



“GST A BOON FOR INDIAN ECONOMY”

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ABSTRACT

GST, the major tax reform in India founded on the notion, ‘one nation one market one tax’ is finally here. GST was first introduced in France and now more than 160 countries have introduced GST. The introduction of Goods and Services Tax would be a very significant step in the field of indirect reforms in India. By amalgamating 14 indirect taxes charged by Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. It is a broad based and a single comprehensive tax levied on goods and services consumed in the economy. GST is levied at every stage of the production-distribution chain with applicable set offs in respect of the tax remitted at previous stages. It is basically a tax on final consumption. The tax system will take the form of “dual GST” which is concurrently levied by central and state government. GST would apply to all goods other than crude petroleum, motor spirit , diesel, aviation turbine fuel and natural gas. Taking in to consideration the long-term benefit GST would not just mean lower rate of tax but also minimum tax slabs because GST will increase the number of taxpayers which in turn reduce the tax rate as more people paying tax . Fear regarding GST is baseless because people are ignorant about the provisions of the act. Thus it is important to conclude that, honest tax payers will surely benefit from the new tax system and GST is a boom for tax payers and bane for tax evaders.

Keywords: GSR, Indirect Tax, Boom, Government, Registration ,Revenue, Goods, Services,

Introduction

India's biggest tax reform is now a reality. A comprehensive dual goods and service tax has replaced the complex multiple indirect tax structure from 1 July 2017. The tax system will take the form of "dual GST" which is concurrently levied by central and state government. This will comprise of Central GST (CGST) which will be levied by centre, state GST (SGST) which will be levied by state, Integrated GST (IGST) which will be levied by central government on inter state supply of goods and services. GST is governed by a GST Council and its Chairman is Finance Minister of India "Arun Jaitely". Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi precious stone and 3% on gold. GST is based on supply and monthly return will have to be filed.

It is affirmative that there is a lot of shortfalls and criticism that we hear around whenever the term GST is proclaimed in India. Some Economist says that GST in India would impact negatively on the real estate market by adding 8 percent to the cost of new homes and reduce demand by about 12 percent. Large number of people claims that GST is a blunder and failure. Some people argue that GST has created more chaos in our economy. People should never see it as a blunder without knowing the actual benefits of it. It is said that we have to wait for 6-8 quarters to understand the benefits and its impact on the economy. People shouldn't make comments within a short period after its implementation.

India is the second largest in population in the world. But the statistics in India relating to a crucial point is neglected. India has the maximum number of people without toilets. Around 732 million people without access to toilet as per the state of world toilets 2017 report and also reported that 355 million women and girls in India defecate in open. It is presumed that GST will increase the tax collection in the long term and it can be used much for public expenditure. Can GST be a failure?

Necessity of GST for India

- GDP Growth will go up about 1-2% after the implementation of GST.
- Increased Foreign Direct Investments due to improve ease of doing business
- Tax distortions due to differential tax structures will be removed

- Reduced corruption due to use of Information Technology
- Increased Direct Tax Revenue due to higher sales/service disclosure.

GST has Increased Household Agricultural Production And Export

When GST got implemented initially, the spending among the households do increase due to rise in price which gradually makes the households especially in Kerala to produce own vegetables and other consumables for home consumption thereby reducing the spending nature. When the households produce for own consumption there may be production surplus and this can be used by the producers for export purpose and this export is out of the purview of GST. GST registration becomes a legal binding for entities and dealers of goods and services which if effectively monitored these entities and dealers are compelled to produce quality stuff which on other hand reduces diseases.

Arguments for GST

- GST will result in More tax collection by government.
- Government will infuse more money in the economy.
- Government will undertake more developmental projects.
- There will be more employment opportunities.
- It will enable growth of business.
- GST will increase the spending capacity of business.
- Loans will get cheaper and money will be easily available.
- 'Black income' eradication and financial inclusion.
- Increase In Household Agricultural Production And Exports

The government has budgeted about Rs 7.44 lakh crore from GST in the 2018-2019 fiscal beginning April 1. The estimated collection for 8 months (July-February) of the current fiscal is Rs 4.44 lakh crore. As of December 2017, 98 lakh businesses were registered under GST regime.

Table shows the collection report of GST according to the finance ministry reply to the Lok Saba, from July to February. This table clearly explains that GST is not a bane but a boom for our economy.

Month	Collection Report (In Crores)
July 2017	93,590
August 2017	93,029
September 2017	95,132
October 2017	85,931
November 2017	83,716
December 2017	88,929
January 2018	86,318
February 2018	85,174

According to the latest reports furnished by Finance ministry officials, revenues from the Goods and Services Tax could cross Rs 1 lakh crore a month towards the end of next fiscal once anti-evasion measures like matching of tax data and e-way bill are put in place. SBI reports that India need not wait for the next thirteen years for an upgrade in credit rating and as that mention it is a belated recognition. Investment climate in India should be given top most priority in this era of GST.

Pitfalls of GST

1)Technological Issues :GST Network will process as many as 3.5 billion invoices per month and tax payers will have to pay 37 returns a year. Even experts doubt whether the system will be able to seamlessly match billions of credits, facilitate tax collections, provide refunds and check evasions. Non functioning of GSTN portal, due to technical glitches would be a dark nightmare and could give sleepless nights to the industry.

2) Shortage of Consumer goods: Before the introduction of GST, some companies particularly in the consumer goods sector were selling their inventories to avoid having to deal with two different prices for the same product. Some companies was delaying their production, so that they could claim credit against their costs for first time under GST regime. When GST was introduced there were transportation bottle necks as stores rushed to restock their goods.

3) Multiple State Registration: Businesses are required to register for GST in each state they operate in, and that is a pitfall of GST.

4) Professional assistance: Small businesses who lack knowledge of GST may require hiring professionals for managing their taxes.

5) Unstable economy: India's economy will take 1-2 years to stabilize after demonetization bill and GST bill.

6)Petroleum Products: The government has left petroleum out of GST and thus industries that require petroleum products for manufacturing cannot claim for input tax credit, and it will result in high price.

Setting up of national anti-profiteering authority ensures control in tax evasion and ensures that benefit of GST in products is passed on to customers. It is only through such rules and regulations the effective monitoring of GST can be ensured which is lacking in the current system.

Every coin has two sides. Here the benefits of GST , outweigh its pitfalls. Sadar Vallabhai Patel consolidated India territorially and GST consolidates India economically. Rather than blaming on the short term impacts we should wait for a long term boost because GST will open India into limitless opportunities and possibilities that is yet to be recognized.

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