



GST - RECOMPENSES AND DETRIMENTS

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Abstract

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India (Except state of Jammu and Kashmir), to replace taxes levied by the central and state governments. It is levied on both goods and services. The main aim of GST is to centralize taxation for businesses so as to relieve them of burden of compliance and better manage their cash and finances. The paper highlights the advantages and disadvantages of GST focusing on its salient features.



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Introduction

Goods and Services Tax (GST) is an indirect tax levied in India on the sale of goods and services. Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic drinks are taxed separately by the individual state governments. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

The tax came into effect from July 1, 2017 through the implementation of one hundred and first amendment by the Government of India. The tax replaced existing multiple cascading taxes levied by the central and state governments. The tax rates, rules and regulations are governed by the Goods and Services Tax Council which comprises finance ministers of centre and all the states. GST simplified a slew of indirect taxes with a unified tax and is therefore expected to dramatically reshape the country's 2 trillion dollar economy.

Hailed as one of the biggest tax reforms of the country, the Goods and Services Tax (GST) subsumes many indirect taxes which were imposed by Centre and State such as excise, VAT, and service tax. It is levied on both goods and services sold in the country. GST or

Goods and Services Tax, is a tax which combines various indirect taxes being charged by Central and State governments, which resulted in multiple receipts/ payment/ compliance being needed for multi-state business.

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SALIENT FEATURES OF GST

- GST is a value added tax, levied at all stages of the supply chain, right from manufacture to final consumption, where credit shall be allowed for taxes paid at previous steps as set-off.
- GST would be applicable on the supply of goods or services, as against the present concept of tax on the manufacture and sale of goods or provision of services.
- GST would be a destination based consumption tax ie, tax would accrue to the taxing authority which has jurisdiction on place of consumption.
- GST would apply to both goods and services barring a few exceptions.
- GST would be levied concurrently by both Centre and State. GST to be levied by the Centre on intra- State supply of goods and / or services would be called the Central GST (CGST) and that to be levied by the States would be called the State GST (SGST).
- However it is contemplated that the base and other essential design features would be common between CGST and SGST, across SGSTs for the individual States.
- Inter-State supplies within India would attract an Integrated GST (aggregate of CGST and the SGST of the destination State).

ADVANTAGES

- There are various definitional issues related to manufacturing, sale, service, valuation etc. arises. These needs to be rationalized.
- Several transactions take the character of sales as well as services, thus there is complexity in determining the nature of transaction.
- The mechanism of imposing taxes, exemptions, abatements, other benefits are different in state and center.
- Existing law has resulted in significant number of issues related to interpretation or

various provisions and the category of the products and the nature of services.

- India needs comprehensive levy and collection on both goods and services at the same rate with the benefit of input credit.
- A simple tax structure can bring greater compliance, thus increasing number of tax payers and in turn tax revenues of Government.
- GST will ensure boost to exports. When the cost of Production falls in the domestic market, Indian Goods and services will be more price competitive in foreign markets
- 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.

DISADVANTAGES

- Small traders may not have access to internet or computers and may be left out.
- GSTN or IT network for GST, can have privacy and security related issue.
- GSTN or IT network for GST, can be a single point of failure affecting every one across India, if any failure occurs.
- Local dealers have to pay CGST in addition to SGST (earlier they had to pay just VAT).
- There shall be no differentiation between 'goods & services' under GST model, services supply within the state would attract SGST at each stage in the supply chain ,but in the mean-time assessee have to pay CGST also.
- Introduction of GST model could affect negatively (than positively) to few Industries/sectors.
- Under the GST Model, the state should face heavy losses in terms of tax collection but they also get compensated on the other hand by the states. Infact some states are of the view that there should not be any time -frame for compensation scheme.

CONCLUSION

GST Tax will be the new regime of Indirect tax in the nation and will seek the end of existing all indirect tax rules. It will schedule a coalition between Central and State Government amidst the cry for better taxation system which GST duly delivered GST will bring in transparent and corruption-free tax administration, removing the current shortcomings in indirect tax structure. GST is business friendly as well as consumer friendly. GST in India is poised to drastically improve the positions of each of these

stakeholders. We need a change in the taxation system which is better than earlier taxation. This need for change leads us to need for GST.

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