

## “GST: Challenges In Implementation Of GST Rather Than VAT; Impact And Advantages Towards GDP Growth.”

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**ABSTRACT:** GST stands for “Goods and Services Tax”, which is an ultimate destination for value added tax charged on the production, sale and consumption of goods and services. It includes all the indirect taxes of both state and central Governments and the total economy into a seamless nation in national market. GST consist of all Taxes which are charged indirectly and this will help in development of economy and demonstrates to be more advantageous than the current tax system. GST will also support to quicken the total Gross Domestic Product (GDP) of the nation. The objective of the study is to analyze the influence of GST after its application. There is a need to study the differences between GST and current Indirect taxes, to know the advantages of GST, these are evaluated in the paper. The study briefly explains about the “challenges and advantages of GST after execution”. The significance of tax before and after the implementation of GST is described in the study. The consequent effects of it on general public is analyzed in the study. Descriptive sort of research is evaluated for the study. Secondary also as primary information has been gathered for the study.

**Keywords:** GST, VAT, Advantages, Challenges, GDP

### Introduction:

GST ushered in a new India on 1st July 2017. Not ever has India seen such a huge tax reform earlier. Mixed and composite supply, time of supply and most significantly the GST compliance rating are the concepts which were brought in by GST. The GST compliance rating is like measuring how well a company follows to GST. The score is measured on a scale of 0 to 10, which represents 10 as best and 0 as worst. This will be regardless of nature, size, or turnover of the business.

### GOODS AND SERVICES TAX:

The “Goods and Services Tax (GST)” may be imposed on most of the goods and services which are sold for domestic utilisation. The GST is collected from consumers, but it’s forwarded to the government by the companies selling the products and services. In effect, revenue was provided for government which is also known as Value-Added Tax (VAT) in some countries.

### REVIEW OF LITRATURE:

1. **Hagaragi, S. B. (1998)**, The researcher discusses the various components of salary under the provisions of Income Tax Act.
2. **John Mathai Committee (1953)** the tax policy query was selected by the government of India on April 1, 1953 under the chairmanship of John Mathai. The terms of references of the instruction were to observe the frequency and appropriateness of Central, State and Local taxation on several classes of people.
3. **N. Padmalatha & Uma Jayender (2012)** Implementation of GST in India: Issues and challenges Wisdom publications, Delhi. Authors gave summary of GST in the present study. They identified the issues and challenges like constitutional amendments, taxes to be merged, Inter- state transactions, GST rate structure, Threshold exemption in application of GST in India and studied the effect of GST on growth, factors of production, GDP, Government income, price levels, exports on Indian economy. They concluded expressing that execution of GST would make a clean break from the legacy structures and herald a new era of simple and transparent tax administration.
4. **Milandeep Kour, Kajal Chaudhary, Surjan Singh, Baljinder Kaur (2016)**. Authors analyzed the influence of GST after its application and evaluated the differences between GST and current indirect taxes. The advantages and disadvantages of GST after the implementation are also discussed in the paper. Flow chart of registration process of GST was explained. Impact of GST on Customer price index, excise and sales tax were also discussed. Importance of GST to the economy and specially to the public was studied. Problems which GST might face after the implementation were also discussed.
5. **G.Meena (2018) IMPACT OF GST ON BANKING SECTOR** Author discussed about the deviations that have to be done under GST registering like if the banks have multiple branches in different states and Union territories they need to apply for separate registration. Centralized service providing system

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is followed for serving the customers. All the issues and impact relating to the provisions of GST law like extensive number of branches to be registered, Input tax credit leveraged and de-leveraged, assessment and adjudication made troublesome etc. were analyzed. Difficulties and benefits to the banking sector were evaluated.

**OBJECTIVES OF THE STUDY:**

1. To analyze the main differences between “GST” and “VAT”.
2. To explain the effect of GST after its application.
3. To evaluate the effects of tax before and after the application of GST.
4. To examine the Advantages and Challenges towards GDP due to GST after its implementation.
5. To evaluate the influence of GST on general public.

**SCOPE OF THE STUDY:**

The theoretical aspects and effects of GST have been explained in the study. The study has been carried on the challenges in application of GST. The study considered only the impact and advantages towards GDP growth.

**Need of the study:** This study will help us to look at the impact of GST after its implementation, it’ll show the gap between GST and current indirect taxes. The study also shows the advantages and challenges which GST is facing after implementation.

**RESEARCH METHODOLOGY:**

Both analytical research and descriptive research were utilised in accomplishing the objective of the study. Analytical research will analyse the facts which are already available or information which is used for analysing critical evaluation.

Descriptive research is relating the state of activities because it overcomes at the time of study. In this study the researcher gathered the data from websites and made conclusions from it.

**SOURCES OF DATA:**

**Primary data:** Data gathered by personal interactions with the people of tax dept.

**Secondary data:** Data from websites, newspapers, journals, books is evaluated for the study.

**Differences Between VAT and GST<sup>1</sup>:**

The main reforms within the Indian Taxing System is that the overview of GST, i.e. “Goods and Services Tax”. The main purpose is to remove the dropping effect, i.e. dual taxation. It may be a tax on value adding, levied on the production, delivery and consuming of products and services. It is normally compared with VAT known as “Value Added Tax”, as it is a tax charged at every stage of creation and circulation of products on the increasing value.

<b>Basis</b>	<b>VAT</b>	<b>GST</b>
Meaning	VAT is a consumption-based tax, that is charged on the value addition, at every stage of creation/delivery of goods	GST is a destination-based tax, charged on the creation, sale and consumption of goods and services.
Point of taxation	Sale of goods	Supply of products and services
Payment Mode	Offline	Online
Registration	Compulsory if turnover is greater than “10 lakhs”.	Compulsory if turnover is greater than “20 lakh”.
Basis of taxation	Summary based	Transaction based
Revenue Collection	Revenue is composed by Seller state	Revenue is composed by Consumer state
Excise Duty	It is levied, on the making of excisable goods.	It is not levied.
Interstate sales	In case of interstate sales input credit is not certain.	In case of interstate sales input credit can be benefited.

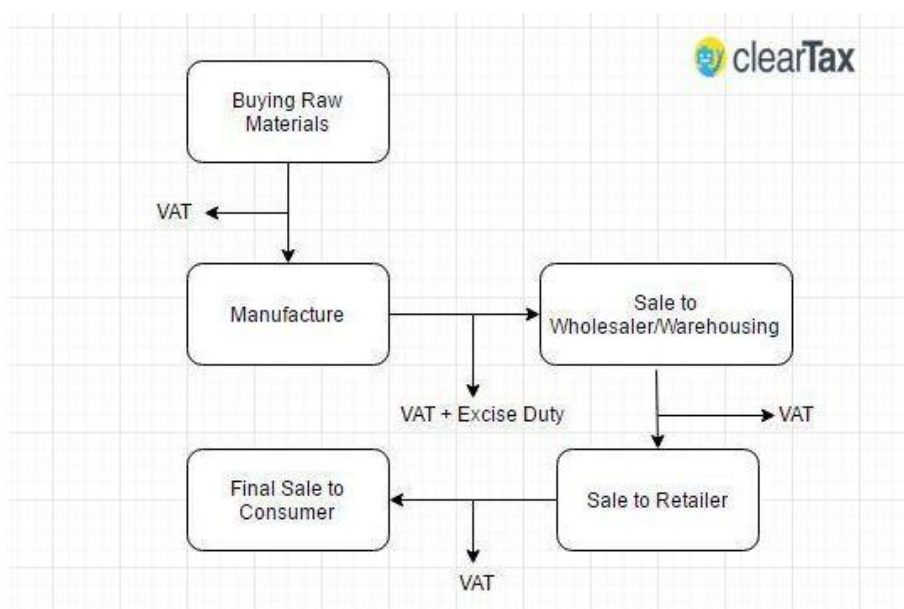
**Effect of GST after its application<sup>6</sup>:**

The effects of GST on Indian economy would be broadly grounded on the following aspects

1. **Impact on growth<sup>9</sup>:** create a common market across the country and reduce compliance cost and thus create an equitable distribution. The taxes on production and distribution are removed and they are applied only on the final consumption which increases the opportunities of employment.

2. **Impact on factors of Creation:** Leads to efficient allocation of factors of production which will lead to gain in the growth of GDP and exports and enhances economic welfare.
3. **Impact on GDP:** A decrease in tax rates on products and services presented would allow manufacturers to trade their products at a lesser price which leads to increase in demand.
4. **Impact on government revenue<sup>8</sup>:** Since entirely the goods and services would be under the purview of GST, it would reduce all the exemptions. The tendency of tax dodging would also reduce due to the transparency and in turn lead to better government revenue. A flawless GST would positively lead to better government revenue.
5. **Impact on price levels:** Though GST is considered to be regressive model of taxation, it minimizes the number of taxes to dual rate of SGST and CGST which encourages the manufacturers and distributors to cut the prices of their products which will ultimately benefit the consumers.
6. **Impact on exports:** GST would lead to lower prices of Indian goods and services, which will increase the attractiveness of Indian goods in the global market and thereby will lead to a boost in the export market.
7. **Impact on Banks<sup>2</sup>:** As per the law, banks having branches in different states has to register separately. Under the law, 50% of the CENVAT credit availed in contrast to inputs, input services, and capital goods is to be inverted which results them with reduced credit of 50% on capital goods by which the cost of capital increases.

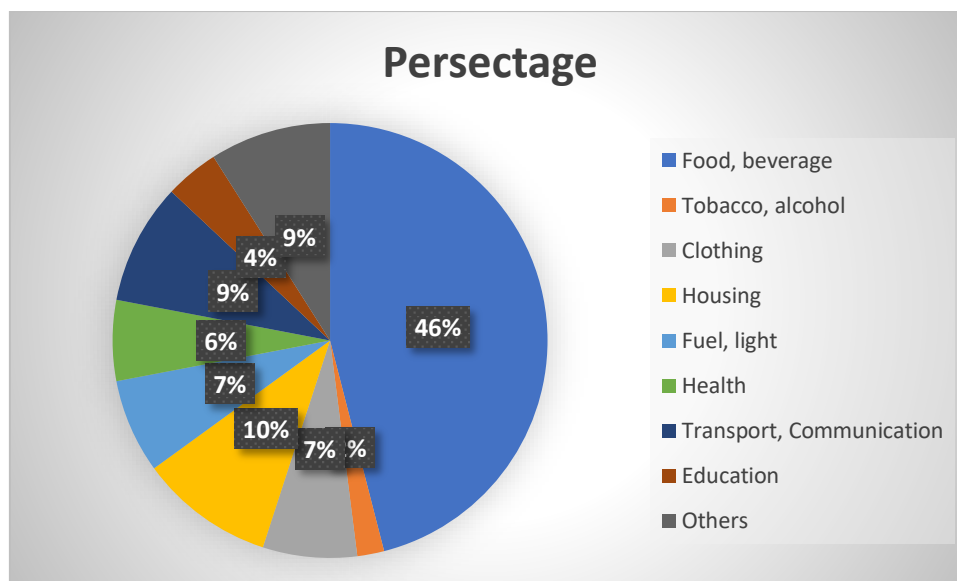
The outline of tax charge before Goods and Service Tax, was as follows:



Under the GST rule, the taxes are going to be imposed at each point of sale. But in situations of interstate sales, Central GST and State GST are going to be imposed. The Intra-state sales will be imputed for combined GST.

**Impact on Consumer price index<sup>5</sup>:**

Consumer price index	Percentage
Food, beverage	46%
Tobacco, alcohol	2%
Clothing	7%
Housing	10%
Fuel, light	7%
Health	6%
Transport, Communication	9%
Education	4%
Others	9%



**GST tax structure<sup>7</sup>:**

- 0% - Would be imposed on important food and drugs, newspaper, education facilities, housingspace
- 0.25% - Would be imposed on diamonds and other expensive stones
- 3% - Would be on gold, silver, platinum and jewellery articles.
- 5% - General public use items, sweets, restaurant services, tour operator services
- 12% - Frozen meat, butter and cheese, Namkeens, Milk beverages
- 18% - Average rate would be imposed on all goods and services
- 28% - Extravagance and sin goods such as motor vehicles (additional cess imposed on certain luxury goods)

**Effects of tax before and after the application of GST<sup>4</sup>:**

Goods	Before	After
Package Products	4-5%	18%
Readymade Garments	4-5%	18%
Jewellery	3%	18%
Mobile & credit cards	15%	18%
Cars	30-44%	18%
Home appliance	12.5% & 14.5% (Excise & VAT)	18%

**Advantages towards GDP growth after the implementing of GST<sup>11</sup>:**

1. Wider tax base
2. Elimination of dropping result of several indirect taxes
3. Rationalisation of tax structure
4. Harmonisation of centre and state administrations
5. At every stage of supply there would be dropping of taxes as input decline are going to be exist across goods and services.
6. Synchronization of laws, actions and rates of tax.
7. More effective offsetting of taxes particularly for exports thus making our products to compete in the global market and help in increase of Indian Exports.
8. Expand the total investment capacity in the nation which will obviously profit the states.
9. Average tax problem on companies is predictable to come down which is anticipated to lessen prices. Lesser prices mean more consumption, which refers to more production thus helping in the development of the industries. This will help India to be a “Manufacturing hub”.

10. Encouraging more paper trail of transactions by educating atmosphere of agreement as all returns to be filed online, input credits to be confirmed through online.
11. The process for registration of taxpayers, refund of taxes, fixed setups of tax return, equal tax base, equal system of preparation of goods and services will advance wellinevitability to tax policy.
12. Timelines to be given for vital actions like procurement of registering, repayments, etc.
13. States with sophisticated intakes of products and services will have improved revenues so encouragement from state administrations would an important key factor for productive accomplishment of GST

GST would be advantageous with more transparency, effective agreement, growth in GDP, growth to the Centre, states, industrialists, manufacturers, the general public and the country at large.

#### **Challenges towards GDP due to GST after application<sup>3</sup>:**

1. Disputes are likely to arise between state and central over tax.
2. Highly cultured IT set-up is required, matter of taxing e-commerce is to be properly addressed and combined and a few political disparities.
3. The state administrations need to be compensated for the damage of revenues (if any).
4. Operative credit methods are essential for GST. CENVAT is not a problematic thing but it is a major task for states to overcome.
5. The real estate market will be restricted by GST and it may upshot in 12% down turn in required of new houses because of enlarged cost up to 8%.
6. State tax officials training and development before implementation of GST.
7. Lack of Infra Structure
8. Incomplete knowledge about the advantages of GST.

#### **Influence of GST on general public<sup>10</sup>:**

GST is a combined tax system eliminating package of Indirect Taxes like VAT, CST, Service Tax, CAD, SAD, and Excise Duty which can have a constructive influence on general public. There would be fewer tax agreements and a shortened tax package as related to previous tax structure, GST would decrease the dropping effect of taxes i.e. tax on legal system, It'll help in removing the manufacturing cost which can bring price of commodity down, the lower cost will further cause a rise in demand/consumption of products, increased demand will cause increase supply hence this may ultimately cause rise in production of products. The increased production will cause increased job chances. GST will block the flow of black money. Thus, GST would have a helpful influence on general public in many ways.

#### **LIMITATIONS OF THE STUDY:**

1. Because of lack of practical knowledge, people are misled.
2. Even the cost of maintenance is additionally high
3. Maximum people are illiterates because of which they may not understand the tax information and benefits of it.
4. More educational programs need to be organized to provide more knowledge to consumers on GST.
5. Absence of suitable internet in villages to know about the GST, this may be an obstacle.

#### **CONCLUSIONS:**

The GST Structure is mostly planned to shorten existing tax scheme in our country. A well-made GST is a striking method to do away with distortion of the prevailing process of multiple taxation also government has assured that GST would lessen the compliance problem at present there'll be no dissimilarity between imported and Indian goods & they might be taxed at an equivalent rate. There are many Indirect Taxes like Sales Tax, VAT etc., which would be ending because there'll be one tax system i.e. GST, that will reduce compliance existing burden. GST is facing many challenges after its application and can result to offer many benefits. By the through study we determined that GST play a vital role for the evolution and expansion of the nation.

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