



GST- UNITY IN DIVERSITY

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ABSTRACT

Indian tax system is quite complex and multiple point taxation has been the biggest drawback of same. These shortcomings can be eliminated with introduction of goods and service tax. GST will be levied on both goods and services as single tax and assesses will enjoy input tax credit as single credit for all indirect tax. GST is proposed to introduce to eliminate cascading effect of tax on production and distribution of goods and service. Ambit of GST includes all goods and services but there are some exceptions also like exempt goods, petroleum products, and natural gas and ATF. Collection of GST will be conduct by both state and central government as SGST and CGST. There are various objectives of GST like elimination of cascading effect, ease inn administration process, more transparency, etc. Business, government and consumers are beneficial under GST.

INTRODUCTION

The Goods and Services Tax (GST) is one of the biggest economic and taxation reforms undertaken in India. The GST aims to streamline the taxation structure in the country and replace a gamut of indirect taxes with a singular GST to simplify the taxation procedure. The system will phase out all indirect taxes and only GST will be applied as an indirect tax. It will apply on both Goods and Services. Taxes like excise duty, VAT, service tax, luxury tax etc will go with GST's implementation.

GST is essentially a consumption tax and is levied at the final consumption point. The principle used in GST taxation is Destination Principle. It is levied on the value addition and provides set off. As a result, it avoids the cascading effect or tax on tax which increases the tax burden on the end consumer. It is collected on goods and services at each point of sale in the supply line. The GST that a merchant pays to procure goods or services can be set off later against the tax applicable on supply of goods and services.

Therefore, manufactures, wholesalers and retail merchants can avail tax credit mechanism under GST regime. They would pay the applicable GST but it can be reclaimed by the tax credit mechanism. It will be charged at the point of sale according to its destination tax/point-Of-sale tax nature. A person who supplies goods and services would be liable to charge GST from the consumer.

OBJECTIVES OF STUDY

- 1) To cognize the concept of GST
- 2) To evaluate the advantages and disadvantages of GST
- 3) To study the features of GST

RESEARCH METHODOLOGY

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. The accessible secondary data is intensively used for research study.

WHAT IS GST (GOODS AND SERVICE TAX)?

The GST is a Value-added Tax (VAT) which is proposed to be a comprehensive indirect tax levy on manufacturing, sales and consumption of goods and services at the national level. It will replace all indirect taxes levied on goods and services by both the Central and State governments.

WHAT IS DUAL GST?

It has been a year it is the much-discussing topic in India, as GST will be one tax across the Country. Currently, Indian government implemented a dual GST in the country. So there will be Central GST, State GST and Integrated GST for inter-state supplies of goods and services.

WHAT IS CGST AND SGST?

Both the Centre and States will simultaneously levy GST on every supply of goods and services across the value chain. Centre will levy and collect Central Goods and Services Tax (CGST), and States will levy and collect the State Goods and Services Tax (SGST) on all transactions within the States.

The GST bill inserts a new Article in our Constitution to give concurrent power to both the central and state governments to make laws on the taxation of goods and services.

WHAT IS INTEGRATED GST (IGST)?

However, in interstate commerce also the only centre will have to levy GST. The collected tax will be divided between the Centre and states in a manner recommended by GST Council.

GST IMPACT

We take a look at some crucial changes that have come to pass with the new regime in place.

1) No more hidden taxes

Taxpayers are anxious about the apparent increase in tax rates after GST roll-out. Consumers are apprehensive this would result in increase in prices, despite the government insisting quite the opposite. The consumers do not have to fear as it is the hidden taxes unified under the new tax regime and mentioned in the invoice handed to the buyer.

Earlier consumers used to pay taxes without even knowing. For example, invoices used to quote VAT charged by the state and sometimes service tax payable to the

centre, but did not provide a breakdown of central taxes charged on the commodity. With GST, people can be assured that the commodities have been taxed at a single tax bracket, split between the centre and the state.

2) Check on price rise

Under the previous tax regime, producers had to pay taxes at every stage which was added to the final selling price. This was called cascading effect of taxes. In simpler terms, it means that a commodity was taxed at every stop before it reached the consumer. This extra tax levied on a commodity eventually added to inflation and the price rise was borne by the customer.

Now, GST replaces cascading effect of taxes with input tax credit. Under the new tax regime, the tax paid for inputs is taken off taxes to be paid for the final product, or output. This way more people pay taxes instead of the consumer bearing the burden of taxes levied at every step of manufacturing.

3) Traders go digital

Traders will have to change the way they used to do business before the advent of GST. With the tax return filing process going digital, traders will have to upgrade to electronic means to keep up. Those who used to generate invoices digitally will have to change their IT systems to accommodate changes brought about by GST.

Taxation under the new regime will be applicable on supply of goods and services. In addition to this, several procedural changes have been made to ensure high compliance like reversal of tax credit in case of failure to pay consideration for goods, self-invoicing in case of purchases made from unregistered supplier, etc. Such amendments have made it necessary for businesses to incorporate significant changes in their business processes.

In GST, it will be important to ensure that an invoice for input services is received at the place where credit of such services is eligible. Therefore, businesses need to analyse procurement of services and amend their contracts with service providers as needed. Similarly, contractual terms with customers will have to be reassessed and revised, if needed.

Traders will have to train their employees as well as stakeholders, vendors and any other party involved in your business to sensitise them about the compliance requirements imposed by GST.

4) Check-posts removed

With GST being a destination-based tax, border check-posts at state limits have become obsolete. With no toll booths to cross, goods carriers are transporting their cargo swiftly between states. Cutting the delay in delivery of goods has helped save crores of rupees in lost time. The process will be further streamlined with the release of E-way Bill in a few months time. With the provisions already drafted, it will be rolled out once the E-way software is developed.

5) Price change of essential commodities

No change was observed in the prices of essential commodities as they were kept in the zero percent tax bracket under GST. Luxury cars made in India saw a decline in their prices, though, as they were categorised in the lower tax bracket under GST.

Motorcycles with engines bigger than 350cc were taxed at a higher rate than before under GST. Gold also saw a marginal increase in tax rates it would attract, as did telecom services. The already dearer hybrid cars would also attract more taxes under GST.

A buyer in real estate sector who paid 4.5 percent Service Tax and around 4 percent of VAT earlier, will now have to pay 12 percent GST, hiking the taxes by almost 3.5 percent which in the context of today's realty market conditions is a very significant hike, stated Sam Chopra, President of NAR India. With Stamp Duty being an additional 5-7% the taxes on realty may have reached an astounding figure of 17-19%, he further added.

A BRIGHTER ECONOMY

The introduction of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

ADVANTAGES OF GST

- Goods and Services Tax has changed the face of indirect tax regime in the nation. It has subsumed several indirect taxes and therefore simplified taxes for businesses and compliance easier.
- With GST already into effect and filing for the month of July in the process, the government is making considerable gains in revenue. GST has brought a large number of entities into the tax net.
- Industry experts expect that GST should reduce logistics and inventory costs in the long run. The slow movement across the state levels of goods carrier has stopped with the transit speed increasing considerably. As per one of the surveys conducted recently, it has been estimated that the Indians will be able to save almost about Rs 2300 crore which is spent at the various check post at the border of the state.
- As is the norm with the current tax laws in India, there isn't any input on capital goods. But with the new GST Tax laws, one can avail input tax credit on the capital goods. That way, the investment might surge up quite a bit with an expected 6% increase.
- The normal rules stay put as the 2% interstate-levy with the major chunk of production kept within the state itself. However, with the change in rules, the tax amount can be dispersed across the nation to offer a greater lift for the lesser-developed.

- Many countries follow a GST Tax regime and the new tax will make it easy for everyone to understand the bill. People have already started verifying the bills at restaurants and other retail outlets for the right tax. Earlier, there were many cases of people being charged inappropriately and this has ended with GST.
- GST will also lead to less corruption and there will be a significant reduction in corruption as all the money spent needs to be reported for the taxation purpose. Moreover, the retailer would not be able to make sales without the bill hence the cases of income tax evasion will also reduce a lot.
- This advantage is totally for the consumers who are planning to buy car or phones. The overall tax rate has been reduced by at least 2 percent and the car price of most of the cars has been reduced. Another such impact is on phones and Apple recently reduced the price of the phone by as much as 7.5%.
- In one of the studies conducted by HSBC, the GST would have a positive impact on GDP of the country and the GDP of the country will increase by at least 80bps which translate to 0.80%. This is surely a great help to the targets set by the Government.

DISADVANTAGES OF GST

- According to the experts, terms such as GST which includes CGST, SGST, and IGST is nothing but just a new name in accordance with the existing tax systems. Kind of old wine in a new bottle.
- The Service Tax which stood at 15% in the previous regime, has now been replaced with GST at 18%. As such many services have become costlier with telecom, airline and banking affected majorly. In fact, insurance and petroleum are also said to be majorly affected by the enactment of GST Tax.
- The GST Act has given the control of businesses to Central and State Governments with businessmen binding by-laws. This has given rise to complexity for many businessmen across the nation.
- Post GST implementation, the first few instances of application have resulted in high tax outgo for businesses. Businesses are trying to claim the credit of input tax but several cases of mismatch of data are coming up. As a result, there is chaos among the tax filers.
- The opposition has called it as a Disability Tax as many of the things related to disabled people which were earlier tax-free are now included in GST taxation. Prior to implementation of GST, Brazil paper, typewriter, hearing aid and motorised wheelchair were tax-free whereas these things are being taxed now. The opposition has made pleas to roll back the tax on such items.
- On one end, the government is trying to give a push to banking services and insurance in India and on the other end, the government has decided to tax banking and insurance service at higher rates when compared to the previous rates.

- GST has also had an impact on discount and reward programs as well. The product is being taxed on the rates pre-discount whereas the products were earlier taxed at post discount prices. Most of the companies have also suspended reward programs for temporary basis because of complexities of GST.
- The government has chosen a mid-year launch for GST and this will lead to problems in taxation and reporting during the end of the financial year. Ideally, the government should have launched GST at end of financial year as this would have avoided a lot of confusion during taxation and reporting.
- As per GST, the seller requires registering in all the states that it does business in and it has increased the complexity for the seller. The government should have created a provision for centralised registration of State GST as this would have helped many sellers during the roll-out.
- GST is the new regime of indirect tax in the nation which has modified the existing indirect tax rules. It has scheduled a coalition between central and state government amidst the cry for better taxation system which it duly delivered. However, a coin holds two sides, and as such GST has both, some advantages and some disadvantages.

CONCLUSION:

There are approximately 140 countries where GST has already been implemented. Implementation of GST impacts a nation both ways, positively and negatively, but ignoring the negative aspects and considering the positive aspects in order to improve the economy of the country is very important. In order to measure the impact of GST we need to wait for the time and the government needs to communicate more and more about the system. It could be a good way to reduce the black money and good effort by the government of India after the demonetization of the money in 2016. At the end we can say, no doubt it is the biggest change in tax structure of India.

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