



## **Advantages and Disadvantages of GST: A Review**

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### **Introduction:**

GST stands for Goods and Services Tax. It is an Indirect tax which introduced to replacing a host of other Indirect taxes such as value added tax, service tax, purchase tax, excise duty, and so on. GST levied on the supply of certain goods and services in India. It is one tax that is applicable all over India. The manufacturer will have to pay GST on the raw material that is purchased and the value that has been added to make the product. The service provider will have to pay GST on the amount that is paid for the product and the value that has been added to it. However, the tax that has been paid by the manufacturer can be reduced from the overall GST that must be paid. The retailer will need to pay GST on the product that has been purchased from the distributor as well as the margin that has been added. However, the tax that has been paid by the retailer can be reduced from the overall GST that must be paid. GST must be paid on the product that has been purchased.

### **ADVANTAGES OF GST**

#### **Ease of starting business**

A business which operates in different states and territories was previously required to comply with multiple laws. The centralised registration enabled by GST will make the setting up of new business easier and also effective by reduction in costs. Also, the procedural requirements thereafter would zero down by a single law.

#### **Reduced tax burden on new businesses**

Previously, business having turnover more than Rs 5 lakhs were required to take registration under VAT. But this ceiling under GTS has been extended to Rs 20 lakhs. Which has given relief to over 60% of SMEs

#### **Improved and faster logistics**

GST has abolished the entry tax for goods manufactured and sold in any part of India. Which will enable smooth and faster transportation of goods by reduction in waiting time on check posts. This will in turn boost the economy by saving huge transportation costs and time.

#### **Easier compliances**

GST follows one simple concept of supply and taxability under GST depends over the same. Previously, lot of hassle and litigations were involved in deciding whether a transaction falls under the ambit of goods or service. The taxation aspect was majorly dependent upon such classification. The ambiguity has been resolved by the newly introduced GST regime.



### **Regulation of the Unregulated Sectors**

In the pre-GST times, certain specific businesses in India like the textile and the construction sectors were highly unregulated and had loopholes for tax evasion. However, with the implementation of GST, these sectors have been regulated by reducing the burden of tax compliance and simplifying the taxation structure.

### **Automated procedures with great use of IT**

There are simplified and automated procedures for various processes such as registration, return, tax payment, etc and all interaction is through a common GSTN portal.

### **Benefits to Agriculture and Industry**

GST has given more relief to industry, trade, and agriculture through more comprehensive and wider coverage of input tax set-off and service tax set-off subsuming several Central and State taxes in GST.

### **Single window clearances (SWC)**

Multiple legal compliances under different legislatures required lot of efforts and time. GST being the one indirect tax has opened up a way to single window clearance. Now the taxpayer can focus more on its core business as legal norms only under one statute would be needed to be adhered.

### **Easy catch on Tax Evasions**

GST has proved out to be a helping hand of government in keeping effective and improved catch on tax evasions. One of the prominent evidences of the same are increased numbers of tax revenue. Evasion tracking has been made simpler with reduction in procedural requirements and subsuming of various laws into GST.

## **DISADVANTAGES OF GST**

### **Higher tax rates**

Previously, on service the service tax was levied at 15% tax rate but now if the same falls under the GST tax rate category of 18% then the resultant pay out from the taxpayers pocket seems to have increased. The same has already shown its effect in the sectors like telecom, airlines, banking etc.

### **Updation of IT Software**

Under the GST regime, businesses either need to update their current accounting or ERP software or purchase GST software to prop up their businesses. This leads to an increase in IT expenses to the businesses in terms of procuring the GST software and training the staff for using the software efficiently. However, Masters India, one of the leading GST Suvidha Providers(GSP) has developed customized GST software and APIs to ease the compliance procedures for different business users.

### **Increased operational expenses**

As we have already discussed that GST has changed the way tax is assessed, business owners require the opinion of the tax experts to remain GST-compliant.



However, this has increased the operational expense of the entity as they are required to bear the extra cost of employing tax specialists or hiring consultants.

### **Compliances in the middle of the financial year**

GST was rolled out in India from 1st July 2017 and the financial year was started from 1st April 2017. The implementation of GST has led to huge inconvenience on the part of taxpayers. As normally it is witnessed that the tax planning is done well in advance for the particular financial year and shifting to a completely new tax regime which is being introduced for the first time is a challenging acceptance in itself. This left the taxpayers confused and a lot of operational difficulties arose.

### **Not all goods covered**

Petrol being the key product still remains out of the ambit of GST. It has become one of the major controversial issue. Because crude oil being a commodity of general and vast usage is still acquainted with higher prices and no relaxation in the same has been provided with the implementation of GST.

### **Taxation becoming Online**

Though with the technology getting pace in all sectors an online taxation reform is welcomed. But, everything comes with a cost. So does this!! Considering the user base online taxation reform has left people helpless and being dependent upon experts. The online form, online registration and all compliances being done online has increased costs of softwares, installations and requisite staff to the businessman.

### **Excessive compliance burden:**

The number of tax returns to be filed under GST is enormous. Three periodic returns are required to be filed monthly. Not only that if a person is doing business in multiple states then it needs to obtain multiple registrations for each state and separate GST returns needs to be filed for each state. This structure of GST has increased compliance burden and it is causing pain mainly for small businesses which cannot spend high costs on support functions like accounting and taxation etc.

### **Blockage of Working capital**

Working capital is the essence of every business. Implementation of GST has led to shortening of available funds in the hands of business. The exporters are not able to claim the tax refunds till date even after so much time after implementation of GST has already lapsed. Even the traders are facing issue in claiming their transitional refund due to procedural difficulties and even striving harder to mitigate the shortages of operating funds due to rolling out of this new taxation reform. Also, the increased rate of GST in service sector has further increased the payouts by 3% as GST @18% is payable in exception to the old 15% service Tax.



## **Conclusion**

Change is definitely never easy. The government is trying to implement the GST in smooth way. But still there are some problems. On the basis of experiences and problems faced by tax payers, government day-by-day improving the laws / rules and strategy of implementation of in regard with GST.

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