



Dyasparya International Educational Consortium

**Dyasparya International Journal of
Commerce & Management**

-- Venture of C. D. Jain College of Commerce, Shrirampur



ONE NATION - ONE TAX (GST)

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Abstract :

All the necessary steps are being taken for the effective implementation of much-awaited Goods and Services Tax (GST) from April 2017 in India. GST will eradicate 17 indirect taxes and as a result the Indian economy will get a major push as many economists have predicted a 1.5 - 2 per cent boost for the country's GDP. Apart from manufacturing sector, logistics, warehousing and even the common man will benefit from the amendment. GST will be beneficial to the Centre, states, industrialists, manufacturers, the common man and the country at large since it will bring more transparency, better compliance, an increase in GDP growth and revenue collections. Thus, GST has been a hot topic of discussion everywhere in India. Therefore, we need to be aware of different aspects of GST. In this connection, this paper is an outcome of an explanatory research which is based on secondary data to understand the concept of GST and its mode of operation. This paper will also focus on the impacts of GST and problem associated with the implementation of GST in India.

Keywords— CGST, Goods and Services Tax (GST), Indirect Tax, SGST and Supply Chain

INTRODUCTION

The word 'Tax' is derived from Latin word 'Taxare' which means 'To Estimate'. A tax is an enforced contribution, exacted pursuant to legislative authority. Taxation System in India includes both Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most debated Indirect Taxation reforms. GST is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. Therefore, the introduction of GST would be a substantial step in the reform of indirect taxation in India. Merging several Central and State taxes into a single tax would diminish cascading or double taxation, facilitating a common national market. The simplicity of the tax would lead to easier administration and enforcement. From the consumer point of view, the major advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25% - 30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state-tax or entry-tax and reduction in paperwork to a large extent.

OBJECTIVES OF THE STUDY

1. To understand the concept and supply chain of GST.
2. To know the GST Rate Structure.
3. To grasp the impacts of GST in Indian Economy.
4. To identify the sectors stand to lose or gain from the implementation of GST.
5. To study the challenges for the implementation of GST in India.

SCOPE OF THE STUDY

The scope of the study is extended to understand the concept of GST, its impact and implementation in India.

RESEARCH METHODOLOGY

Being an explanatory research it is based on the secondary data. The data collection is done through various sources like newspapers, articles from different journals and from different websites. Considering the objectives, the descriptive research design is adopted for the study.

AN OVERVIEW OF GST

GST was first introduced during 2007-08 budget session. On 17th December 2014, the current Union Cabinet Ministry approved the proposal for the introduction GST Constitutional Amendment Bill. On 19th December 2014, the bill was presented on GST in Loksabha. The Bill is presented in Budget session. The current central government is very determined to implement GST Constitutional Amendment Bill. At present, there are around 160 countries that have implemented GST or VAT in some form or other. In some countries, VAT is the substitute for GST, but conceptually it is a destination based tax imposed on consumption of goods and services. France was the first country to introduce GST in 1954. Right now, only Canada has a dual GST model (somewhat similar to the Dual GST Model that India is going to implement).

Many experts have suggested that to resolve the issues of different types of taxes, there is a need to streamline all indirect taxes and implement a '*single taxation*' system. This system is entitled as Goods and Services Tax (GST). Goods and Services Tax as the name implies, it is an indirect tax applied both on goods and services at a uniform rate. In simple term, GST is a tax that people need to pay on supply of goods and services. Any person, who is providing or supplying goods and services is liable to charge GST. A single form of tax known as GST will be applied throughout the country, replacing a number of other indirect taxes like VAT, Service tax, CST, CAD etc. Therefore, GST shall be the biggest indirect tax reform providing a uniform and simplified way of indirect taxation in India. GST is a consumption based tax (i.e) based on the '*Destination Principle*'. Thus, GST is imposed on goods and services at the place where the actual consumption happens.

IMPACTS OF GST

Actually, it is in fact too early to predict the actual impact of GST.

Positive Impact of GST

- A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, Excise etc.
- A simplified tax policy as compared to earlier tax structure.

- Tax evasion will become difficult.
- Removes cascading effect of taxes (i.e) removes tax on tax.
- Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
- Due to reduced costs, some products like cars, FMCG etc. will become low-priced.
- This will help in lowering the burden on the common man (i.e) you will have to spend less money to buy the same products which were earlier costly.
- The low prices will further lead to an increase in the demand of goods.
- Increased demand will lead to increase in supply. Hence, this will ultimately lead to increase in the production of goods.
- The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get low-priced goods.

Negative Impact of GST

- Service tax rate @ 15% is presently charged on the services. So, if GST is introduced at a higher rate which is likely to be seen in the near future, the cost of services will increase (i.e) all the services like telecom, banking, airline etc. will become more expensive.
- Increased cost of services means, an add-on to your monthly expenses.
- You will have to reorganize your budgets to bear the additional services cost.
- An increase in inflation might be seen initially.
- If actual benefit is not passed to the consumer and the seller increases his profit margin, the prices of goods can also see a rising trend.

THE SECTORS STAND TO LOSE / GAIN FROM THE IMPLEMENTATION OF GST **SECTORS STAND TO GAIN**

- **FMCG:** Large companies manufacturing FMCG products like Hindustan Unilevers, ITC, Godrej and Procter & Gamble are likely to be benefited more from lower taxes and logistics cost.
- **Cement:** With the implementation of GST, most cement companies will have more demand and thereby going to lower down the overall cost of infrastructure in India.
- **Logistics:** Logistics with 'Make in India' ground are likely to be gainers. In this regard, the companies which will receive a boost are Container Corporation of India, Allcargo, Interglobe Aviation, Adani SEZ, Aegis Logistics and Gujarat Pipavav.
- **Consumer Durables:** Like FMCG, companies which manufacture consumer durables are also likely to be benefited more from lower taxes and logistics cost and especially manufacturer of electrical appliances are mostly expected to be benefited.
- **Automobiles:** As costs are likely to drop significantly, two-wheeler manufacturing companies like Hero-Motors, Eicher and Bajaj Auto as well as companies manufacturing small cars like Maruti, Hyundai and Tata-Motors will be the big beneficiaries.

SUPPLY CHAIN OF GST

GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and services can be set-off against that payable on the supply of goods or services. The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism. But being the last person in the supply chain, the end consumer has to bear this tax and so, GST is going to be collected at point of Sale.

CONCLUSION

India is all set to introduce Goods and services tax after crossing the various hurdles in its way. GST is a long-term strategy planned by the Government and its positive impact shall be seen in the long run only. Also, this can happen if GST is introduced at a nominal rate to reduce the overall tax burden of the final consumers. Let us hope GST will leave a positive impact and will help to boost-up the Indian economy and will convert India into a unified national market with simplified tax regime. A rising Indian economy will anyways help in the financial growth of the common man! Let us hope this 'One Nation - One Tax' proves to be a game changer in a positive way and proves to be beneficial not only to the common man but to the country as a whole. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the fighting interest of various stake-holders and accomplish the commitment for a fundamental reform of tax structure in India.

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