GST and Compliance Cost Burden
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Abstract

The burden on SMEs, especially the tax on goods and services (GST), which acts as an 'unpaid tax collector', is now a subject of much political controversy in Australia. However, there are very few realistic suggestions on how this burden can best be reduced and in the meantime. This article discusses international estimates of the costs of compliance with SMEs, such as GST, and clearly illustrates the relatively large burden that regression and SMEs face. We recognize the importance of compensation, including the benefits of cash flow and management, to take into account the relevance of GST start-up costs and recurring costs for SMEs. An important part of this article discusses four important ways to alleviate the burden of 'GST documentation' for SMEs. Increasing the GST registration threshold level; an improved tax payment scheme; And taxpayer training. In view of the experiences of Great Britain and France, the expansion of existing policies in Australia, in particular the streamlined tax system seems the best prospect. Such policies, however, must be carefully written rather than emphasizing some degree of innovation and tax revenues.

Introduction

How GST compliance costs for SMEs Can be Reduced

If you have a small business, especially in the tax rules of GST is well established internationally, what do you have a way to alleviate the burden of such a serious disadvantage for small businesses than our competitors? This is a very difficult question to answer. Many people, including policy makers and even researchers, will see the light. The Small Business Tax Workshop of the Manchester Business School on September 26, 2001 was organized by British taxpayers, SME representatives and researchers. There were excellent analyzes and discussions about the latest international research data, but it was surprising but not overly controversial about the best way to reduce this clear burden. To be honest, you can come later. Nevertheless, discussions in this workshop, so far, are the four main ways in which limited literature and the work of this author can be identified.

First, monetary compensation for SMEs should play the role of "unpaid tax recipients". This is a well-known slogan, not only in Australia, but also around the world. According to the principle introduced by the user, compensation can be paid as a percentage of the revenue or GST income collected on a certain scale. There will certainly be stable GST recurring cost estimates, similar to those in the UK and New Zealand. However, a simple lump sum system can be devised. 42 There are, however, two important arguments for direct compensation as a policy option. The first is a clear cost for the Treasury with a maximum of one million small businesses in Australia
(depending on the law). If you have value at individual company level, the compensation is very expensive. A refund of $200 GST start-up costs per small government company is rejected because it is considered too much or insulting. The second argument is one of equality. Looking at the example above, is it desirable to use public funds that are suitable to compensate small businesses with relatively low initial investment costs than companies with more investments and better planning? Such reimbursement policies can lead to costs similar to claims from other taxpayers who essentially act as a third party. In a nutshell, it can open the gates for claims for government taxes and regulatory burdens. It is worth noting that small groups in the UK do not require governments to go this way.

The compensation problem is recognized by Sandford and Hasseldine (1992), in the context of New Zealand, which recognizes "justice" in the argument but does not support the claim. They say further:

Given the wide range of compliance costs within its size range, it is virtually impossible to find a fair payment method, especially given the wide range of size ranges and the different cash flow benefits.

Secondly, the criteria for registering GST projects can be up to $100,000 (supporters of the Senate selection committee for GST42) or up to $150,000. At the moment, British standards are relatively high and nearly $150,000. An obvious benefit is that unregistered companies avoid GST compliance costs by 2% of annual sales (based on UK data). An important disadvantage from a policy perspective is that ATO tax data collection and efforts to reduce cash or hidden economy are weakened. But valuable governmental objectives are weakened by relapsing to other aspects of tax reforms, such as corporation tax. More importantly, the government has already achieved a very high degree of registration for GST and the attitude of large companies towards non-registered companies. Encouraging cancellation of registration as a result of the high compliance costs that the government can currently sell on the market involves a drastic reversal of the policy and additional administrative costs. Simply put, the costs can be greater than this. More complicated is that, given the experience in the UK, high GST standards can distort registration levels and affect competition between registered small and unregistered small businesses (notably UK GST 17.5%).

Thirdly, what is called a tax payment scheme can actually be rewarded and adapted to SMEs. Restored for small and medium-sized businesses (eg annually) or receipt, including cash, as opposed to the longer switching time (generated cash flow benefits) and accrual accounting (time-saving generation), the simplification of the GST obligation is calculated. Many governments, including the UK and Australia, have already taken these steps, but many claim to be more generous and / or expand to small businesses. The UK has high standards for such institutions and is certainly more tolerant than Australia. For example, the measure introduced in April 2001 supports 40,000 additional projects by raising the GST revenue limit for cash accounting to £600,000 (almost A$1.8 million). More than 100,000 companies benefit from
allowing GST payments once a year, known as annual accounting plans. Traders who enter the GST system for the first time can apply without waiting 12 months. In addition, the UK is currently considering a sale each year when you plan to support the new GST participants (an annual turnover of less than $300,000) in GST payments based on percent of sales without including the GST. The advice on how to grow the business, as well as those contracts are active in France, without the full cost of GST compliance are currently being made in Australia (sales), compared to the 0.43 threshold for cash accounting. There is no general plan, although there is a simplified GST calculation for a specific group of traders for small businesses (eg food traders). A more detailed annual return (streamlining of quarterly results) is possible under two schemes with a benchmark of $2 million and $20 million.

The Australian Workers' Party (ALP) proposed a 'simple BAS46 option' to an annual sale of $2 million. Just like the British and French systems, the question is whether small businesses can be simply based on a percent of GST's revenue by a 0.47. This approach is re-elected Coalition (Liberal Party) whether the government has identified the problem.

On 22 February 2001, changes were announced to streamline the GST reporting arrangements. The original statement of business activities (BAS, mainly GST income) required quarterly adjustments. You can opt for the sale under the $20 million company has the option of using the quarterly remittances instead of the original BAS form to simplify the paperwork (BAS short method: see above 4). Companies paying less than $2 million pay an amount calculated by the Australian Internal Revenue Service (ATO) and offer additional options for reconciliation at the end of the year.

Fourth, the government can use tax education to reduce the burden on SMEs. For example, governments can regularly organize 'free' seminars for existing SMEs and also for new SMEs on topics such as tax compliance, technology use, electronic residence, cash flow and management benefits. Companies in certain sectors can be particularly targeted. The British government recently announced the possibility of using professional advisers in small and medium-sized enterprises (SMEs) before financial problems occurred. In the Manchester Workshop, the aim was to integrate tax education as part of the skills of 'good citizenship' taught at schools and colleges. Such an approach is commendable, but it is a long-term perspective, objectives, objectives and costs are problematic and alleviate the immediate burden for SMEs.

References:-

2. Indirect Taxes Committee, Institute of Chartered Accountants of India (ICAI) (2015)