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Gst And Inter-State Issues And Implications—A Discussion An Approach to Transform India Through one Tax And One Country

K.Prabhu Sahai
Principal & Associate Professor L.N.Gupta Eve. College of Science & Commerce Hyderabad Email: kpsahai@gmail.com

Abstract: *After the country's largest tax reform, the goods and services tax (GST) came into force on 1 July. There is a greater degree of stability and predictability" A key element of the reforms is the replacement of numerous complicated inter-state taxes with a single uniform goods and sales tax (GST). A single, simplified tax regime is expected to improve compliance and revenue collections, as well as allowing the free flow of goods and services between states. This paper conceptually discusses the present state of GST (General Sales Tax) and evaluates their implications and also presents the opinions of the experts from the industry on whom the impact is immediate.*
Keywords: *GST, India, consumer, company, state economies*

I. Introduction

Prime Minister described the national sales tax as a major step "that will deliver us from tax terrorism." He also called the GST a "Great step taken by India, a great step of transformation, and a great step towards transparency" Since the announcement of GST on July-2017, businesses operating in India are undergoing an extensive implementation process, requiring a re-look at many pre-existing business practices, as well as updating their systems, processes and policies in order to be GST compliant.As GST reaches across every aspect of business, there will be GST implications arising from new acquisitions, new arrangements, contracts and new business expansion plans.Business houses must be getting peace of mind that their business future plans are GST optimized. As government regime provides the authorities with discretion to impose potentially very harsh penalties for non-compliance. It is managing and minimizing the GST risk. GST has well and truly become an intrinsic part of running a business in India. In many cases it may weigh heavily on consumers pockets

II. Review of Literature

Michael Keen, (2014) addresses two fundamental issues in indirect tax design. It first revisits the case for reduced rates on items especially important to the poor, and then explores the welfare costs from cascading taxes. It establishes conditions under which even very crudely targeted spending measures better serve the interests of the poor than does the reduced taxation of particular commodities looming large in their consumption. On the second, it shows that these may actually be lower the wider the set of inputs that are taxed but, more to the point, may plausibly be large even at a low nominal tax rate and with relatively few stages of production: contrary to a common mantra, "a low rate on a broad base" is not always good policy.

Girish Garg(2014) concluded that all 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. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base.

Khan, Mohd. AzamShadab, Nagma(2012) tried to explain that GST would be beneficial for the consumers as it reduces the final burden of taxation. For Government it leads the reduction of tax compliance efforts and administrative costs and for business units it leads transparency, complete set-off and removal of cascading effect of taxation. It also tries to explain the significance of GST in India and its prospects for states to generate revenue and ensure transparency in tax structure. This paper is organized into seven sections. Section two presents justification for dual structure of GST in India. The third part presents the rate structure under GST work in India. The fourth segment is concerned with the working of GST in India. The fifth part shows the international experiences of GST at state level in India. The seventh and final part is related to conclusion and policy recommendations.

III. Concerns

GST is a destination based taxation system, by which the IGST revenue on interstate sales (SGST portion) will accrue to the state which consumes the goods - destination based tax ('DBT'). Whereas in the existing scenario where CST is charged @2% (when form C is produced) or local vat rate (if C form not produced) is charged, it will accrue to the state which supplies the goods. Hence CST is origin based taxation as it accrues to the state which supplies it. Now, when this Origin Based Taxation is replaced by a DBT, then the manufacturing states is going to lose its portion of revenue from interstate sales and the consuming states are going to earn higher. Thus, state Governmentts fear loss of revenue and expects compensation from the centre. Manufacturing states (Tamil Nadu, Gujarat etc.) loses and consuming states will gain due to this change. States with high and strong manufacturing base will be the biggest contenders for compensation Tamil Nadu government will lose Rs 3,500 Crores annually due to abolition of CST and wants compensation from the Centre. Maharashtra government is set to lose Rs 14,000 Crores that it collects as Octroi.
GST will mark erosion in the states' freedom to decide on taxes and tax rates.

IV. Opinions And Conclusions

GST is expected to affect the company negatively in the short term as it won't get input credit and the cost is expected to go up by 7-9 percent. The fact that certain industries have been left out of GST is also going to be a major implementation issue. Hopefully, over the period of time the government will have a uniform GST policy. Now we have to build this scenario into our profitability forecast. So from that prospective this doesn't affect us.**RoshiniSanahJaiswal, CRO & Promoter, Jagatjit Industries**

GST reforms have led to certain positive benefits in the basic consumer pricing and we are happy to pass on this benefit, which is in the range of 1 percent to 10 percent across product families, to our customers. However, furniture now falls under 28 percent taxation bracket compared to previous taxation of 22 percent to 25 percent which will have an impact on the overall price of some products where we see marginal increase in the landed price to customers. **Ram Chandnani, co-chair, India Chapter, CoreNet Global & MD, Advisory & Transactions Services, CBRE South Asia.**

From an IT infrastructure perspective, just as demonetization caused a massive increase in digital transactions, the GST rollout will see billions of digital invoices a day. This will in turn increase the demand for compute and storage and therefore pressure a market that is anyways going through capacity shortage.--**Praveen Nair, General Manager, India, DCD**

It is pointed out that other "loopholes" that are being exploited. Under the GST regime, branded rice is taxed at 5%, while unbranded rice is exempt from tax, and according to Sachdev, this fact is being taken advantage of. "The scope of avoiding tax or paying lower rates became possible because of the government's decision to keep multiple rates under GST. While a few products are exempt from tax, others are charged at 0%, 5%, 12%, 18%, 28%, plus cess. Also, the tax is divided between the state and the Central governments," -DeveshSachdev, CEO, Fusion Microfinance, and an expert on issues related to GST.

V. Challenges

- Many companies, especially those with a turnover of between Rs 50 Crore to Rs 200 Crore, are creating shell companies specifically to take advantage of GST. These shell companies would be used to take credit in an interstate transaction and would accumulate input credit, only to be shut a year later before the tax audit comes. GST should handle this effectively
- Providing separate bills to customers is one of the 'innovative ways' being used by retailers. This menace has to be addressed appropriately.
- GST system to address the challenges of the digital economy
- Cost management and competitiveness

VI. Conclusions

- To identify risk areas which have not been adequately addressed
- Additional measures that the business can put in place to ensure the business is in the best position possible to minimize the risks of non-compliance.
- It must be felt that the next coming years will bring changes that will continue to place the tax as one of the key sources of the Government's revenue.
- Interviews with the key personnel to determine the currently existing controls and processes Walkthrough tests of controls of common business transactions and operations.

- To address these shortfalls for consideration.
- The rate of tax must be fairly stable and it has to be remarkably little
- It can build strong trade, and a great tax reform.
- Government of India must address ageing population and increasing social spending. It must make sure it has sufficient revenue. Taxes on consumption must be 'fairer' than taxes on profits; therefore it should not be a surprise a common man if the focus for which tax to increase falls on GST.
- The real impact of reform can be assessed only after a full year of its implementation

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