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Pros & Cons of Goods and Services Tax

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Abstract

In India, there are different taxes applied on goods and services by central and state government GST in India is a positive reform for indirect tax system the main idea of GST is to replace existing taxes like value added tax, excise duty, service tax, and sales tax. The paper highlights the background, objective of the proposed GST and impact of GST in the present tax scenario in India. The papers further explore various benefits and opportunities of GST. The broad objectives of our study refer to analyzing the impact of introducing comprehensive goods and service tax (GST) on economic growth and international trade, changes in rewards to the factors of production and output, prices, capital employment, efficiency.

Keywords: - framework of GST features of GST, international trade, favorable opportunities.

1.1 Introduction –

GST stands for “goods and services tax” and is proposed to be comprehensive indirect tax levy on manufacture sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian central and state governments.

Goods and services tax (GST) is a proposed. System of indirect taxation in India merging most of the existing taxes into single system of taxation it was introduced as the constitution (one hundred and first amendments) act. 2016. The chairmen of GST council is the union finance minister which is currently Arun Jetly.

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer credit of input taxes paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the dealers in the supply chain, with set-off benefits at all previous stages.

1.2 The need for goods and services tax:-

We begin by elaborating on the important concept of cascading effect on taxes it is logically referred to as “taxes on taxes”. It is simple to illustrate say A sell goods to B after charging sales tax and then B re-sells those goods to C after charging sales tax. While B was computing his sales tax. Liability, he also included on the sales tax paid previous purchase which is how it becomes a tax on tax.

Finance minister Arun Jaitly said that demonetization would clean the complete economics system increase the size of economy and revenue base, he mentioned the demonetization along with the upcoming goods and services tax (GST) as “an attempt to change the spending habit life style and it would also help curb black money.

Objectives: -

1. To analytical study the framework of GST.
2. To discuss the features of GST.
3. To examine the impact of GST on international trade.
4. To know how the beneficial of GST towards trader manufacturer consumer and government.

1.3 Research methodology

The research is an exploratory research and the collection is done mainly from the secondary data sources of books published on GST various contemporary news article journals newspaper and magazines getting from internet and library.

1.4 Analytical study the framework of GST

If we talk about Indian economy we find that Indian economy is highly affected by indirect tax "Goods and service tax –a way forward and conducted that implementation of GST in India help in removing economic distortion by current indirect tax system Goods and Services Tax Reforms and intergovernmental consideration in India and found that GST introduction will provide simple and transparent tax system with increase in output and productivity of economy in India. Success of GST will lead to its acceptance by more than 140 countries in world and a new preferred form indirect tax system in Asia also.

The most important issue regarding the structure of proposed GST is whether conventional GST is at all feasible in a federal country like India where both the centre and state has concurrent powers to tax domestic trade in goods and services. By conventional GST we mean GST which is levied and collected by the Central Government. The task force has recommended that the GST to be implemented in India would be dual in nature it would consist of two components one levied by the centre (CGST) and another levied by the state and union territories (SGST). Impact of GST on International Trade GST brings all the prevailing indirect taxes (such as vat, services tax octroi excise duty etc.) under a single umbrella. Its impact on our international trade and trade strategy.

It is an opportunity to improve industry competitiveness and enable much larger participation in global market GST will affect all aspect of business in India from decisions on investment location and product pricing to logistics and supply chain optimization. It is being widely applauded as crucial reform that will facilitate India's development trajectory.

GST is a development that comes at a challenging time in the external environment for India. Global growth has slowed. Many major economies in the world face economic and political challenges with uncertain resolution GST can help India herself undertake substantial market.

1.5 Features of GST.

1. GST is not going to be an additional new tax but will replace other taxes.
2. GST is a simple transparent and efficient system of indirect taxation.
3. The system facilitates taxation of goods and services in an integrated manner.
4. It is a comprehensive value and tax on the supply and consumption and goods and services in Indian economy.
5. GST is levied at every stage of production distributed chain applicable set-offs GST is basically a tax on final consumptions.
6. It will help in eliminating tax included economic distortions and gives boost to the economy.
7. The compliance and administrative cost will be much lower.
8. One indirect tax front India is all set to usher into the era of all which bring in India at par with over 140 developed nations of the world. It is going to be the biggest tax reform ever introduced in Independent India.
9. In simple terms, GST may be defined as a tax on goods and services, which is leviable at each point of sale or provision of service, in which at the time of sale goods or providing services the seller or service provider may claim input credit of tax which he has paid while purchasing the goods or procuring the services.

1.6 GST is a favorable opportunities

A good GST was expected to yield major economic benefits adding 2% points to the growth rate. It does achieve the objective of creating an indirect tax system in which both the central and state tax on any single commodity will be levied on the same base and the same rate throughout the country while observing the value added tax (vat) principle of full set off for earlier stage tax and zero rating for export other taxes like the central sales tax, octroi, entry tax etc. will be abolished from a taxation perspective this creates a single national market for each commodity.

The GST will also address the complaint of domestic producers that they are at disadvantages compared to imports because the latter escape the burden of state taxes, although they do pay an additional duty equal to the central value – added tax (cenvat) once the GST is in place imports will be subject to GST at the same rate as domestic products thus ensuring truly level playing field for domestic producers competing against import.

Three exclusions from the GST are especially insensible. These are electricity, Real estate and petroleum products. It has been agreed that petroleum could come into the GST list at end of five years a similar agreement is necessary for electricity is necessary and real estate. Extending the GST to real estate would encourage investment since real estate.

Development is an important part of fixed capital formation all present taxes paid, on construction inputs including steel cement paint including and windows etc. cannot be credited against the GST to be paid on output from the factories/ offices generating taxable goods and services. Bringing real estate under the GST would help these activities. It will also help to discourage the use of black money in real estate transactions.

1.7 Indian Companies:-

It will be benefits for Indian companies as the average tax burden on companies will fall reducing production costs will make exporters more competitive and aggressive “the most important reform for India, whether it is for our group, for Indian generally or for most business will be the goods and services tax. According to Rahul Bajaj chairman of the Bajaj Group, GST will add about two percentage points...to India’s GDP growth

1.8 Country :-

Introduction of GST would be a very significant step in the field of indirect tax reforms in India by amalgamating a large a single tax and allowing set off of prior stage taxes

It would mitigate the ill effect of cascading and pave the way for a common national market

For the consumers the biggest gain would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%

Introduction of GST would also make our product competitive in the domestic and international market

Studies show that this would instantly spur economic growth there may also be revenue gain for the centre and the states due to widening of the tax base, increase in trade volume and improved the economic structure by the help of goods and services tax.

1.9 GST Merits:-

Biggest benefits will be that multiple taxes like octroi, central sale tax state sales tax, entry tax license fees, turnover tax etc. will no longer be present and all that will be brought under the GST. Doing business now will be easier and more comfortable as various hidden taxation will be present.

How GST will benefits traders and manufactures. The advantages for manufactures and traders are the following

- **One Tax. :-** the common base for charging GST for centre and the state will consist of an amalgamation of several central taxes and state taxes which will enable them to give one tax rather giving about 16 taxes
- **Common market.-** there will be a common market in the absence of GST and entry tax. Good & quality product being manufactured in one part of the country will find more market in the farthest part of the country because there will be no CST and no entry tax.
- **Distinction between goods and services will go. -** In some cases, there is distinction between goods and services when they are sold as a package. These controversies will go
- **Invoicing will be simpler. :-** At present the invoices are more detailed since taxes on goods and services are written separate for one transaction. With the introduction of GST only one rate will be written.
- **No entry tax. :-** the abolition of goods at destinations. The abolition of entry tax will be a great boon for the movement of goods by road transport.
- **Common exception between centre and states: -** Now the exemptions given by the centre and the states being different the final price becomes different in different states. In the GST regime exemptions will be common between the centre and the states which will make the rates of duty same all over India.

2.0 Implementation challenges: - -

1. Lack of adoptions.
2. Lack of trained staff.
3. Double registration can increase compliances and cost.
4. Lack of clear mechanism to control tax evasion.
5. Hard to estimate the exact impact of GST.

2.1 Conclusion: -

All this is true if GST is made in an ideal manner with one rate and covers all goods and services with minimum exemptions.

The successful implementation of GST will depend on its smooth passage in the states and the formation of a GST council that drives consensus on rates, exclusion lists applicability limits principles of supply special provision to certain states and a host of other rules and regulations.

Whatever be the implementation hassles and timeframe the fact remains GST is a big step toward making India a unified market.

The subsuming of major Central and state taxes in GST, complete and comprehensive set-off of input goods and services and chasing out of central sales tax (CST) will not only reduce the cost of locally manufactured goods and services in the international market and give boost to Indian exports.

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