

ROLE OF GST AS A REVISED TAXATION SYSTEM TO TRANSFORM THE INDIAN ECONOMY

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1. Abstract:

One of the most important reasons for recent tax reforms in many developing and transitional economies has been to evolve a tax system to meet the requirements of international competition (Rao 1992). The transition from a predominantly centrally planned development strategy to market based resource allocation has changed the perspective of the role of the state in development. The transition from a public sector based, heavy industry dominated, import substituting industrialization strategy to one of allocating resources according to market signals has necessitated systemic changes in the tax system. In an export-led open economy, the tax system should not only raise the necessary revenues to provide the social and physical infrastructure but also minimize distortions. Thus, the tax system must adjust to the requirements of a market economy to ensure international competitiveness. As far as GST has been implemented since July 1, 2017 the new taxation system has been implemented and acquired throughout India.

The revised taxation system with effect from 15 November 2017, GST is a single tax right from the manufacturer or service provider to the consumer. In this system, taxes paid at each stage will be credited in the subsequent stage of value addition. Thus, Goods and Services Tax charged by the final dealer (seller or service provider) is the final tax borne by the customer, with set off all taxes paid at all earlier stages in the supply chain. So, there are many Benefits of GST at every stage.

This Research paper concentrates on the role of GST as a tool to transform business tactics. The study is based on the secondary sources that are from various online sources, government official websites, repeated journal articles, related to GST. Quantitative data has been used for analysing the concept of GST and its impact on Indian business sector and economy.

Keywords: GST, Tax, Direct Tax, Indirect Tax, Business, etc.

2. Introduction:

The world's 12th-largest economy at market exchange rates and the fourth largest in purchasing power, India has a quasi-federal form of government. India's Constitution is the

longest and the most exhaustive constitution of any independent nation in the world. India has a three-tier federal structure, comprised of the union or central government, the state governments, and the local bodies, all of which have the authority to levy taxes. Besides direct taxes such as the income tax, indirect forms of tax are collected such as the sales tax, VAT, service tax, stamp duty, customs, and excise duty. The manufacturing sector is uniquely placed in the current taxation structure because it is the only sector that should pay Excise Duty on its output in addition to the VAT/CST paid by traders.

The current taxes like Excise duties, service tax, customs duty etc. will be merged under CGST. The taxes like sales tax, entertainment tax, VAT and other state taxes will be included in SGST.

It is crucial that the Tax Office has a robust system in place to process GST refunds promptly. There are three main reasons for this. Firstly, GST refunds generally reimburse GST registered entities for a tax which they should not be bearing. Secondly, any delay in paying those refunds will cause cash flow issues for these entities. Thirdly, entities that are entitled to GST refunds may face a competitive disadvantage if those refunds are not paid promptly.

GST is a destination-based consumption tax that will cover both intrastate and interstate trade and commerce. The transition to GST will particularly impact the manufacturing sector, which currently contributes a quarter towards the national GDP. Furthermore,

government initiatives like Make in India, Skill Development, and others aim to substantially increase manufacturing's effect on the GDP.

3. Need of Study:

An industrial undertaking in which the investment in fixed assets in plant and machinery whether held on ownership terms on lease or on hire purchase **does not exceed Rs 10 million.**

India's MSME (micro, small and medium enterprises) sector, with 48 million enterprises, contributes **37.5% to gross domestic product, provides employment to 11.4 million persons and accounts for more than 40% of India's exports.** In the light of these two facts, a simplified tax regime becomes extremely important for both export and job creation.

GST may also lower the cost of transporting goods by 30 per cent through the elimination of checkpoints and other transport bottlenecks, according to Ramesh Abhishek, Secretary of Industrial Policy and Promotion of India. Such reductions could improve the competitiveness of exports and improve access to domestic markets.

4. Study Objectives

The study has following objectives:

- 4.1 To cognize the concept of GST
- 4.2 To study the features of GST
- 4.3 To evaluate the advantages and significance of GST

4.4 To furnish information for further research work on GST.

5. Research Methodology:

This study is intended to identify the present status of VAT, and the main reasons for switching over to GST. The study is descriptive in nature, based on simple random survey method. The primary data collected from the respondents (Traders Public and Experts) about perception of the present VAT system and their expectations in forth coming GST. Interview schedule has been formulated and administered accordingly. The Secondary data were collected through Journals, Newspapers, and Books, websites, published and unpublished records of the Commercial Taxes Department of Puducherry. This study brings out suggestions and inferences drawn from the analysis of both primary and secondary data.

6. Findings:

India's GST tax reform offers great opportunities for companies to carry out a necessary re-evaluation of their supply chains based around commercial and supply chain drivers rather than around tax considerations. It is vital for businesses to identify and assess these opportunities and leverage them to reinvent their existing supply chain footprint. Companies, instead of investing their own time and money can rely on the expertise of themselves. With a team of consultants, implementers and operators across many countries and business sectors, Supply Chain

Development offers customers independent and unbiased solutions drawing on our deep knowledge and experience.

Government's intention behind GST is to expand the taxpayers base and not to enhance tax burden on business/ individual tax payers. Much aligned to this objective, Model GST law released by the Ministry of Finance seeks to bring each person with an aggregate turnover of above Rs 10 lakhs within the umbrella of GST. The limit has been kept even lower at Rs 5 lakhs for /north eastern states.

6.1 Benefit to the small-scale business manufacturers

GST bill has been passed with the aim to benefit business under all sectors in the country but it is the small-scale business manufacturers who are expected to benefit from the same. Here is a detail on the GST impact on small business manufacturer

At present, small business manufacturers must spend a good quantum of both energy and time for managing different taxes at different points. GST aims at simplifying this process by the integration of all indirect taxes like VAT, service taxes, central service tax, subsidies and others skillfully under one scheme. This will equalize the amount of tax to be paid by different small business manufacturers at different states. Small scale service sector is also likely to face an increase in tax rate under GST as against the present effective rate of 15 percent. GST is likely to subsume some

6.2 Benefit to hotels and restaurants business:

Businesses such as hotels and restaurants which come under both the 'sales-service taxation' section have the responsibility of calculating service tax and VAT on both these items separately which makes the calculations complex. GST eases this calculation by eliminating the difference between services and sales.

6.3 Benefit to farmers and the food processing industry:

It may be worth reconsidering these rates and bringing them down to the 5 per cent slab for stronger linkages between farmers and the food processing industry and creating jobs in rural areas.

6.4 Benefit to SME manufacturers:

SME manufacturers, presently exempt (if annual taxable turnover is up to Rs 1.5 Crores) from paying excise duty, would be liable to pay full rate of GST. This may bring their products up for stiff competition with those of industry leaders in terms of tax costs involved.

6.5 Benefit to Trading entities:

All taxpayers except structure taxpayer need to computer file 3 profits on per month foundation on Tenth, Fifteenth and Twentieth of next month respectively which would result in some additional per month cost. But there would be a huge saving in form of input tax credit score on taxation compensated for various services like telephone costs, professional costs etc and taxation compensated for the purchase of products from other declares. Trading entities, largely welcomes GST as it creates a

single uniform market for them across the country with improved ease of doing business also better availability of input tax credits leaves the increased tax incidence on services to only marginal.

6.7 Benefit to E-Commerce entities

E-commerce in already being affected by several taxations and access taxation in various declares. GST would help E-commerce to gain hugely due to elimination of access tax and accessibility of Feedback credit score for all taxation paid. Small shop or suppliers who are promoting through e-commerce route would need to maintain some information and is topic to tax selection at source @ 2% by E-commerce Company though the same can be modified while making payment of tax responsibility by these little shops

6.8 Benefit to the consumer:

Central and State levies taxes such as duties of excise, additional duties of customs (applied in lieu of excise and local taxes), service tax, value added tax, central sales tax, entry tax, octroi and luxury tax. These taxes in aggregate constitute typically 25 percent to 40 percent of the price of products with certain categories being taxed at lower rates. There could be a reduction of tax incidence for several product categories if the standard GST rate is notified in the range of 18 percent to 20 percent. Headline tax rate on services is likely to increase as these are currently taxed at 15 percent even though expansion of the input credit base should partially offset the increase.

6.9 Reduce tax evasion:

GST will reduce tax evasion greatly. The parallel economy that accounts for over one-fifth of our GDP will be brought into the tax network. This will yield substantially higher revenues to governments and make scarce resources available for public spending.

7. Conclusion:

It can be concluded from the above discussion that GST will bring One Nation and One Tax market. Provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money

generation leading to productive use of capital, Therefore It is necessary on the part of the government to educate, conduct proper training, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken.

GST will end market distortions as India becomes a single market, and ensure a transparent, effective tax system that is likely to result in higher revenues for governments. It will accelerate economic growth over the next few years and contribute to better employment opportunities.

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