

ACES AND PLOYS OF GOODS AND SERVICE TAX IN INDIA

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ABSTRACT

The paper aims to explain meaning of GST, and its effect on the Indian economy as well as human life. Under the GST scheme, remarkable distinction is not made between goods and services for levying of tax burden. Same rate of tax is introduced for goods and services both. Post-independence GST is the biggest and most ambitious tax reform plan yet that aimed to stitch common market of fiscal barriers between states. It is a single national uniform tax levied across India on all goods and services. GST includes commodities of state and central list on which various indirect state and central taxes like value added tax (VAT), state duties, central surcharges, luxury taxes, entertainment taxes and a bunch of taxes by local bodies were levied. The objectives of this paper are:

- *To bring the conceptual clarity on Goods and Service Tax (GST)*
- *To analyze the ACES (game winners i.e. PROS) and PLOYS (game spoilers i.e. CONS) of Goods and Service Tax (GST)*
- *To study the consequence of Goods and Service Tax (GST) in India.*

The main purpose of this research study is to comprise of two components: Center and State. It is also imposed on each and every transaction of the goods. This study is done as an explanatory paper.

KEYWORDS: *Goods & Service Tax, GST, Impact of GST, Aces, Pros, Ploys, Cons.*

Introduction

Taxes put an important effect on human life as well as the economy of any country. Taxes are levied in two major forms either as Direct Tax or as Indirect Tax. Under Indirect taxation GST scheme has been announced curtailing all other types and categories of taxes, which was earlier done with a major distinction as good or services, but now remarkable distinction is not made between goods and services for levying of tax burden. Same rate of tax is introduced for goods and services both. Post-independence GST is the biggest and most ambitious tax reform plan yet that aimed to stitch common market of fiscal barriers between states. It is a single national uniform tax levied across India on all goods and services. GST includes commodities of state and central list on which various indirect state and central taxes like value added tax (VAT), state duties, central surcharges, luxury taxes, entertainment taxes and a bunch of taxes by local bodies were levied. GST is one indirect tax for the entire nation, that has made Indian economy one unified common market. GST is a solo tax mechanism on the supply of goods and services, right from the manufacturer to the consumer.

Under GST, the burden of tax collection will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. On 1st July, Goods and Service Tax (GST), a form of indirect tax was applied throughout the country replacing multiple indirect taxes levied by the Central and State govt. The different tax rates of GST are 5%, 12%, 18% and 28%. It is the biggest tax reform in the country.

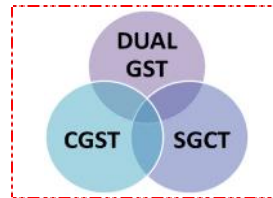
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Brief History of GST

GST is applied now in the year 2017, but the discussion on it started in the year 2000 only by the Vajpayee Govt., for which there was an committee headed by Asim Das Gupta (finance minister, govt. of West Bengal).

Model of GST



- Central GST – GST to be levied by the Centre.
- State GST– GST to be levied by the State.
- Dual GST– GST to be levied by the Centre & State

Justification of the Study

GST stands for Goods and Service Tax. GST will subsume various indirect state and federal taxes like value added tax (VAT), different state taxes, central surcharges, luxury tax, entertainment tax and a bunch of taxes by local bodies. GST is possibly to be at 18% and most probably will be applicable from 1st April 2017. Goods and Service Tax (GST) is to comprise of two components: Center and State and it is also imposed on each and every transactions of the goods. GST council can recommend the division of the sum of money collected by the imposition of the tax. Thus I have selected this topic and encourage me to study and analysis the pros and cons of GST in India.

Review of Literature

Saeed, (2012) VAT as a tax to generate revenue and improve returns ratio was introduced in different SAARC countries at different points of time. The authors have in the paper examined the effectiveness of VAT as a tax to generate tax revenue and to improve the tax to GDP ratio in SAARC countries. The authors forth is purpose have. The authors have concluded that VAT is effective on both counts Yogesh .L. Aher , Pooja .S.

Shefali Dani (2017) studied the effect of GST on Indian economy and her study says that GST will remove inefficacies of the present tax system but only if there is a clear consensus over issues of threshold limit, revenue rate., inclusion of the petroleum products, electricity, liquor and real estate; and the government should implement this regime only after consensus is reached.

Objective of the Study

The main objective of the study is given below:

- To bring the conceptual clarity on Goods and Service Tax (GST)
- To analyze the ACES (game winners i.e. PROS) and PLOYS (game spoilers i.e. CONS) of Goods and Service Tax (GST)
- To study the consequence of Goods and Service Tax (GST) in India.

Research Design

The present paper is based on secondary sources of data which have been collected from internet, journals and magazines.

Limitations of the Study

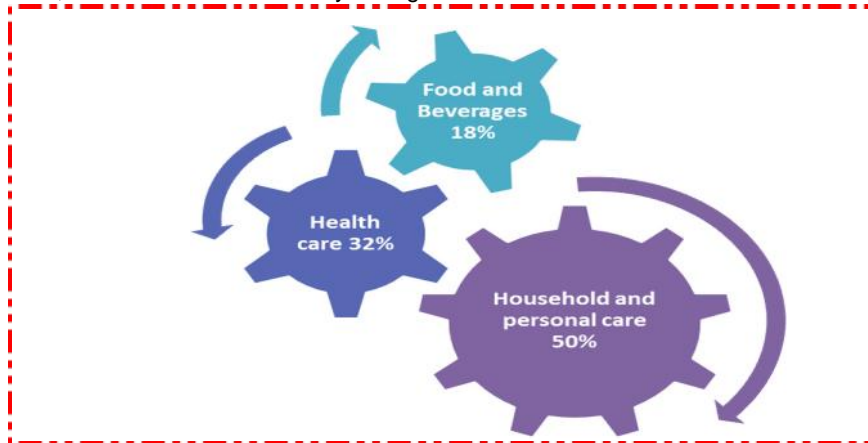
This research has the following limitations are:

- Non availability of sufficient literature and data.
- It is dependent on published and secondary data is used.
- Only on monetary information and non-monetary factors are ignored.

GST and the Consumer

Many times it has been observed that people may have difficulty in understanding the tax system as well as they have different perception on taxes on consumption. Consumer purchase number of products with varying elasticizes of demand and magnitude of effort for making buying decision. A large number of goods under the Fast Moving Consumer Goods (FMCG) are such for which purchasing

decision can be made routinely without any conscious activity. The implementation of Goods and Services Tax (GST) is expected to affect consumer behavior in India. With the implementation of Goods and Service Tax, FMCG sector would really change. FMCG sector consist of:



FMCG sector is the major taxation contributor both direct and indirect in the economy. The concept of consumer behavior followed by discussion on tax in FMCG sector and moves further with discussion on perception of consumers and dealers on VAT regime when consumers make decisions about which products to buy, elementary economics dictates that prices should matter.

ACES of GST

- **Standardization:** Many countries follow a GST Tax regime and the new tax will make it easy for everyone to understand the bill. People have already started verifying the bills at restaurants and other retail outlets for the right tax. Earlier, there were many cases of people being charged inappropriately and this has ended with GST.
- **Transparency and Less Corruption:** GST will also lead to less corruption and there will be a significant reduction in corruption as all the money spent needs to be reported for the taxation purpose. Moreover, the retailer would not be able to make sales without the bill hence the cases of income tax evasion will also reduce a lot.
- **Cost of Tax Collection:** The cost of tax collection has gone down for the government and this is certainly a benefit.
- **Online tax Collection:** It has reduced a significant cost for the government and in addition to this, the simplification of the process is another reason why the cost of tax collection has gone down.
- **Tax Evasion Easy to Catch:** With the implementation of GST, it has become easy for the government to catch the tax evasion. The most certain advantage of this is the reduction in black money and increment in the government tax collection. The money can be infused back into the economy for the development of infrastructure and other public works.
- **Simplicity at its Best:** Goods and Service Tax (GST) will replace the existing form of indirect tax in the nation. It will prove a substitute for the 17 indirect laws pertaining to the nation and will subsidize it with the new GST Tax. That shall come across as a simpler term to envision.

PLOYS of GST

- **Complexity for the Businessmen:** According to the proposal of the GST Tax, the control on business will be rendered to Central and State Governments with businessmen binding by-laws. As such complexity may arise for many businessmen across the nation.
- **Changing Tax Slabs:** Earlier the government had a higher tax slab for many products but in a recent revision, the government has changed the tax slabs for the many products. This includes the restaurants as well. The changing tax slab means the higher operational cost for the organizations and it also makes the changes in software complicated.

- **Higher Tax Burden for SME:** There is a certain tax burden on small and medium enterprise because of this GST. As per the information, earlier, the organization with a turnover of over Rs 1.5 crore had to pay excise duty but now even a businessman with a revenue of over Rs 20 Lakh has to pay the GST.
- **Impact on Discounts:** GST has also had an impact on discount and reward programs as well. The product is being taxed at the rates pre-discount whereas the products were earlier taxed at post discount prices. Most of the companies have also suspended reward programs on temporary basis because of complexities of
- **GST Online Taxation:** Online taxation system is an advantage as well as disadvantage. Many people are not able to process their taxes and this forces them to reach out to a third party for tax filing purpose. This has increased the overall cost for such small businessman who needs to approach the third party for filing tax.

Conclusion

It may Conclude that, the main reasons for implementation of VAT are to have control over the taxation under single tax base throughout the country and major revision required in the present VAT are uniform tax base in all states single, registration and identification for assessing both under central and state GST. GST is an extension of VAT which includes services also. Initial losses of revenue to States would be compensated by the Centre. When GST is implemented in good spirit the revenue of both Central Government and State Government shall be increasing in the long run. And at last but not least as said, everything has its own pros and cons, same is the case with GST. It will remove the different indirect Taxes and as said "One nation, one market and on one tax policies will be there.

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