

IMPACT OF GOODS AND SERVICES TAX ON MSMEs

*SHASHWAT SHAILESH
(RESEARCH SCHOLAR)*

UNIVERSITY DEPARTMENT OF COMMERCE & BUSINESS ADMINISTRATION, T.M.B.U, BHAGALPUR

INTRODUCTION

Goods and Services Tax (GST) may be certainly an essential perfection and the logical step in the direction of a widespread oblique tax reforms in India. As per, the Empowered Committee of the State Finance Ministers it's been made clear that there might be a “Dual GST” in India, i.e. taxation energy lies with both with the aid of the Centre and the State to levy the taxes on the goods and services.

“Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and intake of products and carrier at a country wide level below which no distinction is made between goods and services for levying of tax. It's going to frequently substitute all indirect taxes levied on goods and services through the Central and State governments in India. GST is a tax on goods and services below which everyone is susceptible to pay tax on his output and is entitled to get Input Tax Credit (ITC) at the tax paid on its inputs (consequently a tax on fee addition best) and ultimately the very last customer shall bear the tax”.

OBJECTIVES OF THE STUDY:

- To understand the concept of Goods and Service Tax.
- To study the impact of GST on MSMEs.
- To examine opportunities for MSMEs on the implementation of GST.

Impact of GST on MSMEs

With the Goods and Services Tax (GST) making rapid progress over the last few months, the technology leveraged, unified indirect tax regime is all set to be introduced by 1 July. While the MSME sector is likely to benefit from the far-reaching tax reform, there are some concerns regarding its various clauses and processes. A complicated compliances system and a rigid taxation regime place added limits on the growth potential of small enterprises. Uncertainty about claiming the Input Tax Credit (ITC), multiple registrations and returns, transference of tax liability, complex procedures, etc are some of the problem areas for MSMEs.

To build technical literacy in MSMEs to make optimal use of the technology-enabled platform for GST, CII, under the Technology Facilitation Center (CII-TFC) initiative, is working to enhance awareness on GST and its provisions amongst MSMEs through webinars, roadshows and policy roundtables across the country.

The first meeting of the GST Council has set the threshold exemption limit at `20 lakhs, as against the earlier proposed limit of `10 lakhs. This bodes well for MSMEs, as many of these enterprises will be saved from undertaking GST compliance. In another attempt to ease the compliance burden for small traders, the Government has announced the Composition/Compounding Scheme. A consensus on the scheme was arrived at during the GST Council meeting, which decided that traders with gross turnover cut-off of `50 lakhs will pay 1-2%, which is much lower than the GST rate.

The Government has also set up the GST Network (GSTN) for online administration of the dealer registration process, tax payment and tax return filing and refund to tax payers with respect to GST. This is a paradigm shift in the taxation system and will result in a simplified and transparent tax regime which is easier to administer and monitor. Taxpayers registered under VAT, service tax, central excise duty, etc are being automatically migrated to the GSTN.

Till March end, about 74% of the VAT assesseees had shifted to the GSTN, while only 28% of the excise and service tax assesseees had registered. Out of 8 million assesseees, it is believed that 5.4 million will not need to register as they are below the turnover threshold. Those with turnover of `20 lakhs and above must register by April end, as unregistered entities would not be able to do business and obtain input credit under GST. The CBEC has started a 24x7 helpline and is undertaking programs to complete the registration process at the earliest.

Other areas of concern relate to the transference of responsibility and liability of tax remittance to the customers of a supplier. The law postulates that if a particular supplier has failed to comply with the law correctly, either by furnishing incorrect returns and/ or defaulting on the tax, the customers of such a supplier will not be able to avail input credit. This makes the purchaser wholly liable for the tax payment of his supplier, and will have a huge impact on working capital for MSMEs.

The benefits of GST will be lost on Indian industry if it is not accompanied by a set of simple procedures to reduce the compliance burden on businesses, especially MSMEs. The Government must also take sustained initiatives in order to educate MSMEs about the various provisions and compliance requirements under GST for MSMEs through seminars, conferences, training sessions, etc. This will go a long way in enhancing their preparedness for swiftly transitioning to this new tax regime, and avail of its various benefits on the Indian industry.

POSITIVE IMPACT OF GST ON MSME

As in line with industry experts, SMEs and startups will be affected the most with the rollout of the GST and the impact might be favorable in ways a couple of. A number of the approaches GST will gain SMEs and startups are:

- **Ease of commencing business:** A commercial enterprise having operations across exclusive country needs VAT registration. Specific tax rules in special states most effective upload to the complications and incur an excessive procedural expenses. GST enables a centralized registration so that it will make beginning an enterprise less difficult and the consequent expansion an added advantage for SMEs.
- **Elimination of distinction between goods and services:** GST ensures that there's no ambiguity between goods and services. This could simplify numerous legal proceedings associated with the packaged merchandise. As an end result, there'll no longer be a difference between the cloth and the service factor, a good way to significantly lessen tax evasion.

GOODS AND SERVICES TAX GLOBALLY:

France was the primary country to introduce GST in 1954. Globally, almost 150 have delivered GST in a single or the opposite form considering that now; most of the countries have a unified GST machine. Brazil and Canada comply with a twin gadget country like India is introduced. In China, GST applies only to goods and the availability of repairs, alternative and processing offerings. GST costs of some countries are given underneath: -

Country	Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Singapore	5%
Japan	7%
New Zealand	15%

CONCLUSION

Unarguably, GST rollout will open up a can of worms and the effect on SMEs throughout numerous industries will vary substantially. It's far quite herbal for a pervasive, country-wide tax reform, as GST is, to have a blended opinion. Moreover, the revolutionary tax regime may have reputation with a view to range from kingdom to kingdom. The only nation, one tax principle underlying Goods and Services Tax (GST) roll out is predicted to benefit Micro, Small and Medium businesses (MSME) in long run. Presently, majority of MSME gamers are unregistered in order to avoid paying tax and meeting compliance requirement. if they reach threshold restrict underneath a tax law, it looks to cut up the firm.

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