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2394-5303



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Special Issue

Area

January 2018

International Multilingual Research Journal



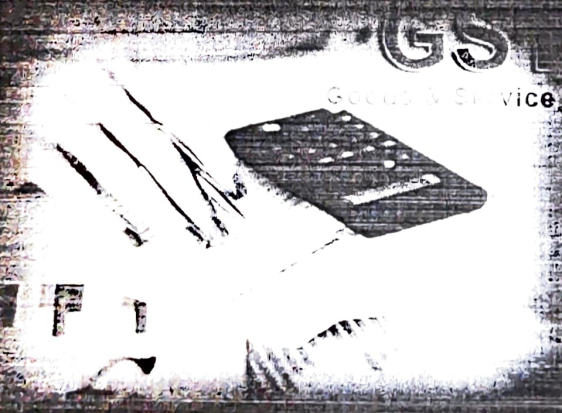
Kukadi Education Society's

SAVITRIBAI COLLEGE OF ARTS

Pimpalgaon Pisa, Tal. Shrigonda, Dist. Ahmednagar.
on

GST-Advantages and prospects

29th & 30th January 2018



Organized by
Department of Economics

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Approaches to Study GST and its Advantages and disadvantages in India

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ABSTRACT

Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services at national level. One of the biggest taxation reforms in India the (GST) is all set to integrate State economies and boost overall growth. There are endless taxes in present system few levied by Centre and rest levied by state, to remove this multiplicity of taxes and reducing the burden of the tax payer a simple tax is required and that is Goods and Service Tax (GST) This paper focuses on Goods and Service Tax (GST) in India advantages and disadvantages of content.

Key Word : GST in India, GST, indirect taxes,

Introduction

India is having the most complicated tax structure in the world, especially Indian indirect tax systems. The mechanism of imposing taxes, exemptions, abatements other benefits is different in different states. The existing law has

a number of issues of interpretation in various provisions and the category of the products and services. India needs a simple tax structure which can describe the tax mechanism as simple as possible. The basic two drawbacks of existing indirect tax system are cascading effect and non-uniformity of tax collection among states.

Objective of the study :-

The main objective is to highlight advantages and disadvantages of GST in India

• Research methodology :-

All are the data present study should have collected from s secondary source of data collection, like government reports, publications from various websites which focused on various aspects of Goods and Service tax.

Goods & Service Tax

The GST is a single indirect tax rate that will be levied on manufactured products and services for all states. This tax will apply on the value added by a producer or service provider at each stage in the manufacturing process right until the final consumption.

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services at national level. One of the biggest taxation reforms in India the (GST) is all set to integrate State economies and boost overall growth. Currently, companies and businesses pay lot of indirect taxes such as VAT, service tax, sales tax, entertainment tax, octroi and luxury tax. Introduction of Goods and Service Tax (GST) will compensate those drawbacks. Following are the mainstay of GST:-

(1) Removing Cascading Effect: GST removes "Tax on Tax Effect" and provides common national market for Goods and Services.

(2) Single Umbrella Tax Rate: GST will harmonize indirect taxes being levied by Union and State Governments. The reference of GST was first made in the Indian Budget in 2006-07 by the then Finance Minister Mr. P. Chidambaram as a single centralized Indirect

tax. The Bill was introduced on December 19, 2014 and passed on May 6, 2015 in the Lok Sabha and Passed in Rajya Sabha on 3rd August 2016. The Government wants to implement GST Bill From 1st April 2017. 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. So GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level.

GST is a destination based indirect tax which has replaced several other indirect taxes earlier levied in the country. The tax has created a coalition between central and state levels and reformed the taxation regimes. It has provided a basic single and cooperative linkup between the Indian markets which in turn will boost the economy as a whole. Our nation has gained a lot from GST but there have been some losses too. Many people are curious to know whether GST has been beneficial for them and the nation or not. So, H&R Block has summarised the advantages and disadvantages of GST.

Advantages of GST

A. GST is a comprehensive indirect tax that was designed to bring the indirect taxation under one umbrella. More importantly, it is going to eliminate the cascading effect of tax that was evident earlier. Cascading tax effect can be best described as 'Tax on Tax'. Let us take this example to understand what is Tax on Tax:

B. The GST will help to remove economic distortion and bring about common national market. The dream of one country, one act and one tax rate can be fulfilled.

C. The entire process of GST (from registration to filing returns) is made online, and it is super simple. This has been beneficial for start-ups especially, as they do not have to run from pillar to post to get different registrations such as VAT, excise, and service tax.

D. As production cost will decrease

which can support would support to increase export from our country

E. Earlier, there was VAT and service tax, each of which had their own returns and compliances. Under GST, however, there is just one, unified return to be filed. Therefore, the number of returns to be filed has come down. There are about 11 returns under GST, out of which 4 are basic returns which apply to all taxable persons under GST. The main GSTR-1 is manually populated and GSTR-2 and GSTR-3 will be auto-populated.

F. In the pre-GST era, it was often seen that certain industries in India like construction and textile were largely unregulated and unorganized. Under GST, however, there are provisions for online compliances and payments, and for availing of input credit only when the supplier has accepted the amount. This has brought in accountability and regulation to these industries.

Disadvantages of GST

A. Businesses have to either update their existing accounting or ERP software to GST-compliant one or buy GST software so that they can keep their business going. But both the options lead to increased cost of software purchase and training of employees for an efficient utilization of the new billing software.

B. Small and medium-sized enterprises (SME) who have not yet signed for GST have to quickly grasp the nuances of the GST tax regime. They will have to issue GST-complaint invoices, be compliant to digital record-keeping, and of course, file timely returns. This means that the GST-complaint invoice issued must have mandatory details such as GSTIN, place of supply, HSN codes, and others.

C. As we have already established that GST is changing the way how tax is paid, businesses will now have to employ tax professionals to be GST-complaint. This will gradually increase costs for small businesses as they will have to bear the additional cost of

hiring experts. Also, businesses will need to train their employees in GST compliance, further increasing their overhead expenses.

D. Some Economist says that CGST, SGST and IGST are nothing but new names for Central Excise/Service Tax, VAT and CST and hence GST brings nothing new for which we should cheer.

E. Unlike earlier, businesses are now switching from pen and paper invoicing and filing to online return filing and making payments. This might be tough for some smaller businesses to adapt to.

F. Smaller businesses, especially in the manufacturing sector will face difficulties under GST. Earlier, only businesses whose turnover exceeded Rs 1.5 crore had to pay excise duty. But now any business whose turnover exceeds Rs 20 lakh will have to pay GST. However, SMEs with a turnover upto Rs 75 lakh can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. The catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SMEs.

Conclusion

GST is a comprehensive indirect tax that subsumes all types of indirect taxes of central and state governments in it. It is expected that the malicious activity of tax theft will go away under Goods and Service Tax regime in order to benefit both governments as well as the consumer. It may be said that GST will provide relief to consumers, manufacturers and government and whole nation as well. 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 further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. GST is not simply VAT plus service tax,

but a major improvement over the pre-existing system of VAT

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