Benefits of GST

GST stands for Goods and Services Tax, which will be levied on the supply of goods or services or both in India. GST will subsume a number of existing indirect taxes being levied by the Centre and State Governments, including Central Excise duty, Service Tax, VAT, Purchase Tax, Central Sales Tax, Entry Tax, Local Body Taxes, Octroi, Luxury Tax, etc.

It brings benefits to all the stakeholders viz. industry, government and the citizens. It is expected to lower the cost of goods and services, boost the economy and make our products and services globally competitive. GST aims to make India a common national market with uniform tax rates and procedures and removes the economic barriers, thereby paving the way for an integrated economy at the national level. By subsuming most of the Central and State indirect taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, GST would mitigate the ill effects of cascading and thereby improve our competitiveness.

GST is a destination based consumption tax. It has been designed in a manner so that the tax is collected at every stage and the credit of tax paid at the previous stage is available to set off the tax to be paid at the next stage of transaction, thereby eliminating cascading of taxes. This eradicates “tax on tax” and allows cross utilization of input tax credits, which benefit the industry by making the entire supply chain tax neutral.

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“GST: The Single Biggest Tax Reform Undertaken Since Independence to Ease Compliance”

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GST will give a major boost to the ‘Make in India’ initiative of the Government by making goods or services produced or provided in India competitive in the national and international markets. Further, all imported goods will be charged with integrated tax (IGST), which will be more or less equivalent to Central GST + State GST. This brings parity in taxation on local and imported products.

Under the GST regime, exports will be zero rated in entirety unlike the present system where refund of some taxes is not allowed due to fragmented nature of indirect taxes between the Centre and the States. All taxes paid on the goods or services exported or on the inputs or input services used in the supply of such export goods or services shall be refunded. The principle of exporting only the cost of goods or services and not taxes would be followed. This will boost Indian exports, thereby improving the balance of payments position. Exporters will be facilitated by grant of provisional refund of 90% of their claims within seven days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows.

GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance. GST is likely to improve India's ranking in the Ease of Doing Business Index and is estimated to increase the GDP by 1.5% to 2%.

GST will prevent cascading of taxes by providing a comprehensive input tax credit mechanism across the entire supply chain. The seamless availability of Input Tax Credit across goods or services at every stage of supply will enable streamlining of business operations.

Uniform GST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-State sales.

Harmonization of laws, procedures and rates of tax will make compliance easier and simple. There would be common definitions, common formats, common interface through GST portal, resulting in efficiencies and synergies across the board. This will also remove multiple taxation of same transactions and inter-State disputes like the ones on entry tax and e-commerce taxation existing today. All this will also help in reduction of compliance costs, alleviate the need for multiple record keeping for a variety of taxes, leading to lesser investment of resources and manpower in maintaining records.

Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods or services along with timelines for every activity will lend greater certainty to taxation system.

GST is largely technology driven. The interface of the taxpayer with the tax authorities will be through the common portal (GSTN). There will be simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc. All processes, be it of applying for registration, filing of returns, payment of taxes, filing of refund claims etc., would be done online through GSTN. The input tax credit will be verified online. Electronic matching of input tax credit across India will make the process more transparent and accountable. This will encourage a culture of compliance. This will also greatly reduce the human interface between the taxpayer and the tax administration, leading to speedy decisions.

Average tax burden on trade and industry is likely to come down, which is expected to reduce prices, resulting in more consumption, which in turn means more production and thereby boosting the growth of the industries. The removal of cascading of taxes and increased transparency will make the citizens more informed about the taxes they pay while purchasing goods or services. GST will boost domestic demand, create more opportunities for domestic business and drive job creation. GST might not be the panacea for all the ills of indirect tax system but is also not far from that.