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GST ADVANTAGE AND DISADVANTAGE

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GST is being introduced in India after a 13year long journey since it was first discussed in the report of the Kelkar Task Force on indirect taxes. The implementation of the Goods and Service Tax (GST) was on 22nd July 2017. 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. It will be one of the biggest taxation reforms in our country. The basic idea is to create a single, co-operative and undivided Indian market to make economy stronger and powerfull.

Advantage of GST

The benefits of GST can be summarized as under

a. For business and industry

1. Easy compliance

All tax payer services such as registration, returns, payments etc. would be available to the tax payer online, which would make compliance easy and transparent.

2. Uniformity of tax road and structure

GST will ensure the indirect tax rate and structure are common across the country, thereby increasing certainty and ace of doing business.

3. Removal of cascading

A system of seamless tax credit throughout the value chain and across boundaries of state would ensure that there is minimal cascading of taxes. This would reduce hidden cost of doing business.

4. Improved competitiveness

Reduction in transaction cost of doing business would eventually lead to an improve d competitiveness for the trade and industry

5. Gain to manufacturer and exporter

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.

b. For Central and State Government

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 Central 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.

c. For the Consumer**1. Single and transparent tax:**

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.

Disadvantages of GST:

There are some obvious disadvantages of GST for businesses and end consumers which are following

1. Higher Tax Burden for Manufacturing SMEs

if the manufacturing sector small businesses will bear most of the brunt of GST implementation. Under the existing excise laws, only manufacturing business with a turnover more than Rs. 1.50 crores have to pay excise duty. However, under GST the turnover limit has been reduced to Rs. 20 lakh thus increasing the tax burden for many manufacturing SMEs.

2. Increase in Operating Costs

Most small businesses do not employ professionals and prefer to pay taxes and file returns on their own to save costs. For GST though, as it is a completely new tax system, they will require professional assistance. While this will benefit the professionals, the small businesses will have to bear the additional costs of hiring experts.

3. Change in Business Software

Most businesses use accounting software or ERPs for filing tax returns which have excise, VAT, and service tax already incorporated in them. The change to GST will require them to change their ERPs, too, leading to increased costs of purchasing new software and training employees.

4. GST Will be Implemented During the Middle of the Year

The GST implementation date is 1st July 2017. So, for the fiscal year, 2017-18 business will follow the old tax structure for the first 3 months, and GST for the rest of the time. It is impossible to cross over from one tax structure to the other in just a day, and hence businesses will end up running both tax systems in parallel, resulting in more confusion and compliance issues.

5. Increase in Taxes will Increase Prices

GST has only 4 proposed tax rates of 5%,12%,18%, 28%. Thus, for many sectors the tax burden will increase which in turn will increase the price of the final goods.

6. Registration in Multiple States

GST requires businesses to register in all the states they are operating in. This will increase the burden of compliances.

7. Problems Faced by E-commerce

Many SMEs operate through their own online shopping websites or through third party websites to sell to different parts of India. Under GST, they will be required to register for all the states and they will not be eligible for composition scheme and will be required to pay taxes like any large organization. E-commerce facilitators are now required to collect TCS under GST which will lead to increased complications and compliances.

8. Composition Scheme is Not Available for Many Businesses

Composition scheme is available for only businesses selling goods. It is not available to service providers or for online sellers.

9. No Anti-Inflationary Measures

Every country that follows GST experienced a hike in inflation when they first introduced it. But India still does not have concrete anti-inflationary measures to curb the inflation that is an inevitable outcome of GST.

Conclusion

Change is definitely never easy. It is important to take a leaf from global economies that implemented GST and overcame the teething troubles to experience the advantages of having a unified tax system, easy input credits, and reduced compliances.