

Pros and cons of indian gst to society

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Abstract: GST will narrow economic distance between producers and consumers as it will be imposed only value addition. The dream of one country, one act and one tax will be observed. It is expected that, it will help to improve the productivity in the country as well as will be benefited to the consumers, as maximum rate of GST is predetermined. It will also help to avoid the multiple taxation, processes, tax evasion etc. Government proposed Central GST and States GST. CGST will subsume central excise duty, excess central excise duty, service tax, excess custom duty and special excess custom duty. SGST will subsume sale tax/ VAT, entertainment tax (other than local bodies), sale tax which is imposed by Centre Government and collected by states, purchase tax, luxury tax and lottery tax and more significantly octroi which is a major source of revenue of the Municipal Corporations. Already there is vertical imbalance of resources and responsibilities among Governments in India. Therefore, in this research paper probable pros and cons about upcoming are discussed.

Key Words: Consumers, GST, Government

Introduction:

In 1951, Central Government's total tax revenue was Rs. 401 crore, in 1991, it was Rs. 68,500 crore, 2014-15 it was Rs. 13,64,524 and recently it is more than Rs. 14.6 lakh crore of which, Rs. 2.8 lakh crore collected from excise duty and Rs. 2.1 lakh crore from service tax by the Central Government. In total revenue, the proportion of indirect taxes was 57 percent in 1951, 84 percent in 1991, and 46 percent in 2014-15, recently it was 34 percent. No doubt after new economic reforms the proportion of indirect taxes in total tax revenue is decreasing. It implies that tax system moving towards progressive taxation from regressive taxation, which is expected in developing countries. The GST is an indirect tax that brings most of the taxes imposed on most goods and services, on manufacture, sale and consumption of goods and services, under a single domain at the national level. It is payable at the final stage of consumption. At each stage of sale or purchase in the supply chain, this tax is collected on value-added on goods and services through a tax credit mechanism. According to NCAER (National Council of Applied Economic Research), implementation of GST could expand India's GDP by 0.9 to 1.7 percentage points. The GST can help in reducing taxation and filing costs and expand business profitability, attract investment and improve tax compliance and increase tax revenue in the country. However, there are some issues about upcoming GST, which are supposed to discuss properly and addressed by concerned authority otherwise it will bring some another issues to address in future

Need of GST in Indian Society:

- **More competitive business environment:**

It will shift the burden of taxes from the manufactures in India where the tax system is unfairly skewed towards the consumers. Manufacturers will pay lesser taxes

and there will be an environment of greater competitiveness and more freedom in business.

- **Uniform tax rates across states:**

Would you not decrease your rates to attract more people towards your products if you could? Similarly to be competitive states sometimes cut the VAT rates. This is to attract more investors in line with the human nature, causing a loss of revenue to both the states and the center. Uniform rates will check this problematic fiasco.

- **Better inter-state trade:**

Currently there are no tax credits provided for inter-state trade and hence uniform rates across all the states would boost the trade in the country between different states. This can even be seen as unification of the country by economic means.

- **No confusion:**

All confusion regarding what is a manufacturing or service activity will be removed. All economic activities will be "economic activities" only and will be taxed.

- **No cascading effect:**

There will be no taxes on taxes. Only once will there be a tax- a single indirect tax. There will be no gung-ho.

- **Ease on many fronts:**

This will be easier to understand, easier to administer and easier to dispense with. AamAadmi Party had made it a manifesto point of simplification of VAT for the traders, such is the magnitude of the problem. Hence ease of administration and understanding will be of great help.

- **Widening tax base:**

More people will pay taxes. The tax rates are reduced but the emerging number of participants will make up for the loss, the government has suggested.

Impact on GST to Society:

With the biggest tax reform set to receive a red carpet welcome in Parliament's Central Hall when the clock strikes midnight on June 30, the Goods and Services (Services, including banking and telecom, will get more expensive, as will flats, ready-made garments, monthly mobile bills and tuition fees)

Tax will irreversibly impact consumers, traders, businesses as well as the revenue collection machines of the states and the Centre.

Though the real impact of the government's big-bang reform can be assessed only after a full year of its implementation, let us gauge its effect on the various aspects of trade, consumer prices and government revenue.

In many cases it may weigh heavily on your pockets while in others it may soothe the traders' frayed nerves with input tax credit. In terms of GST's effect on the government's revenue kitty, it seems to be on the wait and watch mode.

From July 1, when you visit an air-conditioned restaurant, be ready to shell out 18 per cent as taxes. In case you prefer a non-air-conditioned food joint, then you will save six per cent as such restaurants will attract 12 per cent GST.

- Mobile bills, tuition fees and salon visits will also get costlier by three per cent, as GST at the rate of 18 per cent will be applicable on all services from July 1 as compared to the current service tax rate of 15 per cent.
- Apparels above Rs 1,000 will attract 12 per cent tax as compared to the current six per cent state VAT. It may be noted that apparels below 1,000 will attract GST at the rate of five per cent.
- With 81 per cent of items falling under below 18 per cent tax rate, certain goods that will become cheaper are salad dressings, mayonnaise, weighing

machinery, static converters (UPS), electric transformers, winding wires, transformers industrial electronics and two-way radio (walkie talkie) used by defence, police and paramilitary forces, which will attract 18 per cent tax rate.

- Postage or revenue stamps will also become cheaper as GST on these has been reduced to five per cent.
- Tax rate on cutlery, ketchup, sauces and pickle under GST will likely become cheaper as they will be taxed at 12 per cent.
- Salt, children's picture, drawing or colouring books and cereal grains have been exempted under GST. Playing cards, chess board, carrom board and other board games have been reduced to 12 per cent GST rate. Rough precious and semi-precious stones have been kept at a special rate of 0.25 per cent under GST.
- Traders below Rs 20 lakh annual turnover are exempt under GST as compared to the current threshold of Rs 10 lakh in indirect taxes.
- Traders, manufacturers and restaurants with up to Rs 75 lakh turnover can go for the Composition Scheme and pay 1, 2 and 5 per cent tax respectively. Such businesses though will not get input tax credit but will have to file only one quarterly return.
- Rest of the traders will have to file three returns every month, out of which two will be auto-populated.
- The input tax credit under Cenvat credit will be carried forward into the new regime.
- Integrated GST (IGST) and GST Compensation Cess would be levied on cargo arriving on July 1. Cargo arrived up to June 30 would not attract IGST and compensation cess even though the clearance may happen after July 1.
- However, additional duty of customs would continue to be levied for imports of petroleum and tobacco products.
- The revenue growth in the remaining nine months of the fiscal are expected to fall to eight per cent as compared to 22 per cent from indirect taxes in 2016-17. However, no prediction has been made by the government for the full year of indirect tax collection growth for the next fiscal.
- Indirect tax collections (central excise, service tax and customs) in 2016-17 stood at Rs 8.63 lakh crore.

Advantages of GST

Some of the benefits which are likely to be available to the common man after GST is fully implemented in India appear to be as follows -

- There will be one tax regime throughout India and time will be saved in calculating the taxes applicable in different states at different rates.
- It will facilitate faster movement of goods and services throughout India.
- It will eradicate 17 different indirect taxes which is likely to boost manufacturing sector which may result in the availability of goods at cheaper rates.
- E-commerce companies will start shipping to more states as inter-state levy will end.

Upcoming GST will bring following advantages to the Society.

1. The GST will help to removing economic distortion and bring about common national market. The dream of onecountry, one act and onetax rate can be fulfilled.
2. It will help to make transparent and corruption free tax administration in two ways.

First relates to the self-policing incentives inherent to value added tax. To claim input tax credit, each dealer has an incentive to request documentation from the dealer behind him in the value-added/tax chain. Provided the chain is not broken through wide ranging exemptions, especially on intermediate goods, this self-policing feature can work very powerfully in the GST. The second relates to the dual monitoring structure of the GST- one by the States and another by the Centre.

3. If upcoming GST bill might have well designed and tax rate is more than 'Revenue Neutral Rate' (RNR is the rate which neutralize revenue effect of state and central government due to change in tax system, means, the rate of GST which will give at least the same level of revenue that is currently earned by state and central governments from indirect taxes is known as RNR) and tax base becomes more buoyant, then, resources available for the governments will be increase which can be used for poverty alleviation and development activities in the country and states.

4. As production cost will decrease which can support would support to increase export from our country.

5. Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.

6. The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get cheaper goods.

7. This tax will facilitate 'Make in India' by making one India. The current structure unmakes India, by fragmenting Indian markets along state lines.

8. Due to reduced costs some products like cars, FMCG etc. will become cheaper.

Benefit people as prices will come down which in turn will help companies as consumption will increase.

9. There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa.

10. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliance costs.

11. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.

12. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.

13. GST will also help to build a transparent and corruption free tax administration.

Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.

14. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.

Disadvantages of GST

Presently, more than 160 countries of the world have implemented GST. Regarding India, eminent economists are very optimistic about its positive effects on the economy. However, each country where GST was implemented experienced inflation for next 3 to 5 years. Some possible disadvantages of GST are as following:

1. Critics say that GST would affect negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.

2. 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.

3. As GST brought small traders in the tax net, it will difficult to small traders to compete with strong / big traders. Their survival can become something difficult.

4. There is need of various expositions (Monthly, annually, total 37 expositions are required as per present situation) are complicated would difficult to the traders and at the same time I. T. infrastructural support with safety and reliability is required.

5. As GST is on purchasing/consumption, its revenue will goes to state in which article sold or service is rendered instead of produced. Means, state from which resources are used to produce goods will not receive tax revenue. For instance, Andrapradesh and Telangana are producing cement that is sold in other states of the country, they will get revenue.

6. As octroi or Local Body Tax is abolished, its monetary compensation for Urban Local Bodies should be done properly from the concern State Government. But, experience in our country is not satisfactory because even after 73rd and 74th constitutional amendments States are supposed to appoint State Finance Commissions. Nevertheless, all states have not appointed State Finance Commissions regularly. Therefore, Corporations like Brihanmumbai will loss the strong source of revenue.

7. There will be even more centralisation in fiscal matters. The Centre will fix the percentage of revenue to be shared with the states. Thus the autonomy of states will be compromised.

8. Some of the states may even suffer a loss on the account of tax sharing and the center itself may decide on the one-time compensation. The government may increase the state taxes by 1-2% to compensate them. However this is the stumbling block in the way of this bill as settlement will be a pain in the ass.

10. The states like Jharkhand which are more goods-driven and lesser services-driven will thus be sharing their sales revenue with the Center but don't have enough services to compensate like Karnataka. This is going to hurt some states.

11. The money that was not taken from the producer under the system of tax credit in GST will be recovered from the consumers, which definitely is a negative for the "consumer community".

Conclusion

If GST committee would deal successfully with probable loopholes, GSTN (Goods and Service Tax Network Company) which were incorporated on March 28, 2013 will make reliable, efficient and robust information technology backbone, tax payers will accept rigorously new changes and will be ready to be familiar with new techniques, GST procedures will become simple and assured to all stakeholders about it, then definitely GST will help to improve the economic growth rate as well as rationalization of prices and promote the export from India.
