

UPSC - IMPACT OF GST	
POSITIVE	NEGATIVE
<p>1. Easy to Run a Business across all States Uniformly</p> <p>GST would change VAT all over India. This means that a business wouldn't have to suffer about keeping up with VAT compliances that are various in all state.</p> <p>2. Fewer Tax Compliances</p> <p>Central GST would replace – Service Tax, Central Excise Duty, Duties of Excise, Surcharges and Cesses and Customs Duty</p> <p>State GST would replace – State VAT, State Cesses and Surcharges, Central Sales Tax, Tax on Advertisements, Lottery, Gambling, Luxury Tax, Purchase Tax and Entertainment Tax.</p> <p>3. Faster Transportation of Goods</p> <p>It will be of large help to the logistics sector and will also result in the faster transportation of goods as there will be no hour long waits at the Sales Tax check posts across borders due to the elimination of various indirect taxes.</p> <p>4. Indirect Benefit to Startups</p> <p>Startups are required to register for VAT if their turnover is more than 5 lakhs and in some states 10 lakhs. With the coming of GST, businesses with an annual turnover of over 10 lakhs are needed to register for GST.</p> <p>5. Increase in Foreign Investment</p> <p>The goods manufactured within India will become more competitive in the international markets due to decreased costs which will, in turn, foster the growth of Indian exports.</p> <p>6. Sectors that will apparently reap the most advantages</p> <p>Cement, Building Materials, Metal, Automobiles, Entertainment, Consumer Durables, Fast moving consumer goods and Logistics.</p>	<p>1. Proposed GST Rate Is Higher Than VAT</p> <p>The rate of GST is proposed to be larger than the current VAT rate in India, which although decreasing the price in the longer run, will be of no help in cutting down prices of commodities.</p> <p>2. Dual Control</p> <p>A business will be indirectly controlled by both the Centre and the State in all tax-related cases. The State will lose autonomy to replace the tax rate which will be regulated by the GST Council.</p> <p>3. Certain Sectors Will Face a Negative Impact</p> <p>Sectors that are currently enjoying no excise duty or have enjoyed a lot of tax benefits will have to bear the brunt of a higher tax. These include Textile, Media, Pharma, Dairy Products, IT/ITeS, and Telecom. The same goes for products. It is supposed that the prices of the following commodities will increase – jewellery, mobile phones and credit cards.</p> <p>4. Loss Incurred By the Manufacturing States</p> <p>Since GST is commonly related to the manufacturing segment, most manufacturing states may incur losses.</p>

Pros of GST bill :

- **GST is a transparent tax and also reduce number of indirect taxes.** With GST implemented a business premises can show the tax applied in the sales invoice.
- GST will not be a cost to registered retailers therefore there will be no hidden taxes **and the cost of doing business will be lower.**
- Benefit people as **prices will come down** which in turn will help companies as consumption will increase.
- There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs. In the GST system, when all the taxes are integrated, **it would make possible the taxation burden to be split equitably between manufacturing and services.**
- GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). **This will help in removing economic distortions and bring about development of a common national market.**
- **It will also help to build a transparent and corruption free tax administration.** Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.

Benefit of GST for the Centre and the States

According to experts, by implementing the GST, India will gain \$15 billion a year. This is because, it will promote more exports, create more employment opportunities and boost growth. It will divide the burden of tax between manufacturing and services.

Some of Disadvantages/Cons of GST in India are given below

- 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 Economist says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST.

Almost 140 countries have already implemented the GST including Australia, Canada, Germany, Japan and Pakistan.

Negative Aspects

1. GST is being referred as a single taxation system but in reality it is a dual tax in which state and centre both collects separate tax on a single transaction of sale and service.
2. At present the main Indirect tax system of central Government is central excise. All the goods and commodities are not covered by the central excise and further there is an exemption limit of Rs. 1.50 Crores in the

Benefit of GST for individuals and companies

In the GST system, taxes for both Centre and State will be collected at the point of sale. Both will be charged on the manufacturing cost. Individuals will be benefited by this as prices are likely to come down and lower prices mean more consumption, and more consumption means more production, thereby helping in the growth of the companies.

Positive Aspects

1. The main reason to implement GST is to abolish the cascading effect on tax.
2. The GST is being introduced to create a common market across states, not only to avoid enfeebled effect of indirect tax but also to improve tax compliance.
3. GST will lead a more transparent and neutral manner to raise revenue.
4. Price reduction as credit of input tax is available against output tax.
5. Simplified and cost saving system as procedural cost reduces due to uniform accounting for all types of taxes. Only three accounts; CGST, SGST, IGST have to be maintained.

Positive Impacts of GST:

- GST will introduce uniformity in the Indian tax regime by absorbing all indirect taxes at both the state and central levels and by removing cascading taxes, thereby creating a common market for all.
- The end consumer will bear the GST charged by the last dealer in the chain of supply and set-off benefits will be available at all the previous stages.
- Compliance will become easy and transparent as all taxpayer services (registration, returns, and payments) will be made available online.

central excise and further traders are not liable to pay central excise. The central excise is payable up to the stage of Manufacturing but now GST is payable up to the stage of sale.

3. 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 service tax”.

Negative Impacts of GST

- Considering the examples of Malaysia and Canada that have implemented GST before India, there are chances of inflation in the initial stages of implementation as the Indian economy and her people adjust to GST.
- Just as some commodities become cheaper with the introduction of GST, some commodity costs are likely to go up by a significant margin.
- With a uniform tax structure, sectors which could evade excise duties earlier will now have to pay higher taxes- this justifies the incumbent increase of cost of some commodities.

To put it simply, a major change like GST is likely to have a few initial hiccups, but with time, we will be able to see the bigger picture. India is one of the most

- The Indian economy will grow as revenue efficiency and competitiveness (due to reduction of transaction costs) will increase.
- Indigenous artisans and craftsmen will benefit greatly as GST will lead to reduction in the cost of locally produced goods and services.

Positive Impact of GST :

- The cumbersome tax system is removed and a unified tax structure introduced which is easy to operate and will make easy for payment.
- Removes the cascading effect of the tax, Tax on taxes.
- Lower burden on tax will ensure lower rates for manufactured goods. Common people pay less for the same goods. This will lower the burden on the common man.
- Lower rates will increase demand and which in turn increases employment opportunities.
- This will also help in curbing circulation of black money.
- Due to various taxes levied by the Centre and the States, consumers pay taxes to the tune of 25% - 27% . Though there is no cap on the GST , as per experts it will be limited to 18% to 20%. The small cars which are at present taxed 30.4% will come down to 18 to 20%. These cars will sell lower. Thus the prices of goods can come down.
- **Zero rated items** : Foodgrains used by common man which is a great relief.
- Two standard rates of 12% and 18% have been finalised.
- **28% rates on white goods** like airconditioners, refrigerators, washing machines, soaps and detergents, tobacco, tobacco products, pan masala, aerated drinks, luxury cars will be taxed 28% which have been taxed 30% to 31% now.
- An American truck driver travels 700 kms per day while an Indian truck driver travels 280 kms per day. Global average is 400 kms.per day. In India, as per UBS

stable economies of the world, and we, as her people have proved to be quite adept at adjusting to major economic overhauls. change.This reform is aimed at boosting the Indian economy and if we wish to see India even higher up in terms of development, maybe we should try and embrace this change.

Negative impact of GST

- Effective Service tax at present is 15%. After GST implementation it will be 18% to 20%. Thereby the service sectors are affected. They have to bear higher taxes.
- Air travel, Hotels, will become costlier. Economy class tickers are taxed 6% and non-economy class 9%. After the GST these tickets will be taxed 18% to 20%.
- Insurance npremium, investments, branded clothes, branded jewellery, cigarettes, will become costlier.

Securities , there are 650 different types of check npositive bin India and 11 categories of different types of Road Transport Taxes. By the introduction of GST there will be a boost to distance traveled by trucks vto 20% which will improve the productivity by 12%.

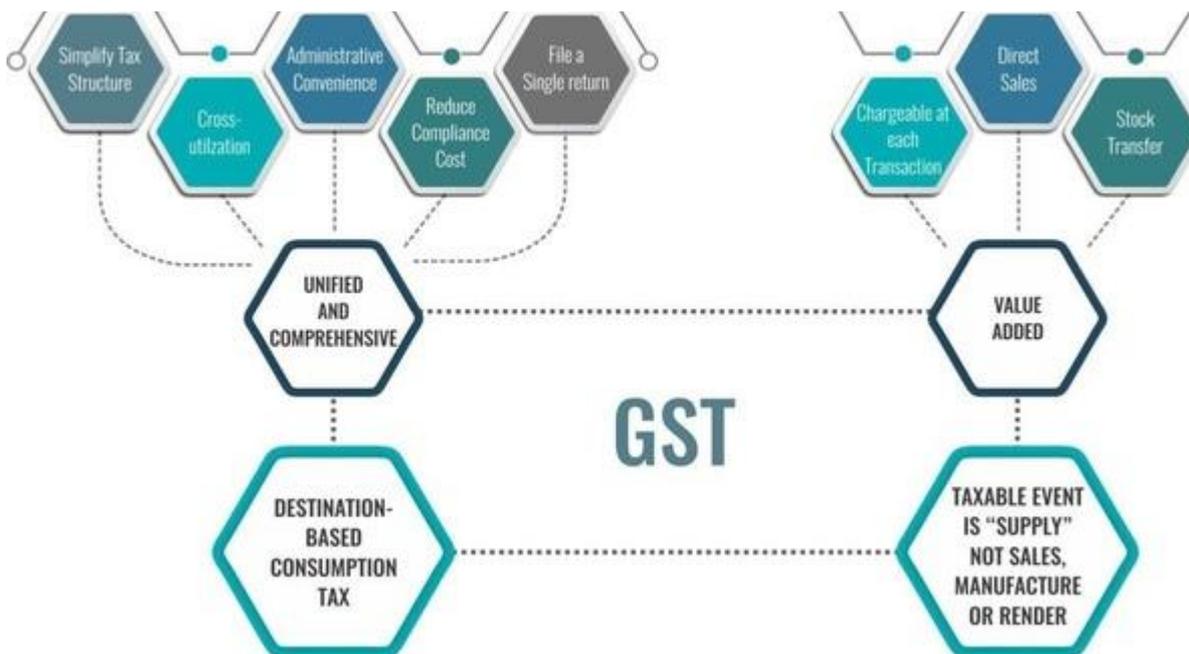
- All central taxes including VAT, excise taxes, central taxes, state level taxes, VAT on sales, entertainment taxes, luxury taxes, Octroi and entry taxes levied by municipalities, will be abolished making way for GST. **A unified tax system is evolved** enabling easy flow of goods from one place to another .
- Now the companies are required to pay vtake for the entire goods. Now after vthe introduction of GST, tax is levied only on the value-addition of the goods. Thereby evation of payment of taxes are reduced.
- GST will enable small business in unorganized sectors to pay taxes. These SMEs will be given incentives for payment of taxes. Thereby take net is widened.
- As per experts India will gain \$15 billion through GST implementation. This will lead to more employment, more exports, and vthe gap between manufacturing and services are reduced.
- The Government is pretty optimistic that bone nation one tax will stop corruption as well.

The GST bill, known as the **Goods and Services Tax**, was introduced in Lok Sabha in December of 2014 and will be implemented from **July 1st, 2017**.

Under the GST bill, the Indian economy will see an economic integration. One will see all other taxes getting consolidated into one, it will restructure the indirect taxation, making the taxation process humbler. So, instead of paying, Octroi, Central Excise VAT i.e. the value added taxes etc..., including few other indirect taxes, the taxpayers will only pay one amalgamated tax.

The entire endeavour is to avoid *double taxation*. GST will be charged both, at **Central** and **State levels of government**, and to make submissions easier and simpler, steadily the discrepancy between goods and services will be abridged. Many

developed countries have introduced such taxations for ease and suitability of the taxpayer.



GST – Pictorial Structure Application

GST will be on the ‘*transaction value*’, which in other words essentially means, taxes will be levied on the price actually paid or payable. The transaction value will include all other variables like the packaging cost, commission and all other expenses incurred for sales. Also, this tax will be paid at the last step, the closing point of consumption. It’s important to note that GST has two constituents, the *Central GST* and the *State GST*, thus ensuring that both the governments authorize and manage their respective taxes. This will, therefore, contribute to making the Indian economy stronger and powerful.

Benefits of the GST Bill

- It makes the transaction **more transparent**. Enabling sales invoices to show, the tax applied.
- It **reduces the cost of doing business**, as it eliminates all the hidden charges.
- It will **reduce the cost of things**, as a result, consumption might increase, helping companies increase their production.
- Currently, the split between taxes for manufacturing and service charge is very complicated. With the application of GST all the taxes will be integrated and perhaps it will become possible to split the **manufacturing and services tax burden equally**.
- **GST is applied at the final point of consumption** and not at every step (like the manufacturing and retail outlets) this will help in eliminating misrepresentations and assist in the development of the common national market.
- The tax administration will work **corruption free** and with **transparency**.
- **Beneficial impact on Centre and State Governments** – experts are predicting a \$15 billion a year in financial gains post implementing the GST bill. Because it is predicted to create a split of burden between the manufacturing and services/retail in taxes, it will stimulate more exports, in turn creating additional employment opportunities, aiding industrial and economic growth.



Advantage of GST

Possible Shortcomings of the GST Bill

- Real Estate could have a negative impact, some economist predict that it will add up to 8% to the cost of new homes and reduce demand closely by 12%
- There might be unrest amongst dealers who have been avoiding certain taxes, by only paying VAT, who will now be forced to pay GST



Challenges in GST

There is a lot that is predicted by economic pundits, and there is a lot of dust in the air with regards to the immediate and long-term impact of the GST bill. It's only when the dust settles, one will see where we stand. However, it can be said with surety that there will be a significant amount of transparency and ease in the taxation process for the taxpayer.

GST is a destination based tax, levied on the consumption of goods and services.

Positive Impacts of GST in India

1. GST will also help to build a transparent and corruption free tax administration.
2. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.
3. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.
4. GST also has an optional scheme of lower taxes for small businesses with turnover between INR 20 to 50 lakhs. It is called the composition scheme. It has now been proposed to be increased to 75 lakhs. This will bring respite from tax burdens to many small businesses.
5. Removing cascading tax effect, simpler online procedure under GST, defined treatment for E-commerce and regulating the unorganised sector.

Negative Impacts of GST in India

1. 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.
2. 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.
3. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.

GST stands for Goods and Services Tax levied by the Government in a move to replace all of the indirect taxes. The main reason behind introducing GST is to improve the economy of the nation.

Impact of GST in India :

Positive Impact of GST in India:

- GST is a single taxation system that will reduce the number of indirect taxes. From now, a single taxation term would cover all of those indirect taxes.
- The Prices of products and services would reduce , thus this system would prove to be beneficial for the people who are fed up of paying high prices.
- This would reduce the burden from the state and the central government. With the introduction of GST, all indirect taxes would come under a single roof.
- GST would not be charged at every point of sale like other indirect taxes so in this way, market would be developed.
- Corruption-free taxation system. GST would introduce corruption-free taxation system.

Negative Impact of GST in India:

- The introduction of GST in the country will impact real estate market. This would increase new home buying price by 8% and reduce buyers' market by 12%.

- GST is a mystifying term where double tax is charged in the name of a single tax.
- Most of the dealers don't pay central excise tax and cheat the government by simply giving the VAT. But all of those dealers would now be forced to pay GST.

GST was implemented in India from July 1, 2017 and now we can see the **advantages and disadvantages of GST**.

Positive Impact of GST:

- GST has eliminated the cascading effect of taxes by introducing a unified tax system.
- The implementation of Goods & Services tax puts India in the line of international tax standards, making it easier for Indian businesses to sell in the global market.
- Inflation is expected to stay under control after the implementation of GST.
- GST is expected to reduce the price of production, operational and others costs that will benefit the end consumers.
- The cost of collecting the tax is reduced thus resulting in a higher revenue for the government.
- GST has the mechanism of integrated tax that makes sure that the tax burden is split impartially between manufacturing goods and services.
- The complexity of tax compliance is reduced as all the returns are being filed and taxes are being paid through a single platform.

Negative impact of GST:

- Consumers are not very hopeful about GST benefits and implementation and therefore, they are reluctant to adapt to the new system.
- The tax rate has been increased for many products, thus increasing their costs.
- Although there is a provision of input credit in GST, some businesses are not willing to pass on its benefits to their consumers.
- The cost of refurbishing has increased due to increased tax, thus increasing the price of refurbished products.
- Businesses are required to have separate registrations for multiple business entities in different states. It will increase the burden of tax compliance.
- GST has reduced the tax revenue of some states as they are now required to share revenues with the central government.