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AJANTA PRAKASHAN



## 14. GST and Trading

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### Introduction

GST is one indirect tax for the entire country. GST is an indirect tax which has replaced many indirect taxes in India. GST is a comprehensive, multi-stage, destination based tax that is levied on every value addition. GST is a comprehensive tax system that subsumed all indirect taxes of state and central governments and unified economy into a seamless national market. Goods and Service Tax is well known as GST, G for Goods, and S for Services and T for Tax. GST is one of the most crucial tax reforms in India which has been long pending. It was implemented from 1<sup>st</sup> July 2017. Before to the July 2017, in India complicated indirect tax system was followed with imbrications of taxes imposed by union and states separately. GST unified all the indirect taxes under one umbrella and created a smooth national market.

GST was first introduced by France in 1954 and now it is followed by more than 140 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed by central and state both. In India also dual system of GST is follow i.e. CGST (Central Goods & Service Tax) and SGST (State Goods & Service Tax). GST is an indirect tax which will subsume almost all the indirect taxes of central government and state governments in to a unified tax:

**GST:-** GST stands for “Goods and Service Tax” and is to be a comprehensive indirect tax levied on manufacture, sale and consumption of goods as well as services at the national level. It replaced all indirect taxes levied on goods and services by the Indian Central and State Governments. “GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producers / service providers point up to the retailers level where only the final consumer should bear the tax.”

There are multiple change of hands an item goes through along its supply chain from manufacturer to final sale to the consumer.

  
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### Multiple stages such as

- 1) Purchase of raw material,
- 2) production or manufacture,
- 3) warehousing of finished goods,
- 4) Sale to wholesaler,
- 5) Sale of the products to the retailer,
- 6) Sale to the end consumer.

Goods and Service Tax will be levied on each of these value addition stages which makes it a multi-stage tax

Trading :- India is amongst the fastest growing economies of the world, with retail trade contributing maximum ( near about 92%) to the economy. GST is good for the trading community. GST because its transparent character, will be easier to administer. GST will also make Indian products competitive in the domestic and international markets.

### Objective of the Study

- 1) To study the Goods and Service tax
- 2) To focus on importance of GST in Indian Economy.

### Methodology of the Study

The study is mainly based on the analysis of all the available secondary data related to GST and Trade. The paper is based on secondary data such as relevant books, journals and internet.

### Importance of GST

- 1) GST is a transparent Tax and also reduces numbers of indirect taxes. With GST implementation a business premises can show the tax applied in the sales invoice. Customer will know exactly how much tax they are paying on the product they bought or services they consumed.
- 2) GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower. This in turn will help export being more competitive.
- 3) Under GST, the tax burden divided equally between manufacturing and services. This can be done through lower tax rate by increase tax base and reducing exemptions.

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- 4) In GST system both Central GST (CGST) and State GST (SGST) will be charged on manufacturing cost and will be collected on point of sale. This will benefit people as prices will come down which in turn will help companies as consumption will increase.
- 5) Biggest benefit is that GST reduced numbers of indirect taxes i. e. Multiple taxes like octroi, central sales tax, state sales tax, entry tax, license fees, turnover tax etc will no longer be present and all that will be brought under the GST.
- 6) GST promoted exports of the country that will not only boost economic growth but also generate employment.
- 7) It is predicted that GST also indirectly increase the country's GDT.
- 8) Other importance
  - i) One Country – one Tax
  - ii) Consumption based tax instead of manufacturing
  - iii) Uniform registration, payment and input credit
  - iv) Subsume all indirect taxes at centre and state level.
  - v) Reduce tax evasion and corruption
  - vi) Increase productivity
  - vii) Increase tax to GDP ratio and revenue surplus.

#### **Positive Impact of GST on Traders**

- 1) Increased threshold limit for registration
- 2) Increased composition levy
- 3) Availability of ITC for excise
- 4) Availability of ITC for input services/ business expenses
- 5) Full and immediate ITC on purchase of capital goods
- 6) Opening up of markets across India.
- 7) No margin to disclose

#### **Negative Impact of GST on Traders**

- 1) Stock transfer made taxable
- 2) Goods sent to job work are taxable
- 3) Increased burden of compliances



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### Components of GST


- 1) CGST:- Collected by the central Govt. on an intra-state sale (e.g. transaction happening within Maharashtra)
- 2) SGST:- Collected by the state Govt. on an intra-state sale (e.g. transaction happening within Maharashtra)
- 3) IGST;- Collected by the Central Govt. for inter-state sale (e.g. sale in Maharashtra to Tamil Nadu)

### Conclusion

A simple, user – friendly and transparent tax system is required which fulfilled by implementation of GST. GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. GST is good for the trading community. GST because its transparent character, will be easier to administer. GST will also make Indian products competitive in the domestic and international markets.

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