International Research Journal of Management and Commerce
ISSN: (2348-9766)
Impact Factor 5.564 Volume 6, Issue 12, December 2019
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IMPACT OF GOODS AND SERVICE TAX(GST) FOR TRADING

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Abstract :

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic

India is amongst the fastest growing economies of the world, with retail trade contributing an estimated $600 billion+ to the economy. The impact which GST, the unified indirect tax structure introduced by the Government of India on July 1 2017, brings on such a major economic level will be highly significant. . More than 150 countries have implemented GST so far.the implications of this new taxation procedure on the trader will vary on the nature of the trade, i.e., wholesale or retail. the opportunities within the new tax reform that traders can leverage, and discuss how they can prepare themselves from a GST perspective. the effects of this latest indirect tax reform for

Keyword - Retailers , import& export.

Introduction :

Under GST, a trader would be entitled to avail input tax credit paid on their domestic procurements of goods and services unlike the present indirect tax regime. Presently, a significant portion of indirect taxes namely Central Excise and Service Tax form part of the cost component for a trader. This will not be the case under GST. He will now be able to take credit of all taxes paid by him. In respect of imports, the landed cost is expected to reduce significantly under GST. Hence, the traders will gain significantly in terms of input tax credit on their operating expenses thereby decreasing their operating costs. CST which was non-creditable has been subsumed in GST. This will be a huge benefit for the traders.

Entry tax has also been subsumed in GST. Removal of CST and entry tax shall immensely benefit the traders. Traders will be able to sell their goods to farthest areas.

1. Retailers:

Almost 92% of the retail sector in India is unorganised, operating in cash payments. they are challenged by chronic issues such as the lack of technology enablement and low operating margins. A majority of the retail market consists of "kirana stores", which are often the smallest link of the trade chain.

Here are the benefits of the new taxation system for retailers.

- **Input tax credit facility:**

As mentioned for retailers too would be able to claim taxes paid for input products and services availed. This will present a cost advantage to retailers. For example, under the previous tax regime, if a retailer purchases a T.V. Television to store perishable goods, they were not able to claim credit for tax paid on it. Under GST, they will be able to claim the tax paid on the new T.V. Television when they file their taxes. This will be possible due to tax connections reflecting in the GST value chain at each stage of the transaction. Availing input tax credit means financial gain.

- **Ease of entry into the market:**

The market is expected to become more business-friendly due to the clarity of processes related to procurement of raw materials and better supply logistics. This is a good opportunity for new suppliers, distributors and vendors to enter the market. The registration process has also become very clear under the GST, aiding entry into the market.

- **Retailer empowerment through information availability:**

Small retailers often do not have complete visibility into their stock receipts, payments, etc. and are forced to blindly rely on the word of the supplier. GST will streamline these supply and cost challenges and empower the retailer with readily available information through digital systems. For example, when different types of bills like invoices, credit and debit notes, etc. are stored digitally as proposed by GST using accounting software, these will provide retailers with real-time reports on sales, stock information and live balance sheets, in addition to performing error checks before placing an entry into ledgers.

- **Better borrowing opportunity:**

The retailer scope for business growth can be increased by increasing the retailers' access to finance. This is where Fintech lenders like Capital Float step in – they can ease their passage to the new tax regime. Capital Float recognises the financial challenges these small business players face and strives to bridge this gap by financing them with small ticket loans. As "kiranas" move onto GSTN, Capital Float will be able to better serve this micro-entrepreneur segment, helping them overcome upcoming challenges by leveraging the GST-enabled digital footprint.

Goods	Basic Customs Duty (10%)	GST (18%)	GST Cess(if applicable)

2. Importers and Exporters

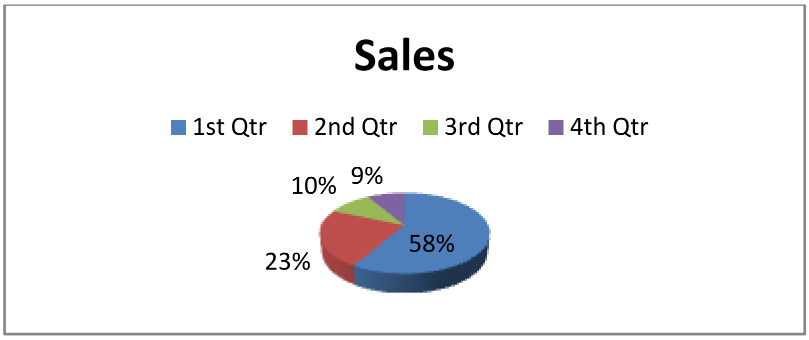
According to the financial reports of 2016, India is the 16th largest export economy in the world with the net value of exports contributing to one-third of the GDP. The subsuming of various local state level taxes will have a direct impact on imports and exports, a critical component of trade.

However, Basic Customs Duty continues to be applicable and importers will need to pay it as per previous rates.

- **Imports Taxation:**

Every import will be treated as an interstate supply, and will be subject to Integrated Goods and Services Tax (IGST) along with Basic Customs Duty (ranging between and 40% depending on the good imported). This implies that IGST will be levied on any imported item, based on the value of the imported goods and any customs duty chargeable on the goods (say 10%). IGST is a combination of SGST (say 9%) and CGST (say 9%). For instance, for an import item worth Rs 10,000:

2800	1000	1800	Nil



- Exports Taxation: Exports will be treated as zero-rated supply, i.e., no GST will be charged on exports. This is in line with the "Make in India" campaign that aims to make India a global manufacturing hub, for which exports are important.
- Import of Services: The new clause of import of services places the onus of tax payments on the service receiver when the services are provided by a person residing outside India. This mechanism is called reverse charge and will apply in certain scenarios. example is when a registered dealer is buying goods or services from an unregistered dealer. In this case, the registered dealer will have to pay the tax on supply.

Conclusions :

1. Higher costs of input services: Input services such as manpower, legal, professional services, auditor services, travel expenses, etc. will now be taxed at 18% as against the earlier bracket of 15%, leading to higher costs to the wholesaler.

2. Additional costs to upgrade technology: Many wholesalers, especially rural ones, are not technology-savvy and will need to rely on help from their supplier companies to undergo a technological transformation. This means that supplier companies may need to increase commissions for wholesalers— an added cost to the company, or wholesalers and retailers themselves will need to invest in new systems, incurring additional expenses.

3.Need for restructuring working capital: A major shift is that GST is based on "transaction value" rather than MRP. In the old system, CVD was charged as a percentage of the MRP. Under GST, IGST will be charged as a percentage of the transaction value. This will affect the cash reserves of retailers and wholesalers, and they will need to reassess their working capital needs.

On the whole, GST is expected to bring domestic players at par with large multinational corporations due to the renewed import and export norms and the rules for FMCG suppliers. This is a good sign for Indian trade and exports in general, and thus the implementation of GST shows promise to propel India onto the international trade arena.

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