

A STUDY OF GOODS AND SERVICES TAX (GST) PERCEPTION AMONG PRACTISING PROFESSIONALS ON INDIAN ECONOMY AND BUSINESSES

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ABSTRACT

Goods and Services Tax (GST) was launched on 1st of July 2017. It is an indirect tax applicable throughout India. Now single tax would be levied on all goods and services. Around 160 countries have implemented GST. GST will ensure a comprehensive tax base with minimum exemptions, which will help the industry. GST will help the economy to grow in more efficient manner by ameliorating the tax accumulation as it will disrupt all the tax barriers between states and integrate country via single tax rate. It will benefit the Indian economy in many ways- help in reducing the price for consumers, rate of tax will be uniform, reduce multiple taxes. GST will affect many sectors in positive or negative manner. GST, as per government estimates, will boost India's GDP by around 2 per cent. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. After GST implementation certain products prices will reduce like branded goods, hotels, personal hair products, soap etc. Few products price will increase like mobile bills, aerated drinks, internet, air tickets. Goods and Services Taxes would be collected in three ways: CGST: where the revenue will be collected by the central government, SGST: where the revenue will be collected by the state governments for intra-state sales, IGST: where the revenue will be collected by the central government for inter-state sales. This paper focuses on the benefits, challenges and impact of GST on Indian economy.

Keywords: GST, tax, Products, India.

INTRODUCTION

Implementation of Goods and Service Tax, GST has made India attractive across the world and has created a common market for more than 125 core people. GST was implemented in July 2017, with main tax slabs of 0%, 0.25%, 3%, 5%, 12%, 18% and 28%. Many indirect taxes were merged into a single tax on goods and services, right from manufacturer to consumer. Implementation of GST was a historic move and it

complemented India's move towards the fastest growing economy in the world. Implementation of GST resulted in increase in the government revenue vis-a-vis better tax compliance and reduced tax evasion, enabling greater control and facilitating efficient monitoring than the traditional taxation system. From the consumer point of view, the biggest advantages are in the terms of reduction in the overall tax burden on goods, 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. At the time of implementation of GST, significant percentage of goods and services were put under highest tax slab of 28%. However, following the recommendations of GST Council, over the time span of around three year, many goods have been shifted under 18%, 12% and 5% tax slab from the highest tax slab. India is federal Country, having many states, Union Territories, hence adopted dual system of taxation. In case of Inter-state transaction, IGST is levied otherwise CGST and SGST. There is a concept of distinct person, means supply from one branch to another branch of a person, having separate registration number under GST, is also subject to tax. Centre levies and collect IGST the same is shared between center and state. Inter-state taxpayer pays IGST after adjusting available, input tax credit of IGST, CGST and SGST on inward supplies. The GST was implemented to provide many benefits to the taxpayer in the form of uninterrupted ITC chain on inter-state transactions, absence of payment of tax or substantial blockage of funds for the interstate seller or buyer, reduction in inter-state transaction costs, competitive pricing, overall ease and efficiency in the system, among others.

LITERATURE REVIEW

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" that implementing GST in India would help in removing current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations. Nishitha Guptha (2014) in her study stated that by implementing GST would give many benefits to our country which is not given by current tax structure and will benefit the economy. Hence GST would benefit the industry, trade, consumers and Government. Dr. R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that GST is a broad based, single, comprehensive tax levied on goods and services in which, the seller may claim the input credit of tax which he has paid while purchasing the goods, the final consumer will bear only the GST charged by the last dealer in the supply chain.

Survey of Traders and Manufacturers to Analyze the Impact of GST

After introduction of GST on 1 st July 2017, GST council, the owner of GST, has conducted various meetings and significant changes have been brought about in GST framework, specially shifting of many goods from high tax slab to lower ones. At this backdrop, PHD Chamber of Commerce and Industry has conducted a quick survey of around 750 industry stakeholders from various fields such as textile, cement, automobiles, chemicals, food processing, pharmaceuticals, machinery, among others to analyze the impact of GST on

economy with special reference to interstate transaction cost. A quick survey has been conducted in the month of July 2020. It was observed that the traders and manufacturers have benefitted from the implementation of GST.

- **Impact on transaction costs:** There has been a significant reduction in the transaction cost. Earlier, interstate transactions costs was more than 3% (GST+other transaction costs) of value of goods moving in interstate zones, which has now come down to less than 1%. According to the respondents, GST has been a major breakthrough in the interstate movement of goods and it is a good and simple tax. After the introduction of e-way bills, the hassles of earlier regime has almost been removed. This has enhanced the ease of doing business in the regime of indirect taxation
- **Impact on costs of raw material:** GST has removed the cascading effect of taxes. This has sufficiently reduced raw material costs and the production costs.
- **Impact on sales:** One Nation one tax, has given traders and manufacturers freedom to choose the vendors, suppliers, among others with the best prices irrespective of the location as the GST rate is same everywhere in the country and requires very minimal paperwork. This has resulted in the increase in efficiency and supply.
- **Impact on labour efficiency:** More than 50% of logistics effort and time is saved as GST has ensured removal of multiple checkpoints and permits at state border checkpoints. This has resulted into more road hours and faster delivery; thus increasing labour efficiency.
- **Impact on price cost margins:** GST have resulted into competitive pricing and economies of large scale due to easier procedures and low costing. This has made the manufacturers and traders more competitive and increased their profitability.

Features of GST:

Registration of taxpayers: Every person with a turnover exceeding Rs 20 lakh will have to register in every state in which he conducts business. This threshold will be Rs 10 lakh for special category states (i.e. Himalayan and North-Eastern states).

Returns: Every taxpayer is required to file tax returns on a monthly basis by submitting: (i) details of supplies provided, (ii) details of supplies received, and (iii) payment of tax. In addition to the monthly returns, an annual return will have to be filed by each taxpayer.

Exemptions from GST: There are certain goods and services which are exempted from GST.

Taxable amount (value of supply): The GST would be applicable on the supply of goods and services, whose value will include: (i) price paid on the supply, (ii) taxes and duties levied under other tax laws, (iii) interest, late fee, penalties for delayed payments, among others.

Payment of GST: The CGST and SGST needs to be paid in the accounts of the central and states government.

Goods and Services Tax Network (GSTN):It is a non -profit, Non-Government Company called Goods and Services Tax Network (GSTN). It will manage the entire IT system of GST portal.

Input Tax Credit (ITC) Set Off : ITC for CGST & SGST will be taken for taxes allowed against central and state respectively.

GST on Imports : Centre will levy IGST on inter-State supply of goods and services.

OBJECTIVES OF THE STUDY

- To understand the concept of GST
- To know the benefits and challenges of GST
- To study the impact of GST on different sectors in India

RESEARCH METHODOLOGY

The study is based on exploratory research and based on secondary data of journals, articles, newspapers and magazines. Secondary data was extensively used for the study.

BENEFITS OF GST :

- It will help in lowering the cost of goods and services.
- Uniformity of tax rates.
- It will help in economic development.
- It will help in making the products and services competitive.
- It may Improve liquidity of the businesses.
- It will reduce the human efforts and will lead to expeditious decisions.
- It will also help boosting Indian exports in the international market, improving the balance of payments position.

Categories of GST:

Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. Certain items such as alcohol, petrol, diesel and natural gas will be exempt under the GST.

0 percent

Wheat, rice, milk, eggs, fresh vegetables, meat, fish, sindoor, bindi, stamps, judicial papers, printed books, newspapers, bangles, handloom, children's' picture, , hotels and lodges below Rs.1000.

5 percent

Sugar, tea, roasted coffee beans, edible oils, cream, skimmed milk powder, milk food for babies, cashew nuts, spices, packaged food items, railway freight, life saving drugs, footwear up to Rs 500.

12 percent

Ayurvedic and homeopathic medicines, readymade garments, mobile phone, non AC hotels, business class air ticket, fertilisers, Butter, preparations of vegetables, fruits, nuts or other parts of plants.

18 percent

Footwear above Rs 500, hair oil, soap, toothpaste, LPG stove, military weapons, ice cream, AC hotel that serve liquor, branded garments, financial services, room tariffs between Rs 2500 and Rs 7500, biscuits (all categories).

28 percent

Chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate. (<http://www.indiatvnews.com/business/india-goods-and-services-tax-complete-list-of-items-and-their-gst-rates-388359>, 2017)

Challenges of GST-

Robust IT Network: Government has already incorporated Goods and service tax network (GSTN). It has to develop the entire IT system of GST portal which will ensure technology support for GST Registration, GST return filing, tax payments etc.

Extensive Training to Tax Administration Staff: As GST is quite different from existing system so it requires extensive training to tax administration staff regarding the legislation procedure.

Understanding GST intricacies is not easy: The wholesaler would be required to deposit the CGST into a central government account and the SGST into the account of the state government. Every docket from buyers and sellers intend be comprise the GST system suitably to ensure that benefits accrue the full

Impact of GST on Indian Economy

It may increase the flow of FDI.

GST will increase the government's revenue in the long.

A single tax would help in lowering the final selling price for the consumer.

GST will facilitate ease of doing business in India.

It will reduce the cost of tax compliance and transaction cost.

It will create more employment opportunities.

GST would append to government revenues by widening the tax base.

Uniformity in tax laws will lead to single point taxation for supply of goods or services all over India.

It will also reduce litigation and waste of time of the judiciary and the assessee due to frivolous proceedings at various levels of adjudication and appellate authorities.

Reduce tax burden on producers and build a fire under growth at the hand of more production. This replicate taxation prevents manufacturers from producing to their optimum capacity and retards growth.

There will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.

GST would also help in removing the custom duties on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.

GST impact across sectors-

TECH

GST will eliminate multiple levies. It will also allow deeper penetration of digital services.

Duty on manufactured goods will increase from 14-15% to 18%, so electronic products would be expensive.

FMCG

Companies could stir substantial savings in logistics and distribution costs as requirement for countless sales depots will be eliminated.. FMCG companies have to pay around 24-25% tax and GST would help in reduction of tax. Reduction of overall tax rates, is expected to generate saving.

ECOMMERCE

GST will help create a single unified market across India and allow free movement and supply of goods in every part of the country. It will also eliminate the cascading effect of taxes on customers which will bring efficiency in product costs. It may increase the workload for ecommerce firms and push up costs.

TELECOM

Handset prices likely to come down/even out across states. Manufacturers are further likely to come through with flying colours on to consumers charge benefits they will earn from consolidating their warehouses and efficiently managing inventory. For handset makers, GST will require ease of doing job as they take care of no longer require to strengthen state adamant entities and relinquish stocks to them and invest heavily into logistics of creating warehouses in each state across the country. Call charges, data rates will go up if tax rate in the GST regime exceeds 15%. Tower firms won't be able to set off their input duty liabilities if petro-products continue to stay outside GST framework.

AUTOMOBILES

On road price of vehicles could drop by 8%. Lower price can be construed as indirect stimulus to boost the volume. The demand for commercial vehicles may increase. GST will help in reducing the time at check-posts, and will ease logistics hurdles. With fleet productivity increasing, operators may not feel the need to expand the midterm.

MEDIA

Service tax and entertainment tax are levied on DTH, film producers and multiplex players. GST will captivate major critical point and dreariness in businesses. Taxes could go down by 2-4%. Multiplex chains will amass on revenues as there will be in a superior way uniform load, unlike current high outlay of entertainment thorn in one side levied by different states. It may lower the average ticket price and increase the footfalls in multiplex. GST will be a carrying a lot of weight boon to silver screen producers and studios that currently conclude service tax on most of their charge, but cannot charge input credit on creative services as they fall under the negative list. Under GST, they will be able to claim credit of these services also, which will help is lowering the overall cost.

INSURANCE

Insurance policies: life, health and motor will begin to cost more from April 2017 as taxes will increase..

AIRLINES

Airlines may become expensive, as service tax will be replaced by GST. Earlier service tax on air tickets were 5.6% on economy class and 8.4% on business class . Now rate of GST on economy class would be 5% and 12% on business class.

CEMENT

Currently tax rates on cement are 27% - 32% but GST will bring down the rate to 18-20%. It will help in reduction in logistics costs. India is second largest producer of cement in the world.

CONCLUSION

GST will be a very noteworthy step in the field of indirect tax reforms in India. Multiple taxes are eliminated and there is only a single tax. GST will make taxation easy for the industries. Customer will also be benefitted as the overall tax burden on goods and services are reduced. GST will also make Indian products competitive in the global markets. GST will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

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