



GST: A major tax reform

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Abstract

This paper analyzed the impact of GST on Indian Economy. GST is a comparative tax levy for the public of India. It is one of the biggest tax reforms in India. Businessman, producers, companies pay indirect tax like vat, service tax, sales tax, entertainment tax, octroi and luxury tax etc. With introduction of GST, all these taxes would cease to exist. These would be only one tax that too at national level, monitored by the central Govt. GST is different from other taxes. It is levied at final point of consumption and not at manufacturing stage. At current times, separate tax rate on applied to goods and services. Under GST, there would be only one tax rate for both goods and services. GST would give India a world class tax system and it also helps to improve tax collection. GST also help to contact control black money. GST also helps to create a business friendly environment as prices and inflation rates would come down. It also improve government's fiscal heal as the tax collection system would become more transparent. This paper is an attempt to study the concept of GST and its impact on Indian Economy. The study also aims to know the advantages and challenges of GST in Indian scenario.

Keywords: GST, value added tax, Indian economy

Introduction

GST simplifies the tax structure of India GST bill also referred to as the constitution (one hundred and twenty second amendment) bill 2014 initiate a value added tax to be implemented on national level in India. It is indirect tax at all stages of production to bring about uniformity of in system. With introduction of GST, there would be amalgamation of central & state taxes into a single tax payment. In order to avoid payment of multiple taxes such as excise duty & service tax at central level & vat at state level. GST would unify these taxes and create a uniform market in country. Experts have intended the objective of GST as under:

1. One country- One tax
2. Consumption on based tax instead of manufacturing
3. Uniform GST registration payment
4. Reduce tax evasion and corruption
5. Reduce the working of different return of different tax
6. Increase productivity
7. Increase Tax to GDP Ratio and revenue surplus
8. Increase Compliance

GST will bring in one nation are tax to united indirect tax under are umbrella and facilitate India business to be globally competitive. France was the first country to implement GST to reduce tax evasion since then 140 countries has implemented GST. Some countries adopt dual GST modal i.e. Brazil, Canada. India has chosen the Canadian model of GST i.e. dual modal.

Why GST

GST system is based on same concept of vat. GST bill is expected to have resolved the complicated taxation system of

country. GST is expected to improve the country tax to GDP ratio and inhibit inflation. It is expected that GDP growth is likely to go up by 2% but the results can be analysed after GST implementation. If we see other countries, the GST tax rate is expected to around 17-18%.The rate will prove beneficial for Food Industry, Housing and Construction Industry, FMCG Sector,Rail Sector, Financial Services, Information Technology enabled services, Small Enterprises etc. The sectors that will benefit the most are auto. The sector which is going to adversely effected in service sector. GST is beneficial as at provide uniformity in taxation rate but it will bring a lot of unorganised players in the fields like electrical, paints, hardware under the tax net. It will take a lot planning in implementation of GST reforms for capturing the unorganised sector under its ambit.

Features of GST

1. GST will central indirect tax like exercise duty service tax, as also state levies like value added tax, octroi etc.
2. Final consumer will bear only GST charges by last dealer in supply chain with set off benefit at all the previous stages.
3. Petroleum products, alcohol, tobacco have been kept out of pervious of GST.
4. It will have two components central GST levied by central Govt. and state levied by states.
5. GST council is to consist of union, finance, minister of state of finance and finance of each state.

Advantages of GST

There are several advantages of introducing a GST in India: Reduction in prices: Due to full and seamless credit,

manufacturers or traders do not have to include taxes as a part of their cost of production, which is a very big reason to say that we can see a reduction in prices. However, if the government seeks to introduce GST with a higher rate, this might be lost. Increase in Government Revenues: This might seem to be a little vague. However, even at the time of introduction of VAT, the public revenues actually went up instead of falling because many people resorted to paying taxes rather than evading the same. However, the government may wish to introduce GST at a Revenue Neutral Rate, in which case the revenues might not see a significant increase in the short run. Does Goods And Services Tax (GST) Leads To Indian Economic Development? DOI: 10.9790/487X-171230105 www.iosrjournals.org 4 | Page Less compliance and procedural cost: Instead of maintaining big records, returns and reporting under various different statutes, all assesses will find comfortable under GST as the compliance cost will be reduced. It should be noted that assesses were nevertheless, required to keep record of CGST, SGST and IGST separately. Move towards a Unified GST: Internationally, the GST is always preferred in a unified form (that is, one single GST for the whole nation, instead of the dual GST format). Although India is adopting Dual GST looking into the federal structure, it is still a good move towards a Unified GST which is regarded as the best method of Indirect Taxes.

Challenges of GST- in India Environment

Present, lots of speculations are going as to when the GST will actually be applicable in India. Looking into the political environment of India, it seems that a little more time will be required to ensure that everybody is satisfied. The states are confused as to whether the GST will hamper their revenues. Although the Central Government has assured the states about compensation in case the revenue falls down, still a little mistrust can be a severe draw back. The GST is a very good type of tax. However, for the successful implementation of the same, there are few challenges which have to face to implement GST In India. Following are some of the factors that must be kept in mind about GST: 1. Firstly, it is really required that all the states implement the GST together and that too at the same rates. Otherwise, it will be really cumbersome for businesses to comply with the provisions of the law. Further, GST will be very advantageous if the rates are same, because in that case taxes will not be a factor in investment location decisions, and people will be able to focus on profitability. 2. For smooth functioning, it is important that the GST clearly sets out the taxable event. Presently, the Cenvat credit rules, the Point of Taxation Rules are amended/ introduced for this purpose only. However, the rules should be more refined and free from ambiguity. 3. The GST is a destination based tax, not the origin one. In such circumstances, it should be clearly identifiable as to where the goods are going. This shall be difficult in case of services, because it is not easy to identify where a service is provided, thus this should be properly dealt with. 4. More awareness about GST and its advantages have to be made, and professionals like us really have to take the onus to assume this responsibility

Conclusion

GST is a half-hearted attempt for indirect tax structure. About 150 countries implemented GST. So, Government should study the GST regime set up by various countries before implementing it. It is clear that GST will simplify existing indirect tax system and will help to remove inefficiencies created by existing indirect tax system. But there are lots of challenges in the way of GST implementation. People have not accepted these changes till now and for acceptance, government decided to change the rate on 10th November, 2017 at Guwahati. GST Council has recommended major relief in GST rates on certain goods and services. After these change, only 50 items will attract GST rates of 28 percent. The reduction of rates is a step to satisfy the people for adopting GST. But still there is need of awareness regarding GST. It is our belief that sooner or later GST will surely knock the door of India and Indian economy move to join the world wide standards in taxation, corporate laws and Tax structure be among the leaders in these fields.

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