Consequences of GST for Micro, Small And Medium Enterprises
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Abstract
The tax on goods and services (GST) is one of the most important issues since its introduction in India. GST, despite the many responses received from general practitioners and the general public and the main business and actually implemented in April 2015. The new tax policy that has been introduced has led to a change of state, especially in tax administration systems and business transactions. That is why this study investigates the impact of GST implementation on micro and small companies.

Keywords: Goods and services tax, Micro, Small business, India.

What is GST?
The tax on goods and services (GST) is expected to revolutionize Indian tax legislation and is the largest tax reform since independence. Consolidate and simplify the process of indirect taxes and replace complex taxes such as national VAT, centralized consumption tax, service tax, immigration rights or Octroi and other indirect taxes.

GST is combined with other taxes to be levied on goods and services, including delivery, state / local taxes, entertainment taxes, consumption taxes, surcharges, etc. Uniform tax is applied across the country, inputs for purchasing and full tax relief of capital goods will be allowed, and the tax will later be compensated with GST output obligation. Reforms offer equal opportunities for both large companies and companies and raise tax discrimination with regard to the transfer of shares.

While under the current VAT system the main part is levied at central level and various places that cause a cascade effect. As a result, manufacturers pump huge, unsustainable tax reductions in the long term. GST is intended to simplify such tax issues and ultimately be carried out by customers.

The following are the most outstanding features of GST.
1. Applicable to both internal and external transactions.
2. Applicable for delivery.
3. Administration at central and state level.
4. Follow the traction structure.
5. Tax on imports of goods and services in India.

Some important definitions

- "CGST" means taxes levied under the Central Goods and Services Act of 2016.
- "IGST" means taxes levied under the Unified Goods and Services Act of 2016.
- "SGST" means the tax imposed by the State Raw Materials and Services Act of 2016.
- "UTGST" means taxes levied under the Provincial Raw Materials and Service Act (2016).
- "Exempt delivery" means the supply of goods and / or services for which an exorbitant tax rate or that of taxes, including non-taxable deliveries, may be exempted.
- "Non-polluting delivery" means the delivery of goods and services in accordance with clause 16 of the 2016 IGST Act.

The tax levied by the supplier of the goods or services or the recipient of the goods or services instead of the source of the goods or service providers in the context of subsection (3) or (4) (3) or (4). One of the essentials of GST is the GST speed. Depending on the current situation, the Board determines the tax rate for each type, but each tax rate is not final. In some cases SGST, UTGST and CGST or IGST are recorded in the following way.

Rates: 5%, 12%, 18%, 28%

- 5% - Essential foods and products that are often used. This includes things that people use the most.
- 12% - Standard rates.
- 18% - Goods that are not included in the above rates are subject to 18% tax. You may also be subject to 18% tax on the service (15% concession possible).
- 28% - luxury goods. This includes cars, washing machines, air conditioners, etc. (an additional amount that is higher than the highest tax rate for a given product).

Consequences of GST for SMEs

Negative impact: although SMEs are fiscally neutral, tariff reduction is not an important concern for the GST legislation.

- Optional taxation: GST does not support the 'unified market' ideology of GST because it can not be applied to alcoholic drinks for human consumption and oil-based companies, thereby increasing the gap.
- Excessive capital requirement: taxes on share transfer mainly relate to working capital requirements. The quantum of influence can vary depending on the throughput time of the stock in the warehouse, the credit cycle for the customer and the quantity of stock transfer.
• Reorganization of procurement and supply chain: GST credit assessments are not available for complaints companies as the supplier whose MSME purchases appear, does not seem the same when they are returned. That is why the sourcing strategy is charged for the GST credit mechanism. We will also reconsider our supply chain as a result of taxation on the transfer of shares.

• Dual Control: In a recent evaluation of the meeting GST Council with a turnover of less than 1.5 Crores will be evaluated by the state government was determined despite the current service taxes are assessed by the central government and will be evaluated by the central government. As a result, small traders who deal with goods and services will receive double administrative control of the Center and the state.

• Positive impact: GST improves the competitiveness of MSME. They are favorable as follows:
  • Jim is easier to start business: There is a wide range of sales needed blow VAT registration current sales tax department. In this case, companies operating in more than one country must follow different tax rules that apply to other states. This is a burden on the price because it not only causes excessive procedural complications Extra commission-sensitive small and medium-sized enterprises. A uniform GST standardizes the process.
  • Lower logistics overhead: GST is a tax-neutral country, eliminating time-consuming procedures for border tax and paid checks and encouraging cross-border deliveries. As a result, the logistics costs for companies that produce bulk goods are reduced. These costs can be crucial for the survival of the MSME.
  • Improved MSME market expansion: in the current system, large companies have purchased products according to the MSME region to reduce the overhead. As a result, MSME limits its customers within the state by reducing the number of customers by meeting the final burden of weekly sales. When you execute GST, the tax credit is transferred, regardless of the location of the buyer and the seller, which is zero. This allows the MSME segment to extend its range beyond the limits.
  • Support for small and medium-sized businesses (MSME) for sales and services: GST does not distinguish between sales and services. Good news for SMEs that deal with sales and service models of the company simplifies taxes and calculates them as a total amount.
  • Unification market: GST will reduce the tax burden on state and central governments as a result of reforms, which will provide flexibility and reduce the cost of business transfers between countries.
  • Purchases of capital goods: under the current system, only 50% of the input tax for purchases of capital goods is available in the year of purchase and is available for the balance in the following year. Tax reductions are available for the full tax under the GST system. This supports the "Make in India" campaign.
Involved industry

- Online retail
- Fast-moving consumer goods
- Logistics
- Pharmaceutical
- Services
- Supply Chain
- IT and IT components
- Warehouse storage
- Transport
- Dealer
- Import and export
- Production
- Fabrics
- Infrastructure
- Telecom
- Hospitality
- Energy
- Retail

Conclusion

The impact of GST in this area will be significant, including many temporary problems, and it is imperative that the industry understands the impact and implements the GST. Early preparation can offer many benefits, including better transition planning. An appropriate action plan should be drawn up for a comparative analysis of the current tax system and the GST tax legislation should be analyzed in order to obtain the maximum benefit of the GST regime. Transitional rules are most important, so you must focus on the transitional rules on or before June 30, 2017. As far as possible, a reconfiguration of company and related policies will require one hour of work and all contracts for which employment contracts and other contracts must be critically examined and changed to take maximum advantage of the GST regime.

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