

INTERNATIONAL RESEARCH FELLOWS ASSOCIATION  
**RESEARCH JOURNEY**

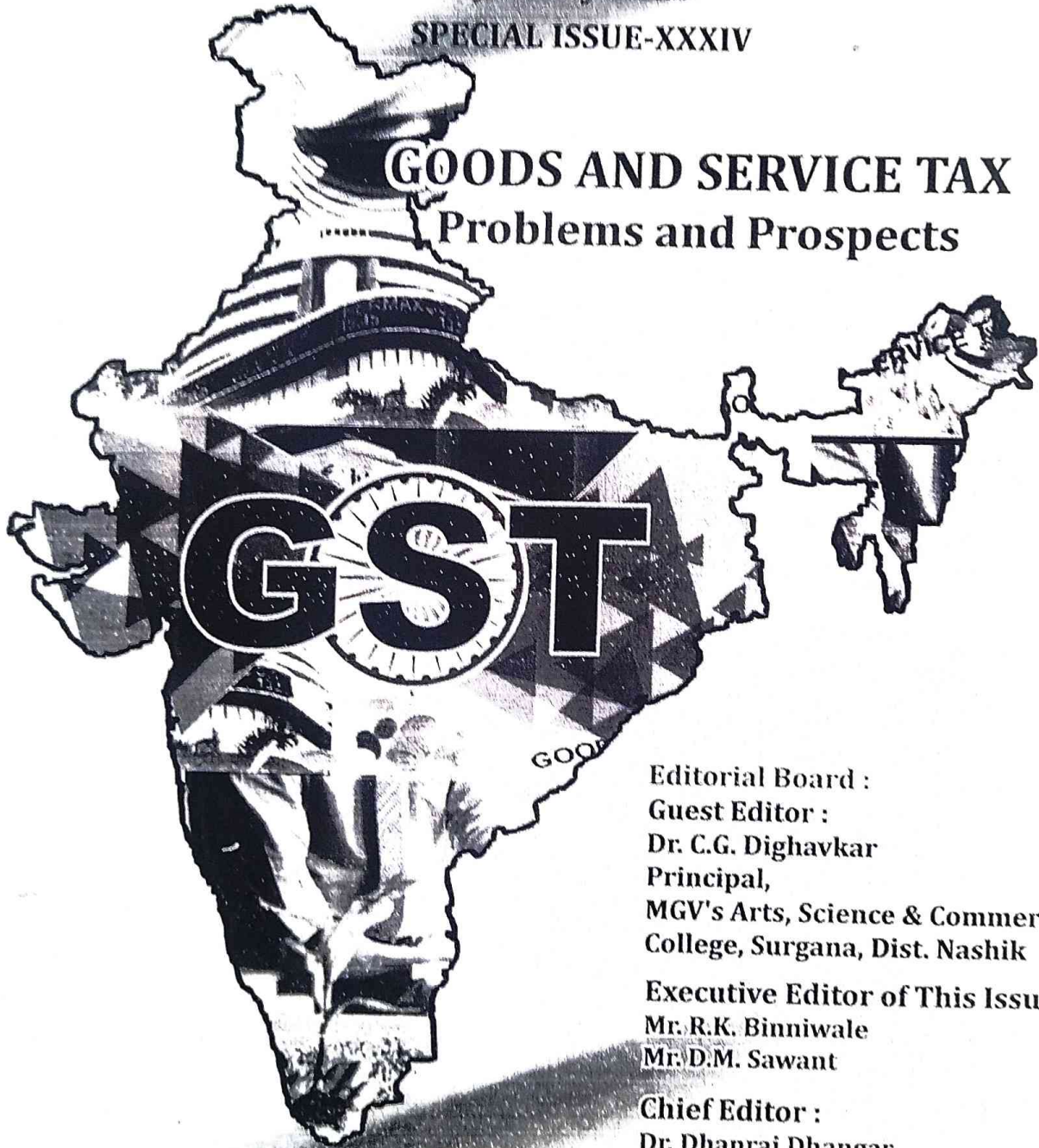
Multidisciplinary International E-research Journal

PEER REFREED & INDEXED JOURNAL

January-2018

SPECIAL ISSUE-XXXIV

**GOODS AND SERVICE TAX**  
Problems and Prospects



Editorial Board :

Guest Editor :

Dr. C.G. Dighavkar

Principal,

MGV's Arts, Science & Commerce

College, Surgana, Dist. Nashik

Executive Editor of This Issue :

Mr. R.K. Binniwale

Mr. D.M. Sawant

Chief Editor :

Dr. Dhanraj Dhangar

This journal is indexed in :

- UGC Approved Journal List No. 40705 & 44117
- Scientific Journal Impact Factor (SJIF)
- Cosmoc Impact Factor (CIF)
- Global Impact Factor (GIF)
- Universal Impact Factor (UIF)
- International Impact Factor Services (IIFS)
- Indian Citation Index (ICI)
- Dictionary of Research Journal Index (DRJI)





## G.S.T. Opportunities, Challenges and Impact : An overview

**Dr. Vijay Shivaji Mistary**

Assistant Professor in Commerce

M.S.G. Arts, Science & Commerce College,

Malegaon Camp. Dist. Nashik 423105

Email: [mistaryvijay@gmail.com](mailto:mistaryvijay@gmail.com) / Mobile: 9270273733

### Introduction:

This paper focuses on the process of introducing the Goods and Services Tax (GST), bringing out the perspectives of different stakeholders and the contentious issues. The Goods and Services Tax (GST) is a value added tax implemented in India and it has been made clear that there would be a dual GST, taxation power – both by the centre and the state to levy the taxes on the goods and services. Almost 150 countries have introduced get in some form. GST is the only indirect tax that directly affects all sectors and sections of our economy. Goods and service tax is a new story of VAT which gives a widespread setoff for input tax credit and subsuming many indirect taxes from state and national level. The deadline for the introduction of GST kept getting postponed due to the slow resolution of the challenging issues. Finally, it was tabled in the Parliament as the 122nd Constitutional Amendment Bill (CAB) in December 2014. Tax policies play an important role on the economy through their impact on both efficiency and equity. Analysis of the tax levy can be extended to international competitiveness of the adversely affected sectors of production in the economy. Such domestic and international factors lead to inefficient allocation of productive resources in the economy. This results in loss of income and welfare of the affected economy. Even though the country has moved on the path of tax reforms since mid 1980s yet there are various issues which need to be restructured so as to boost productivity and international competitiveness of the Indian exporters.

### Objectives of GST:-

1. To eliminate the cascading impact of taxes on production and distribution cost of goods and services.
2. To streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers
3. To restrict on free trade of certain goods and products.
4. To widening the dealer base to increase central revenue through indirect taxes.



### Relevance of GST

Goods & Service Tax (GST) or VAT serves the purpose to impose a broad-based tax on final consumption by households. Hence, GST is a comprehensive tax levy on supply of goods and services.

1. Both Government and Industry are keen to implement GST
2. Governments are looking at increasing the tax base and tax collections (i.e. Increase revenue buoyancy) through GST
3. State is looking at GST as a window for taxing services
4. Centre is looking at GST to go beyond the point of manufacture
5. Industry wants GST to eliminate the cascading effect of taxes
6. Harmonization of taxes.

### Features of GST Model

1. Harmonized system of nomenclature (HSN) to be applied for goods.
2. Uniform return & collection procedure for central and state GST.
3. PAN based Common TIN registration.
4. Turnover criteria to be prescribed for registration under both central goods and services tax (CGST) and state goods and services tax (SGST).
5. Tax Payment will be by exporting dealer to the account of receiving state.
6. Credit will be allowed to the buying dealer by receiving state on verification.
7. Submission of declaration form is likely to be discontinued.
8. Limited flexibility to be given to Centre and States for exceptions like natural disasters etc.
9. Simplified structure to reduce transaction cost.
10. Separate rules and procedures for the administration of CGST and SGST.

### Proposed GST Model for India

1. India is opting for —Concurrent Dual GST model. The need for a Dual-GST model is based on the following premise:
2. At existing framework, both levels of Government i.e. Centre and State, as per Constitution holds concurrent powers to levy tax domestic goods and services;
3. The proposed Concurrent Dual-GST model would be a dual levy imposed concurrently by the Centre and the States, but independently;
4. Both the Centre and State will operate over a common base, i.e. the base for levy and imposition of duty/tax liability would be identical.



5. To understand the operating procedure of —Concurrent Dual GST Model we have to consider the tax/taxes which shall be levied as per place of supply of goods and services
6. SGST – State Goods and Service Tax
7. IGST – Integrated Goods and Service Tax
8. Additional Tax ( upto 1%) to be levied in case of inter-state supply of goods, which is non vatable item. Hence, no input credit available on such.

### **Impact of Goods and Service Tax**

**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

**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.

**FMCG Sector:** Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years

**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.

**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.

### **Opportunities:-**

1. This will be the major contribution of GST for the business and commerce. At present there are different state level and centre level indirect tax levies that are compulsory one after another on the supply chain till the time of its utilization.



2. It is expected that the introduction of GST will increase the tax base but lowers down the Tax rates and also removes the multiple point This, will lead to higher amount of revenue to both the states and the union.
3. If government works in an efficient mode, it may be also possible that a single registration and single compliance will suffice for both SGST and CGST provided government produces effective IT infrastructure and integration of such infrastructure of states level with the union.
4. One of the great advantages that a taxpayer can expect from GST is elimination of multiplicity of taxation. The reduction in the number of taxation applicable in a chain of transaction will help to clean up the current mess that is brought by existing indirect tax laws.
5. Under GST mechanism, the cost of tax that consumers have to bear will be certain, and GST would reduce the average tax burdens on the consumers.

#### Challenges:-

1. The threshold limit for turnover above which GST would be levied will be one area which would have to be strictly looked at. First of all, the threshold limit should not be so low to bother small scale traders and service providers. It also increases the allocation of government resources for such a petty amount of revenue which may be much more costly than the amount of revenue collected. The first impact of setting higher tax threshold would naturally lead to less revenue to the government as the margin of tax base shrinks; second it may have on such small and not so developed states which have set low threshold limit under current VAT regime.
2. The taxes that are generally included in GST would be excise duty, countervailing duty, cess, service tax, and state level VATs among others. Interestingly, there are numerous other states and union taxes that would be still out of GST.
3. There will two types of GST laws, one at a centre level called 'Central GST (CGST)' and the other one at the state level - 'State GST (SGST)'. As there seems to have different tax rates for goods and services at the Central Level and at the State Level, and further division based on necessary and other property based on the need, location geography and resources of each state.

#### Conclusion:-

GST plays a very important role in Indian Economy it is One of the biggest taxation reforms in India – the Goods and Service Tax (GST) -- is all set to integrate State economies and



boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. GST is the most logical steps towards the comprehensive indirect tax reform in our country since Independence. GST is livable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST...

**References:-**

1. <http://goodsandservicetax.com/>
2. [http://en.wikipedia.org/wiki/Goods\\_and\\_Services\\_Tax\\_\(India\)](http://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India))
3. [http://www.taxmanagementindia.com/visitor/detail\\_rss\\_feed.asp](http://www.taxmanagementindia.com/visitor/detail_rss_feed.asp)<http://www.gstindia.com>
4. [http://finmin.nic.in/workingpaper/gst%20reformsconsiderations%](http://finmin.nic.in/workingpaper/gst%20reformsconsiderations%20)
5. <http://economictimes.indiatimes.com/topic/GST>
6. <http://www.moneycontrol.com/newstopic/gst/>
7. <http://www.businessstandard.com/article/economy-policy>