

# **GST and Micro, Small & Medium Enterprises**

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## **Abstract**

The goods and services tax (GST) is an analysis of the impact of GST tax (goods and services tax) on the Indian tax scenario, the production, sales and consumption of goods and services at national level. The need for a change in the tax structure from the traditional tax system to the GST model has been increased. The GST is expected to be an important factor, not only in the economy but also in business. Trade and business play an important role because the economy of each country is dependent on currency distribution. In the long term, GST is expected to have a positive impact on business organizations. Nowadays companies and businesses pay a lot of indirect taxes, such as value added tax, service tax, sales tax, entertainment tax, oak and luxury tax. When the GST is set, all taxes are terminated. Central and drink taxes are likely to be included in the GST, so tax credits may be available for cross-border transactions and cross-border transactions, which may also take place at national level to be monitored by the central government. The GST also differs in the way it is imposed at the end-use point, not in the production phase. Under GST there is only one tax rate for goods and services. However, separate rates apply to current products and services. GST will make India a common market, making it easier for businesses and significantly reducing logistics costs in companies from all sectors. Some companies will earn more income when the GST is lower than the current tax rate. The rate will be higher than the current effective rate, and others will lose. The sector observers assumed a percentage of 18% recommended by the government committee when calculating the impact.

## **Introduction**

The implementation of the Goods and Services Tax (GST) will be a milestone in the restructuring of India's indirect taxes. The combination of central and state taxes on monopoly levies allows for cascading or double taxation while at the same time promoting a collective national market. Simplicity of tax structure makes supervision and enforcement easier. From the point of view of the consumer, the overall tax burden on goods and services will be the greatest advantage in terms of free movement of goods and services from one country to another without stopping for hours at the border for payment. GST was first introduced in the 2007-2008 budget session. As of 17 December 2014, the government of the Union approved the proposal to introduce GST. On December 19, 2014, this measure was submitted to Loksabh's GST. The tax on goods and services will be a more significant improvement in the country due to extensive indirect tax reform. Integrating taxes on goods and services will provide India with a world-class tax system and improve tax collection. It will disrupt the discriminatory treatment of production

and service sectors. GST is expected to create a business-friendly environment. Therefore, if a certain tax rate is applied, inflation will be overtime. As the tax collection system becomes more transparent and tax evasion becomes more difficult, the fiscal health of the government will improve. It is expected that GST will replace all Indian indirect taxes. At the middle level, the GST replaces the central excise duty, service tax and rate. GST replaces the VAT at the main level.

### **Positive impact of GST on SMEs and start-ups**

- According to industry experts, SMEs and startups will have the biggest impact on launching GST, and their impact will be useful in many ways. Here are ways in which GST can help small businesses and risk companies.
- Easy start-up of companies: companies that do business in other states need VAT registration. Other tax rules in other states increase the complications and involve high procedural costs. GST enables centralized registration, making it easier to get your business started and, as a result, additional benefits for small businesses.
- Reduce tax burden for new companies: companies with a turnover of more than 5 lakh under the current tax structure will have to pay VAT registration costs. Under the GST, the government sets the exemption limit to 25 lakh for more than 60% of small traders and traders.
- Improving logistics and fast service: the GST legislation does not levy taxes on products manufactured or sold in parts of India. As a result, deliveries are quickly processed at weekly and paid checkpoints. CRISIL estimates that the logistics costs for manufacturers of bulk products will decrease by about 20%. It is expected that this will activate national e-commerce.
- Making a distinction between goods and services: GST ensures that there is no ambiguity between goods and services. This simplifies the different legal procedures related to the packaged product. As a result, there will no longer be any distinction between materials and service components that can further reduce tax avoidance.

### **Consequences for the production sector**

According to Deskera, a cloud-based provider of business management software for SMEs in Southeast Asia, GST will improve the competitiveness of its manufacturing sector, mainly by mitigating the cascading effects of different taxes. Headquartered in Singapore, the company offers GST-ready Enterprise Resource Planning software for the global small to medium business market, where small businesses account for more than 70% of global operations. Deskera is an excellent supplier of cloud ERP solutions and has discussed comprehensive GST requirements with various organizations in countries such as Singapore and Malaysia. The company offers India a complete GST-compliant MRP solution, the Deskera MRP, to allow

manufacturers and traders to switch smoothly to the new regime when the GST law is implemented nationwide.

According to IBEF, India is a global manufacturing hub, and SMEs are about 90% of the industrial sector. The 'Make In India' campaign of the Indian government will be strengthened with the launch of GST. Currently, excise duties on prepackaged products for small consumption are charged at a percentage of the maximum sales price (MRP) of the package, not the factory price. This leads to higher MRP, which means higher costs for consumers. Under the GST scheme, manufacturers pay taxes while buying raw materials for their products. You can earn money for subsequent resellers until the product reaches the end consumer. This will considerably reduce the tax burden. Read how Deskera became the first GST-compliant cloud company in India to learn more about the impact of GST on production.

### **Car**

It is a positive signal for the automotive sector and GST will influence the automotive sector as in the current scenario. People have to pay 26% tax to buy a car for a fee. If the GST is implemented, the vehicle has a lower price. Taxes imposed by the Center, such as sales tax and national and local taxes, such as sales tax, road tax and registration tax, are all consolidated in one. Vehicle prices are expected to fall and road prices for cars are expected to fall by around 8%. We expect the overall compliance burden to decrease and to significantly improve operational efficiency. In the outlook for indirect taxes, the whole country will be treated as an 'internal market' and operational efficiency will increase. The biggest difference is that GST is charged where goods are consumed and where that is not the case. Nowadays, every state has imposed many indirect taxes on goods traffic, such as immigration rights, sales tax, VAT, income and surcharges. That is why every truck that transports new bicycles and cars from factories to dealers has to pay taxes to the state through multiple control points. However, it is only after the implementation of the GST that you pay for moving goods that are expected to be easier and faster.

### **Education sector**

Education is one of the most important areas of every economy. The education of young people will determine how the economy of the country will thrive. Education promotes the understanding, vision, creativity and productivity of people who contribute to the development of the nation. In India, education is not only offered in the private sector but also in the public sector. Indian education is now one of the government's priorities and tax exemptions are allowed in both direct and indirect taxes. With regard to indirect taxes, education is considered a service and may be subject to service tax. No other indirect taxes will be charged. For purposes of service tax, education differs from coaching or training that facilitates education. Having a similar situation as the GST and tax-free for those sectors that remain, the most important thing

for playgroups, private primary and secondary schools, higher education institutions, high schools and private institutions of higher education

Persons registered under the Education Act (1961) are eligible for the GST exemption list. The current education services are excluded from the service tax and are included in the 'Negative list' under Article 66D (i) and are provided as part of the training courses related to the provision of educational services. Law. Degree courses at universities, colleges or educational institutions that lead to qualifying qualifications are also included in the negative list. Similarly, vocational training does not receive tax credits. However, training or coaching by a coaching organization does not provide cover for this exclusion because such training does not lead to recognized qualifications. These services are taxable but can be canceled from 2012 onwards.

### **Property**

The elaboration of this measure only solves many of the challenges for the real estate sector and will contribute to the long-term delivery of the sector. "The real estate market industry accounts for about 7.8% of India's GDP and is the second largest employment creator to lead the IT industry." Acute taxation includes various types of pay for the tax infrastructure that is, tax service and value-added tax. (VAT) If there are many options available to pay taxes in every state, tax standards and double disputes continue with the tax rate, leading to a variety of practices, including developers, geographic locations and states. in the United States should be somewhat the same, since the practice and position throughout India must be the same, and now, when making a reservation before the buyer is completed at home, Service tax and VAT are paid to you. developer to pay excise duty, customs duties, CST, the tax on entry into the purchasing side has three different elements of the costs. These costs will be added to all taxes between 22-25% of the price per unit. The proposed GST is different From GST it is generally expected that developers should lower the construction costs to lower or at least maintain the current price level in the real estate sector, but the only dampers are: higher VAT rate (equal to 27% VAT rate that patrols) and possible profits is possible in a gradual credit stamp duty to compensate, because it is not proposed to be included in the GST will remain as today. flow developer GST calculates these different loads in one load. However, if the production of real estate is exempted, the GST credits can be a significant cost item for the sector, ultimately preventing credit and costs for end users.

### **Insurance company**

According to the CRISIL report (October 2015), the insurance sector in India consists of approximately 52 insurance companies, 24 of which are life insurance and 24 non-life insurance companies. The life insurance industry in India recorded a new premium income from Rs. Growth of \$ 1.38 trillion by April 2015 and growth of 22.5 percent in March 2016. The introduction of GST into the Indian tax system will lead to significant changes in the hands of the general public. The services sector will be more affected than any other sector. If an average

man pays an excessive premium, he must therefore be prepared for a new tax structure. In other words, if the average man is currently the payment premium of Rs, the costs are higher. 1,000, Rs. More 20-30.

The Model GST Act may encourage companies in this sector to levy taxes on revenues and processions to use a centralized or decentralized model, or possibly a hybrid model. In general it is important to manage these changes in the insurance sector. So, sitting with the torturer, comparing the different policies of the market and making insurance plans, you have to help extract the maximum value of the money you spend.

### **Conclusion**

Tax policy plays an important role in the economy through its impact on competence and equity. A good tax system should generate revenue to support public spending on public services and infrastructure development, while at the same time monitoring the problems with the distribution of imports. Continued tax reforms impact goods and services taxes on the national economy, international trade, companies and even consumers. Due to the early environment of the Indian economy, the implementation of GST to prevent tax diversity can continue. Therefore, implementing GST in India requires a simple, user-friendly and transparent tax structure. GST stands for a single rate that helps to treat all goods and services equally, without special treatment for some specials and / or services. This will reduce the number of disputes for classification problems. . This is considered a significant improvement over the existing national sales tax and the sales tax at the state level. GST is not a simple VAT and service tax, but a significant improvement over previous systems. This can be used as an effective tool for fiscal policy management because it follows the same national tax structure. Execution also reduces the costs of doing business that can increase the competitiveness of domestic products on domestic and international markets.

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