

IMPORTANCE OF GST IN INDIAN ECONOMY

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GST is one of the biggest indirect tax reforms in India in the history of independent India making the dream of “One Nation, One Market, One Tax” come true finally from 1st July 2017. GST was implemented removing all state barriers . 17 Central and State acts have been dismantled with and bundled in to one GST.

1. Removing CASCADING EFFECT :- These were multiple taxes some imposed by central government and some by the state government for example – central government levy excise duty on the manufacture of goods and state government charges VAT on the sale of some goods. VAT is also payable on the component of excise duty and hence it has a multiplier or compounding effect in the amount of total indirect taxed paid by the consumer and hence making the goods costlier. There were around 17 taxes imposed by central & state government having a multiplier impact in the total amount of tax and finally the cost of a commodity or a services. Thus making it very costlier due to cascading effect. These taxes have been unplaced by GST and hence the multiplier effect of various taxes is uncovered by the GST and hence we can say the cascading effect has been removed by one tax.

2. PROBLEM OF DISTINGUISHING IN SALE AND SERVICE :- These were a number of commodities where it was difficult for the supplier to say whether the transaction was for the sale of goods or for sale of service and hence both VAT and service tax to be charged on the same transaction. Now with the merging of VAT and service tax into GST its problem is solved and now the consumer will have to pay only one tax GST. GST will bring more clarity and transparency in removing ambiguity in such transaction for example – earlier when we use to purchase a software the supplier use to charge VAT and service tax both in the same transaction and now we will be charging only GST.

3. EASE OF DOING BUSINESS :- Earlier the business man has to brief record in all the applicable acts and had to follow filing of return, payment of tax and assessment proceedings under different acts, under different states and central thus making it really cumbersome and very difficult for the businessmen. Now with the subsuming of various acts into one GST will improve the ease of doing business in India. It can be one of the reasons that India has improve it’s position from 130 to 100 in the year 2018 in the ease of doing business index.

4. WIDENING THE TAX BASE :- In the excise duty design excise duty was paid only by the manufacturer of goods, wholesalers and retailers in the further chain were not required to pay excise duty on the value addition made by them. The number of dealers registered with the excise department in the county were limited to around 1.5 lacs resulting in a relatively small amount of excise duty under GST regime the number of dealers are more than 1.3 crores (Economic Times, March 09, 2018) who have to pay tax on each & every value addition in the chain of wholesalers and retailers . Thus widening the tax base and tax collection.

5. UNIFORMITY OF TAX RATES :- Rates of taxes in under earlier system there were different VAT and other state acts for example- there were different rates of taxes on various items in VAT

in Delhi, Haryana, U.P and Punjab thus making it very difficult for a purchaser to calculate purchaser to calculate purchasing from which state. But now with uniform rate if tax is easy to understand and implement.

6. REDUCED LITIGATION :- There are more than 1 lacs cases handing in central excise and service tax appellate tribunal, finance ministry is hav to 50,646 cases (Financial Exchange December 25, 2017) like wise there are huge number of cases pending at various appellate authorities under different acts for availment of value, appeal against assessment orders under all 17 acts which have now been subsumed into 1 GST will reduce litigation substantially.

7. REMOVE OF ROAD BLOCKAGE :- These was a system if tax barriers check posts seeding to wastage of time and resources in transportation and thus leading to longer inventory replenishment time leading to maintenance of larger buffer stocks, leading to higher warehouse and inventory carrying cost under. Under the GST regime all there road blockage are removed leading to saving in time and cost of the industries.