

“Impact on Business & Industries of changes in Indirect Tax System”.

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Abstract

There is a huge hue and cry against implementation of G.S.T. It would be interesting to understand why this GST regime may hamper the growth and development of the country. What main Issues are related to G.S.T.

Keywords: Goods and service tax, Indian economy, Business & Industries of India.

Introduction:-

In India, there are many different types of indirect taxes levied on the expenses incurred by a buyer, the government now intends to merge all these forms of indirect taxes and levy a common indirect tax by the name of GST i.e. “Goods and Service Tax”.

The Indian Govt. is actively working towards the implementation of a common indirect tax by the name of GST. GST has been implemented in India from 1st July 2017 and it replaces several indirect taxes like service tax, VAT, Excise etc. which were levied earlier.

The 1st and foremost thing which every business should do regarding GST is to apply for GST Registration Number. The Registration in GST is PAN based and is state specific. A supplier can declare one place as the principal place of business and the other branches in different states as additional place of business. GST registration is mandatory if your aggregate annual turnover exceeds Rs. 20 lakhs in a financial year. The above mentioned limits are only for transactions done in the same state. In case of Inter-state transactions – it is mandatory to register from Rs.1. Goods and Service tax (GST) Act 2017 is expected to **change the Indian tax system** fundamentally and is the biggest tax reform since Independence. It will automated and simplify

the process of indirect taxation and will replace the complicated taxes like value-added tax (VAT), central sales tax, central excise, service tax or entry tax and other indirect tax.

After everything, there are still some issues and the problems a businessman will face are:

- Under GST Compliance procedure will now be carried out through the online portal only. Small and medium businessman will find it harder as the compliance cost will increase and many of them are not aware of the latest technology.
- The burden of the lower there should will be an issue again as in existing law, manufacture are not required to comply with excise role if the turnover is 1.5 crore or less. With merging into GST, they have to register if turnover crosses the limit of 2 lakhs under GST. This will create the problem for small business holders.
- Monthly every assessee has to file 3 returns and 1 annual return which make total 37 return to be file annually. This process will lead to increase in Work load.
- The effective rate of service tax is 15% which will be increased to 18 -28% in GST. Therefore service industry will have to bear the higher taxes.
- In GST three types of taxes are levied i.e. CGST, SGST and IGST. CGST & SGST will be levy on Intra state sales and IGST will levy in the inter-state sale. This will may sometimes create a problem , which tax to be charges.
- The effective rate of service tax is 15% some service provider is fall in tax bracket but some are not full, So amount is difference in service bill.
- There are many more problems which may face by the businessman according to the type and nature of business and various industries.

However is a long term plan. It may by burden some in short run but positive impact shall be seen in the long run and will be beneficial not only to the common man but to the country as a whole.

Importance of the GST Taxation System - Trade, Government, and Consumer: GST will overcome various issues of development via greater interactions between VAT/GST systems along with overcoming the potential risks of double taxation and unintended non-taxation systems. GST will lay a strong foundation of collecting tax at early stage of value addition. Every business/tax payer would be a part of controlling and collecting the tax and remitting the

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proportion of tax corresponding to its margin. GST will thereby flow through the business to tax supplies made to the final consumer.

GST Reforms will play a crucial role for trade, government, and consumers in the following manner:

(i) **Trade:** In order to harmonize trade and bring significant reforms to boost up development, GST will act as a stepping stone for the following parameters: (a) multiplicity of taxes will be reduced, (b) tax neutrality, especially for exports goods, (c) development of one nation or one common economic market, (d) simpler tax with fewer rates and exemptions,

(e) Effectiveness in reducing cost for domestic industries.

(ii) **The Government :** GST promises a lot for transparent working system for the government in the following manner : (a) easy and simple taxation system - one common tax across the country, (b) tax base broadening, (c) great improvements towards collections of revenues, (d) resource utilization would be more effective, (e) investments out of savings by consumers - due to mitigation of cascading effect, which contributes to increase in availability of funds out of savings of consumer - which may be used for development.

(iii) **The Consumer :** For a normal Indian citizen, GST promises a lot in terms of better taxation system as follows:

(a) reduction in the cost of goods and services due to significant elimination of cascading effect on taxes, (b) increase in household income and purchasing power , (c) increase in savings of common man, (d) high increase towards investment potential.

Impact of GST on the Indian Economy: Advantages and Challenges of GST Implementation

(1) **Impact of GST on the Indian Economy:** GST will impact the overall taxation system of the Indian economy. It will improve the country's GDP ratio and also control inflation to a certain extent. However, the reform will mainly be advantageous to the manufacturing industry, but will make some things challenging for the service sector industry.

GST is expected to raise the GDP growth from 1% to 2%, but these figures can only be analyzed after successful implementation. Some countries have faced a mixed response in growth like New Zealand saw a higher GDP as compared to countries like China, Thailand, Australia, and Canada (Shokeen, Banwari, & Singh, 2017).

The GST rate is implemented in various slabs like 5%, 12%, 18%, and 28%, which will automatically provide great tax increments to the government and the manufacturing sector will face immense growth with reduction in tax rate. There is definitely something good for everyone. Various unorganized sectors which enjoy the cost advantage equal to tax rate which will be brought under GST. This will make various sectors like Hardware, Paint and Electronics etc. under the tax slab. GST requires everything to be planned meticulously for organized rate of taxation. There are still lots of sectors which are to be discussed under GST and this requires proper planning. For the common man and different companies, the collection of Central and State taxes will be done at point of time when sales originate, both components will be charged on manufacturing costs and price of the product will downgrade and consumption will thereby increase.

(2) Impact of GST on Various Sectors: Goods and Services Tax will unite the Indian economy into one common market under a single umbrella of taxation rates, leading to easiness of starting and doing businesses, leading to increase in savings and cost reduction among various sectors. Some industries will be empowered by GST because of reduction in tax rates, while some will lose because of higher rate of GST interests (Panda & Patel, 2010).

In this section, we discuss various sectors and elaborate the impact of GST on them:

(i) IT Companies: GST will allow more implementation of digital systems and services. GST will increase the rate of tax from 14 -15% to 18%, which will increase the cost of electronic products like mobile phones, laptops, etc.

(ii) FMCG Industry: GST will have a significant impact on the FMCG sector. Some food items are exempted under GST like grains and cereals, milt, meat, fish, fruits and vegetables, candy etc. Before GST, FMCG companies paid 24-25% tax including Excise Duty etc. With

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GST, the rate of return would be 17-19% leading to strong impact in production and consumption (Jain, 2013).

(iii) Online Shopping: With the introduction of GST, various Ecommerce companies will face much burden of work in rate of filling taxes and cost will be increased.

(iv) Telecom Sector: With the current VAT charges of 15% being replaced by 18% GST rate, the price of mobile calling, SMS, and broadband services would be impacted. This will have a negative impact for big telecom giants like Airtel, Vodafone, Idea, etc.

(v) Automobiles: GST will provide reduction on on-road price of vehicles to max by 8% as per the latest report. Lower prices mean various automobile companies can boost up volumes and sales and have tremendous opportunities for expansion in India.

(vi) Small Scale Enterprises : There are three categories: (a) below threshold, need not register for GST, (b) between threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime, (c) above threshold level, will be within the GST framework. Manufacturers and traders will pay less tax after GST Implementation.

(vii) Entertainment: With GST, taxes can do down by 2 - 4%, but the rate of tax for cinema lovers will be increased. GST will soon comprehend with demands and bring best for boosting up the film industry's business.

(3) Challenges of GST Implementation: The following are some of the major challenges for GST implementation in India:

(i) Nature of Taxes : In India, there are various taxes like Central Excise, VAT, CESS, and other state level taxes which will all be removed and come under one tax, that is, GST, but still lots of states and union territories have other taxes out from GST which has to be worked upon.

(ii) Types of GST : As GST would be of two types : Central GST and State GST and further division is required on the basis of utmost necessity and property based like need, location, geography, and resources which has to be worked upon.

(iii) **Rates of Tax:** Still the tax rate is not fully finalized and lots more has to be worked upon considering the standard of living of people, etc.

(iv) **Tax Management and Technology Infrastructure:** It is utmost necessary that proper management of tax and infrastructure is required to implement proper policies and plans.

Conclusion

Primarily, the concept of GST was introduced and proposed in India a few years back, but implementation has been done by the current BJP government under the able leadership of Prime Minister Shri Narendra Modi on July 1, 2017. The new government was in strong favor for the implementation of GST in India by seeing many positive implications as discussed above in the paper. All sectors in India - manufacturing, service, telecom, automobile and small SMEs will bear the impact of GST. One of the biggest taxation reform- GST will bind the entire nation under a single taxation system rate. As forecasted by experts, GST will improvise tax collections and boost up India's economic development and break all tax barriers between Central and State Governments. No doubt, GST will give India a clear and transparent taxation system, but it is also surrounded by various challenges as discussed in this paper. There is need for more analytical based research for successful implementation.

Limitations of the Study and Scope for Future Research

The following are the limitations of the study: (a) GST is still in maturity phase, so tax reforms can occur from time to time via GST council meetings regarding finalization of tax rates and even imposition of new rates and even deduction of existing rates, (b) most of the data cited in the paper was speculatively exploratory in nature as GST meetings are going and still, a lot more needs to be done, (c) final conclusions may vary considering different perceptions.

After GST implementation, there is emergent requirement of modern technology based infrastructure like GSTNET for successful monitoring of taxation system as well as the GST Council should regularly conduct meetings for change in tax reflections. These areas can be covered by researchers in future studies.

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