

Goods & services tax: Growth booster for India

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Abstract

Many developing nations keep on facing serious problems in developing satisfactory and brisk to react tax systems. While every among of these ways to reform is fundamental, at last what 50 years of experience lets us know is that enhancing the accuracy and comprehension with which monetary issues both inside and outside government, is the truly basic fixing to creating reasonable and practical expense frameworks in developing nations like India. GST, simplest tax filing approach and simpler tax system, Government of India is attempting to improve the government's income collection, in the meantime guaranteeing that cumbersome taxes don't dissuade investors. There are blended reactions, inexplicit, contentions and suppositions among the Manufactures, brokers and other peoples about the Goods and Services Tax (GST) to be executed by Government of India from 1st April 2017. The Good and services tax (GST) is the greatest and generous indirect tax reform since 1947. The primary thought of GST is to supplant existing taxes like sales tax, value added tax etc. The proposed paper provides brief description of the background of the GST, objectives of the GST and the impact of GST on various sectors in India. The paper also investigates different advantages and challenges of GST.

Keywords: Goods and Service Tax (GST), VAT, Tax, Indirect tax

1. Introduction

Taxes are not another marvel; they are as old as human progress itself. Taxation Policy has been a broadly faced off regarding issue everywhere throughout the world and many research work has been carried out that covering various aspects of indirect taxation system. Indirect taxes are also known as commodity taxation. The effect and frequency of indirect taxes might be on various people and due to which the weight of indirect taxes can be moved. A settled extent of the taxes gathered by Centre lapse to the states depends on the guidelines of the Central Finance Commission. Proposing the Value Added Tax (VAT) at the Central level as well as the State level has been thought to be an important step moving in the globe of indirect tax reforms which is for India. On the off chance that the VAT is a noteworthy change over the previous Central excise duty at the country level and the sales tax structure in the states in India, then the Goods and Services Tax (GST) will without a doubt be an extra imperative flawlessness the following intelligent stride towards a far reaching indirect tax reforms in the India. At first, it was considered as products and services tax at national level, notwithstanding, with the arrival of 1st research documentation by the Empowered Committee of the State Finance Ministers, it has been clarified that in India there would be a "Dual GST", tax collection control both by the Centre government as well as the State Government to demand the taxes on the Products and Services. Near about 150 countries have presented GST as per the guidelines set by the government of those countries. While nations, for example Singapore and New Zealand impose for all intents and purposes everything at a single rate. GST rates of some countries are given below in Table 1.

Country	Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
Sweden	25%
New Zealand	15%

2. Literature Survey

- According to Das-Gupta, Arindam; Gang, Ira N, "Some tax structure fundamental changes were executed to diminish tax avoidance in India. It considered to changes the rate of tax structure and reduction [7]."
- According to Empowered Committee of Finance Ministers that they introduced in their 1st research study on Goods and Services Tax (GST) in India which depict the whole structure of GST as well as any problems occur while implementing GST and challenges occur in GST [2].
- According to Ehtisham Ahmed and Satya Poddar, GST presentation will give more straightforward and effective tax structure with increase in yield and profitability of economy in India. Be that as it may, the advantages of GST are fundamentally reliant on normal plan of GST [3].
- According to Vasanthagopal, the impact and effect of GST on different sectors of the economy. The article additionally expressed that GST is a major jump and another driving force to India's monetary change [1].
- According to Girish Garg, GST is exact on all supply of merchandise and arrangement of administrations too mix thereof. All areas of economy should need to hold up under

effect of GST. All sections of economy should be specifically influenced by GST ^[4].

- According to Monika Sehrawat, Upasana Dhanda, GST will give India a world class imposes framework by getting distinctive treatment to production as well as service sector. Be that as it may, this will be liable to its levelheaded plan and convenient usage. There are different difficulties in method for GST usage. They require more systematic research to determine the doing combating enthusiasm of different partners and fulfill the dedication for a cardinal change of tax structure in India ^[8].
- According to Indirect Taxes Committee of Institute of Chartered Accountants of India (ICAI) presented a power point presentation titled Goods and Service Tax (GST) which expressed to sum things up points of interest of the GST and its positive effect on economy and different stakeholders ^[6].

3. Objective of Study

- To study about Goods and Service Tax (GST) and its impact on the various sectors.
- To examine advantages and challenges of Goods and Service tax (GST).

4. Research Methodology

The Researchers utilized an exploratory research technique based on past literature studies from particular journals, annual research reports, daily newspapers and magazines that taking huge collection of academic research survey on Goods and Service Tax (GST). As indicated by the objectives of the survey, the research design is very clear in nature. Accessible secondary data was broadly utilized for the review.

5. Impact of GST on various sectors

Infrastructure sector

The Indian infrastructure area mostly incorporates roadways, mining sector, power sector, railways sector. What's more, the indirect tax demand is distinctive and novel for each of them as well as it is complex in nature. Despite the fact that this sector appreciates diverse exclusions and concessions as it is imperative on national front. With the ramifications of GST assortment of taxes will be evacuated and it would add to the expense base with diligence of exceptions and concessions for national consideration and advancement.

E-Commerce

GST will help make a solitary brought together market crosswise over India and permit free development and supply of products in all aspects of the nation. It will also remove the cascading effect of taxes on stakeholder which will bring efficiency in product prices. It will likewise take out the falling impact of duties on clients which will get productivity item costs. The tax collection at source (TCS) guidelines in the GST administration will build organization, documentation workload for E-Commerce companies and push up expenses.

Food Industry

Since food constitutes an extensive segment of the customer cost of lower wage family units, any expense on sustenance would be backward in nature. Indeed, even in nations, for example, Canada, UK and Australia where food involve a similarly little portion of the customer wicker container, food

is burdened at zero rates. While in a few nations, food is exhausted at a standard rate which is as low as 3% in Singapore and Japan at the origin of the GST. Indeed, even in universal wards, no distinction is drawn on the measure of preparing of food. Consequently, the benefit of lower or zero tax rates ought to likewise be far reaching to all nourishment things in India separated from to degree of processing.

Media & Entertainment

Since the impose of entertainment tax will remain the privilege of local bodies, odds are that under the GST administration, film tickets costs may some down however specialists remain doubter on the general effect. Cable television as well as DTH facilities are expected to become cheap in cost effective under the GST tax structure. But the overall tax cost of cable as well as DTH depends on the entertainment tax.

Real Estate & Infrastructure

For the real estate area already face the issue of multiple taxation, the execution of GST is hypothetically anticipated that would help the consumers and developers. Abhishek Jain said that the Qualification of credits concessions still remain a reason for stress for the land division. The Model GST Law limits credit on restricts credit on products and services gained for development of immoveable property. This statement is interpretative which may prompt case and result trying to claim ignorance of credits in specific circumstances. With the uniform tax, property dealer or builder will have free input credits due to GST paid for products and services bought by them which will decrease cost and can be passed as diminishment to purchasers. It will profit real estate area by guaranteeing a uniform assessment structure and enhance charge consistence by engineers. It takes a gander at getting more prominent straightforwardness for the area and may limit deceitful transactions. GST will have a falling impact for the home purchasers, as developers with more margins in their grasp will have the capacity to rebuild the cost of the items for customers. However, the infrastructure sector would always welcome the documentation of GST as it would give an impulse to the general economy.

Telecom

Handset costs prone to descend/level out crosswise over states. Manufacturers are additionally liable to pass on to purchasers' money saving advantages they will get from merging their distribution centers and productively overseeing stock. For handset makers, GST will acquire simplicity of working together as they may no longer need to set up state particular substances and exchange stocks to them and put vigorously into coordination of making stockrooms in each state the nation over. Call rates, internet rates will go higher if tax rate in the GST surpasses 15%.

6. Advantages of GST

- **Transparent:** GST is a straightforward Tax and furthermore decreases the number of indirect taxes. With GST executed a business premises can demonstrate the tax connected in the business invoice. Customer will know precisely how much duty they are paying on the item they purchased or benefits they consumed.
- **Reduce the falling impact of Tax:** GST abstain from Cascading impact of indirect taxes on production and

assembling sector. Since after execution of GST all indirect taxes turn into a solitary tax structure.

- **General prices reduction:** Cost of production turn out to be low after the usage of GST tax structure, which is a major motivation to state that we can see a decrease in costs. In any case, if the government looks to present GST with a higher rate, this may be lost.
- **Growth in Investment in Economy:** Input tax credit is not accessible on numerous capital products in current tax rate, So Investment in these areas become at very low level. Also the Full input tax credits in GST will average a 12-14% portion in the price of capital products. So it is normally assumed that 5-6% increases in capital products venture and near about 2-3% increase in Investment.
- **Increase in Government Revenues:** Ease and Transparency of GST attract all businessmen to accept GST tax system, Due to which government income turn out to be high.

7. Challenges

1. GST will likewise have effect on income and working capital. Income and working capital of business organization which keep up high stock of goods in various states will be unfavorably influenced as they should pay GST at full rate on stock exchange starting with one state then onto the next. Presently CST/VAT is payable on special and not stock exchanges.
2. The Centre keeps on being uncompromising on the issue of locale over evaluates, the states maintain.
3. Political reasons are deciding the destiny of GST, which is not the right thing, on the grounds that in a perfect world GST is a monetary and tax reform, and financial and tax reform ought not to be managed by political.
4. Note ban has immense effect on the Goods and Services Tax (GST) a genuine uncertainty on executing GST by the central government's focused on due date of April 1, 2017.
5. Manufactures, brokers and society are excitedly sitting tight not just for the date of presentation of GST but also for the rate application to the goods and services.
6. The effect of the November 8 demonetization of high esteem money on their individual economies to underline that it is not the fitting time to execute. That could unstably affect the economy.

8. Conclusions

From the above discussion it can be concluded that the GST will bring One Nation and Single Tax system. Financial planning is thing that plays an important part on the economy by using better tax strategies. Because of some shortcoming of existing indirect taxation strategies, Indian economy goes ahead back foot. So it is necessary economy to accept Goods and Service Tax (GST). GST give a superior indirect system in which impediment of existing tax system is evacuated. GST make straightforward and easier taxation structure and remove the difficulties of legal compliance. Due to which every business organization may follow GST system. It impalement will likewise bring about lower cost of manufacturing, that will create the local products more competitive in local as well as worldwide market. Doubtlessly GST will provide for India a world class tax system. There are lots of challenges in way of GST execution as mentioned in paper. So that they need more interpretive study to finish the dedication for a vital tax reform

of tax structure in India. Additionally, they need more analytical study to determine the battling interest of various manufacturers and accomplish the commitment for a simplest tax system in India.

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