

INTERNATIONAL RESEARCH JOURNAL OF MULTI DISCIPLINARY STUDIES

Approved by : University Grant Commission (UGC)

MONTHLY DOUBLE-BLIND PEER REVIEWED REFERRED OPEN ACCESS INTERNATIONAL JOURNAL

www.irjms.in

E-mail : irjms2015@gmail.com irjms.in@gmail.com

Volume - IV Special Issue - VI

ISSN : 2454-8499

February 2018

Impact Factor : 1.3599(GIF), 0.679 (IIFS)

**SPECIAL ISSUE ON
GST – CONCEPT ISSUES, OPPORTUNITIES AND CHALLENGES**



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Vol. 4, Special Issue 6, January, 2018 ISSN (Online): 2454-8499
Impact Factor: 1.3599(GIF), 0.679(IIFS)

“ISSUES AND OPPORTUNITIES OF GST”

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ABSTRACT: *The President of India approved the Constitution Amendment Bill for Goods and Services Tax (GST) on 8 September 2016, following the bill's passage in the Indian parliament and its ratification by more than 50% of state legislatures. This law will replace all indirect taxes levied on goods and services by the central government and state government and implement GST by April 2017. The implementation of GST will have a far-reaching impact on almost all the aspects of the business operations in India. With more than 140 countries now adopting some form of GST, India has long been a stand-out exception.*

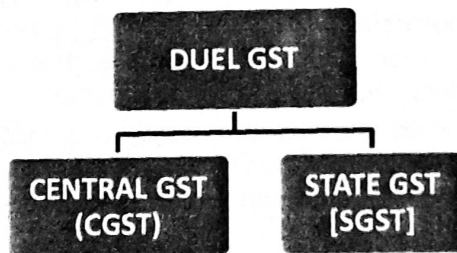
GST is a value-added tax levied at all points in the supply chain, with credit allowed for any tax paid on input acquired for use in making the supply. It would apply to both goods and services in a comprehensive manner, with exemptions restricted to a minimum.

In keeping with the federal structure of India, it is proposed that the GST will be levied concurrently by the central government (CGST) and the state government (SGST). It is expected that the base and other essential design features would be common between CGST and SGSTs for individual states. The inter-state supplies within India would attract an integrated GST (IGST), which is the aggregate of CGST and the SGST of the destination state.

Keywords: GST – Dual GST, Global Scenario, Benefits of GST, Impacts of GST In India

1.1 INTRODUCTION: GST is one indirect tax for the whole nation, which will make India one unified common market. 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.

GST MODEL:



At the **Central** level, the following taxes are being subsumed:

1. Central Excise Duty,
2. Additional Excise Duty,
3. Service Tax,
4. Additional Customs Duty commonly known as Countervailing Duty, and
5. Special Additional Duty of Customs.



At the **State** level, the following taxes are being subsumed:

1. Subsuming of State Value Added Tax/Sales Tax,
2. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
3. Octroi and Entry tax,
4. Purchase Tax,
5. Luxury tax, and
6. Taxes on lottery, betting and gambling.

1.2 RESEARCH OBJECTIVE:

1. To evaluate the challenges of GST which Logistic industry have to face.
2. To understand the benefits of GST over the Current taxation system in India.

1.3 KEY FEATURES - DUAL GST:

Transactions within the State		Interstate Transactions
SGST	CGST	IGST
Levied by State	Levied by Centre	Levied by Centre
Implemented through Multiple Statues	Implemented through Single Statue	Implemented through Single Statue
Paid to the account of State Govt.	Paid to the account of Central Govt.	IGST = CGST+SGST
		Addl. Levy @ 1% on goods for a period of 2 years

THE FOLLOWING ARE THE SALIENT FEATURES OF THE PROPOSED GST SYSTEM:

- The power to make laws in respect of supplies in the course of inter-state trade or commerce will remain with the central government. The states will have the right to levy GST on intrastate transactions, including on services.
- The administration of GST will be the responsibility of the GST Council, which will be the apex policy-making body for GST. Members of GST Council will comprise central and state ministers in charge of the finance portfolio.
- The threshold for levy of GST is a turnover of Rs. 1 million. For a taxpayer who conducts business in a northeastern state of India the threshold is Rs. 500,000.
- The central government will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services (other than on alcohol for human consumption).
- Central taxes such as central excise duty, additional excise duty, service tax, additional custom duty and special additional duty, as well as state-level taxes such as VAT or sales tax, central sales tax, entertainment tax, entry tax, purchase tax, luxury tax and octroi will be subsumed in GST.
- A provision will be made for removing imposition of entry tax/ octroi across India.



- Entertainment tax, imposed by states on movies, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- Stamp duties, typically imposed on legal agreements by states, will continue to be levied.
- The key benefits associated with GST are:
 - Offers a wider tax base, necessary for lowering tax rates and eliminating classification disputes
 - Eliminates the multiplicity of taxes and their cascading effects
 - Rationalizes the tax structure and simplifies compliance procedures
 - Automates compliance procedures to reduce errors and increase efficiency

GST would be levied on the basis of the destination principle. Exports would be zero-rated, and imports would attract tax in the same manner as domestic goods and services. In addition to the IGST in respect of supply of goods, an additional tax of up to 1% has been proposed to be levied by the central government. The revenue from this tax is to be assigned to the origin states. This tax is proposed to be levied for the first two years or a longer period, as recommended by the GST Council. With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions. GST would bring in a modern tax system to ensure efficient and effective tax administration. It will bring in greater transparency and strengthen monitoring, thus making tax evasion difficult. While the process of implementation of GST unfolds in the next few months, it is important for industry to understand the impact and opportunities offered by this reform. GST will affect all industries, respective of the sector. It will impact the entire value chain of operations, namely procurement, manufacturing, distribution, warehousing, sales and pricing.

1.4 GST – GLOBAL SCENARIO

- More than 160 countries have already introduced GST/ National Level VAT.
- Typically GST is a unified Tax System in most of the Countries.
- Canada and Brazil only have dual GST.
- Standard rate of most of the Countries ranges between 16- 20%.
- As per KPMG international indirect tax survey 2014: Out of 132 countries: Hungary- 27% and Aruba: 1.5%

COMPARISON OF FEDERAL VAT SYSTEMS

Nature of VAT	Country Examples	Disadvantages
Independent VATs at Centre and Sates	Brazil, Russia, Argentina	Differences in base and rates weaken administration and compliance. Inter-state transactions difficult to manage
VAT levied and administered at Centre	Australia, Germany, Austria, Switzerland, etc.	State government relieved of responsibility of raising taxes which also takes away fiscal discretion of States
Dual VAT	Canada and India today	A combination of the above two and hence limits both their disadvantages

Clean" dual VAT	India's GST	Common base and common or similar rates facilitate administration and compliance, including for inter-state transactions, while continuing to provide some fiscal autonomy to States.
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1.5 LITERATURE REVIEW

Dr.R. Vasant hagopal [2011] studied “**GST in india: a big leap in the indirect taxation system**”and concluded that switching to seamless GST from current complicated indirect tax system in india will be positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtis ham ahmed and satya Poddar[2009] studied “ **Goods and service tax reforms and Intergovernmental Consideration in india**” and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar [2014] studied “**Goods and service tax-A way Forward**” and Concluded that implementation of Gst in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Nishita Gupta Assistant Professor University of Delhi” **Goods and services Tax: Its impact on Indian Economy** :Concluded that tax policies play an important Role on the economy through their impact on both the efficiency and equity. A good tax system should keep in a view issues of income distribution and, at the same time, Endeavour to generate tax revenue to support government expenditure on Public services and infrastructural development. Cascading tax revenues have differential impacts on firms in the economy with relatively high burden on those not getting full offsets. Result in loss of income and welfare of the affected economy.

1.6 BENEFITS OF GST

BUSINESS AND INDUSTRY

1. **Easy compliance:** A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
2. **Uniformity of tax rates and structures:** GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
3. **Removal of cascading:** A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
4. **Improved competitiveness:** Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

5. Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

CENTRAL AND STATE GOVERNMENTS

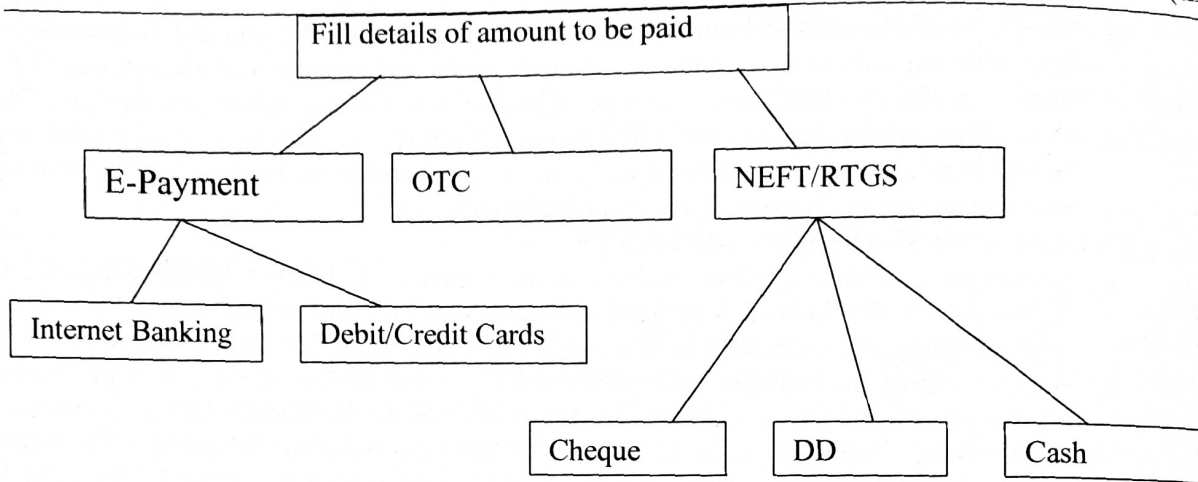
1. Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.
2. Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.
3. Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

THE CONSUMER

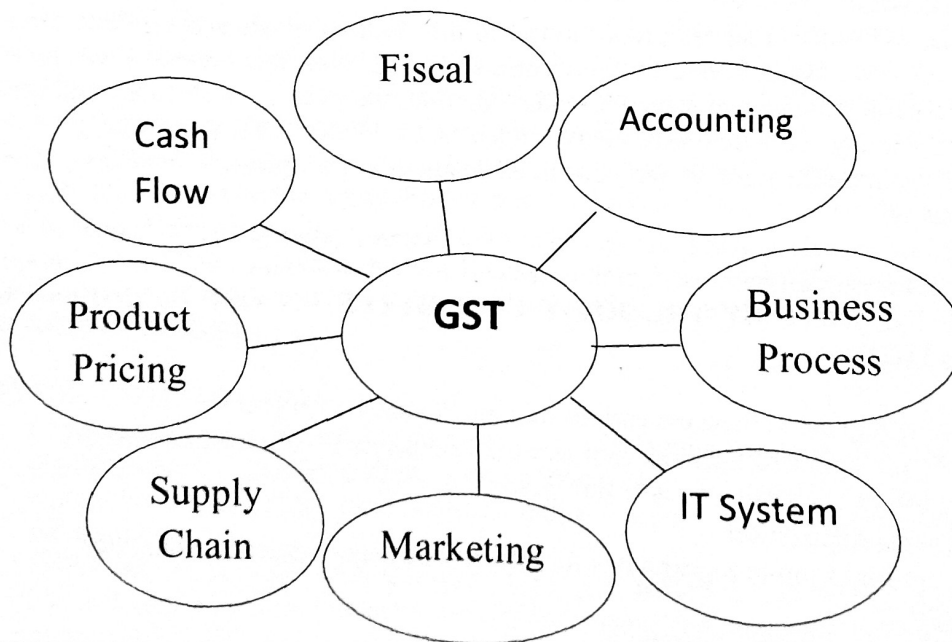
1. Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
2. Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

1.7 DRAFT REPORTS BY THE JOINT COMMITTEE ON GST BUSINESS PROCESS – REGISTRATION

- Existing registered business entities migrated to the GSTN portal.
- Newly incorporated business entities would submit application within 30 days from turnover crossing taxable threshold.
- State-wise registration
- May opt for multiple registrations for different business verticals within the same State
- Option for voluntary registration.
- Taxable threshold for inter-state supplies and reverse charge would be Zero.
- No ITC for default of application within the prescribed time.
- Regular defaulter's profile would be posted in public domain.



GST IMPACT ACROSS ALL BUSINESS



**1.8 KNOWLEDGE CONTRIBUTION LIKELY OUTCOMES:
 POSITIVE IMPACTS OF GST IN INDIA**

1. GST will also help to build a transparent and corruption free tax administration.
2. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.
3. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.



4. GST also has an optional scheme of lower taxes for small businesses with turnover between INR 20 to 50 lakhs. It is called the composition scheme. It has now been proposed to be increased to 75 lakhs. This will bring respite from tax burdens to many small businesses.
5. Removing cascading tax effect, simpler online procedure under GST, defined treatment for E-commerce and regulating the unorganised sector.

NEGATIVE IMPACTS OF GST IN INDIA

1. Some Economist say that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2. Some Experts says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
3. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive. Effective Service tax at present is 15%. After GST implementation it will be 18% to 20%. Thereby the service sectors are affected. They have to bear higher taxes.
4. Air travel, Hotels, will become costlier. Economy class tickers are taxed 6% and non-economy class 9%. After the GST these tickets will be taxed 18% to 20%. Insurance premium, investments, branded clothes, branded jewellery, cigarettes, will become costlier.

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