GST—RESTRUCTURING INDIA'S FINANCIAL FEDERALISM

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ABSTRACT

The midnight of 30 June 2017 saw history in the making of a law that has echoed in the world as the trumpet of Indian political maturity and cohesion. A historic and paradigm shift occurred as India moved towards 'One Nation, One Tax, One Market. The One Hundred and First Amendment of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, proposed a nationwide Goods and Services Tax (GST) to be applied in India from 1 July 2017. It is a comprehensive tax regime covering in its ambit activities related to manufacturing, sales and consumption of goods and services at a nationwide platform. GST seeks to align the Indian Taxation System with the global standard and norms particularly with Europe and USA, its major trading concerns. The global experience has shown that implementation of GST result in numerous benefits for all stakeholders including consumers, trade and industry, manufacturers and government etc. Thus, the Finance Ministry has mainly focused on SMART governance with key attributes being smart, moral, accountable, responsive and transparent in the GST regime. We need to understand this regime properly which is going to bring a major change in our taxation system because this new taxation regime subsumes 17 various central and state taxes and 22 types of cess into one single tax, thereby eliminating the complexity of multiple taxes, cascading of taxes and thus achieving significant simplification in indirect taxation. Highlighting its impact, effective implementation of GST would surely result in easier tax compliance, reduced restriction, enhancing exports positively, facilitating ease of doing business for MSMEs as well as startups and many more, thereby expected to raise India's GDP by 1 to 1.8 percent.

So, in this direction the paper focuses on understanding the need for this new tax regime- Goods and Service Tax (GST) for developing country like India. It also gives a brief description of the historical scenario of Indian Taxation and its structure. Also, the paper examines the mixed bag of opportunities which this new taxation system holds for the nation in general and SMEs or startups in particular. In the end, the study attempts to provide a broad contour of the proposed GST regime by highlighting the major challenges on the implementation part.

Keywords: GST, Taxation, Indian Economy, Single Tax, Manufacture and Sales etc.

INTRODUCTION

What is GST? Based on who pays and how it is collected, taxes are divided into two categories- Direct Tax and Indirect Tax. Generally, levied on Income, Profit or wealth, some examples of direct taxes are Income Tax, Corporation Tax, Wealth Tax and Property Tax. In contrast, Indirect taxes are levied on the transactions of goods or services and can be borne either by the seller or by the buyer. However, the sellers can and in most cases do, pass it on to the buyers. Some examples of indirect taxes are--custom duty on foreign import of goods, service tax on the service provided by a commercial entity, excise duty on the manufacturing of goods, sales tax on goods being sold and so on. Goods and Services Tax (GST) is an indirect tax which will replace almost all other indirect taxes levied by central and state governments, thereby converting the country into a unified market. Thus, it is a destination- based single tax on the supply of goods and services that seeks to replace 17 indirect taxes and 23 cesses of the Centre and states, eliminating the need for filling multiple returns and assessments and rationalizing the tax treatment of goods and services along the supply chain from the manufacturer to the consumer.

INDIRECT TAXES SUBSUMED BY GST

SN	Central Government	State Government
1	Central Excise Duty	State VAT
2	Duties of Excise (Medicinal and Toilet Preparation)	Central Sales Tax
3	Additional Duties of Excise (Goods of Special Importance)	Luxury Tax
4	Additional Duties of Excise (Textiles and Textiles Products)	Entry Tax (all forms)
5	Additional Duties of Customs (CVD)	Entertainment and Amusement tax (except when levied by local bodies)
6	Special Additional Duty of Customs (SAD)	Taxes on Advertisements
7	Service Tax	Purchase Tax
8	Central Surcharges and Cesses so far as they relate to supply of goods and services	Taxes on Lotteries, betting and gambling
9		State surcharges and Cesses so far as they relate to supply of goods and services

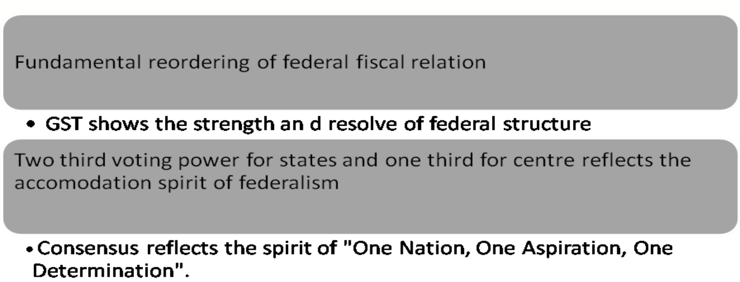
Source: CBEC

Under GST, it is expected that harmonization of indirect tax structure (tax rates and tax base across States), concurrent taxation power of Centre and States on consumption of goods and services and joint monitoring of same taxpayers would result in better tax compliance, minimum leakages of revenue and better tax coordination between Central and State tax administration. Among other factors, reduction of cascading of taxes and transaction cost associated with inter-state sales of goods could facilitate achieving higher economic growth by attracting investment. 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:

- Expansion of fiscal space of the government- 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.
- Overcoming the constitutional barriers relating to taxation by removing definitional differences between goods and services and that of manufacturing and distribution of goods.
- Achieve better fiscal prudence by aligning taxation powers to expenditure commitments/responsibilities under fiscal federalism.

Therefore, the introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India.

GST- BALANCING FISCAL FEDERALISM



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 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.

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.

According to Shandlya, (2013) there have been criticisms as well as appraisals for the proposed Goods and Services Tax regime. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level. The new tax will be a significant breakthrough and the next step towards a comprehensive indirect tax reform in the country. A single rate would help maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special'goods and/or services. This will reduce litigation on classification issues instead of classifying the rates as CGST and SGST. 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 guide 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.

Kumar (2014)studied "Goods and Service Tax in India-A way forward"and found that GST will be levied on all the goods and services except those exempted, dual model of GST will be there, which will include Central GST (CGST) collected by Center and State GST (SGST) collected by State. Central tax such as Central excise tax, additional excise duty, service tax, surcharges, countervailing duty, special additional duty of customs and state tax such as VAT/Sales tax, entertainment tax, luxury tax, taxes on lottery, betting and gambling, state cesses and entry tax not in lieu of Octroi to be subsumed. GST will not be charged on exports, it will only be charged on imports and Input Tax Credit will be available on the GST paid on import on goods and services. Some advantages of GST are higher revenue efficiency, easy compliance, and reduction of prices, improved competitiveness and better control on leakage.

Garg (2014) studied "Basic Concepts and Features of Good and Service Tax in India" and found that 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 challenges faced for the implementation of GST bill are with respect to tax threshold, nature of taxes, number of enactments of statutes, rates of taxation and tax management and infrastructure whereas the opportunities are – end to cascading effect, growth of revenue in States and Union, reduces transaction costs and unnecessary wastages, one point single tax, avoids the multiplicity of taxes, reduces average tax burden and reduces corruption. 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.

Raj Kumar (2016) did research work on comparison of GST law with existing indirect tax laws. In this paper author has described the impact of GST on employment and other sectors after making a brief comparison of GST framework and current taxation system.

Banerjee and Banerjee (2016) conducted a study on prospects and challenges of GST implementation in India. They came with the conclusion that GST compliance would require reassessing of systems by business for tracking and capturing information and added that many of the concepts and practices existed today would fade away.

OBJECTIVES OF THE STUDY

The paper aims to:

- Study the need of GST bill for the Indian economy.
- Compare the existing tax regime with new GST Bill scheme and the transformation in revenue collection.
- Examine the mixed bag of opportunities for small and medium enterprises especially startups on the implementation of GST Bill.
- To provide a broad contour of the proposed GST regime by highlighting the major challenges.

METHODOLOGY

In this current study all information and data is collected with the help of secondary sources like research papers, books, reports, magazines participation etc. These are the methods concentrated on the topic GST. After the detail study, information has been analysed and based on that, conclusion has been framed.

GST- HISTORICAL PERSPECTIVE

Taxation policy of approximately 160 countries around the globe is presently based on the GST mode and France became the first country in the year 1954 to introduce GST into their economic and financial structure. Considering the numerous benefits that GST brings into the economy the introduction of GST has been on the political cards of the country for quite some time. The journey for the introduction of GST in India has been long and is a culmination of the efforts of many political leaders, economic thinkers and officers of the centre and state governments. Let's take a look at the history and see how GST came into being.

In the year 2000, the idea of GST was first mooted by the Vajpayee Government by setting up an empowered committee. This committee was headed by the then West Bengal Finance Minister Shri Asim Das Gupta and was assigned the task of designing the GST model and administer the IT back-end preparedness for its effective implementation. At that time, GST regime considered to be a drastic improvement over the prevailing central excise duty at the national level and the sales tax system at the state level. The Kelkar Task Force on implementation of the FRBM Act 2003 had pointed out that although the indirect tax policy in India has been steadily progressing in the direction of VAT principle since 1986, the prevailing taxation system of goods and services suffers from many problems and had suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.

The Budget speech for the financial year 2006-07 by the then Finance Minister P. Chidambram again raised the issue of introducing a proposal for national level Goods and Services (GST) by April 1, 2010. Since, the proposal required restructuring of not only indirect taxes which were levied and collected by the Center Govt., but also the states, the responsible task of preparing a design and roadmap for the performance of GST was assigned to the Empowered Committee of State Finance Ministers (EC).

In April 2008, the Empowered Committee submitted a report titled, "A Model and Roadmap for Goods and Services Tax (GST) in India" streamlining broad recommendation about the structure and design of GST. In response to the report the Department of Revenue made some suggestions to be integrated in the design and structure of the planned GST bill.

Based on the joint efforts and inputs from centre as well as states, the EC released its First Discussion paper (FDP) on GST in India on the 10th of Nov 2009 with the objective of encouraging a debate and obtaining various suggestions from all stakeholders especially those who are most affected. As a resultant, a dual GST model was proposed by EC and the same was accepted by centre. Under this model, GST have two components viz. the central GST to be levied and collected by centre and the state GST to be levied and collected by the respective states. In order to take the GST related work further, Joint Working Group of officials having representatives of the states as well as centre was set up to examine various aspects related to GST. This was further trifurcated into three sub-working groups to work separately on draft legislations required for GST, process/forms to be followed in GST regime and IT infrastructure development needed for smooth functioning of proposed GST. In addition to this, an Empowered Group for development of IT system required for Goods and Services Tax regime has been set up under the chairmanship of Dr. Nandan Nilekani. A draft of the Constitutional Amendment Bill has been prepared and has been sent to the EC for obtaining views of the States. Since then, detailed deliberations and negotiations were held with the Empowered Committee of State Finance Ministers (EC) on the topic. The 115th Constitutional (Ammendment) Bill, 2011, for the introduction of GST was first introduced in the Lok Sabha in March 2011. The Bill was referred to a Parliamentary Standing Committee (PSC) which submitted its report in August 2013. The Bill however lapsed with the dissolution of the 15th Lok sabha.

Finally, The Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 was passed by Lok Sabha on 6th May, 2015. The said Bill moved by the Minister of Finance, Corporate Affair and Information and Broadcasting was referred to the Select Committee for examination and the Committee submitted its Report on the last day of the first week of the Monsoon Session. But nothing materialized in the monsoon session and the discussion on GST move forward to winter session of house. Again, in the next winter session, there was lot of discussions and concerns with the present structure of the bill. The bill again got stuck in the upper house of the parliament, which was targeted by the government to be roll-out from 1 April 2016. The Constitutional (One Hundred Twenty Second Amendment) Act 2016, proposed GST to be applicable in India from April 1, 2017 ("Final GST rates out, slabs fixed at 5%, 12%, 18%, &28%"). The GST council has approved state GST (SGST) and the union territory GST (UGST) bills. These bills will have to be passed by the Parliament and State Assembly. Initially, the GST Council proposed GST to be implemented from April 1, 2017 but later on, the date shifted to July 1, 2017.

SALIENT FEATURES OF GST REGIME

In order to understand GST it would be better if the key features of GST model in India are detailed out which are as follows:

- Dual GST: Both Centre and Sates will concurrently levy GST across the value chain. Tax will be imposed on every supply of goods and services. Centre would levy and gather Central Goods and Services Tax (CGST), and States would charge and collect the State Goods and Services Tax (SGST) on all dealings within a State. The input tax credit of CGST would be accessible for discharging the CGST responsibility on the output at each stage. Similarly, the credit of SGST paid on inputs would be permitted for paying the SGST on output. No cross utilization of credit would be permitted.
- Inter-State Transactions and IGST Mechanism: The Centre would charge and collect the Integrated Goods and Services Tax (IGST) on all inter-state supply of goods and services. The IGST instrument has been designed to ensure faultless flow of input tax credit from one state to another. The inter-state sellers would pay IGST on the sale of their merchandise to the Central Government after adjusting credit of IGST, CGST and SGST on their purchase (in that order). The exporting State will relocate to the Centre the credit of SGST used in compensation of IGST. The importing dealers will maintain credit of IGST while discharging their output tax liability (both CSGT and SGST) in their own States. The Centre will move the credit of IGST used in for the payment of SGST to the importing State.
- Destination- Based Consumption Tax: GST will be a destination-based tax. This implies that all SGST collected will ordinarily go to the State where the customer of all the goods or services sold resides.
- GSTN: A not-for-profit, Non-Government Company called Goods and Services Tax Network (GSTN), jointly set up by the Central and State Governments will

provide shared IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders.

- GST Compensation: Due to a shift from origin based to destination based indirect tax structure, some states might face drop in revenue in the initial years. To help the States in this transitional phase, the Centre has committed to compensate all their losses for a period of 5 years.
- Goods and Services under exception: All goods and services, except alcoholic liquor for human consumption, will be brought under the purview of GST:

1. Petroleum and its products have been constitutionally included as "goods" under GST. However, it has also been provided that petroleum and petroleum products shall not be subject to the levy of GST on the recommendation of the GST council.
2. Taxes on tobacco and tobacco products imposed by the Centre shall continue to be levied over and above GST.
3. In case of alcoholic liquor for human consumption, States would continue to levy the taxes presently being levied, i.e., State excise duty and State tax/VAT.

RATIONALE BEHIND OPTING GST

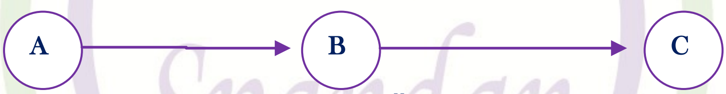
- At present, the Constitution empowers the Central Government to levy excise duty on manufacturing and service tax on the supply of services. Further, it empowers the State Governments to levy sales tax or value added tax (VAT) on the sale of goods. This exclusive division of fiscal powers has led to a multiplicity of indirect taxes in the country. In addition, central sales tax (CST) is levied on inter-state sale of goods by the Central Government, but collected and retained by the exporting States. Further, many States levy an entry tax on the entry of goods in local areas.
- This 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. Secondly, there is cascading of taxes due to "tax on tax". No credit of excise duty and service tax paid at the stage of manufacture is available to the traders while paying the State level sales tax or VAT, and vice-versa. Further, the credit of State taxes paid in one State can be availed in other states. Hence, the price of goods and services get artificially inflated to the extent of this "tax on tax".
- The introduction of GST would mark a clear departure from the scheme of distribution of fiscal powers envisaged in the Constitution. The proposed dual GST envisages taxation of the same taxable event, that is, supply of goods and services, simultaneously by both the Centre and the States. Therefore, both Centre and States will be empowered to levy GST across the value chain from the stage of manufacture to the consumption. The credit of GST paid on inputs at every stage of value from the stage of manufacture to the consumption. The credit of GST paid on inputs at every stage of value totaling would be available for the discharge of GST accountability on the output, thereby ensuring GST is charged only on the part of value addition at each stage. This would guarantee that there is no "tax on tax" in the country.
- GST will simplify and match the indirect tax regime in the country. It is expected to reduce the cost of manufacture and price increases in the economy, thereby making the Indian trade and industry more aggressive, domestically as well as internationally. It is also expected that preamble of GST will promote a common or faultless Indian market and contribute considerably to the growth of the economy.
- Further, GST will broaden the tax base, and result in better tax fulfillment due to a robust IT infrastructure. Due to the faultless shift of input tax credit from one stage to another in the chain of value addition, there is an inherent mechanism in the design of GST that would incentivize tax fulfillment by traders.

WORKING DIFFERENCE BETWEEN GST AND PREVIOUS TAX REGIME

Before a particular good/service is finally bought by a customer for his/her personal use, it passes through a number of stages in the production and supply-chain, such that it used to attract one or more indirect taxes at different stages, some levied by the Central government and others by respective State governments. For example- A TV set manufactured in India had to pay excise duty when leaving the factory. If it had used some imported components then custom duties on those items had to be paid, in the next leg of its journey from the manufacturer to the wholesaler there were sales taxes and finally from the wholesaler to the retailer there could have been VAT. The situation was more complex when goods moved between the states as not only did they attract a Central sales tax, also the rate for it varied across the states, for example- before GST, Value added tax (VAT) was 12.5% in Maharashtra while same tax in Gujarat was 15%. Many a times, taxes were also levied to promote or de-incentivize certain products/services, like Luxury taxes or Sin tax. This multiplicity of taxes and complex incidence on multiple stages created two problems- firstly; it made tax compliance harder for tax payers and also provided opportunities for tax evasion. Secondly, since each new tax was applied on the selling price that also includes tax paid in the previous stage, it basically meant a tax on the amount of tax paid at the previous stage, a phenomenon known as the cascading effect of taxes.

In the illustration given below, A is a wholesaler, B is a retailer and C is a consumer. When C pays 20 percent tax on the price of Rs. 130, which includes the taxes paid by B when buying from A; C effectively not only pays the tax on the actual cost of the good (Rs. 100 + Rs 20), but he/she also pays tax on the tax paid by B (Rs. 10 and 20 percent on Rs. 10). Such tax on tax incidences ultimately increases the final price paid by the consumer.

Profit= Rs. 20



Selling Price= Rs. 100 Input Cost= Rs.110 Selling Price=Rs.130 Buying Price= Rs.156

Tax @ 10% = Rs. 10 Tax@ 20%= Rs.26

Under the new GST regime, a particular good/service will attract only one tax rate, and it will be able to avail the benefits of a scheme known as Input Tax Credit. To elaborate from the previous picture- when B buys input worth Rs. 110, it includes tax payments of Rs. 10. When A deposits this amount with the government along with the details of buyer (B in this case); B will receive a "Tax Input Credit" of Rs. 10. When B sells that good finally to C at price Rs. 130, the amount of tax that B needs to deposit with government is Rs. 13 (uniform GST at 10 percent now). However, since B already has a tax credit of Rs. 10, it will need to pay only Rs. 3 extra. Thus, while GST makes indirect tax simpler and uniform across states, the ITC mechanism reduces the total tax incidence and hence overall cost for business.

IMPACT OF GST ON SMALL & MEDIUM ENTREPRENEURS AND TRADERS

Many entrepreneurs across India were eagerly waiting for the announcements about GST during the annual budget. The VAT tax structure is largely considered to be unfair leaving companies and small business owners at the mercy of strict adherence to official formalities and under a constant threat. The present VAT system has made competition unfair as it forces the manufacturers to charge different prices for the same goods across states due to different tax rates. GST will put in place state-of-art tax system replacing the current VAT system allowing companies to grow evenly while helping the government to fill in leakages and loopholes.

Under the proposed GST structure, every company gets a deduction on the taxes already paid by its suppliers. In other words, it is the tax paid on the value addition or the transaction costs incurred in the supply chain. That results in every buyer ensuring that his supplier has paid his part to claim his deductions.

GST would be one of the most significant fiscal reforms of independent India. GST will result in major rationalization and simplification of the consumption tax structure at both Centre and State levels.

The final GST base and rate will result in a significant redistribution of tax across different goods and services. Goods currently subject to both Centre and State taxes should experience a net reduction in tax, with a positive impact on consumer demand.

Simplifying the present system by lowering the rates will reduce the cost of doing business, giving way for a fundamental restructuring of the supply chains. It will affect how the companies operate their business, presenting significant opportunities for long-term revenue and margin improvement.

For instance, under the current tax structure, supply chains are designed to minimize the burden of the Central Sales Tax, with distribution centers located in individual States where the consumers are located. This restricts the firms to take up inter-state trade. They have low optimal level from a strategic and economic perspective. The elimination of the central sales tax will provide an opportunity to optimize supply chains, enabling companies to re-evaluate existing acquirement patterns, and distribution and warehousing arrangements.

MERITS FOR MANUFACTURERS AND TRADERS

- Development of Common National Market
- Abolition of multiple layer of taxes
- Improves Ease of Doing Business
- Enhancing Export Competitiveness
- Support Make in India programme
- Distinction between goods and services will be abolished
- Invoicing will become simple
- Common exemptions between Centre and states
- Increase in Voluntary Compliance
- Classification difficulties will be met
- Problem of identification is solved

CHALLENGES AHEAD

Goods and Services Tax has been called a “Potential Game Changer” for its far-reaching impact on businesses, manufacturers, traders and service providers across the country have been placed under one unified tax umbrella and no longer need to work with distinct type of taxes previously been complied with.

This is the single biggest tax reform undertaken by the Government in 70 years of independence coining the concept of “One Nation, One Market, One tax”. However, every new legislation brings with it certain teething problems.

Some of the challenges being faced are:

IT PREPAREDNESS AND INFRASTRUCTURE

GST is an IT driven law and it cannot be assured whether all the States and Union Territories in India are currently equipped with infrastructure and requisite manpower to embrace this law. Except few States like Karnataka, Maharashtra and Gujarat, who have pioneered the E-Governance model, we have not heard about this trend in other States and Union Territories. In some States, even today only manual VAT returns are in vogue. They also need to be taken on board.

OFFICERS TRAINING

In any new law, the old law as well as the new thought process of trust needs to be imbibed. The unlearning of the old law and learning GST provisions is imperative. All central and state government officers whether in VAT, service tax, excise or customs would have to learn the GST provisions and possible implications viz. a viz present gamut of taxes. Further, GST law heavily banks on Information Technology and hence proper training has to be given to the departmental officers for effective usage and implementation.

NEW REGISTRANTS

GST is expected to bring within its fold many new registrants, who have been hitherto kept outside the purview of tax mainly due to exemptions and also since the taxable event is wider in scope in GST. Transition of existing registered assesses and registration of new assesses and resolving of migration issues is a big challenge.

TRANSITIONAL ISSUES

There are many areas, which have to be addressed as part of transition to GST. There are concerns about registration, carry forward of credits and taking new credits, pending refunds/rebate claims, review of contracts, change in taxable event for incomplete transactions, pending assessments, job work transactions, treatment of stock in hand, filling of returns etc. the need for smooth transition is imperative for success of GST.

PENDING CASES/PAST DISPUTES:

There are many disputes pending in the context of present indirect tax laws (both Centre and State), which are at various stages viz., adjudication or appellate level. The adjudicating /appellate authorities, Courts and Tribunal are burdened with the pending cases. With GST now implemented, the Government should find ways and means to resolve these disputes. A possibility of introducing a dispute settlement scheme on the lines of *Kar Vivad Samadhan* Scheme needs to be explored, which would enable the litigants to resolve pending matters under earlier laws. If the past disputes are allowed to continue then the adjudicating/appellate authorities and Court/Tribunals would be pre-occupied with old cases and would not have time to resolve any issue/disputes cropping up under GST law.

TAX ADMINISTRATION (ALIGNMENT/MERGER)

With GST structure in place both the Centre and State level officers are expected to work under one roof and in tandem by giving up their differences and non-alignment in the old regime. Cadre differences may arise, as presently in Central Excise and Service Tax, the departments are headed by Officers of the Indian Revenue Service, whereas in the State Commercial Departments, the Commissioners is from Indian Administration Service (IAS) and his subordinates would be from State Administration Service. In Central Excise and Service Tax there are posts like Principal Chief and Chief Commissioner or Commissioner etc. How these differences would be addressed in the GST regime remains to be seen.

SUGGESTIONS AND CONCLUSION

Currently, the tax system in India is quite complicated due to the multi-layered system of the government, with both Central and State governments having the power to impose taxes. The success of the proposed GST system in terms of compliance and revenue mobilization will largely depend on- I. Provision of incentives for tax invoice based transactions and II. simplification of tax administration. A large part of transactions remain outside the tax net. Prevailing system of without-invoice transactions results in generation of unaccounted income as it escapes tax nets of both direct and indirect taxes. So, simplifying the tax structure and bringing in GST will usher in a new era of growth and prosperity. In spite of all the above challenges and myriad problems discussed above, GST ushers a transparency to measure taxes levied on a product, bringing an end to the host of hidden and embedded taxes that were been paid so far. GST is expected to facilitate free flow of goods and services across the country and therefore, expected to add to India's GDP by 1 to 1.8 percent. Further, reduction in multiplicity of taxes will lead to confidence building of foreign investors thus giving boost to Foreign Direct Investments in the country. Therefore, now in the present scenario, we should think of development and growth in terms of timely reforms, to stand out stoutly at the global platform.

Reforms do not end here but the much needed first step has been undertaken successfully. With more reforms to follow we do expect that development of Indian economy will reach new heights.

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