Abstract

At present, taxes are levied separately on goods and services. The Goods and Services Tax (GST) is a uniform rate of tax. The proposed GST is said to replace all indirect taxes that are levied on goods and services by the Government, both Central and States, once it is implemented. The GST will consolidate all State economies, due to this the Indian market to make the economy stronger and powerful. The taxes imposed on most of goods and services, on manufacture, sale and consumption of goods and services, under a single domain at the national level.

In GST system it protects the interests of small scale entrepreneurs and provides a number of employment opportunities. This paper focuses on how the GST is effecting on 1) E-commerce & Industry, 2) Retail & Dealers, 3) startup businesses & SMEs.

Key words: GST, Indian economy, Small scale entrepreneur, Employment opportunities.

Introduction of GST

Goods and Services Tax (GST) would be a significant step in the reform taken by the government in respect of indirect taxation in India. Consolidating the taxes into a single tax would mitigate cascading double taxation, facilitating a common national market and get the more benefit to the common man and there is more scope to provide the employment opportunities. The simplicity of the tax should lead to easier administration and efficient work. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%, free movement of goods from one state to another without interrupted at state borders for hours, for payment of state tax or entry tax and reduction in paperwork to a large extent.

Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services. So, there is more possibility to do the export marketing.

Need for GST: Present the tax system has been becoming a great burden to the common man. The following are the some difficulties with present tax system.

1) Complexity in determining sale of Goods and Services
2) Inability of state to levy tax on services.
3) Lack of uniformity in provision & rate
4) Each state as its own VAT tax and different procedures
5) Interpretational issue
6) Litigation on interpretation of various provisions and determining category of commodities.
7) Lack of knowledge
8) Complexities in administration.

So due to avoiding such problems the Indian government pass the GST bill which is implemented in 1, April, 2017
The GST will be divided into two parts:
I) State Goods and Services Tax (SGST)
II) Central Goods and Services Tax (CGST)

Both SGST and CGST will be levied on the taxable value of a transaction. The GST system will combine Central excise duty, additional excise duty, services tax, State VAT, entertainment tax etc. under one banner.

The GST rate is expected to be around 14-16 per cent. After the combined GST rate is fixed, the States and the Centre will decide on the SGST and CGST rates. At present, 20 per cent is levied on goods and 10 percent is levied on services. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.

GST will be levied only at the final finished goods, so this will help in removing economic distortions and bring about development of a common man and national market. It will also help to build a transparent and corruption-free tax administration.

Items not included in GST
Alcohol, tobacco, petroleum products.

Benefits of GST for the state and central
The implementation of GST it will promote more exports and creating more employment opportunities and boost growth. It will divide the burden of tax between manufacturing and services.

Benefits of GST for companies and individuals
In the GST system, taxes for both Centre and State will be collected at the point of sale. It will be beneficial for Indian companies. As the average tax burden on companies will fall the tax will be charged on the manufacturing cost so common man will be benefited by this as prices are expected to come down and lower prices mean more consumption, and more consumption means more production, thereby helping in the growth of the companies and so there is a scope for increase the standard of living of the common man.
Benefits of GST on Taxpayers

Reduction in costs: Due to provide direct tax so there is a scope for decrease in prices of products so the common man will get the benefit.

Increase in Government Revenue: It facilitate to provide a single tax so there is no chance to escaping to payment of tax. In this way so there is more scope for increase in government revenue.

Efficient use of resources: Due to avoiding the multiple taxes there is decrease in cost of production and at the same time there is more scope to utilize the resources very efficiently again there is decrease in the price of product.

Creation of a common national market: There is no multiple taxes so all the products are taxed at one time only so in this way it facilitate the common national market.

Fewer Taxes: The benefits of GST for taxpayers is that they have to pay lesser taxes like service Tax, octroi, Excise tax, sales tax, central sales tax and may more.

Less work and maintain easily: Instead of keeping number of records, returns and reporting under GST so it will reduce the work and maintain very easily.

Advantages of GST

1) It avoiding the cascade effects of taxes and it becomes a single Tax model.
2) After GST you will take India as a one market.
3) The biggest advantages of GST is that it provided at same price for all the products and services at all over the India.
4) In GST the tax is not applicable on manufacturing hand so for manufactures it is easy to grow and expand their business and develop.
5) In order to provide the single tax so there is more possibility for exporting the goods and we make the balance of trade equally.
6) It facilitates to provide more employment opportunities.
7) With GST effect the avoidance and theft of tax will be minimized as it is easy to track.
8) No any person can escaping the payment of tax.
Disadvantages of GST
The service tax in India is now 15% but the proposed GST is about 18%-20%
There are some retail products where the Tax rate is only 4% but with GST it will be costlier like Garments and clothes.
GST is also having three types of taxes and all have to be maintained.
GST is good but due to change of system people may take time to adopt the same.

Impact of GST on various sectors
Automobiles, cars, comfort goods and luxuries goods under GST regime will become cheaper. Under GST, the distributors, as well as resellers and importers should be able to claim credit of GST paid on all business procurement of goods and services, as opposed to the current scenario, where they cannot claim a credit for the duties/taxes paid on capital assets and input services availed-commerce, automakers would have greater flexibility to re-design their supply chains and thus, optimize logistics costs. Automobile exports should also benefit with the elimination/reduction in tax costs. Automobile exports should also benefit with the elimination/reduction in tax costs.

Impact of GST on E-Commerce and Industry
E-commerce means: The buying and selling of goods and services, or the transmitting of funds or data through internet. E-commerce companies follow different supply chain models. Some provide only a web portal for buyers and sellers to meet and charge a % Commission when any product is sold. This means they provide only services and are currently liable to pay service tax.
Due to restrictions on cross utilization of input of central taxes against state taxes there is price escalation due to taxes sticking to products sold.
For e-commerce companies who buy stock, store inventory and sell, in place of 12.5% Excise they will have to sell out 17-18% GST thus driving up prices. They will also be taxed on unsold inventory held in warehouses.
Sellers or suppliers on e-commerce platforms will have to register under GST irrespective of threshold which could be unfair as it is not applicable to offline sellers.
Under GST both e-commerce companies and sellers would have to simultaneously register these warehouses as principal and additional place of business, respectively.

Impact
Due to changing the new rules it should be impact on cash flows of small sellers. If an e-commerce platform wrongfully reports supply against a seller unless reconciled, it is considered as supply by seller which is unfair. In case of direct shipping by seller to the end customer, cash on delivery has to be disabled.
E-commerce companies sell the products throughout the India. GST, being a consumer based taxation regime, GST is to be paid in the state where the goods or services are consumed.
Currently, Octroi and LBT are proving to be a real pain to e commerce companies. Some e commerce companies do not deliver in some cities (e.g. Aurangabad) due to huge LBT litigation faced by them. The disagreements between them and the authorities, is a different issue altogether. However, my point is Octroi and LBT being subsumed into GST, all e commerce companies will face the brunt of higher rate of GST tax.

Positive Aspects
The main reason to implement GST is to abolish the cascading effect on tax. A product on which excise duty is paid can also be liable for VAT. Suppose a product A is manufactured in a factory. As soon as it releases from factory, excise duty has to be paid to central government. When that product A is sold in same state then VAT has to be paid to state government.
2. The GST is being introduced to create a common market not only to avoid the effect of indirect tax but also to improve the tax conformity.
1. GST will lead a more transparent and neutral manner to raise revenue.
2. Price reduction as credit of input tax is available against output tax.
3. GST is structured to simplify the current indirect system.
4. It facilitates to provide more employment opportunities, and economic boom.
5. GST is beneficial for both economy and corporations.
6. The reduced tax burden on companies will reduce production cost making exporters more competitive.
7. It is beneficial to both the state and central government.
8. There is a scope for increase in standard of living of the people.

Negative aspects
1. GST is being referred as a single taxation system but in reality it is a dual tax.
2. The state and central both collects separate tax on a single transaction

Impact of GST on Retail and Dealers
Rentals are one of the major costs of retailing industry and it attracts service tax at 10%. Currently, the retailers cannot be avoiding tax like the other industries. The retailers are paying double and double tax on his goods due to lack of uniformity in state VAT laws as well as in compliance measures; result in additional burden on retailers.

The below table show the GST on Manufacturer, Whole seller and Retailer

<table>
<thead>
<tr>
<th>Stage of supply chain</th>
<th>Purchase value of Input</th>
<th>Value addition</th>
<th>Value at next stage</th>
<th>Rate of GST</th>
<th>GST on output</th>
<th>Input Tax credit</th>
<th>Net GST (GST on output - Input tax credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer</td>
<td>100</td>
<td>30</td>
<td>130</td>
<td>10%</td>
<td>13</td>
<td>10</td>
<td>13-10 = 3</td>
</tr>
<tr>
<td>Whole seller</td>
<td>130</td>
<td>20</td>
<td>150</td>
<td>10%</td>
<td>15</td>
<td>13</td>
<td>15-13 = 2</td>
</tr>
<tr>
<td>Retailer</td>
<td>150</td>
<td>10</td>
<td>160</td>
<td>10%</td>
<td>16</td>
<td>15</td>
<td>16-15 = 1</td>
</tr>
</tbody>
</table>

Source: goodsandservicetax.com

Thus, the retailers will pass on the benefit of the reduced tax incidence to their consumers thereby reducing the prices of goods so the retailers are getting the more benefit as well as is more scope to increase sales so, benefit will getting both the retailer, dealer and consumer.

1) It will help people from the burden of multiple taxations, so there is randomly change in country it growth.
2) GST amalgamates all indirect taxes to avoid double taxation.
3) In case of cigarette, alcohol taxes will be levied at all stages so the products costs high, so not implementing GST on such products remain to economy same.
Impact of GST on startup business and SMES

Impact of GST on startup business and SMEs is provide boost to the medium class low class people as it is very simple to start and payment of tax is also low so everybody will ready to come forward and become self employed.

1. **Ease of starting business:** Any new business needs to have a VAT registration from sales tax department. A new business operating is very problem to fulfill such procedures and formalities. But in GST have to provide the consolidated tax so it is to start the business.

2. **Expanding business and employment opportunities:** Due to decreasing the number of procedures so everybody will ready to invest the amount and starting the business as it leads to provide the employment opportunities.

3. **Simple taxation:** Currently, a startup spends a lot of time and energy to manage the various taxes at various points. Under GST will simplify the process by integrating all taxes, making the process of paying tax simpler.

4. **Respite for businesses in both sales and services:** Businesses like restaurants and hotels which fall under both sales and service taxation have to calculate the VAT and service tax on both items separately. This makes the calculations process very complex. GST will not differentiate the sales and services, and thus the tax calculation will be done consolidated.

**Conclusion:**

Indian system of taxation of Goods & Services is characterized by taxes on tax on production of Goods and Services which leads to miss-allocation of resources, champing production and slower economic growth. To remove this problem, a pure and simple tax system like GST (Goods & Services) is need for the country. GST is giving a boost to a number of small businesses and not only to the business man’s but also for exporter which very important for economic development of our country and for the common man.
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