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### **GST : Impact and Challenges**

**Dr. Shrish Nana Gawali**

Ex.Faculty Member, Suritribai Phule Pune University, Pune  
Associate Professor, C.D.Jain College of Commerce, Shrirampur

Email Id : gawalishirish@gamil.com

Mobile : 9423785954

#### **Abstract :**

The Goods and Services Tax (GST) is known as the giant indirect tax structure designed to support and in simply to enhance the growth of the Indian economy. In our country, Goods and Services Tax Law is a destination-based tax, multi-stage and comprehensive that is levied on every value addition. GST is implemented more than 150 countries in the world. It is one of the biggest tax revolution. With the help of the GST, the State and National economy gives the boost to the overall growth of the country. In this way GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. Now, the GST is accepted all over the countries in the world. In short, Once GST system applied their would be single tax system. Which would record a significant development in comprehensive direct and indirect taxation system. In GST system their would be only on rate applicable on goods and services. This paper will help to show that impact of GST after it's implementation and what will be the benefits and challenges of GST.

#### **Keywords :**

GST, GDP, Tax revolution, Indirect Tax, Direct Tax, Indian economy.

#### **Introduction :**

Indian people pay many taxes which create confusion for them. So Indian is called as a hub of taxes. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct tax paid directly to the government i.e. income Tax, wealth Tax and corporation Tax. Indirect tax is a tax levied on goods and services rather than on income or profit. But it is not paid directly to the government but collected from various intermediaries simply GST is a blanket of indirect tax that will subsume several indirect state. GST will create a business friendly environment as prices will full and it would also control the inflation rates. The GST is expected to change the whole scenario of current indirect tax. So GST will marge all indirect Taxes under an umbrella and will help in creation smooth market. It is estimated that GST will help in creation of single, uniform market that will benefit both corporate sector and Indian economy. The state and central government will levy GST on almost all goods and services produced in India But direct taxes like income tax, corporate tax and capital gains tax will not be affected by GST.

### What is GST ?

GST is one indirect tax for the whole nation, will make India one unified common market. Simply, GST is a single tax on the supply of goods and services, right from the manufacturer to the customer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which markets GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

### Objectives of the study :

1. To study the concept of Goods and Services Tax (GST).
2. To study the impact of GST on Indian economy.
3. To identify benefits of GST.
4. To analyze the challenges of GST.

### Research Methodology :

The study focus on study of secondary data is collected from various different books, journals, government report, publications from various websites.

### Concept of Goods and Service Tax (GST) :

On bringing GST into practice, there would be amalgamation of central and state taxes into a single tax payment. GST would also enhance the position of India in both domestic as well as international market. At the consumer level, GST would reduce, the overall tax burden.

GST is complete based on the grounds of VAT, Same set-off system is also available in the respect of the taxes paid in the previous level against GST charged at the same time of sale. Following is the module of GST

#### • Components :

GST will be basically divided in to two components i.e. namely, Central Goods and Services.

#### • Applicability :

GST will be also applicable to all the Goods and Service At central and state level.

#### • Payment :

At central and state level (GST) GST will be paid separately.

#### • Credit :

The facility of input tax credit at central level will only be available in respect of central goods and services tax.

### Impact of GST on the Indian Economy :

- GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.
- Recues tax burden on producers and fasters growth through more production. GST will take care of this problem by producing tax credit to the manufactures.
- GST will add to the government revenues by extending the tax base.

- Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
- GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage procedures to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the pure view of taxation.
- There will be more transparency in the system as the customers will know exactly how taxes they are being charge and on what base.

#### **Benefits of GST to Indian Economy:-**

##### **I) General Benefits:**

- It would introduce two-tiered one country- One Tax regime.
- It would enhance the ease of doing business in India.
- It would create business friendly environment, therefore by increase tax-GDP ratio.
- It would subsume all indirect taxes at the center and the state level.
- It would bring down the prices of goods and services and thus by increase consumption.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from cascading effect of taxes thus by improve the cost-competitiveness of goods and services.
- Boost to the Indian economy in the long run.
- Removal of bundled indirect taxes such as VAT, CST, service Tax, CAD, SAD and Excise.
- Control black money circulation as the system normally followed by traders and shopkeepers will be put to mandatory check.
- Removal of cascading effect of taxes i.e. removes tax on tax.
- Increased demand and consumption of goods.
- The tax structure will be made lean and simple.
- It can bring more transparency and better compliance.
- Companies which are under unorganized sector will come under tax regime.
- Number of departments (tax departments) will reduces which in turn may lead to less corruption.
- The suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input cost as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers.
- More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.

##### **II) For central or state Governments:**

- A unified common national market to boost foreign investment and "Make in India" campaign.

- Improving the overall investment climate in the country which will benefit the development of the state.
- Uniform SGST and IGST rates to reduce the incentives for tax evasion.
- Boost to export/manufacture activity, generation of more employment; leading to reduced poverty and increased GDP growth.
- Reduction in compliance costs as no requirement of multiple record keeping.

#### **Challenges of GST in Indian Context:-**

- Consent of state :

To implementing it is critical that GST bill passed by the respective state government in state assemblies so as to bring majority. This is herculean task.

- Threshold Limit in GST :

Whole achieving broad based tax structure under GST. Both empowered committee and central Govt. must ensure that lowering of threshold limit should not be a "taxing" burden on small businessman in the country.

- Extensive Training to Tax Administration staff :

GST is absolutely different from existing system. It therefore requires that tax administration staff both center and state to be trained properly in terms of concept, legislation and procedure.

- Revenue Neutral Rate:

It is one of prominent factor for its success. In regime the government revenue would not be the same as compared to the current system.

- Robust IT Network :

GST has to develop GST portal. Which ensure technology support for GST Registration, GST return, filing tax payments, IGST settlements etc. so there should be a robust IT backbone.

- Consumption based-tax :

GST being consumption based tax, states with higher consumption of goods and services will have better revenues. So, the co-operation form state governments would be one of the key factors for the successful implementation of GST.

#### **Conclusion :**

By considering the above facts and information it is concluded that, the GST system is basically structured to simply current indirect tax system in India. A well designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation also government has promised that GST will reduce the compliance burden. But at present there will be no destination between imported and Indian goods and they would be taxed at the same rate. The new tax will be significant breakthrough and a logical step towards a comprehensive indirect tax reforms in the country. In short GST will face many challenges after its implementation and will result to give many benefits. In overall through this study it is conclude that GST play a dynamic role in the growth and development of India.

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