

A Study On View Point Of Chartered Accountants On Gst

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Abstract:

Indirect taxes are levied upon goods and services by the central and state governments in India. GST aims to consolidate the entire gamut of these taxes under a seamless Input Tax Credit (ITC - on goods as well as services). By doing so, VAT for the sake of excise duty, special additional duty, and service tax will be canceled. Further, some of these would be included in the GST. With this in mind, GST shall be divided into three categories: central taxes, such as CGST (Central GST), SGST (State GST), and IGST (Integrated GST). Herein, excise duty shall be clubbed with CGST. VAT shall go in the category of state tax, viz. SGST. The foundational core strength of any economy is its financial services industry (including special financial institutions or SFIs, such as banks and NBFCs). Being the economy drivers, these SFIs contribute approximately 6% to the indirect taxes. The implementation and adoption of GST offers a myriad of challenges and avenues for the Indian economy and the industries. This study has been emphasized on to study the view point of chartered accountants on GST.

Keywords: GST, VAT, Goods & Services, CGST, SGST, IGST

I. INTRODUCTION

GST, acting as a dual-tax, would comprise both CGST and SGST for all transactions. In the case of interstate trade (exports), full SGST (plus the CGST) would be levied under the (IGST). Importers would pay to the exporters the IGST which the latter would pay to the Centre. The IGST will be collected by the Centre following which the credit of the same will be given to the destination state. Following this, upon having received the credit of IGST from the centre, the destination state shall give a green signal for SGST credit to the importers (viz., for reverse charge credit, etc.). Therefore, IGST mechanism wouldn't be raising any revenue, as such. It would only monitor and maintain an account of the interstate trade via a mechanized reporting and corroboration process.

Easier said than done, though. Many IT and administrative challenges are posing. An option to consider in such a situation is similar to importing from outside the country. On importing from outside the state's territory, the importer attracts the liability of paying SGST under reverse charge and also avails on it the ITC. Still, though, a consensus on the adoptable mechanism for interstate transaction taxes and their ITC isn't established.

Coupled with the states' resistance to the regime of GST (as it has the potential of eroding state's revenues) is preventing the proposed GST. Moreover, the Constitution Amendment Bill also is pending for passing. If it gets passed, then the proposed objective of consolidating all taxes under GST's umbrella, plus permitting states to tax subjects also in the Union List and vice-versa could materialize in reality. In the absence of these powers, legally it'll not be possible to transition to GST.

Yet another model for GST collection in the case of interstate transactions is the Compensating VAT (CVAT). C-VAT, when referring to interstate trade (zero-rated under state VATs), attracts an export tax which gets administered by a central agency. Such a central agency tends to use the revenue to finance an equivalent tax-rebate on imports.

CGST/SGST/IGST - A clearly articulated law on the taxes forming the parts of CGST, SGST, and IGST is required. Also, the ITC rules must be crystal clear for all of these taxes. The order for setting-off every type of these taxes in relation to the output, the procedure of claiming refund of excess ITC, the necessary compliances, etc. The mechanism that would decide the state where the IGST would be paid, compliance would be done, etc. require utmost clarity. The manner of credit mechanism for IGST needs to be clear.

INDIRECT TAXES IN INDIA - A BRIEF HISTORY

Taxes are bifurcated into two broad categories: direct tax and indirect tax. Direct taxes are applicable on individuals' or institutions' income. It's also applicable on the direct earnings earned by the person / institution, tax on which are paid to the government. **Payment is made from.** Institutions or individuals pay from their income the applicable taxes to the government as determined per the legal provisions. Income-tax slab rates have a progressive nature. This makes them rise with the rise in their income. That's why direct taxes are called progressive (since they rise with the income growth - being directly proportional to the income. But, as far as indirect taxes are concerned, they fall under the purview of the prices of goods and services (viz. excise, customs-duty, service tax, etc.). In indirect taxes, the vendor / goods' or services' provider is availed from the final consumer.

Paid goods / services and government. So, while the tax is charged by the consumer, it is still paid to the government by the goods' seller or the services' provider.. So, tax is an indirect-tax (one is paid by another). These taxes are made a part of the product's cost, even though income level payment is paid by all. Therefore, indirect taxes generally carry a retrograde nature.

Multiple types of indirect taxes exist: excise duty, customs, central sales tax, value added tax, luxury tax, entertainment tax, service tax, etc.

Traditionally, only on goods in India the indirect taxes were levied. A number of indirect taxes were also operational in India. **The main people impose customs duty on the sale of goods, excise duty on excise duties and sales taxes, which later became value added tax or VAT.** Therefore, tangible goods were indirectly put under the purview. The availability of input tax credit or ITC didn't exist; whereas now, it, and the excise tax liability, i.e., in the form of Cenvat Credit on the construction of the goods, have been discontinued. So, owing to the tax imposed on the tax, the goods' cost in the sale was high.

Central Sales Tax (CST) is charged for inter-state goods' movement. CST is payable for the state upon start of the transaction (the buyer of the goods in the state pays for this destination). Whereas in the IGST model (proposed in GST), IGST is payable for the destination state and not the origin state.

INTRODUCTION OF VAT- 2005

In April 2005, on the parallel side, VAT replaced sales-tax. However, all of the states didn't accept VAT simultaneously; this led to ground-level issues. Approximately, eight states in the starting phase stood out of the VAT net, continuing with sales tax. The other states adopted the common or standard VAT rates all throughout India.

Also, the ITC was then included in VAT, leading to a bit of a decrease in final prices. Though, as the concept of ITC became adopted, the compliances also got better all by themselves. The reason was that if a registered dealer wanted to avail VAT credit paid on his purchases, he was required to have a valid invoice from a registered dealer. Therefore, registered dealers began opting for buying goods from VAT compliant dealers as against from the unregistered market.

Therefore, ITC of service tax and excise duty was available against excise duty or service tax output. ITC of VAT was made available against VAT output. CST paid became a cost (one that could not be set-off).

OBJECTIVES OF THE STUDY

1. To understand the GST through practicing Chartered Accountants/Cost Accountant/ Company Secretaries.
2. To examine the implication of GST in the industries

II. LITERATURE REVIEW

Benedict (2011) examines the legal provisions pertaining to financial services under the Australian GST law. The intention is to check, if the provisions are interpreted in the right manner with reference to the objectives of the legislation. The associated aim is to explore ways of rectifying the identified concerns.

Bhat (2014) discusses e-governance of India's VAT system w.r.t. Kerala and Goa. The system of sales tax in India was highly complicated till 2005. In 2005, a number of states, viz. such as Kerala and Goa, adopted the VAT as against Sales Tax. Availability of ITC on purchased goods was the major benefit of VAT.

Ahmad (2009) has suggested that the proposed GST should be introduced in India, especially in connection to the location of supply rules for services to be adopted, methodology for applying dual GST, in a way describing operation of GST between centre and the states, the tax rate to be applied etc. There is a discussion on alternative routes available for introducing GST in the form of Concurrent Dual GST, National GST, or State GST.

Bird (2009) describes ITS in Canada, where there is a PST, the retail sales tax, HST, the provincial sales tax, the GST, and a federal VAT. Additionally, state level VAT is also administered in some provinces. Hence, a combination of taxes, called by several names such as PST, QST, HST, and GST operate concomitantly in Canada.

Collins (2014) examines and assesses the contributions of households in Ireland to the indirect and direct tax collections. Moreover, these contributions along with their impact are studied with respect to the latest reforms undertaken in ITS in Ireland.

Bird (2012) investigates the history of sales tax in the federal background from its commencement to the existing GST, QST, HST, PST etc. in Canada. The study finds that there exists GST or VAT or sales tax charged by the central government, and provincial taxes collected in the form of PST or HST. In addition, independent VATs like QST are also charged.

Debruyne (2013) studies existing tax laws in Malaysia and advocates introducing GST. At present, major indirect taxes in Malaysia include sales tax, service tax, excise duty, and export-import duties. Further, the author suggests subsuming indirect taxes by imposing GST on gross product or income or consumption. Another point of discussion is whether to make GST destination based or origin based. The study provides inputs from global experiences and enumerates both advantages and disadvantages of implementing the proposed GST.

Zyl (2011) examines whether illegal businesses to be registered under VAT or not, and whether standard VAT rate to be made applicable to these businesses. The study has analyzed application of indirect taxes from diverse perspectives, and concludes that illegal transactions must be liable to pay VAT, so that they are unable to enjoy the lower costs in the absence of VAT.

III. METHODOLOGY

DATA COLLECTION

- Primary Data

Structured questionnaire

- Secondary Data

Secondary data collected from Govt website, articles, books, journals related to this study

SAMPLE SIZE

A sample size of 50 was chosen from the selected experienced chartered accountant from Gujarat region for the study.

IV. DATA ANALYSIS

SR. NOS.	NULL HYPOTHESIS	SIGNIFICANCE VALUE	RESULT
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1	CAs do not adoption of GST changes business processes and operations.	0.032	Rejected
2	CAs do not feel that GST adoption creates major opportunities for transformation in the finance function.	0.000	Rejected
3	CAs do not feel that Sourcing for finance becomes easy when GST is adopted	0.021	Rejected
4	CAs do not feel more financial information that would be of benefit to external and external stakeholders will be provided as GST is adopted.	0.001	Rejected
5	CAs feel that there will not be developmental changes in information technology when GST is adopted.	0.019	Rejected
6	CAs feel that the adoption will not result in a possible change or development in human resources.	0.000	Rejected
7	CAs feel that executives will not invest heavily in planning, budgeting, forecasting and management reporting when GST is adopted.	0.013	Accepted
8	CAs feel that Companies will not adopt new performance requirements under GST	0.000	Rejected
9	According to the CAs there will not be improvement in target setting abilities of executives under GST.	0.000	Rejected
10	CAs feel that there will be no better information for management decision under GST.	0.049	Rejected

Chartered accountants believe that executives will not invest heavily in planning, budgeting, forecasting and management reporting when GST is adopted. Chartered accountants believe that GST adoption

will take time for the implementation, not believe that GST will create major business opportunities. Chartered accountants feel that the adoption will not result in a possible change or development in human resources and sourcing for finance will not become easy when GST is adopted.

V. CONCLUSION

Implementation of GST is a critical part for Indian economy and if GST will be an impulse in future then it will influence the parcel to the companies in different viewpoints however Indian economy and legitimate framework perform indispensable part in this angle and take more time as it is under implementation. It has been proposed that the majority of the existing indirect taxes be subsumed into one tax which would be applied across India on all transactions. Goods and Service Tax or GST as it is traditionally known, is a proposed all-encompassing tax to be applied both on goods and services at the time of their manufacture, sale and consumption.

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