An Appraisal Perspective of Goods and Services Tax
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Introduction

On 1 July 1999, the goods and services tax (GST) was introduced during the ongoing recession between 1995 and 2002. During this period, the PNG economy experienced high budget deficits, inflation, interest rates and sovereign debt Rates and various and distorted indirect taxes, tax deductions in the State, less imports from minerals and oil wells and pressure to liberalize trade and investment. A keen investigation has been carried out into policy reforms for economic reforms. This report explains the main GST impacts and highlights the negative consequences for disadvantaged payers. We propose suggestions to reform the GST and to minimize serious negative consequences.

Purpose of the GST assessment

This report assesses the tax on goods and services of Papua New Guinea (PNG) (GST) since 1 July 1999. GST was introduced as value added tax (VAT). Because the name VAT was later replaced by VAT, there is no change in the design or application of the VAT. The National Research Institute (NRI), a think tank in the government of Papua New Guinea (Gong), was commissioned to request the GST assessment and, if necessary, a proposed reform. The paper was presented at the Tax Review Symposium on 29 and 30 May 2014. The symposium was organized by the NRA to partially meet the objectives of the Institute to contribute to the tax reform and reform agenda of Gong. The Institute intends to follow the recommendations of the PNG Tax Review Committee to allow Gong to carry out a comprehensive review of taxes and to submit recommendations for the reform of the tax system.

The way of this emotion

A desktop review of GST in PNG was performed to view the following questions for the GST Reform Recommendations:

- What is PNG GST and why is GST approved?
- What are the main consequences?
- How should the GST be reformed?

Using existing data and information, the assessment focuses on how the GST package affected individuals, companies as well as national and provincial authorities.

Composition of the thesis

This document consists of five parts. After this introduction follows a description of why GST has been adopted and the nature of GST. Part 3 presents an analytical framework for evaluating the GST principles and axioms that support the formula. Chapter 4 discusses the implications of GST for individual non-particle, enterprise and local securities and tax policies and focuses on the most disadvantaged payers, companies and recipients in the GST distribution. In the last part we offer recommendations together with defenses. Products and services Taxes: costs
PNG GST what is PNG GST?

GST is a VAT tax on the product. The final consumer or end user of the product pays GST. Companies that purchase and use products during the business process pay GST to the retailer, but receive a refund for the GST payment (hereinafter referred to as the import amount). Many problems were raised during the introduction of GST. The GST package includes the following 10% GST for almost all taxable products:

- Almost no products are exempt or zero-rated. For example, services from some institutions such as hospitals and schools are exempt and exports are valued at zero.
- Tariff reduction for a wide range of goods;
- Customs duties and excise reductions;
- Abolition of local sales tax; and
- Distribution of GST revenues between national and local governments. This was mentioned at the introduction, but the GST distribution formula was not specified and was critically assessed (Independent VAT Study Group, 2000).

Why adopt GST?

In general, the government levies consumption tax or increases the tax rate to generate income or reduce the consumption of taxable products. The reason for introducing a new consumption tax or changing an existing income tax is justified by the general economic problems or political motives that the tax seeks. Consumption tax is an indirect tax in the form of turnover tax, turnover tax or value-added tax, which is taxed to the end-user or end-user.

With the introduction of the GST in 1999 in line with the flood and restructuring program of Guineas in 1994 and drastic cutbacks (1996-2001), the fiscal crisis and the economic downturn continued until commodity prices began in 2002. During the economic crisis of the late 1990s, the proposed GST was motivated for various reasons. Former Deputy Prime Minister and Treasurer Chris Haiveta and Minister of Finance Rupa Mulina said the Indirect Tax Summit, 1996 'officially claimed that a new tax was the target (Millet, 1996: 2 and 10).

- Reduction of deficit
- Tariff and consumption taxes
- Reduce personal income tax.

Influence of GST on SMEs

SMEs that meet registration requirements and are registered as GST receive similar benefits for their companies. However, there are many non-registered SMEs. There are items that you can register but for which you do not submit a GST declaration for a tax refund. This small business has a GST tax that impedes viability and scalability.

Influence of GST on grassroots activities

The Grassroots activities include small businesses or companies with their own account that do not qualify for GST registration or are less likely to voluntarily register for GST. SMEs that are registered but do not apply for tax credits At the current PNG level of development, grassroots projects are mainly rural or urban businesses, agricultural businesses, semi-farmers, informal
trade and craft suppliers. All GBs pay taxes, but are not eligible for a refund or charge a refund. For example, if a hairdresser buys a cutting machine, a wooden cutter buys an ax or a farmer buys a cotton knife to clean the garden to produce crops, the tax is paid but not reimbursed. A hairdresser, a woodcutter or a farmer has a double tax burden. The GST can be higher because it is purchased at the end of the distribution chain for end-use applications or at the time of purchase. GST is also not refunded. Would not it be better to have these companies grow in low-income countries?

**GST package influences government and local government**

The GST package includes:

- Abolition of local sales tax, at different rates;
- Introduce a national tax collection system at no cost to the local government.
- Signed an income distribution agreement between the government and the local government. Customs duties collected within the border (not collected at the border as customs) are shared between local governments and governments at 60:40 hours GST. The provincial allocation is based on the main origin of the main GST diversion in the interior. The government receives 40% of the domestic GST collection and GST for revenue. This is generally larger than the GST collection in the interior.

**Products and services Taxes: costs**

Controversially, but properly taken into account the above GST policy conditions. To date, however, some provinces are dissatisfied with the distribution of GSTs, claiming that they must restore financial power and pay sales tax. With the help of the national GST collection system, the board of directors is costly for IRC and the national government. But collecting sales tax and removing the tax cascade lost the burden of the difficult and expensive provinces. As a result, the least developed region of PNG is the unfavorable GST revenue share in the local GST collection. NCD alone accounts for 50% of the entire province. If revenues are used for development financing, the attractiveness of urban relocation in rural areas will be improved. The share of NCD and Moro be Province is about 2/3 of the total. The top five of the provinces of NCD, Moro be, Eastern Highlands, East New Britain and Western Highlands make up 88% of the total regional GST distribution. Since recipients of GST rations are not directly involved in the GST collection, taxpayers do not put pressure on the state to exempt development responsibility. Who is the local taxpayer when roads and schools are destroyed? In the past, the state was responsible and refused to pay sales tax or to postpone payments. Silence is now predominant, and causes development congestion.

**References:--**

4. Times of India.