

## A STUDY ON THE IMPACT OF GST IN GLOBAL BUSINESS

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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. This paper is an analysis of the impacts and implications of GST on business sectors.

**Keywords:** GST, Indirect Taxes, VAT, GDP,

### INTRODUCTION

One year of implementing the GST structure in India has amassed both positive and negative responses from the individuals and the customers. GST (Goods and Services Tax) is a significant step intended towards simplifying the giant tax structure to support stakeholder benefits. Prior to GST implementation, there were more many indirect taxes and cess that were applicable depending on the business segment. There were mixed views and opinions prevailing in the public domain about the pros and cons of GST implementation, the gamut of how the solution is implemented and weighing the scales of implementation efficacy. The impact of GST has a direct weight on two key segments. One, to the businesses and the other to the end customers those bearing the tax costs on the goods purchased and services availed. It is imperative from the number of amendments that are taking place regularly from the GST committee meetings that the process is still evolving and is yet to settle.

### REVIEW OF LITERATURE

- i. **Sony Pandey, Tax Researcher at H & R Bolck India (December 24, 2017)** The new tax regime has made the market go up in the shortest time by boosting the FMCG Industry and bringing in different benefits to the economy. All the major players in the Industry have welcomed GST with open arms. However, few firms in the sector are diversely affected by the tax rate charged on their products.
- ii. **Radhika Merwin, The Hindu Editor, (June 25, 2017)** For most segments within the FMCG space, GST bring good tidings on the back of lower tax incidence when compared to the total tax paid pre-GST – In particular, house hold/ personal care segment is likely to gain the most, with lose to 5-7 percentage point reduction in indirect taxation with GST rates on each of these products fixed at a lower 18percent, companies with this space are likely to gain.

iii. **Sanket Dhanorkar, Economic Times Bureau, (May 29, 2017)** Impact of GST on FMCG firms will depend on their product mix, given that the tax rules have gone up for some products and have fallen for others. The FMCG companies, whose tax incidence has come down under the GST regime, are likely to pass it on to the consumers in the form of lower prices. Manufacturers will have to pass on the higher tax incidence of some products placed under highest tax slab of 28%, to consumer in the form of higher prices of these goods.

#### PURPOSE OF GST

- One country – one tax
- Consumption based tax instead of manufacturing
- Uniform GST registration, payment
- To eliminate cascading effect of indirect taxes/ doubling tax/ tax on tax
- Subsume all indirect taxes at centre and state level
- Reduce tax evasion and corruption • Increase productivity
- Increase Tax to GDP and revenue surplus

#### BENEFITS OF GST

1. Eliminating the cascading effects of taxes
2. Tax rates would be comparatively lower
3. Reduce tax evasion and increase the revenue and GDP by widening the tax base
4. There would be seamless flow of the input tax credit
5. Price of the goods and the services would fall
6. There would efficient supply chain management
7. It would promote the shift from unorganized sector to organized sector
8. It would eliminate 17 indirect taxes and therefore the compliance cost would fall

#### Import & Export

In the case of **exports**, the exports would be treated as **zero-rated supply**. So, **no tax** is payable on the exports but Input Tax Credit benefits would be allowed. And In the case of **imports**, the imports would be treated as **inter-state supplies**. Hence, Integrated Goods and Service Tax (**IGST**) would be applicable in addition to the customs duties. In case you are confused about GST as a business owner, feel free to consult the GST experts at Legal Rasta. You can get comprehensive assistance on **GST Registration** and **GST Return Filing**. You can also use our **GST Software** for doing end-to-end GST compliance.

#### Impact of GST on Indian Economy

GST is a game-changing reform for the Indian Economy, as it will bring the net appropriate price of the goods and services. The various factors that have impacted Indian economy are:

##### 1. Increases Competitiveness

The retail price of the manufactured goods and services in India reveals that the total tax component is around 25-30% of the cost of the product. After implementation of GST, the prices have gone down, as the burden of paying taxes has been reduced to the final consumer of such goods and services. There is a scope to increase production, hence, competition increases.

##### 2. Simple Tax Structure

Calculation of taxes under GST is simpler. Instead of multiple taxation under different stages of supply chain, GST is a one single tax. This saves money and time.

##### 3. Economic Union of India

There is freedom of transportation of goods and services from one state to another after GST. Goods can be easily transported all over the country, which is a benefit to all businesses. This encourages increase in production and for businesses to focus on PAN-India operations.

##### 4. Uniform Tax Regime

GST being a single tax, it has made it easier for the taxpayer to pay taxes uniformly. Previously, there used to be multiple taxes at every stage of supply chain, where the taxpayer would get confused, which a disadvantage.

## 5. Greater Tax Revenues

A simpler tax structure can bring about greater compliance, this increases the number of tax payers and in turn the tax revenues collected for the government. By simplifying structures, GST would encourage compliance, which is also expected to widen the tax base.

## 6. Increase in Exports

There has been a fall in the cost of production in the domestic market after the introduction of GST, which is a positive influence to increase the competitiveness towards the international market.

### **BUSINESS**

GST has affected life of small & medium business houses. Too many tax compliances, monthly three tax returns, transaction wise control over sales and purchases are the examples of hardship faced by small & medium business houses. However, some relief have been given by government by setting up higher threshold limit of annual turnover of Rs. 20 lakhs (threshold limit is Rs.10 lakhs for special category states). Tax payers those who were registered under VAT & Service Tax having annual sales turnover less than Rs. 20 lakhs may enjoy exemption under GST. The simplicity of doing business, less dependency on Govt. officials, Online return and grievance filing, removal of cascading effect (double taxation), reduced tax burden on businesses houses, improved logistics and faster delivery of services are some of the positive attributes of the newly implemented Goods and Services Tax .

The real estate is vital sectors which had played the major role in generating employment in India. Under the GST, all under construction properties have been imposed with 12 per cent GST on property value (excluding stamp duty and registration charges). It must be noted that 12 per cent tax rate will not be applicable to ready-to-move-in houses and completed projects, as sale of readyto-move-in houses are not covered under definition of goods and services and hence no GST is applicable on such transactions.

There are 3 million Small and Medium-Sized Enterprises (SME) in India contributing almost 50 percent of the industrial output and 42 percent of India's total export. The SMEs have emerged as the leading employment generating sector and has provided

balanced expansion across sectors. Hardships faced by SMEs under earlier tax laws are about to vanish under GST. Online registration process under GST will ensure timely receipt of certificate of registration and minimal bureaucracy interface. The electronic payment compliance has brought transparency and has also reduced the compliance cost. Cash, input tax credits and tax liabilities are required to be maintained in the form of electronic ledger with the tax department, it may bring transparency under tax compliances. The fast track electronic refund process, online applications for provisional assessments and advance ruling are added advantages and may serve SMEs in a better way.

The refunds can be claimed only after filing of relevant returns. Also it depends on the compliances done by the supplier. All returns are necessary to be filed electronically and input tax credit and tax liability adjustment has to happen automatically on the basis of these returns. The taxpayer is required to file minimum 37 returns during a financial year. Thus SMEs has to arrange additional resources and eventual cost of compliance has increased.

### **IMPLICATION STRATEGY**

India achieved VAT system to accomplish the goal of economic development. GST, a modified version of existing VAT can make functional. The major setback existing GST for implementation is that it have to be approved by every state existing in India, else the total exertion on GST will be a disaster. A well formulated one point and one type of taxation for goods and service are required in India, moreover, the formulated taxation has to be exercised by the Central, State and Interstate where lies the complexity.

In order to bring uniformity, it is necessary to bring Dual GST system like Dual VAT system followed recently in India. The major beneficial of dual GST is that; Uniform taxation can be practiced, low charges comparable to VAT, better taxable system, better tax return and registration system. To put GST into practice, PAN (Permanent Account Number) should be allotted to every individual citizen of India. The impact of GST on economic growth can be well recognized, provided few goods and service have to be exempted from the GST like agricultural goods, health, education and financial services, this is because it would hit the poor

people in India to attain basic amenities higher cost. Export is zero rated under GST, this would direct to economic success such as India as more than 25% GDP lays on export. GST is exercised on the import of goods and services also high rate is charged for the same. The dealer in the importing state has to declare every import made monthly and its return within prescribed time. This brings dealers purchasing within and from outside the state pay same tax.

### **CONCLUSION**

The Goods and Services Tax Law aims at streamlining the indirect taxation regime. As mentioned above, GST include all indirect taxes levied on goods and service, including State and Central level taxes. The GST mechanism is an advancement on the VAT system, the idea being that a unified GST Law will create a seamless nationwide market It is also expected that Goods and Services Tax will improve the collection of taxes as

well as boost the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate.

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