

Topic : GST – Challenges and Benefits for the Indian Economy

Benefits –

Reduce tax burden on producers and foster growth through more production. This double taxation prevents manufacturers from producing to their optimum capacity and retards growth. GST would take care of this problem by providing tax credit to the manufacturer.

Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss that translated into major costs through higher need of buffer stocks and warehousing costs as well. A single taxation system could eliminate this roadblock for them.

A single taxation on producers would also translate into a lower final selling price for the consumer.

Also, there will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.

GST would add to government revenues by widening the tax base.

GST provides credits for the taxes paid by producers earlier in the goods/services chain. This would encourage these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.

GST also removes the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.

The proposed GST regime, which will subsume most central and state-level taxes, is expected to have a single unified list of concessions/exemptions as against the current mammoth exemptions and concessions available across goods and services

Challenges

Consent of States: 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.

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.

Threshold 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

Robust 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

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.

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Additional Levy on GST: 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.