

## **A Review of GST and Its Relevance**

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### **Introduction:**

In recent years, India has been viewed as an attractive and dynamic investment destination, and has witnessed an increased presence of multinational enterprises and a consequential increase in cross-border trade. Though the taxes are as old as mankind itself, the system governing the taxes is on continuous reform and modification. In the contemporary status, where the economy is huge in size, revenue collected is mammoth in quantity and technology used in administration is complex and advanced the Government has hereculean task of managing the tax department efficiently and effectively. The interdependence of economies in their move for development compelled the Governments of all the countries to follow the globalization policies adopted by the major economies of the world. To survive and grow in this economic order rational and competitive tax policies are being adopted by every country. India has also fallen in line with the requirement and has been initiating modifications in direct and indirect taxes. The Goods and Services Tax (GST) are considered as path breaking in the economic restructuring in general and in the taxation area in particular.

In principle, GST is the same as the VAT already adopted by the states but with a wider base. The major impact of introducing GST in India is the transformation in the fiscal structure of the Indian federal setup. The fiscal right of the states and centre to deal with goods and services independently will be taken away and both the Governments have to depend on each other's for managing the so called goods and services tax in future. This is a very hard blow to the freedom of participating governments in the federal system.

The states that have a total liberty now to decide about VAT rate on goods, VAT exemptions etc, will lose that right and have to participate in decision making and bargain. The industry and business fraternity, tax experts and economists and consumer bodies and government are of the opinion that the replacement of Excise, VAT and Service Tax by GST would lead to a number of benefits to all the stakeholders.

The perceived benefits are GST would eliminate to a large extent, the multiplicity of administrative mechanisms and tax rates across different states. It will reduce complexity in tax and increase compliance. It removes many of the cascading effects of indirect taxation. It will remove the documentary hassles, thereby saves huge administrative expenses and reduces litigations. Its positive impact on retail as a whole will make supply chain more cost effective. It is expected to address most of the complex issues in taxation like software, intangibles, composite contracts etc. and brings more clarity in the levy. It is expected to increase profitability of corporate and also increase accountability and transparency. Simplicity and uniformity in indirect taxation helps the industries in proper planning and implementation of their projects and making Indian products competitive and strengthening the economy. Its nature of incremental and transparent levy leads to reduction in generation of black money and lowers corruption.

The GST should be welfare improving for all Indian states and, therefore, would be an inclusive policy. The effect on Indian real GDP of the new GST system would depend on the exact allocation of goods and services to each of the four tiers of the GST, which has not yet been finalized by the Indian government.

A is manufactured in a factory. As soon as it releases from factory, excise duty has to be paid to central government. When the product A is sold in same state then VAT has to be paid to the State Government. Also no credit on excise duty paid can be taken against output VAT. This is termed as cascading effect since double taxes is levied on same product. GST will lead to more transparent and neutral manner to raise revenue. Implementation of GST will help resolve various issues concerning taxation and logistics with regard to e-commerce business, which has been recording rapid growth in the country, says a study. Simplified and cost saving system as procedural cost reduces due to uniform accounting for all types of taxes. Only three type of account; CGST, SGST & IGST have to be maintained. GST is structured to simplify the current indirect system. It is a long term strategy leading to a higher output, more employment opportunities and economy boom. It is beneficial for both economy and corporations. The reduced tax burden on companies will reduce production cost making exporters more competitive. GST will reduce transaction costs for taxpayers through simplified tax compliance. It will result in increased tax collections due to wider tax base and better conformity. For individuals and companies: In the GST system, taxes for both Centre and State will be collected at one point of sale. Both will be charge on manufacturing cost. Individuals will be benefited by this as prices are likely to come down. Lower price mean more consumption, more consumption means more production

#### Lacunae in GST:

Majority of dealers are not covered with the central excise but are only paying VAT in the state. Now all the VAT dealers will be required to pay Central Goods and Services Tax. GST is referred as single taxation system in India but in reality it is a dual tax in which both state and centre collects separate tax on single transaction of sale & service. However GST has some negative aspect but at the end it will boost economy. GST 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.

Service tax litigations have risen substantially in recent years and that may be because of the absence of a pan-India Goods and Services Tax (GST) regime that can potentially remove several ambiguities around indirect taxation, experts maintain. The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The Goods and Services Tax (GST) is expected to simplify and harmonize the complex indirect tax regime in the country and reduce the cost of production, thereby making industry more competitive. GST is expected to pave way for better E- Commerce and will make industries more competitive.

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