

Goods and services tax - a boon for india

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ABSTRACT : Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. The Goods and Services Tax was launched at midnight on 30 June 2017 by the Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. The session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata. The Goods and Service Taxation (GST) policy of India is a step to normalize the taxes applied on various goods and services. This would curb off the cascading effect of the taxes, and in turn bring out a better place for the customers and suppliers. It is expected to have a tax only on the value addition and no business costs for the procurement of inputs, raw material or input services. It is a boon in the long run... there may be some problems like unequal price rise and fall of different commodities, short term loss to the local bodies etc but in a long run it's going to make our economy more robust transparent and efficient. In this paper we made an attempt to bring out the windfall of the new indirect tax just introduced in India.

INTRODUCTION

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits 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 last dealer in the supply chain, with set-off benefits at all the previous stages. The introduction of GST is a significant step in the reform of indirect taxation in India. Combining several central and state taxes into single tax would mitigate cascading or double taxation. It facilitates a common national market. GST involves following taxes. It involves Central Excise duty, Service tax, Countervailing duty, Special countervailing duty, Value Added Tax (VAT) and Central Sales Tax (CST). Others are Octroi, Entertainment tax, entry tax, purchase tax, luxury tax, advertisement tax, and taxes applicable on lotteries. The government now removed all the taxes. There will be only GST. As a result, it has no variations across the country.

IMPORTANCE OF GOODS AND SERVICES TAX

The Goods and Service Tax is a value added tax which is levied on both goods and services, and which will replace all other indirect taxes. GST is expected to be a critical reform in spurring growth in the economy. GST will not only make the tax system simpler, but will also help in increased compliance, boost tax revenues, reduce the tax outflow in the hands of the consumers and make exports competitive. This comprehensive tax policy is expected to be one of the most important reforms in contributing to the India growth story.

BENEFITS OF GST BILL

The tax structure will be made lean and simple. The entire Indian market will be a unified market which may translate into lower business costs. It can facilitate seamless movement of goods across states and reduce the transaction costs of businesses. It is good for export oriented businesses because it is not applied for goods/services which are exported out of India. In the long run, the lower tax burden could translate into lower prices on goods for consumers. The suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers. It can bring more transparency and better compliance. Number of departments (tax departments) will reduce which in turn may lead to less corruption. More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.

BENEFITS OF GST

- GST will bring tax consistency throughout the country.
- It will allow free movement of goods from one state to another.
- The cost of product from across states will almost be the same thereby providing equal opportunities of business owners in all states.
- The cost of the product for the manufacturers will come down as double taxation will be minimised.
- A reduction in these cascading taxes increases the incentive for more consumption, leading to higher revenues which compensate for the reduction in tax rates.
- With consumers having more money in their pockets, the GDP is set to increase.

GST – A BOON OR BANE?

A one stop solution to all such worries is the GST or the goods and service tax. Now the question is what is GST? How will it benefit to people? To put it in simple words – GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. It's a unified tax that will eliminate multiple tax levies and make the process much smoother. The GST can be a boon for the Indian economy for the following reasons

- The tax structure will be made very simple
- The entire Indian market will be a unified market which may translate into lower business costs. It can facilitate seamless movement of goods across states and reduce the transaction costs of businesses.
- It is good for export oriented businesses. Because it is not applied for goods/services which are exported out of India.
- In the long run, the lower tax burden could translate into lower prices on goods for consumers.
- The Suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers.
- It can bring more transparency and better compliance.
- More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.
- Companies which are under unorganized sector will come under tax regime. E-commerce boost – Some of the states tend to levy complex restrictions that can hamper the E commerce business so much that some of the sellers avoid shipping products to particular states. This will end with GST.

- GDP uplift – with the elimination of the cascading effect of tax rates, Economists hope that GDP will improve by over Rs 100,000 crore.
- Boost for the manufacturing sector – A clarity on taxing policies , switch from a fragmented to a common market and fall in the logistics cost, will cumulatively provide a major boost to the manufacturing industry.
- Ease of doing business – With multiple taxes like octroi, central sales tax, state sales tax, entry tax, license fees, turnover tax etc subsuming into GST, doing business in India will become much easier.
- Number of departments (tax departments) will reduce which in turn may lead to less corruption.

CONCLUSION

Introduction of GST is considered to be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would help mitigate the double taxation, leading to a common national market. From the consumers' point of view, the advantage would be in terms of a reduction in the overall tax burden on goods. So the GST is mainly boon for a common individual of India.

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