

Goods and Services Tax and National Development – A Study

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Abstract

This paper studies impact of GST on Industry is hailing the government for bringing up this reform which has been long pending because of political deadlocks. But before we analyze the impact of GST on Small & Medium Enterprises, we should understand how GST is going to widen the taxpayer base. Earlier, any manufacturer with a turnover of Rs 1.5 crore or less was not required to comply to the rules of excise duty. However, with the merging of all State and Central level taxes into the ambit of GST, any manufacturer with a turnover of Rs 20 lakh (others) / 10 Lakh (Special category states) or more will have to comply with GST and its procedures. Micro Small and Medium Enterprises (MSMEs) have been considered as the primary growth driver of the Indian economy for decades. It is further evident from the fact that today we have around 3 million SMEs in India contributing almost 50% of the industrial output and 42% of India's total export. For a developing country like India and its demographic diversity, SMEs have emerged as the leading employment-generating sector and has provided balanced development across sectors.

Key words: GST, Small & Medium Enterprises, development, compliance.

Introduction

In terms of prices, services would be more expensive at the onset of GST. However, in the long run, benefits of GST will kick in terms of reduction in inflation and higher input credits, thus, bringing down most of the prices for goods and services. The tax rate for services has increased from 15% to 18%. The goods & services tax (GST), which is likely to play a big role in boosting growth in Asia's third-largest economy, is likely to boost earnings of many companies in sectors which have a high presence of an unorganised market. The GST rates for 1,211 products do not show any major deviation from the current effective tax rates except in the case of a few consumer products in which the council tried to minimize inflationary impact. "Historic experience shows that the implementation of GST could result in disruption for short period of time as businesses adjust to the new tax regime and results in an uptick in inflation," he said. The biggest beneficiary of the GST implementation would be the sectors that have a high share of unorganised segment.

It will bring about lower tax incidence, reduction in logistics costs, higher compliance etc. "We feel consumables like FMCG, dairy industry would largely benefit; logistics and warehousing sector would benefit both qualitatively and quantitatively as the time spent on the state borders drops thus saving both fuel and time to reach the destination," Arun Thukral, MD & CEO, Axis Securities told Moneycontrol. "Small cars will get

slightly costlier, while SUVs will attract an additional cess. The power sector will gain as the rate for thermal coal has been categorized under 5 percent vs 11.7 percent earlier,”

Objective:

This paper intends to explore impact of GST on MSME and existing enterprises how they have

The GST Council need to find permanent scalable solutions rather than interim ones like the GSTR-3B. The sloppy GSTN Network raises serious concerns over the Government's claim of a digital powered economy. GSTN is managed by Infosys, a premier IT services company. The e-way bill network was managed by the venerated NIC. The GST E-way bill is a major concern for most of the companies which are regularly into the business of transporting goods and sending material over the locations, the transport company is also trying to figure out how it would deal with the GST E-way bill provisions. As soon the bill expires the transport company or the trucker himself has to generate the GST E-way bill on his own. The GST Council must have taken all these concerns into strict consideration and ensured easy and simple e-way bill generation procedure which would be partially effective from April 1, 2016

Negative effect of Goods and Services Tax on MSME

Some Economist say that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent. Some Experts says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive. The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate. Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem. Tax rate for services is very high thus it will drive services cost to a new high which includes telecom, airlines and more just to say it will increase your monthly mobile bills. The proposed 18% is higher than many countries such as China, Singapore, Malaysia etc. Imported goods will come costly and will be taxed around 6% Many states mostly manufacturing states will lose a huge share of their revenue and monopoly on taxes of central government will increase. It could potentially drive up the costs in real estate by upto 8% Disadvantages of GST Tax Would impact the Real-State Market – GST Tax would swell negative remarks on the real-estate as perceived, GST will increase the cost of the new homes by 8% which in turn will cease the demand by 12%. Old Wine in a New Bottle – According to

the experts, terms such as GST which includes CGST, SGST, and IGST is nothing but just a new name in accordance with the existing tax systems. Kind of old wine in a new bottle.

Evaders Bonanza

The consistent policy rollbacks and amendments, powered by the glitchy GSTN Network, have enabled massive tax evasion. The benevolent composition scheme, as well as windows for filing quarterly returns, raises concerns about the intention and execution prowess of the government at the center. The increased pool of registered taxpayers has had little but no impact on Revenue generation. Only 70% taxpayers file returns regularly. A major headache is, however, the mismatch between initial and final returns filed by taxpayers. There is an estimated mismatch of Rs 34,000 crore tax liabilities reported in GSTR-1 and GSTR-3B. The present GST structure has no mechanism for checking discrepancies found between GST Returns for July-Dec and Final Returns. About 84 % of the taxpayers were unable to correctly report revenue statements. The discrepancies and e-way bill failure demand that the GST Council now needs to take rigorous measures to tackle the menace of tax evasion through under-invoicing. GST and Fiscal Fractures The GST revenue shortfall promises large dents in the Centre and states' fiscal applet. The Center and State budgets will be pegged down by the gap in Tax revenue. The common man will find himself on the receiving end if such gap in revenue continues. To bring states on the same wavelength and approve GST, the government had offered state compensations to the tune of Rs 60,000 crore for July to March in FY18. In order to stay true to its pre-GST promises, it is estimated the Central Government will have to make payment to the tune of Rs 90,000 crore further in FY19. Understandably, the Budget 2016 unleashed record taxation of over Rs 90,000 crore in the form of capital gains tax, increase in customs duty, cess and surcharge. The fall in revenue has further made states apprehensive about bringing petroleum products and real estate under the GST ambit

The GST E-way bill is a major concern for most of the companies which are regularly into the business of transporting goods and sending material over the locations, the transport company is also trying to figure out how it would deal with the GST E-way bill provisions. As soon the bill expires the transport company or the trucker himself has to generate the GST E-way bill on his own.

Conclusion

The GST Council must have taken all these concerns into strict consideration and ensured easy and simple e-way bill generation procedure which would be partially effective from April 1, 2016 Evaders Bonanza The consistent policy rollbacks and amendments, powered by the glitchy GSTN Network, have enabled massive tax evasion. The benevolent composition scheme, as well as windows for filing quarterly returns, raises concerns about the intention and execution prowess of the government at the center. The increased pool of registered taxpayers has had little but no impact on Revenue generation. Only 70% taxpayers file returns regularly. A major headache is, however, the mismatch between initial and final returns filed by taxpayers. There is an estimated mismatch of Rs 34,000 crore tax liabilities reported in GSTR-1 and GSTR-3B. The present GST

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