

**GOODS AND SERVICES TAX (GST) : FEATURES, BENEFITS AND CHALLENGES**

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**ABSTRACT**

GST is considered as an indirect tax for the whole nation that would make India one unified common market. It is a tax which is imposed on the sale, manufacturing and the usage of the goods and services. It is a single tax that is imposed on the supply of the goods and services, right from the manufacturer to the customer. The credits of the input taxes that are paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on the value addition on each stage. The final consumers will bear only the tax charged by the last dealer in the supply chain with the set of benefits that are at all the previous stages. It is charged at the national and state level at similar rates for the same products and it also replaces almost all the current indirect taxes that are imposed separately by the Centre and the States. Goods & Services Tax is a destination based tax which means that the tax is paid at the place of supply. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impact on economic growth. Because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy.

## INTRODUCTION

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumers point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impact on economic growth. Because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy.

Main features of GST.

1. GST is taxation system based on destination.
2. GST subsumed almost 17 types of taxes from previous system of taxation.
3. GST has implemented on win to win concept for both state and central
4. GST helped to avoid double taxation which was in VAT tax system.
5. GST not at all affect the big traders, but small vendors are burdened for monthly filing of return.
6. GST has different slabs which encourages trade in the economy.
7. GST strict yardstick to tax evasion.
8. GST bought more wieghtage to commerce in the essence of education.
9. GST bought many employment opportunities.

## Benefits of GST

GST has been envisaged as an efficient tax system, neutral in its application and distributionally attractive. The advantages of GST are:

1. Wider tax base, necessary for lowering tax rates and eliminating classification disputes
2. Elimination of multiplicity of taxes and their cascading effects
3. Rationalization of tax structure and simplification of compliance procedures
4. Harmonization of center and state tax administrations, which would reduce duplication and compliance costs
5. Automation of compliance procedures to reduce errors and increase efficiency
6. Create unified common national market for India, giving a boost to Foreign investment and "Make in India" campaign
7. Boost export and manufacturing activity and leading to substantive economic growth
8. Help in poverty eradication by generating more employment
- 9.. Uniform SGST and IGST rates to reduce the incentive for tax evasion

## CHALLENGES FOR IMPLEMENTATION OF GST

Various challenges has been estimated for its successful implementation.

1. **States Consent** : For implementing it is critical that GST bill is passed by the respective state Governments in state assemblies so as to bring majority. This is a herculean task.

**2. Revenue Neutral Rate (RNR):** It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.

**3.Limit in GST:** While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country

**4.IT Network:** Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for registration, return filing, tax payments, IGST settlements etc. Thus there should be a robust IT backbone

**5.Extensive Training to Tax Administration Staff:** GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.

**6.Statutory Enactments :** There will two types of GST laws, one at a centre level called ‘Central GST (CGST)’ and the other one at the state level – ‘State GST (SGST)’. As there seems to have different tax rates for goods and services at the Central Level and at the State Level, and further division based on necessary and other property based on the need, location, geography and resources of each state.

**7.Additional Levy :** The Purpose of additional Levy is to compensate states for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make “INDIA” as one state where inter-state movement of goods is common. In this situation, it would defeat the very purpose of GST in the country.

**8.Clubbing Taxes:** The biggest challenge of GST implementation is bringing all the indirect taxes under one roof, which is the biggest feature of GST. There has been opposition asking to including purchase tax by a few states. Other states are reluctant about alcohol, tobacco products coming under GST. This is due to the fact that a major chunk of state revenue is derived from these products.

**9.Statutory Requirements:** As the imposition of GST will be delegated to both state and central government, the constitution has to grant powers to both through an amendment. It is seen as a difficult task as the law expects at least two-thirds majority from the members of the parliament and that isn’t easy given the current political scenario of the country.

**10.Framework For Tax Disputes:** There has to be a uniform legal procedure for tax disputes and litigations to avoid any confusion.

**11.Defining Inter-State Transactions:** With the transportation services available everywhere, the place of sale and consumption may not be the same. This makes it difficult to go forward with revenue allocation. Hence, it becomes important to define procedures to tackle such problems.

**12.Infrastructure For The Collection Process:** Proper infrastructure has to be designed to track the movement of goods and services between states, collection and monitoring revenue, identify defaulters etc.

**13.Determining GST Rates:** This is a major step in ensuring the success of GST. Arriving at rates which are conducive to both the government and public is will be a daunting task.

## CONCLUSION:

GST will bring in transparent and corruption-free tax administration, removing the current shortcomings in indirect tax structure. GST is business friendly as well as consumer friendly.GST in India is poised to drastically improve the positions of each of these stakeholders.We need a change in the taxation system which is better than earlier taxation. This need for change leads us to ‘need for GST’. GST will allow India to better negotiate its terms in the international trade forums.GST aimed at increasing the taxpayer base by bringing SMEs and the unorganized sector under its compliance. This will make the Indian market more stable than before and Indian companies can compete with foreign companies.

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