



A Shankar IAS Academy Initiative

GST Roll out

Click \underline{here} to understand the basics of GST

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Why in news?

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Goods and Services Tax (GST), a historic tax reform, comes into effect today.

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What are the basic changes?

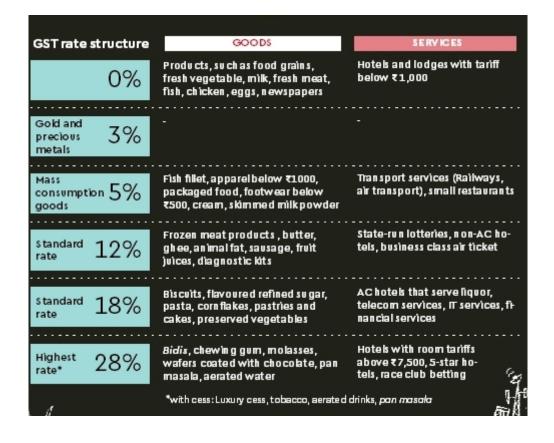
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- There would be a single tax law and four tax rates—5%, 12%, 18% and 28% that would be charged by the Centre and the states. \n
- The government has set a 3% tax rate for gold jewellery, while a majority of goods and services will be taxed at a rate of 18%. n
- Also, a number of goods and services have been exempted from the tax structure.

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• Tax rates under GST have been largely kept at existing levels for most sectors.

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• Fast moving consumer goods like soaps, tooth paste, hair oil and SUVs will cost less.

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- Luxury hotels, aerated drinks, tractors will attract higher tax. h
- The threshold limit for exemption from levy of GST is Rs 20 lakh for the states except for the special category northeastern states, where it is Rs 10 lakh.

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- A cess would be levied on certain goods such as luxury cars, aerated drinks, pan masala and tobacco products, over and above the GST rate of 28% to recover amount for compensation to the states.
- The liability to pay GST on purchase of goods from unregistered dealer is on the receiver (registered dealer) of the goods/services. \n
- This will improve tax compliance and benefits organised players. $\ensuremath{\sc n}$
- At the last minute, GST Council decided to reduce the tax rate on fertilisers from 12% proposed earlier to 5% and the rate for "exclusive parts of

tractors" have been reduced from 28% to 18%.

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- These moves would nullify the chances of prices of these key farm inputs rising under GST. $\$

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What are the advantages?

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- GST will significantly reduce the transaction cost of doing business in India. \nphin
- It will bring in transparency and encourage investments in organised sectors. $\slash n$
- It will create a level playing field between unorganised and organised segments.

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- Octroi is a local tax collected on various articles brought on interstate borders. GST will lower logistics costs due to the decline in transit time because of elimination of these multiple check points. \n
- All transactions and processes will be done through electronic mode. $\space{\label{eq:nonlinear} \label{eq:nonlinear} \space{\space{\label{eq:nonlinear} \label{eq:nonlinear} \space{\space{\label{eq:nonlinear} \label{eq:nonlinear} \label{eq:nonlinear} \space{\space{\label{eq:nonlinear} \label{eq:nonlinear} \label{eq:nonlinear} \label{eq:nonlinear} \space{\space{\label{eq:nonlinear} \label{eq:nonlinear} \label{eq:nonlinear} \label{eq:nonlinear} \label{eq:nonlinear} \space{\space{\label{eq:nonlinear} \label{eq:nonlinear} \label$
- It provides for the facility of auto-populated monthly returns and annual return.

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- The objective of including real estate within a reasonable time period is welcome because besides expanding the tax base, this will help in fighting black money.
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 Seeding of PAN in GST registration will make it difficult for businessmen to evade the tax.

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What are the problems?

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• Petroleum products are presently kept out of GST and cascading effect on that account will continue.

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- They contribute over 35-40% of revenue from indirect taxes.

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- Multiple rates might rob much of the benefits due to increased lower administrative, compliance and distortion costs. \n
- \bullet There will be increase in classification disputes, and subsequent lawsuits. $\ensuremath{\sc n}$
- Requiring the regular GST dealers to file 37 returns in a year raises anxiety. $\nline \nline \nl$
- The electronic technology platform of the GST system is untested. $\space{\space{1.5}n}$

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What should be done?

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- Instead of viewing the GST as a game changer, it is useful to see it merely as the next stage of consumption tax reform in the country. \n
- Include petroleum products within the ambit of the GST, will help offset the revenue loss due to the prevailing high rates on petroleum products. \n

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Source: The Hindu, The Indian Express

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