

How GST can play significant role in a developing economy:

Introduction:

It is expected that GST (Goods and Service Tax) will be put into action in India from April 2016. This new tax regime is supposed to replace the current taxes prevailing in the country. The introduction of GST could be a significant step towards a complete reformation of Indirect Taxation in India. Amalgamating several Central and State Taxes into a Single Tax code can mitigate cascading effect of taxation or double taxation and can assist in facilitating a common national market. The current Taxes like Central & State Excise, Sales Tax (VAT & CST), Service Tax, Octroi/ Entry Tax/ LBT, etc. will not remain applicable; and there will be one common tax called GST. The simplicity of tax should lead to easier administration and enforcement.

Benefits of GST:

1. For Consumers or Common Man:
 - The biggest advantage for the common man would be in terms of a reduction in overall tax burden on goods
 - The common man should be able to save some money on tax liabilities
2. For Businesses:
 - More or less, all business houses agree that GST could be a blessing to the business
 - Eliminating the liabilities for multiple taxes should lead to easier Compliance and Documentation
 - Return filing, tax payment and refund process will be easy and hassle free

Other advantages for manufacturers and traders include:

- 1) Common Market:
 - There will be a common market in the absence of CST and Entry Tax
 - At present, goods are being sold mostly within the state in order to avoid paying the CST which is not credited at the stage of manufacturing or in course of trading
 - Good quality products being manufactured in one part of the country will find more market on the farthest part of the country because there will be no CST and no Entry Tax.
- 2) Difference between Goods and Services can be eliminated:
 - Currently, in some cases, there are unclear distinction between goods and services when they are sold as a package,
 - which ultimately lead to various controversies
 - With GST in place, such situations could be avoided
- 3) Invoicing will be simpler:
 - At present, the invoices are more detailed since taxes on goods and services are written separately for one transaction
 - With the introduction of GST only one rate will be written
- 4) Cost Reduction:
 - The suppliers, manufacturers, wholesalers and retailers will be able to recover GST incurred on input costs as tax credits
 - This reduces the cost of doing business, thus enabling fairer prices for consumers

Few other indirect advantages of GST are:

- Reduced scope of corruption: Number of Tax Department will reduce which in turn may lead to less corruption; and
- Increasing effectiveness: GST is more comprehensive, effective, transparent, and business friendly tax system.

Expected Preparedness:

It is important for businesses to start planning for migrating to GST. They should evaluate their present business scenarios and brainstorm what kind of changes GST will bring to their business. As and when the Government gives an opportunity to the industry, they should be ready with their representations and suggestions. Further, since GST is expected to completely transform the way business is done, the respective teams should be communicated about the transition, like IT, finance, Compliance, Supply chain, Pricing, Procurement etc.

Tax and Compliance Automation solutions from Udyog Software are the best possible options available to all businesses as far as effortless migration to GST regime is considered.

Conclusion:

It is presumed that introduction of GST will bring in a much waited positive and transformational change in the tax structure of India, thereby triggering rapid growth in our developing economy.