform tax process was political agenda of BJP government. It is the urgent call of the time to make trade easy and welcome FDI in the country. It is the greatest tax reform in Independent India. It is a great exercise after demonetisation to bring force to new economic system in the age of globalization, liberalization and privatization. GST is multistage comprehensive Value Added Tax (VAT) encompassing both goods and services. GST provides major indirect tax reform in India where both Centre and State Governments will have rights to tax goods as well services at every stage of production and distribution. Introduction of Value Added Tax (VAT) at State level since April 2005 resulted in first round of cleaning up of hidden indirect taxes which facilitated expansion of tax base, better tax compliance and higher tax buoyancy for majority of Indian States. It is envisaged that the proposed GST system will further clean up the indirect tax system by reducing cascading of taxes and facilitating nation-wide market for goods and services. Among other factors, reduction of cascading of taxes and transaction costs associated with inter-State sales of goods could facilitate achieving higher economic growth by attracting investment.

Subject-matter

It is expectation of the Central Government that introduction of GST will improve India's ranking in World Bank's ease of doing business as it will remove cascading of taxes as well as transaction costs involved in distribution of goods and provide services across States. Major fiscal motives behind introduction of GST could be -a. expansion of fiscal space of the governments - the rising demands for public expenditure and given the revenue constraints, it is likely that GST could provide additional fiscal space to finance public expenditures, b. overcoming the Constitutional barriers relating to taxation by removing definitional differences between goods and services and that of manufacturing and distribution of goods, and c. achieve better fiscal prudence by aligning taxation powers to expenditure commitments or responsibilities under fiscal federalism.

Goods and Services Tax has three parts i.e. State GSST, CGST, and IGST. In these all aspects earlier tax on goods such as VAT, cess, excise duty, octroi duty, etc are subsumed in one tax. The details of previous taxes of State and Central Govt. those are subsumed under GST are presented below (Government of India, 2015):

State Taxes	Central Taxes
1. State Value Added Tax/Sales Tax 2. Entertainment Tax other than the tax levied by the local bodies, 3. Central Sales Tax levied by the Centre and collected by the States, 4. Entry tax in lieu of Octroi, 5. Purchase Tax, 6. Luxury tax, 7. Taxes on lottery, betting and gambling; and 8. State cesses and surcharges related to supply of goods and services.	1. Entertainment Tax other than the tax levied by Central Excise Duty 2. Additional Excise Duty 3. Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 4. Service Tax 5. Additional Customs Duty commonly known as Countervailing Duty 6. Special Additional Duty of Customs, and 7. Central Surcharges and Cesses related to supply of goods and services.

Objective of Study

1. To bring out in knowledge on the concept of GST;
2. To highlight the process took place to enact of GST bill;
3. To highlight the Institutions of GST in India;
4. To highlight the key features of GST;
5. To highlight the responses of people, CAs, small traders and medium traders;
6. To find out the gains of GST; and
7. To draw out some suggestions from the present study.

Method and data

The historical and observation method has been applied to analyse the report. The data used in this study are secondary. Only some primary data of local study on the responses of the trader on GST is also taken for analysing the study report. Scholarly views, debates, writings in various magazines and journals have been used to conceptual description. The primary focus is to clear the concept of digital India, its application and the impact on Indian economy with the help of some facts and figures.

Review of Literature

Indirect tax system in India has gone through several reforms in the last two decades (Rao and Rao, 2005). At the Central level, introduction of Central Value Added Tax (CENVAT) in 2000-01 and Service Tax in 1994 are the major ones. Following the recommendations of Tax Reform Committee (TRC), CENVAT was introduced in India which gradually unified tax rates on manufacturing and gave greater importance on account-based administration in addition to allowing for input tax credit against inputs and capital goods up to the manufacturing stage. However, before introduction of CENVAT, manufacturing level VAT system (Modified Value Added Tax, MODVAT) was introduced in 1986 with limited coverage and provision for input tax credit set off based on physical verification of goods (Aggarwal, 1995). In 1994, the scheme was expanded and credit of duty paid on capital goods was also brought under the scheme.

Prior to introduction of Value Added Tax (VAT) at State level, there was tax competition between States (Rao and Vaillancourt, 1994), disharmony in tax rates, number of tax schedules and exempted items. VAT introduced since 2005-06 replaces the sales tax system which encompasses sale of goods up to the retail stage. VAT is levied on intra-State sale of goods where input tax credit on inputs and capital goods is available only for intra-State purchases of these goods. VAT credits are adjusted against VAT or Central Sales Tax (CST) liabilities. Introduction of VAT could be termed as the first coordinated tax reform initiative ever carried out in India since independence and it achieved many milestones. The *first,* Empowered Committee of State Finance Ministers is formed to build a bridge across States as well as Central Government. The Committee played a crucial role to build consensus among States and Central Government to roll out VAT. *Second*, relatively harmonized tax structure, rates, tax schedules and tax base under VAT which resulted in relatively cleaner tax system for State tax administration and harmonization of rules and regulation created a favourable environment for economic activities. *Third*, introduction of pre-announced (informed) audit instead of surprise inspection of premises resulted in greater reliance on voluntary compliance by taxpayers. *Fourth*, by allowing input tax credit against inputs as well capital goods, the system facilitated the State tax administration to get familiar with processes of refunds which prepared the base for further tax reforms like GST. *Fifth*, adoption of IT intensive infrastructure empowered State tax administration to sharpen their skills in more crucial parts of tax administration e.g., scrutiny assessment, risk analysis, fraud detection. *Sixth*, by allowing ITC the system unlocked substantial working capital previously locked in as unpaid ITC and provided incentives to taxpayers for voluntary compliance. There are *four* major taxes on domestically produced goods in India. The Central Excise or CENVAT duty is a Value Added Tax (VAT) at the central level levied and collected by the Central Government on the manufacture of goods. CENVAT duty is uniform across States and due input tax credits (CENVAT Credit) are allowed against Central Excise Duty, service tax (since 2004), and Countervailing Duty (CVD) and cesses thereof levied for imported goods or inputs since the era of MODVAT.

Discussion/Analysis

Process of policy framing: Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. The process of reform of India's indirect tax regime was started in 1986 by Finance Minister V P Singh in Rajiv Gandhi’s with the introduction of the Modified Value Added Tax (MODVAT). Subsequently, Manmohan Singh, then Finance Minister under of P V Narasimha Rao, initiated early discussions on a Value Added Tax at the state level. A single common ‘Goods and Services Tax (GST)’ was proposed and given a go-ahead in 1999 during a meeting between then Prime Minister A B Vajpayee and his economic advisory panel, which included three former RBI governors I G Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by Asim Dasgupta, then finance minister of west Bengal to design a GST model. The Ravi Dasgupta committee was also tasked with putting in place the backend technology and logistics which later came to be known as the GST Network, or GSTN, in 2017 for rolling out a uniform taxation regime in the country. In 2002, the Vajpayee government formed a task force under Vijay Khelkar to recommend tax reforms. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Committee. After the fall of the BJP led NDA government in 2004, and the election of a Congress-led UPA government, the new Finance Minister P Chidambaram in February 2006 continued work on the same and proposed a GST rollout by 1 April 2010. However in 2010, with the Trinamul Congress routing CPI (M) out of power in West Bengal, Asim Dasgupta resigned as the head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done.

In 2014, the NDA government was re-elected into power, this time under the leadership of Narendra Modi. With the consequential dissolution of the 15th Lok Sabha, the GST Bill was approved by the standing committee for reintroduction as lapsed. Seven months after the formation of the Modi government, the new Finance Minister Arun Jaitley introduced the GST Bill in the Lok Sabha, where the BJP had a majority. In February 2015, Jaitley set another deadline of 1 April 2017 to implement GST. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress, demanded that the GST Bill be again sent back to the Select Committee of the Lok Sabha, due to disagreements on several statements in the Bill relating to taxation. Finally in August 2016, the Amendment Bill was passed. Over the next 15 to 20 days, 18 states ratified the GST Bill and the President Pranab Mukherjee gave his assent to it. The Goods and Services Tax was launched at midnight on 1 July 2017 by the President of India, Pranab Mukherjee, and Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight of 30 June-1 July of both the houses of parliament convened at the Central Hall of the Parliament.

The key features of GST

1. The tax is to cover on all goods and services. There is a small negative list of goods and services which are not be taxed under GST and all other supplies of goods and services would be subject to tax.

2. In GST, there will be two taxes integrated as 'one point tax' levied on each such supply - one as a part of the Central GST and the other as a part of the State GST.
3. GST is a simplification of multiple tax-layers of the country into one uniform tax slap.
4. GST has shut down the check posts, ill practice of inspectors on goods carrying van.
5. After introduction of GST imports and exports of goods and services become simple and flexible. The taxes will be in three forms CGST (centre), SGST (state), IGST (integrated). Centre will levy and collect Integrated GST (IGST) - the importing dealer can claim input tax credit for IGST paid on these goods against taxes payable on subsequent transactions.
6. It is proposed that for the standard rate there would be a band which allows the states some flexibility in fixing rates.
7. In order to protect the states from any loss of revenue in the process of reform, Central government has proposed to compensate for any loss of revenue. Another measure which has been introduced in the same spirit is a temporary levy of 1 percent on inter-state supply of goods to be collected and transferred to the exporting state. This levy is initially proposed for a period of two years, to be subsequently reviewed by the GST Council.
8. So as to put in place a mechanism which ensures the creation and sustenance of GST which is comprehensive and comparable across States, all policy decisions regarding GST are to be taken on the advice of the GST Council where the Central government is to have a 33.33 percent vote with the rest being assigned to the states.
9. GST is to be administered separately by the Central and State Tax Administrations. It is proposed that there would be common registration and common portal for filing of returns. There are no clear decisions available in the public domain on whether there would be further coordination between the two sets of tax administrations.

GST Rates: The GST is imposed at variable rates on variable items. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy. Some industries and products were exempted by the government and remain untaxed means 0% tax under GST, such as dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. 5% GST tax is levied on goods like milk product, fabric, spices, coal, lifesaving drugs, butter ghee, almonds. 12% GST tax is levied on goods like fruit juice, hair oil, toothpaste, soap, umbrella etc. 18% GST tax is levies on goods like pasta, corn, flakes, soups, printers, ice-cream, computers, toiletries etc. Final or highest state of GST is 28% and is levied on goods of consumer durables like air condition, luxury items, cigarettes, aerated drinks, luxury cars and tobacco products.

Reasons of Introducing GST: One of the main objectives of GST would be to eliminate the cascading impact of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax will significantly improve the competitiveness of original goods and services which leads to beneficial impact to the GDP growth. It is felt that the GST would serve a superior reason to achieve the objective of streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers only when all such above mentioned indirect taxes are completely included in GST. It is understood that alcohol, tobacco and petroleum products will not be enclosed by GST as alcohol and tobacco are considered as Sin Goods, and governments do not like to allow free trade on these property.

The major reasons for low fiscal performance of the Central Government are falling share of indirect tax in GDP since 1987-88 and average indirect tax buoyancy with reference to GDP is well below 1 per cent since the introduction of economic liberalization in 1991, whereas indirect tax buoyancy of States is well above the Centre since 2008-09. It is expected that under the proposed GST system, Central Government will share tax buoyancy of indirect taxes with States and vice versa. The resulting effect of this sharing could be a win-win situation for both stakeholders. Stated objectives of proposed GST reform are- a. widening the tax base by expanding the coverage of economic activities under GST and cutting down exemptions, b. achieving better tax compliance through mitigation of tax cascading, double or multiple taxation and by lowering tax burden under GST, c. improving the competitiveness of domestic industries in international market by removing hidden and embedded taxes and d. achieving common national market for goods and services by unifying the tax structure across States.

Preliminary Questions before Council in designing GST

There were number of questions came in the minds of economist and experts taking GST Bill. The present GST design suggests for dual GST where CGST and IGST is administered by the Central Board of Excise and Customs (CBEC) and the SGST will be administered by the State Commercial Tax Department of the respective State Governments. There was also a question about competent authority taking the subject, head and jurisdiction of tax collection.

1. Tax Threshold: One important question was to know whether there will be a common threshold for mandatory registration for all taxes under GST (CGST, IGST and SGST) or separate thresholds for Central and State taxes. The threshold limit for turnover above which GST would be levied will be one area which would have to be strictly looked at. First of all, the threshold limit should not be so low to bother small scale traders and service providers. It also increases the allocation of government resources for such a petty amount of revenue which may be much more costly than the amount of revenue collected. The first impact of setting higher tax threshold would naturally lead to less revenue to the government as the margin of tax base shrinks; second it may have on such small and not so evolved states which have set low threshold limit under current VAT regime. Government has made the small traders free from GST regime and covering the great trader online GST registration and filling.

2. Nature of Tax: It was a big challenge to classify tax and determine the rate of tax satisfying all. The taxes that are generally included in GST would be excise duty, countervailing duty, cess, service tax, and state level VATs among others. Interestingly, there are numerous other states and union taxes that would be still out of GST.

3. Number of Enactments of Statutes: There will two types of GST laws, one at a centre level called 'Central GST (CGST)' and the other one at the state level 'State GST (SGST)'. Now we have also the third Integrated GST (IGST). As there seems to have different tax rates for goods and services at the Central Level and at the State Level, and further division based on necessary and other property based on the need, location, geography and resources of each state.

4. Rates of Taxation: It is true that a tax rate should be devised in accordance with the state's necessity of funds. Whenever states feel that they need to raise greater revenues to fund the increased expenditure. Council had also to decide how to increase the revenue.

5. Tax Management and Infrastructure: It depends on the states and the union how they are going to make GST a simple one. Success of any tax reform policy or managerial measures depends on the inherent simplifications of the system, which leads to the high conformity. Learning from international experience, it is not expected that a faultless GST could be designed and rolled out in India as a single event, but some structural faults could easily be addressed and rectified without hampering basic spirit of the reform.

GST Institutions

GST council: The establishment of GST Council is the highest body to examine and make recommendations on issues related to GST to Central as well as State Governments. The roles and responsibilities of GST Council is constitutional power; but it is yet to be decided clearly. The Council is comprised of Union Finance Minister as Chairperson, Vice Chairperson who will be selected among the members and Finance Minster of States or taxation or any other minister as nominated by the State Government. Union Minister of State in Charge of Revenue or Finance is also another representative from the Central Government to the council as member. If there is any difference in the Council, the process of majority members present and voting is weighted to arrive at a decision. The weightage of vote of the Central Government will be one-third (33.33%) of the total votes cast and that of State Governments taken together will be two-thirds (66.67%). There was a 22-member select committee was formed to look into the proposed GST laws. State and Union Territory GST laws were passed by all the states and Union Territories of India except Jammu & Kashmir, paving the way for smooth rollout of the tax from 1 July 2017. There was to be no GST on the sale and purchase of securities. That continues to be governed by Securities Transaction Tax (STT).

GST Network (GSTN): GST is very much dependent on infrastructure available on Information Technology (IT). The achievement of SGT is very much dependent on establishing an IT system and to integrate the IT systems already prevailing across State and Central Governments. Integration of IT system will provide smooth transfers of input tax credits across States and act as tax clearing house for

Vol.05 Issue-11, (November 2017) ISSN: 2321-1784
International Journal in Management and Social Science (Impact Factor- 6.178)

inter-State transactions. The same platform could also provide seamless automatic transmission of information across governments. It is become important for simplification of the procedures and common harmonized structure for return submission could induce voluntary compliance and therefore it is expected that minimum burden on tax payers in terms of information sharing could induce them for better tax compliance. In view of it government and the Goods and Services Tax Network (GSTN) is formed non profit making non-government private limited companies. The Company has been set up primarily to provide IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the GST.

GST Process and Traders:

HSN code in GST: HSN (Harmonized System of Nomenclature) is a 6-digit code for identifying the applicable rate of GST on different products as per CGST rules. If a company has turnover up to Rs. 1.5 crore in preceding financial year then they need not to mention HSN code while supplying goods on invoices, if a company has turnover more than 1.5 crore but up to 5 crore then they need to mention 2 digit HSN code while supplying goods on invoices and if turnover cross 5 crore then they shall mention 4 digit HSN code on invoices. Traders are need to have an GST registration that can be made online and they are to fill up information of trading voucher online to get tax benefits or bonus.

Gains from GST

1. An end to cascading effects: GST appears as the major contributor for the business and commerce. It made simplified with nationwide uniform one point tax process. It also eliminated multi-layer tax rates on same goods that we had in past at different state level and centre level indirect tax levies that were compulsory one after another on the supply chain till the time of its utilization.
2. Growth of Revenue in States and Union: The introduction of GST has increased in the scope of tax base and lowered down the tax rates and also removes the multiple points. This has been leading to the country higher amount of revenue to both the states and the union.
3. Reduces transaction costs and unnecessary wastages: GST transaction with GSTN made possible for single registration and single compliance that enough for both SGST and CGST.
4. One Point Single Tax: Another feature that GST must hold is it should be 'one point single taxation'. This also gives a lot of comforts and confidence to business community that they would focus on business rather than worrying about other taxation that may crop at later stage. It is helping the business community to decide their supply chain, pricing modalities and in the long run helps the consumers being goods competitive as price will no longer be the function of tax components but function of sheer business intelligence and innovation.
5. Reduces average tax burdens: Under GST mechanism, the cost of tax that consumers have to bear becomes certain and transparent, and GST would reduce the average tax burdens on the consumers.

6. Reduces the corruption: It is one of the major problems that India is overwhelmed with different types of corruption. GST will save the country from tax terrorism and commercial corruption. Transparency and online registration and filling of return will develop the traders be noble and law abiding.

Impact of GST

P M of India, Narendra Modi said GST will eliminate the compounding effect of the current multi-layer tax system as well as the cross-state tax heterogeneity. He also said, there were 500 types of taxes that play their role and it was very difficult for remembering by traders and chartered accountants. It may be due to fear and anxiety of traders or probably political influence a sporadic bandhs and protest were seen during the period of drafting the GST bill and earliest period of implementation. Congress as an opposition party tries to call it '*tamasa*' menas gimmick but not hailed by the people. After two months of its implementation and re-simplification of GST by GST council, people are favouring the policy and hails with a great heart.

1. It is the greatest tax reform in the Independent India expanding horizon of tax payers to augment revenues. It was aimed to benefit small and medium trader along with consumer. Finance Minister of India, Arun Jaitley said that the rules for small businesses and exporters would be eased under the Goods and Services Tax (GST) It is a move to provide relief to thousands of small firms. Small businesses would be allowed to file tax returns once a quarter instead of monthly returns.
2. All check posts across the country were abolished ensuring free and fast movement of goods.
3. Transportation period is reduced by 35%. Thus it has saved the time, energy and economy.
4. The atrocity of police and excise inspectors has come to end.
5. The cost of transportation and expenses at road reduced remarkably
6. The different types of multi layer taxes are simplified by simple one point tax system.
7. It has made the CAs and tax payer around the country to understand and remembers the uniform tax rate.

Responses on GST

A local studies on small and medium size trader's at Rangia market in the district of Kamrup, Assam response on implementation of the Goods and Services Tax (GST) after one month of its effect in India was found as-

Opinion	Percent of Responses (%)	Number of Respondent
Strongly Agree	30 %	15
Agree	40%	20
Neither Agree nor Disagree	14%	07
Disagree	10%	05
Strongly Disagree	06%	03
Total	**100%**	**50**

The study revealed that the share of response of traders on the disagree and strongly disagree is 16% and it may due to less focus with GST process and experience, but 14% responses signifies as waiting for the situation and clarification on new GST, and the rate of agree and strongly agree are 70% out of which 30% traders showed great welcome. Study concludes with traders satisfied with great tax reform and satisfied with the GST policy.

Suggestions

It is come to light in the debates of Rajya Sabha that GST dispute settlement authority and GST fund is necessity to settle the tax related conflict between centre and state.

GST Dispute Settlement Authority: There is a need for a GST Dispute Settlement Authority. Under the 115th Constitution of India Amendment Bill (2011) Rajya Sabha 'proposed to set up Goods & Services Tax Dispute Settlement Authority' under Article 279B of the constitution, which may be approached by the affected the Centre or the States. It is expected that Centre or State government by seeking redressal for any loss caused by any action due to a deviation from the recommendations made by the Goods & Services Tax Council or for adversely affecting the harmonious structure and implementation of the GST may settled under GST Dispute Settlement Authority. Presently, we find that GST council is deciding the matters.

GST Fund: It is envisaged that the establishment of such a fund will only build the credibility of the Central Government and regain the trust of the States where their past experience of getting compensation for loss of revenue in VAT implementation or phase out of CST resulted in trust deficit. On the basis of past experience of the States, timely payment of compensation in every financial year is a vital issue which is highlighted before and by the Rajya Sabha Select Committee.

At last, Centre and State government should review the process of GST registration, online tax filling and other grievances of tax payers from time to time.

GST is till need to be levied on some items on alcohol, petroleum and petroleum products. The Central Government proposes the state government to agree to levy GST on such products. People of middle class economic group in India are still expecting the introduction of GST on alcohol, petrol, diesel, and petroleum products.

Conclusion

The introduction of GST at the Central level will not only include comprehensively more indirect Central taxes and integrate goods and service taxes for the purpose of set-off relief, but may also lead to revenue gain for the Centre through widening of the dealer base by capturing value addition in the distributive trade and increased compliance. In the GST, both the cascading effects of CENVAT and service tax are removed with set-off, and a constant chain of set-off from the original producer's point and service provider's point up to the retailer's level is established which reduces the burden of all cascading effects.

Reform in tax administration is as important as tax policy for mobilization of revenue, given the present state of diversities in tax administration across governments, it is expected that tax administration reforms will be taken up sooner than later to enable tax officials to administer the GST efficiently. By moving towards GST, it would be difficult for individual States to deviate from harmonized structure of GST and it will further enhance the importance of tax administration to achieve revenue objectives of the State Governments. The present state of investment in tax administration is miniscule. Large scale vacancies in tax departments, limited availability of infrastructure are major constraints which influence tax efficiency. A large section of tax officials are engaged in carrying out routine works, there is hardly any scope for skill development and specialization in tax administration. Modernization of tax administrations by investing in manpower and infrastructure along with continuous research and training could inculcate the desires for specialization in various aspects of tax administration

References

Aggarwal, P.K.1995. "Incidence of Major Indirect Taxes in India", NIPFP, New Delhi.

Government of India. 2015. "Report of the Select Committee on the Constitution (One Hundred & Twenty-Second amendment) Bill, 2014", Presented to the Rajya Sabha on 22July 2015, Rajya Sabha,Parliament of India, Government of India, New Delhi.

Keen, M. 2013. "The Anatomy of the VAT". No. WP/13/111. IMF Working Paper, International Monetary Fund (IMF), Washington, D.C.

Mukherjee, S. and R. Kavita Rao, 2015a. "Policy options for including petroleum, natural gas and electricity in the Goods and Services Tax". *Economic and Political Weekly*. 50(9): 98-107.

Rao, R. Kavita and P. Chakraborty. 2013. "Revenue Implications of GST and Estimation of revenue neutral rate: A State-wise Analysis", report Submitted to the Empowered Committee of State Finance Ministers, New Delhi.

****