

## Pros and cons of gst

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**Abstract:** India is currently going through major reforms in its overall economic sectors. GST is one such kind of great reform. GST is unified indirect tax across the country on the Goods and Services. In the earlier system of Indirect Tax, the tax is levied at each stage separately by the Central Government and State Government at different rates, on the full value of goods as well as the services. But in this GST system, tax will be levied only the value added at each stage. So the government states that this GST is -one India one Taxll. This paper focuses on the concept, the benefits which the country will accrue from GST, the impact of GST on manufacturing, entertainment and Service Sectors.

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### INTRODUCTION

The taxes levied by the government form a consortium of incomes to be used for the collective benefit of the public. The taxation is an employ in the combined result of particularized predicaments. The state takes upon itself the duty of solving the problems of the underprivileged and need finance for this purpose. The government can mobilize resources by imposing taxes on the privileged ones. For this purpose each and every state followed the different types of indirect tax levied from the public. It may vary from one state to another state. There is no uniformity among the state for levying the tax. So the government may plan and they need to fix the uniform tax. For that need the government introduce the uniform tax ie., known as Goods and Services Tax.

### GST IN INDIA

India is a centralized state and Combination state financial relations are stand on the attitude of federal finance. The word federation predicts the unification of two or more states. In a federation we have on the one hand, the federation government or central government and on the other the constituent states. Confederacy may be distinct as a form of political connection in which two or more states constitute a political unity with a common government, but in which these member states retain a measure of internal autonomy.

### WHAT IS GOODS

Goods means, all kinds of movable property includes, all materials, commodities and articles including the goods involved in the execution of works contract or those goods to be used in the fitting out, improvement or repair of movable property, and all growing crops, grass or things attached to or forming part of the land which are agreed to be severed before sale or under contract of sale.

## **WHAT IS SERVICES**

Services constitute a very heterogeneous spectrum of economic activities. Services cover wide range of activities such as management, banking, insurance, hospitality, administration, communication, entertainment, wholesale distribution and retailing including research and development activities. Service sector is now occupying the center stage of the economy so much so that in the contemporary world, development of service sector has become synonymous with the advancement of the economy.

## **WHAT IS TAX**

A Tax is a compulsory charge imposed by the Government without any expectation of direct return in benefit. In other words, a tax is a compulsory payment or contribution by the people to the government for which there is no direct return to the taxpayers. Tax imposes a personal obligation on the people to pay the tax if they are liable to pay it. The general public should be taxed according to their ability to pay, and the people in the same financial position should be taxed in the same way without any discrimination. A good tax system should not affect the ability and willingness of the people to work, save and invest. If not, it will affect the development of trade and industry and the economy as a whole. Thus a sound tax system should contribute in the economic development of a country. Hence, -taxation should not be like killing the goose that lays golden eggs.

## **WHAT IS GST**

GST stands for Goods and Service Tax. It is destination based on consumption of goods and services which is proposed to be levied at all stages from the manufacturer and upto final consumption with credit of taxes paid at previous stages available as setoff.

Taxes which are proposed to be subsumed under GST:

### **Taxes currently levied and collected by the Central Government:**

- ☞ Central Excise Duty
- ☞ Duties of Excise (Medicinal and Toilet preparation)
- ☞ Additional Duties of Excise (Goods and Special Importance)
- ☞ Additional Duties of Excise ( Textiles and Textile Products)
- ☞ Additional Duties of Customs ( Commonly known as CVD)
- ☞ Special additional Duty of Customs
- ☞ Service Tax
- ☞ Central Surcharges and Cesses.

### **Taxes that would be subsumed by the State Government:**

- ❖ State VAT
- ❖ Central sales tax
- ❖ Luxury tax
- ❖ Entry Tax
- ❖ Entertainment and Amusement Tax
- ❖ Taxes on advertisements
- ❖ Purchase tax
- ❖ Taxes on lotteries, betting and gambling
- ❖ State surcharges and Cesses

## KNOW ABOUT THE GST

The idea of moving towards the GST was first mooted in the 2006-07 Budget. The empowered committee of state finance ministers which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST. Joint working groups of officials having representation of the states as well as the central were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-state supplies. Based on discussions within and between it and the central government, the empowered committee released its first discussion paper on the GST in November, 2009. This spells out the features of the proposed GST and has formed the basis for discussion between the Central and the State Government so far.

The 122<sup>nd</sup> constitutions Amendment Bill that will enable the introduction of GST was passed in the Lok Sabha on 12<sup>th</sup> May 2015 and passage in the Rajya Sabha. The Empowered Committee of State Finance Ministers convened on 14<sup>th</sup> and 15<sup>th</sup> June 2016 to debate several key GST issues, prime among them the Model GST Law. They are further scheduled to meet mid of July 2016 to discuss the other key issues including the Revenue and Neutral Rate. On 14<sup>th</sup> June 2016, the Ministry of Finance released the Model ST Law, comprising of the draft Central and State Goods and Service Tax Act, 2016. GST valuation (Determination of the Value of Supply of Goods & services) Rules, 2016 and the Integrated and Services Tax Act, 2016.

## TYPES OF GST

There are three types of GST introduced by the Central Government. They are



- 1) **CGST** (Central Goods and Service Tax) – to be charged by the Central Government. This kind of GST is levied on the intra state supply of goods or services by the Centre
- 2) **SGST** (State Goods and Service Tax) – to be charged by the State Government. This GST is levied on the intra-supply of goods or services by the states.
- 3) **IGST** (Integrated Goods and Service Tax) - this is to be charged by the Central government on the inter-state supply of various goods and services.

## WHY WE NEED GST

- ❖ The indirect tax is that there be inclined to be a incomprehensible assortment of them. They may likely to spill through taxes levied on more than a few inputs that have previously been taxed, along with inputs to those inputs.
- ❖ It leads to a high cost and inefficient tax structure prone to evasion and revenue leakage.

- ❖ Hence the pressing need for a modern integrated goods and services tax with payable only on the value added at each stage of output and set-offs available along the value chain, both at the Central and State government
- ❖ The GST would amount to be culmination of over 25 years if indirect tax reforms, which would boost the efficiency of taxation, improve tax buoyancy and bring about an integrated market nationality.

### **VARIOUS GST SLABS IN INDIA**

The GST scheme consists of a four slab structure under which the proposed Goods and Services will be taxed accordingly. The four slabs are 5%, 12%, 18%, and 28%

#### **1) NO TAX**

- ✓ **FOR GOODS :-** No Taxes will Levied on Goods like Milk, Fruits, Vegetables, Bread, Salt, Bindi, Curd, Sindoor, Natural Honey, Bangles, Handloom, Besan, Flour, Eggs, Stamps, Printed Books, Judicial Papers And News Papers.
- ✓ **SERVICES :-** All Hotels and Lodges who carry tariff below Rs.1000/- are exempted from Taxes under GST

#### **2) TAX SLAB OF 5%**

- ✓ **FOR GOODS :-** The Goods which will attract a Taxation of 5% Under GST Include Skimmed Milk Powder, Fish Fillet, Frozen Vegetables, Coffee, Coal, Fertilizers, Tea, Spices, Pizza, Bread, Kerosene, Medicines, Agarbathi, Insulin, Cashew nuts, Lifeboats Etc.,
- ✓ **FOR SERVICES:-** Small restaurants along with transport services like Railways and Airways will come under this category

#### **3) TAX SLAB OF 12%**

- ✓ **FOR GOODS:-** items coming are the tax slab o 12% include frozen Meat products, Butter, cheese, Ghee, Pickles, Ayurvedic Medicines, Sausages, Fruit Juices, Tooth Powder, Umbrella, Instant Food Mix, Cell Phones, Sewing Machine Etc.,
- ✓ **FOR SERVICES: -** All Non-A/c Hotels, business class Air Tickets will attract a tax of 12% under GST.

#### **4) TAX SLAB OF 18%**

- ✓ **FOR GOODS: -** as mentioned above, most of the items are part of this tax slab. Some of the items are flavored Refined Sugar, Cornflakes, Pasta, Pastries and Cakes, Preserved Vegetables, Tractors, Ice Creams, Sauces, Soups and Mineral Water.
- ✓ **FOR SERVICES:-** all those A/c hotels which serve liquor, IT and Telecom services and financial services along with branded garments will be part of this tax slab.

#### **5) TAX SLAB OF 28%**

- ✓ **FOR GOODS: -** over 200 goods will be taxes at a rate of 28%. the goods which will be part of this category under GST are Deodorants, Chewing Gum, Hair Shampoo, Sunscreen, Pan Masala, Dishwasher, Weighing Machine, Vacuum Cleaner, other items include Shavers, Automobiles, Hair Clippers, Motorcycles.

- ✓ **FOR SERVICES** :- As mentioned above, Five Star Hotels, Racing, Movie Tickets and Betting on Casinos and Racing will come under this category.

### **PROSPERITIES OF GST**

- a) **One India One Tax**  
The present central government wipes out all the previous tax system. In the previous tax system each and every state followed the separate tax system, according to their convenience. But the present government demolishes all and follows One India One Tax system and introducing the uniform tax system to the whole country.
- b) **No Check post checking**  
For introduction of One India one Tax system, the government removes all the check post throughout the country. Because whole country follows only one tax system, so no need of check post. This helps time wastages in the check post and unnecessary delay in the check post.
- c) **Removing Cascading Tax Effect**  
The main opulence of introducing GST is removal of tumble tax result or otherwise identified as Tax on Tax. Under this tax system the service tax paid on input services cannot be set off against output VAT, under GST, the input tax credit can be reward smoothly transversely the variety of goods and services, thus dropping the tax burden on the end user and get rid of cascading effect.
- d) **Reduction of overall tax burdens**  
GST reduce overall tax burden of the tax payers. Since the tax is included in the selling price of the commodities, the consumers pays the tax when he purchases them. He pays the tax in small amounts and does not feel its burden. Thus GST quite convenient and less burdensome.
- e) **Simpler online procedure Under GST**  
For following the GST, the government simplified all the transactions from starting to end. It means starting from registration to filing of returns and payment of GST, the entire GST process is online in reducing to bare bones and user friendly mode.
- f) **Broad scope**  
While the people with income and wealth above a certain limit, are brought under the levy of direct taxes and indirect taxes are paid by all both poor and rich. Under GST everybody pays according to their ability. The tax burden is not imposed on to the small section but it is widely spread to all section. Thus the GST has broad scope.
- g) **Tax elusion is not possible**  
GST is included in the selling price of the commodities. So evading of such tax becomes very difficult. If the person wants to evade the tax, they can do it only be refraining the consumption of the particular commodity.
- h) **Make progress**  
GST can be made progressive by imposing lower rates of taxes or giving exemption to the necessary articles and heavy taxes on luxurious articles. Thus GST also conform the principle of equity.
- i) **Persuade against the utilization of Things harmful to Wellbeing**  
GST discourage the consumption of certain commodities, which are harmful to health. By imposing very high rates of taxes on commodities like liquors, drugs, cigarettes, etc., which is harmful to health, their consumption can be reduced.
- j) **GST Creates More Job Opportunity**  
Due to the introduction of GST all must follow the rules and regulations of government, they must prepare bill for all their transaction. For that they appoint one

person for billing and maintenance. So it creates more job opportunity to unemployment persons.

### **CONS OF GST**

At the time of introducing any kind of new system, or whatever the system may introduce there will be a understanding problem of all, and some kind of people accept the system and some people may not accept the same. All are having some practical difficulties at the time of implementing the new system. Take for example the rain is good for all but it may affect some set of people at that time, they feel sadly. Like that any new system may difficult to understand as well as some oppose. But it may go away after eating the fruits of the same.

### **CONCLUSION**

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is chargeable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including government departments and service sector shall have bear impact of GST. In the GST regime, for any intra-state supply, taxes to be paid to the Central GST and the State GST. For any inter-state supply, tax to be paid is Integrated GST which will hae components of both CGST and SGST.

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