Impact of Goods and Service Tax
Sudha Rajput
Assistant professor, Bed Department, SV PG College, Aligarh

Indian system of taxation of goods and services is characterized by cascading, distortionary tax on production of goods and services which leads to miss-allocation of resources, hampering productivity and slower economic growth. To remove this hurdle, a pure and simple tax system like GST (Goods and Service Tax) is need of the hour in the country.

An ideal tax system collects taxes at various stages of manufacturing, supply, wholesale, retailing and lastly at the final consumption. It is based on the add-on value by the manufacturer, supplier and retailer at each stage of the value chain. Tax paid at each stage is based on the amount of value added and not on the entire amount. But under the GST there will be only one uniform tax structure so that there is no need to pay additional charge (i.e. excise duty). From the above example we can see that by implementation of GST, concept of double taxation will be eliminated as there will be only one uniform tax structure.

Critics argue that GST is a value added process similar to VAT (value added tax), but VAT was already there in the Indian economy. So what was the need of implementation of GST? Under the VAT, rates and regulation vary across different states and there is a tendency that different States cuts their rates to attract more investments which results in lowering govt. revenues. Under GST there will be uniform tax structure where the tax revenue will be divided among states and center according the to the consumption cycle. Moreover VAT was only there for services not for the goods.

The most significant question here is, that why would a government implement such a provision which only decreases its revenue? What could possibly be the logic behind it? Presently the government has long term prospects in their mind, it is clearly a long term strategy which will lead to higher investments, higher output, more employment opportunities, and higher economic growth but during the initial phase of implementation, it is expected that there will be hike in inflation rates, more administrative cost and stiff protest from the opposition.

I. Food Industry
The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

II. Housing and Construction Industry
In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

III. FMCG Sector

Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years reaching to $25 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (F.D.I.) are expected to fuel the growth and raise industry's size to $95 Billion by 201835.

IV. Rail Sector

There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter – state transportation of goods can be tracked through the proposed Information technology (IT) network.

V. Financial Services

In most of the countries GST is not charged on the financial services. Example, In New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

VI. Information Technology

enabled services To be in sync with the best International practices, domestic supply of software should also attract G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic form, it should be considered as Intellectual Property and regarded as a service. And if the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to G.S.T. 35 According to a FICCI – Technopak Report. Implementation of GST will also help in uniform, simplified and single point Taxation and thereby reduced prices.

VII. Impact on Small Enterprises

There will be three categories of Small Enterprises in the GST regime. Those below threshold need not register for the GST Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime. Those above threshold limit will need to be within framework of GST Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligation being created for some dealers. In this case considerable assistance is desired. In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions
of excise up to Rs. 1.5 Crores. These units may be required to register for payment of GST, may see this as an additional cost.

CONCLUSION

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST... One of the biggest taxation reforms in India – the Goods and Service Tax (GST) -- is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India’s economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services,