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24. Goods and Service Tax- Its Pros and Cons

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Introduction

The Goods and Service Tax is levied on the manufacture, sale and consumption of the goods and services. The GST is the crucial form of indirect taxation which is said to be the indirect taxation reform ever since our independence. The GST is said to bring about the economic integration said by our Union Finance Minister Arun Jaitley during the budget speech at 2016. The main purpose of GST is to bring about the single uniform system of taxation in the manufacture, sale and the consumption of goods and services in India.

The GST is consolidated on the basis of the uniform rate of tax and will affix the pay at the end of final destination or point of consumption. The tax will make a coalition between central and state levels and reform the taxation regimes. It will provide a basic single and co-operative linkup

Between the Indian markets which in turn will boost the economy as a whole. The GST is perceived as the replacement of all indirect tax levied currently on the goods and services around the nation. It is basically an indirect taxation that will feature a single domain of tax levy at the national level.

Objectives of the Study

- i) To know the advantages and disadvantages of the GST.
- ii) To know the problems in implementing GST.
- iii) To focus on recent rate structure of GST.
- iv) To highlight the GST collection trend.

Research Methodology

This research study is descriptive in nature and it used exploratory method. The data for this study is made available from the secondary sources such journals, books, articles, published reference books, newspapers and various websites etc.

History of Goods and Service Tax

The GST bill was initially proposed by the committee under the Late Prime Minister Atal Bihari Vajpayee during the year 2000 which headed by Asim Das Gupta, the Finance Minister of



West Bengal. Later on 2004, the Kelkar Task Force which was instrumental in the implementation of Fiscal Responsibility and Budget Management Act (FRBM) 2003, suggested about the implementation of GST under the principle of VAT.

The existing Union Finance Minister Arun Jaitley has introduced 122nd amendment bill and it is passed by Lok and Rajya Sabha in December, 2014. After all the long-awaited tax reform rolled out on 1 July, 2017 with 'One Nation One Tax' slogan. The basic concept of GST is to create a single mutual and undivided Indian market to strengthen the economy. The existing model of GST is comprising CGST, SGST and IGST. The GST Council has the administrative responsibility to run, control and make necessary amendments as per needs of the Indian economy.

Advantages of GST

The following are the advantages of Goods and Service Tax-

- i) **Simplicity:** The Goods and Service Tax will replace the existing form of indirect tax in the nation. It will prove a substitute for the 17 indirect taxes laws pertaining to the nation and will subsidize it with the new GST Tax. That shall come across as a simple term to envision.
- ii) **Standardization:** Many number of countries follows a GST tax regime and the new tax will make it easy for everyone to understand the bill. People have already started verifying the bills at restaurants and other retail outlets per the right tax.
- iii) **Reduced Burden of Tax:** The GST has certainly reduced the tax burden for ex: eating out is lot cheaper now earlier the food bill at the restaurant was taxed at 18% but now if you go out for a meal the overall tax rate would be only 5% on it.
- iv) **Easier to Process:** It is certainly easy to process GST as the tax details which is now submitted online. You don't have to visit number of government departments and banks regarding the tax formalities.
- v) **Transparency and Less Corruption:** The GST will also lead to less corruption and there will be significant reduction in corruption as all the money spent needs to be reported for the taxation purpose. Moreover, the retailer would not be able to make sells without the bill, hence the cases of income tax evasion will reduce a lot.
- vi) The GST eliminates the cascading effect of tax and higher threshold for registration.
- vii) The composition scheme of small businesses and simple, easy online procedure.
- viii) Due to GST the number of tax compliances is lesser.
- ix) Defined treatment for e-commerce operators.

Disadvantages of GST

- i) **Complexity for businessmen:** According to the proposal of GST, the control on business will be rendered to central and state government with businessmen binding by laws. As such complexity may arise for many businessmen across the nation.
- ii) **Impact on discounts:** The GST has also had an impact on discount and reward programs as well. The product is being taxed at the rates pre-discounts were as the products were earlier taxed at post discount prices.
- iii) **Higher tax burden for SME:** There is a certain tax burden on Small and Medium Enterprise because of the GST, as per the information earlier the organization with a turnover of over Rs. 1.5 crore had to pay excise duty but now even a businessman with a revenue of over Rs. 20 lakh has to pay GST.
- iv) Due to GST increased in cost of Software facility.
- v) The GST means an increase in operational cost.
- vi) The GST came in to force in the middle of the financial year.

Problems in Implementing the GST

There are certain challenges and problems in implementing the GST in India some of these are as follows:

- i) There is no such clear picture about the GST both to the Government and to the General Public.
- ii) There is no co-operation between the Central and State Government in implementing the GST.
- iii) It involves massive cost on the training of the staff of the taxation department.
- iv) There is large debatable Question in Implementing the GST such as whether the small entrepreneurs and small firms.

Table-A

Multiple Tax Structure under GST

As at Dec-2017

Goods				Services	
Exempted Tax	Form	Low Rate	Standard Rate	High Rate	Standard Rate
Agricultural Goods 0%		Necessity Goods 5%	Distribution is Undecided 12% - 18%	Luxury Goods and Consumer Durables 28%	Distribution is undecided 12% - 18%

Source- www.lbp.world

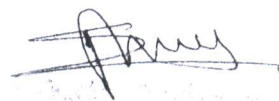
2017 Rs. 92,000 crore, Rs. 83,000 crore in Oct. 2017, Rs. 80,808 crore in Nov. 2017, in Dec. 2017 Rs. 86,703 crore, Rs. 86,318 crore in Jan. 2018, Rs. 85,174 crore in Feb. 2018 respectively.

Conclusion

The GST is very crucial tax reform since independence of India, so it must be better handled with almost care and analyzed well before implementing it. The Government both Central and State have conducted awareness and various literacy programmes about GST for various stakeholders, businessmen, traders and customers. The GST will give India a clear and transparent taxation system. In large scale collection of GST is necessary for basic infrastructure, defence and social welfare. But now GST policy is going through some challenges. We hope that it would be fruitful for Indian Economy coming days.

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