

GST: AN OPPORTUNITIES AND CHALLENGES

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ABSTRACT

Goods and service is very comprehensive tax structure when implemented at the national level. It is one of the significant steps towards the development of the country. It is one of the biggest tax revolutions which is all set to integrate the state and national economy to boost the overall growth of the country. Presently companies and businesses pay multiple taxes which increase the cost of product and also hamper the profit level of the company. Multiple tax and complex taxation system is one of the biggest hurdles for economic growth of the country. Once the GST system is applied there would be single tax system which would record a significant development in comprehensive indirect taxation reform. Under the GST system there would be only on rate applicable for both goods and services. GST will create a business friendly environment, as prices will fall and it would also control the inflation rates.

Key Words: Goods and service tax, economic development, indian economy and value added tax.

INTRODUCTION

Taxation plays an very important in economic development of country. With much awaited GST system and in-depth analysis, here we are with final GST bill passed by the parliament. Because taxes are only means for financing the public goods because they cannot be properly priced in the market. And government is only the source of funding using the taxation methods. As taxes are the drivers of the economy. Tax regimes should be designed in such a manner that is does not become the source of distortion in the market or result in failure of market. Raising a sufficient amount of revenue is main aim of tax law in efficient , effective and equitable manner. Tax policies are important contributor to the economy in both the cases efficiency and equity. Good tax system should keep in view the issues of income distribution and also focused on strategies to generate tax revenues to support government expenditures on public services and infrastructural development. GST stands for Goods and Service Tax. Domestic trade tax will be levied in the form of a value added tax on all goods and services , in practice with some exemptions. VAT exempts all inputs including capital goods. Moreover it is general tax is on domestic consumption. Basically there is need to change the taxation pattern, as double taxation system de-motivates the consumer from consumption of products. It also impacts spending pattern of public. Development of the economy depends on the purchasing power of the country. GST is convenient and economically efficient way of taxing the consumption. Basically there are very few exemptions because it has single rate and it becomes a proportional tax on consumption. One level of tax is efficient way of collection, because it either goes to the state or central level.

Multiple level of tax is distortion in case of destination of tax collection. Tax should go to the state in which the concerned consumer lives. This will automatically take place if tax is levied at the central level or state is in unitary level with the one and only level of tax collection. If GST has to be implemented at central level i.e. in one level, it has to face many challenges at central level.

LITERATURE REVIEW

Poonam, 2017 in her study, she had cleared that GST would be a very important step in the field of indirect taxation. The cascading and double taxation effects can be reduced by combining central and state taxes. Consumer's tax burden will approximately reduce to 25% to 30% when GST is introduced. After introduction of GST concept, Indian manufactured products would become more and more competitive in the domestic and international markets. This taxation system would instantly encourage economic growth. GST with its transparent features will prove easier to administer. In this paper the author has tried to attempt to spot the concept of GST & its current status in India. Paper has tried to give information about GST system. The study also aims to be familiar with the advantages and challenges of GST in Indian scenario.

Shefali Dani has proposed that GST regime is a half-hearted attempt to rationalize indirect tax structure. Approximately more than 150 countries have implemented GST concept. As per researcher government of India must study the GST regime set up by various countries and also their fallouts before implementing gst. IT is the need of hour that, the government must make an attempt to insulate the vast poor population of India, against the inflation due to implementation of GST. There is no doubt, GST will simplify its existing indirect tax system and will have to help to remove inefficiencies created by the existing current heterogeneous tax system, only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.

RESEARCH PROBLEM

The concept of Goods and Service Tax (GST) is one of the biggest revolution in decades around the world. But it seems that India is taking very slow steps to meet target. This research intends to focus on understanding concept of goods and service tax and its impact on Indian economy.

OBJECTIVES OF THE STUDY

1. To study the concept of Goods and Services Tax (GST)
2. To study the impact of GST on Indian Economy
3. To understand how GST will work in India.

RESEARCH METHODOLOGY

The study focuses on study of Secondary data collected from various books, national & international journals, government reports, publications from various websites which has been published and focused on various aspects of Goods and Service tax.

CONCEPT OF GOODS AND SERVICE TAX

GST or Goods and Services Tax is applicable on supply of goods and services. It will replace the current taxes of excise, VAT and service tax. Currently there are different VAT laws in different states. This creates problems, especially when businesses sell to different states. Also, most businesses have to pay and comply with 3 different taxes – excise, VAT, and service tax. GST will bring uniform taxation across the country and allow full tax credit from the procurement of inputs and capital goods which can later be set off against GST output liability. This reform

gives equal footing to the big enterprises as well as SMEs. The aim of GST is thus to simplify tax hurdles for the entire economy. **Who will have to pay GST?** GST will be paid by all manufacturers and sellers. It will also be paid by service providers such as telecom providers, consultants, chartered accountants etc. However, being an indirect tax, GST will be ultimately borne by the end consumers, just like in the current process what kind of GST will be implemented in India? India will implement the Canadian model of Dual GST, i.e., both the Centre and State will collect GST. GST is a destination based tax system. Supply of goods and services are base for charging tax. GST is very comprehensive indirect taxation system on manufactured product and services, sale and consumptions of goods and services at national level. GST is going to be one of the biggest tax reforms after independence till the date. GST is very comprehensive indirect taxation system on goods manufactured and services provided. It is one of the biggest tax reforms in the country. Clause 366(12A) of the Constitution Bill defines GST as “**goods and services tax**” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Further the clause 366(26A) of the Bill defines “**Services**” means anything other than Goods. Thus it can be said that GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. The proposed tax will be levied on all transactions involving supply of goods and services, except those which are kept out of its purview.

GST – HOW IT WORKS IN INDIA?

GST is based on the grounds of VAT. Same set-off system is also available in the respect of the taxes paid in the previous level against GST charged at time of sale. Following are some of the modules of GST.

Components: GST will be basically divided into two components i.e. namely, Central Goods and Service Tax and also State Goods and Service

Applicability: GST will be also applicable to all the Goods and Services sold and provided in India, only except from the list of exempted goods which fall outside its purview.

Payment: At central and State level GST will be paid separately.

Credit: The facility of Input Tax Credit at Central level will only be available in respect of Central Goods and Service tax.

IMPACT OF GST ON INDIAN ECONOMY

Expected reduction in prices of:

- FMCG goods such as shampoos, chocolates
- Eating out
- Small cars
- DTH

Increase in prices of:

- Luxury cars
- Tobacco
- Aerated beverages

- Textiles

ADVANTAGES OF GST

For Citizen

- Simpler tax system
- Reduction in prices of goods and services due to elimination of cascading.
- Uniform prices throughout the country.
- Transparency in taxation system.
- Increase in employment opportunities.

For Trade/Industry

- Reduction in multiplicity of Taxes
- Mitigation of cascading /double taxation
- More efficient neutralization of taxes especially for exports
- Development of common national market.
- Simpler tax regime-fewer rates exemption.

For Central/ State Governments.

- A unified common national market to boost Foreign Investment and “**Make In India**” campaign
- Boost to export /manufacture activity, generation of more employment, leading to reduced poverty and increased GDP growth.
- Improving the overall investment climate in the country which will benefit the development of the states.
- Uniform SGST and IGST rates to reduce the incentives for tax evasion.
- Reduction in compliance costs as no requirement of multiple records keeping.

CHALLENGES OF GST IN INDIAN CONTEXT

GST will be the biggest reform in Indian taxation since 1947, but there are many challenges for its successful implementation. These are as under

- **Consent of States:** For implementing it is critical that GST bill is passed by the respective state Governments in state assemblies so as to bring majority. This is a herculean task.
- **Revenue Neutral Rate (RNR):** It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.
- **Threshold Limit in GST:** While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country
- **Robust IT Network:** Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for GST Registration, gst return filing, tax payments, IGST settlements etc. Thus there should be a robust IT backbone

- **Extensive Training to Tax Administration Staff:** GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.

Additional Levy on GST: The Purpose of additional Levy is to compensate states for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make “INDIA” as one state where inter-state movement of goods is common. In this situation, it would defeat the very purpose of GST in the country.

CONCLUSIONS

Taxation plays an significant role in the development of the economy as it impacts the efficiency and equity. It is execrated that a good system should control income distribution and at the same time it will also Endeavour to generate tax revenue which will support government expenditure on public services and development of infrastructure. GST will have positive impact on Indian economy. GST has faced lots of controversy and opposition in terms of its implementation. Finally the GST bill has been passed and it ready to roll out in market. Time will only decide whether it will have positive impact or negative impact. International trade , firms and consumer will have new system of tax which is single level and more transparent. The new system of taxation is considered to be more improved system over the pre-existing central excise duty at the national level and sales tax system at state level. The new tax will be significant breakthrough and a logical step towards a comprehensive indirect tax reforms in the country. GST is not only Vat plus service tax but it is major improvement over previous VAT system. A single of tax will help maintain simplicity and transparency by treating all goods and services equal without giving a special treatment to some types of goods and services. It will reduce the litigation on classification of issues. It is also said that implementation of GST in Indian framework will lead to commercial benefits which VAT has not given and hence it would essentially lead to economic development. GST may assure the possibility of overall gain for industry, trade, agriculture and also to central and state government. Now Indian consumer need to have professionalism to acknowledge the GST. It is sure that India will join the international standards of taxation, corporate laws and managerial practices and also be among the world leaders.

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