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GST - ONE NATION ONE TAX

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ABSTRACT:

One of the main objectives of rearrangement the various components of the financial system is to rationalize it. Adoption of goods and services tax is also a part of that tax as an important and fixed source of public revenue. Taxes contribute more to public revenue. In India in the pre-independence period and even after independence, many changes are being made over time by determining the tax policy.



KEYWORDS: *goods and services tax, Taxes contribute, tax policy.*

INTRODUCTION:

As proposed by Vijay Kelkar in 2004, introduced a single tax namely Goods and Services Tax from 1st July 2017 by abolishing all indirect taxes of central and state governments. And it was expected to be implemented by 2010 but as a result of politics in the country it took many years to actually adopt it as GST is an old tax in the eyes of the world. Today, almost 160 countries of the world have adopted Goods and Services Tax as the only indirect tax.

OBJECTIVES

1. To study the concept of goods and service tax.
2. To study the effect of Goods and Services Tax.
3. To know the revised form of Goods and Service Tax.

RESEARCH METHODS

This research paper is based on secondary sources. Reference books, editorials, daily newspapers, books, internet etc. have been adopted to collect GST information.

Before Goods and Services Tax system, various taxes were levied, so Goods and Services Tax is necessary to bring all these taxes under one umbrella and to rationalize the tax structure. Goods and Services Tax is the only indirect tax applicable at the same rate throughout the country. It is a common tax that brings freedom by avoiding unnecessary tax complications. In the current tax system implemented in the Indian economy, goods and services tax is now the only alternative to the four taxes levied by the central government namely excise duty, additional excise duty, service tax and surcharge and Cess. At the state level, only one existing bundle of taxes has been abolished in the form of SGST. In this bundle there were more than 10 taxes such as Value Added Tax, Entertainment Tax, Advertisement Tax, Luxury Tax, Zakat, LBT and other Entry Tax, Lottery, Betting Tax and Surcharge and Cess, apart

from central government for inter-state transactions. After the implementation of GST in India, there will be no single tax. Although Goods and Services Tax is the only tax that is useful for transactions, there are some taxes that are not included in Goods and Services Tax. It is necessary to know this too. Taxes not included in Goods and Services Tax Central level customs duty, anti-dumping duty, safeguard duty and export duty are not included in GST. Also, road and passenger tax, toll tax, property tax, electricity fee and stamp duty and registration fee have been excluded from GST at the state level. The intention behind the introduction of Goods and Services Tax was to support the economy. Moreover, there was a noble intention that the indirect tax system should be uniform throughout the country.

IMPORTANCE OF GOODS AND SERVICES TAX –

The intention was to create an industry-friendly approach to creating a goods and services tax system that is consistent with global norms of a uniform tax system. In the current scenario, taxes are levied on taxes in the indirect taxation system. E.g. Sales tax is levied on the Central Excise duty levied by the central government on the manufactured goods which is called cascading of tax Value Added Tax was adopted by the Maharashtra State Government on 1st April 2005, the next part of the Value Added Tax system is to adopt a consolidated tax system with respect to all indirect taxes. Indirect Taxes are levied by Central Government and State Governments and it has following flaws in present scenario and these flaws are going to be rectified by Goods and Services Tax system. Value Added Tax is levied by the State Government and Excise Duty, Service Tax is levied by the Central Government. As these taxes are levied separately by the state and central government, deduction of one tax is not given while paying the other tax. Central Excise duty is applicable on manufactured goods in present scenario. And value added tax is levied on it so the tax burden increases by levying tax on tax. As tax on goods and services will disappear, the tax burden will be reduced. At present, the Central Sales Tax Act exists. According to this Act, 2% central excise tax is levied on inter-state sales of goods from the state in which the goods are sold. But central sales tax levied in the state where the goods are purchased is not deductible. Due to non-deductibility of tax, the tax component is added to the basic price and the price increases. Under the Goods and Services Tax, the Central Sales Tax Act will exclude six items that are outside the scope of GST, a common, in fact a single indirect tax at the same rate across the country to avoid unnecessary tax burdens. Once GST is implemented, it will replace all other taxes. This shows how important the goods and services tax system is for the interest of the country.

EFFECTS OF GOODS AND SERVICES TAX-

Favorable Effects -

1. Ban on black money –

Since Goods and Services Tax will prevent black money transactions, there will be no blunders in online filing. Also attempts with wrong bank account will fail. It will not be possible to modify the return file. Also due to the dual system of inspection, the transactions will be closely monitored. Due to this black money transactions will not be possible.

2. Helping to create a single market-

Goods and services tax will help create a common market at the national level as the ease of a single tax can improve exports and the concept of one country one tax will erase state borders.

3. Prevent tax evasion-

Basically, the structure of GST is such that no one can escape the chain. This will prevent tax evasion; moreover, there will be a large amount of professional coordination in taxation in the country. This will increase the revenue of the government. Of course, the government may have more funds available for expenditure on development works.

4. The goods or services dispute will end -

The goods and services tax will not only provide a simple and convenient tax system, but also the dispute between goods and services which has been going on for the last few years in the trade will end.

5. Complementary to Government Schemes -

Implementation of Goods and Services Tax system will be very helpful to schemes like Make in India, Smart Cities and Start Up India through the Government of India to create a glow in the industry world.

6. Financial benefits of Traders -

Due to GST, traders will have to pay a single tax instead of multiple taxes. Till date, the method of taxing tax on tax (cascading effect) was common in the system. As he will get freedom, the traders will benefit financially.

7. Education and medical facilities-

As per the tax system, the government has levied various taxes on many goods and services, but essential services like education and health have been exempted from taxation. This means that customers availing the services of both these sectors will not have to pay any tax for these services. As medical facilities are exempted from tax, no tax will be payable on them, so the expenditure on these services by consumers will not be subject to Goods and Services Tax.

8. Simple and easy taxation system-

Goods and Services Tax is going to be a simple and convenient tax system for consumers. In this tax system the system of tax on tax is closed so the cost of production of goods and services will be reduced to a great extent, thus the goods can be cheaper and the consumers can benefit in the long run. Moreover, since this tax is the same for the entire country, the price of the same item will remain the same throughout the country. As a result, the disparity in rates will be removed and the consumers will benefit. Interestingly, there will be no need to depend on a particular state.

9. Increase in domestic product-

Goods and Services Tax will reduce the cost of finished goods due to reduction in taxes and transport costs, thereby boosting domestic production and increasing revenue.

10. Benefits to small businesses-

Not only is the Goods and Services Tax system transparent, it is also possible to reduce the cost of production due to the reduction of taxes on taxes.

Adverse effects of Goods and Services Tax-

1. Adverse impact on real estate sector-

The real estate sector will be hit hard as the prices of new houses will increase by 8 percent so if the flats do not find any buyers, the builders will be in trouble and unemployment will increase from laborers to technicians.

2. Increase in production cost of agriculture-

The production cost of agriculture will increase due to goods and services tax. After the implementation of Goods and Services Tax, government subsidies will be given as before, but due to the increase in taxes on agricultural inputs (fertilizers) due to Goods and Services Tax, there will be an increase in the cost of production of agricultural products. Even if the goods and services tax creates a nationwide market for agricultural produce, it is difficult for the common farmer to benefit from it if the price is not increased in the market in proportion to the increased cost of production.

3. Solution to Big Traders -

Small businesses are worst off due to Goods and Services Tax. Till date this category was registered under the Maharashtra Value Added Tax Act 2002 with many traders filing quarterly returns. Now due to Goods and Services Tax these traders had to file monthly returns. Many of these traders do not keep computerized accounts. Traders who are not computerized under the new law are likely to face a lot of difficulties in settlement.

4. Stagnation to development-

The relationship between the center and the state may deteriorate. There is a provision that Central GST and State GST will be independent and the revenue collected from them will disappear from the main source of income of the state. Therefore, money will not be available for development works.

5. Inflation increased -

A limit of 18 percent has been decided to be imposed on goods and services tax but that limit will not be increased. There is no assurance that the tax ceiling may be increased for goods and services currently taxed at less than 18 per cent will be raised to 18 per cent immediately after the Bill is passed into law. So movie tickets, food will be expensive. Apart from that, hotel stay will be expensive. Due to the introduction of goods and services tax, the price of every commodity has increased and inflation has increased to a great extent.

6. Inter-State Transactions-

For inter-state transactions, since the consumer state will get this goods and services tax than the producer state, it may cause injustice to the people of that producer state alternatively to the general psyche of that state.

SUMMARY-

Although the Goods and Services Tax system has positive as well as adverse effects, the Goods and Services Tax system is going to be important for a country like India. It is hoped that India's development will take a new direction and usher in a new phase in terms of economic reforms. The Indian tax system was brought into line with the world tax system. After many taxes, one tax came instead. GST is going to bring a lot of benefits to the country but it needs to wait a little bit.

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