



## Impact and Challenges of GST

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### Abstract:

GST enforced in Asian country to bring in the 'one nation one tax' system. The goods and service Tax act commenced operation totally in India on first july, 2017. GST is extremely comprehensive tax structure once implemented at the national level. It's one amongst the many steps towards the event of the country. It's one amongst the most important tax revolutions that is geared up to integrate the state and financial system to spice up the general growth of the country. Presently firms and businesses pay multiple taxes that increase the value of product and additionally hamper the profit level of the corporate. The GST system is applied there would be single tax system which might record a major development in comprehensive indirect taxation reform. Through this paper we will be in an exceedingly position to know regarding the ideas, objectives, benefits, challenges and drawbacks of the goods and service Tax in India.

**Keywords :** indirect tax, concept of GST, Impact, challenges.

### Introduction:

GST stands for goods and Services Tax. Republic of India is that the hub of taxes wherever people pay several taxes that create confusion for them. Presently we have a tendency to pay two types of taxes initial square measure Direct and second Indirect in varied sectors. GST is nothing however the VAT in one or the shape that goes to switch all the indirect taxes once its correct implementation levied by the State and Central Government at one purpose to a different. The most objective of the GST is to avoid cascade taxation on goods and services provided to customers. GST can additional build healthy competition among the manufacturer of the various state and avoid confusions to the international players operating and looking out for business opportunities in India.

### Objectives of the study:

1. To understand the Concept of GST.
2. To understand GST History in India.
3. To study the impact and challenges of GST.

### Research methodology:

The study focuses on study of Secondary data collected from various books, national & international journals, government reports, publications from various websites which has been published and focused on various aspects of Goods and Service tax.



### What is GST?

GST is one indirect tax for the whole nation, which will make India one unified common market. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The GST is administered & governed by GST Council and its Chairman is Union Finance Minister of India.

GST is one indirect tax for the whole nation, which will make India one unified common market. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The Goods and Services Tax is meant to be a unified indirect tax across the country on products and services. In the current system in India, tax is levied at each stage separately, by the Centre and the State, at varying rates, on the full value of the goods.

Thus, the final consumer will bear only the GST charged by the last dealer in the supply chain with set-off benefits at all the previous stages. For transaction within a State, there will be two components of GST Central GST (CGST) and State GST (SGST) being levied on the value of goods and services. Both the Centre and States will simultaneously levy GST across the value chain. In case of inter-state transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST). The IGST would roughly be equal to CGST plus SGST.

### GST-JOURNEY SO FAR:

| Year | Proceedings  |
|------|--|
| 2006 | <ul style="list-style-type: none"><li>Finance Minister announces GST in India from 01.04.20102006.</li></ul>   |
| 2007 | <ul style="list-style-type: none"><li>Joint Working Group set up by Empowered Committee of State Finance Ministers.</li><li>Joint Working Group submitted Report to Empowered Committee.</li><li>Report of Joint Working Group discussed by Empowered Committee and some changes made.</li></ul>   |
| 2008 | <ul style="list-style-type: none"><li>Views of Empowered Committee were sent to Government of India.</li><li>Comments received by Empowered Committee from Government of India.</li><li>A comment of Government of India considered by Empowered Committee and Committee was constituted to consider these comments.</li></ul>   |
| 2009 | <ul style="list-style-type: none"><li>Views accepted by Empowered Committee, a Working Group was formed by State/Central Govt. office to submit recommendations of structure of GST.</li><li>Interaction between Finance Minister and Empowered Committee for compensation for loss of Revenue to the State for phase out of the CST.</li><li>First Discussion Paper released by Empowered Committee.</li><li>Report of the Task Force on GST constituted by the 13th Finance Commission2009.</li><li>The Prime Minister's Economic Advisory Committee (PMEAC), Chairman C. Rangarajan has said "The Centre could follow the pattern in which there is only one rate for goods and one rate for services, or one rate which is common to both goods and services".</li></ul> |
| 2010 | <ul style="list-style-type: none"><li>The government launches a mission-mode project for the computerization of commercial taxes in states which is expected to lay the foundation for the GST.</li></ul>  |

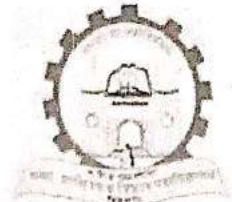


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| 2011 | <ul style="list-style-type: none"><li>The Constitution (One Hundred and Fifteenth Amendment) Bill, 2011 introduced in Parliament.</li></ul>   |
| 2012 | <ul style="list-style-type: none"><li>The Standing Committee begins discussion.</li><li>Finance minister Chidambaram holds meetings with state finance ministers.</li></ul>   |
| 2013 | <ul style="list-style-type: none"><li>In his budget speech, Chidambaram announces that the government has made provisions of Rs.9000 crore for compensation to states.</li><li>The Standing Committee submits its report to parliament. The panel approves the legislation with some amendments on the provision of tax structure and resolution mechanism.</li></ul> |
| 2014 | <ul style="list-style-type: none"><li>The Constitution (One Hundred and Fifteenth Amendment) Bill, 2014 introduced in Parliament on December 19, 2014</li></ul>   |
| 2015 | <ul style="list-style-type: none"><li>Lok Sabha cleared the Constitution (122nd Amendment )Bill on May 6, 2015</li><li>The government is unable to push the bill in the Rajya Sabha.</li></ul>  |
| 2016 | <ul style="list-style-type: none"><li>On 3rd August the GST bill was passed by the Rajya Sabha with amendments. After moving to the Lok Sabha it approved on 8th August, 2016.</li></ul>  |

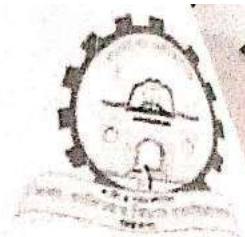
### Challenges GST:

The following major challenges for the success of GST in India:

1. The fitment of thousands of commodities and services into the five GST rate slabs (zero, 5%, 12%, 18% and 28%) could be the trickiest for the GST Council.
2. The GST administration intends to keep petroleum products out of the ambit of GST, being petroleum products have been a major contributor of inflation in India.
3. Small traders are confused with the GST tax rate application and increasing cost of operations, as they are unable to afford the cost of computer and accounting staff for maintenance of record and filling of returns under GST.
4. Regressive nature of indirect taxes will badly affect the purchasing power of poor people which will have negative impact on human development index.
5. There are various definitional issues related to manufacturing, sale, service, valuation etc. arises. These needs to be rationalized.
6. Several transactions take the character of sales as well as services, thus there is complexity in determining the nature of transaction.
7. GST will ensure boost to exports. When the cost of Production falls in the domestic market, Indian Goods and services will be more prices competitive in foreign markets.
8. Political reasons are determining the fate of GST, which is not the correct thing, because ideally GST is an economic and tax reform, and economic and tax reforms should not be dictated by political.

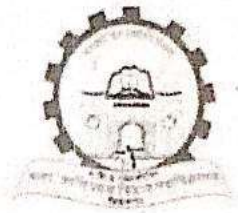
### Impact of GST:

- **Food Industry:** The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary,



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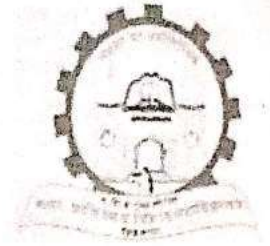
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- snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.
- **Housing and Construction Industry:** In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.
  - **Rail Sector:** There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter – state transportation of goods can be tracked through the proposed Information technology (IT) network.
  - **Financial Services:** In most of the countries GST is not charged on the financial services. Example, In New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.
  - **Information Technology enabled services:** To be in sync with the best International practices, domestic supply of software should also attract G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic form, it should be considered as Intellectual Property and regarded as a service. And if the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to G.S.T. 35 According to a FICCI – Techno park Report. Implementation of GST will also help in uniform, simplified and single point Taxation and thereby reduced prices.
  - **Impact on Small Enterprises:** There will be three categories of Small Enterprises in the GST regime. Those below threshold need not register for the GST. Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime. Those above threshold limit will need to be within framework of GST Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligation being created for some dealers. In this case considerable assistance is desired. In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions of excise up to Rs. 1.5 Crores. These units may be required to register for payment of GST, may see this as an additional cost.

### Conclusion:

Goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. The implementations of GST, tax burden on consumer and businesses will be reduced and number of extra taxes will be cover under this model. GST help to improve the transparency in taxation and make a healthy environment to the investors and government polices implementations. The GST is very crucial tax reform since independence of India, so it must be better handled with utmost care and analyzed well before implementing it. And, the governments both central and state have to conduct awareness programs and various literacy programs about GST to its various stakeholders.



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