

# Computing and Science (CS 103)

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**TOPIC-**

**GOODS AND SERVICES TAX (GST)**

**BENEFITED THE COUNTRY**

Hailed as one of the biggest tax reforms of the country, the Goods and Services Tax (GST) subsumes many indirect taxes which were imposed by Centre and State such as excise, VAT, and service tax. It is levied on both goods and services sold in the country.

- **Premise:** GST is a comprehensive indirect tax that was designed to bring indirect taxation under one umbrella. More importantly, it is going to eliminate the cascading effect of tax that was evident earlier.
  - Cascading tax effect can be best described as 'Tax on Tax'.
  - **Conclusion:** GST eliminates the cascading effect of tax
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- A graphic titled 'GST Registration' featuring the Indian national emblem (Lion Capital of Ashoka) at the top left, the text 'GST (GOODS AND SERVICES TAX)' in large orange letters, and a blue line graph showing an upward trend. Below the graph are icons for a calculator, a 'TAX' document, and a stack of Indian rupee notes.
- **Premise:** Earlier, in the VAT structure, any business with a turnover of more than Rs 5 lakh (in most states) was liable to pay VAT. Please note that this limit differed state-wise. Also, service tax was exempted for service providers with a turnover of less than Rs 10 lakh.
  - Under GST regime, however, this threshold has been increased to Rs 20 lakh, which exempts many small traders and service providers.
  - **Conclusion:** Higher threshold for registration



- **Premise:** Under GST, small businesses (with a turnover of Rs 20 to 75 lakh) can benefit as it gives an option to lower taxes by utilizing the Composition scheme. This move has brought down the tax and compliance burden on many small businesses.

- **Conclusion: Composition scheme for small businesses**

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- **Premise:** The entire process of GST (from registration to filing returns) is made online, and it is super simple. This has been beneficial for start-ups especially, as they do not have to run from pillar to post to get different registrations such as VAT, excise, and service tax.

- Our *ClearTax GST* software is already on a roll filing GST returns.

- **Conclusion: Simple and easy online procedure**

- **Premise:** Earlier, there was VAT and service tax, each of which had its own returns and compliances. Below table shows the same:



- Under GST, however, there is just one, unified return to be filed. Therefore, the number of returns to be filed has come down. There are about 11 returns under GST, out of which 4 are basic returns that apply to all taxable persons under GST. The main GSTR-1 is manually populated and GSTR-2 and GSTR-3 will be auto-populated.
- **Conclusion: The number of compliances is lesser**

Tax	Return Filing
Excise	Monthly
Service Tax	Proprietorship / Partnership – Quarterly Company / LLP – Monthly
VAT	* Different for different states * Some states require monthly returns over a threshold limit. Some states like Karnataka require a Monthly return



- **Premise:** Earlier to the GST regime, supplying goods through the e-commerce sector was not defined. It had variable VAT laws. Let us look at this example:
- Online websites (like Flipkart and Amazon) delivering to Uttar Pradesh had to file a VAT declaration and mention the registration number of the delivery truck. Tax authorities could sometimes seize goods if the documents were not produced.
- Again, these e-commerce brands were treated as facilitators or mediators by states like Kerala, Rajasthan, and West Bengal which did not require them to register for VAT.
- All these differential treatments and confusing compliances have been removed under GST. For the first time, GST has clearly mapped out the provisions applicable to the e-commerce sector and since these are applicable all over India, there should be no complication regarding the inter-state movement of goods anymore.
- **Conclusion:** Defined treatment for E-commerce operators



- **Premise:** Earlier, the logistics industry in India had to maintain multiple warehouses across states to avoid the current CST and state entry taxes on inter-state movement. These warehouses were forced to operate below their capacity, giving room for increased operating costs.
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- **Conclusion: Improved efficiency of logistics**
- **Premise:** In the pre-GST era, it was often seen that certain industries in India like construction and textile were largely unregulated and unorganized.
- Under GST, however, there are provisions for online compliances and payments, and for availing of input credit only when the supplier has accepted the amount. This has brought in accountability and regulation to these industries.
- Let us now look at the disadvantages of GST. Please note that businesses need to overcome these disadvantages to run the business smoothly.
- **Conclusion: Unorganized sector is regulated under GST**



- **Premise:** Businesses have to either update their existing accounting or ERP software to GST-compliant one or buy GST software so that they can keep their business going. But both the options lead to the increased cost of software purchase and training of employees for efficient utilization of the new billing software.
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- ClearTax is the first company in India to have launched a ready-to-use GST software called *ClearTax GST software*. The software is currently available for free for SMEs, helping them transition to GST smoothly. It has truly eased the pain of the people in so many ways.

- **Conclusion:** Increased costs due to software purchase

- **Premise:** Small and medium-sized enterprises (SME) may still not be able to grasp the nuances of the GST tax regime. They will have to issue GST-complaint invoices, be compliant with digital record-keeping, and of course, file timely returns.

- This means that the GST-complaint invoice issued must have mandatory details such as GSTIN, place of supply, HSN codes, and others.
- ClearTax has made it easier for SMEs with the [ClearTax BillBook](#) web application. This application is available for FREE until the end of September and is an easy solution to this problem. This will help every business to issue GST-compliant invoices to its customers. [These same invoices can then be used for return filing through the ClearTax GST platform.](#)
- **Conclusion: Not being GST-compliant can attract penalties**
- **Premise:** As we have already established that GST is changing the way how tax is paid, businesses will now have to employ tax professionals to be GST-complaint. This will gradually increase costs for small businesses as they will have to bear the additional cost of hiring experts.
- Also, businesses will need to train their employees in GST compliance, further increasing their overhead expenses.
- **Conclusion: GST will mean an increase in operational costs**



- **Premise:** Smaller businesses, especially in the manufacturing sector will face difficulties under GST. Earlier, only businesses whose turnover exceeded Rs 1.5 crore had to pay excise duty. But now any business whose turnover exceeds Rs 20 lakh will have to pay GST.

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- However, SMEs with a turnover upto Rs 75 lakh can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. The catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SMEs.
- **Conclusion:** SMEs will have a higher tax burden

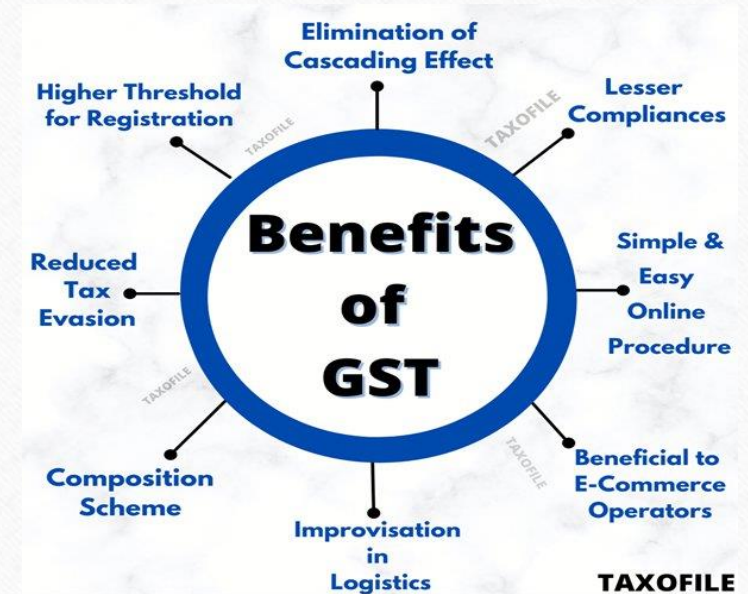
- **Premise:** When it comes to the government, they are going 'digital' at an unprecedented rate. Registrations, return filings, refunds, etc., were already carried out fully online. Now there is a possibility of e-invoicing being mandated for all businesses.
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- **Conclusion:** India will move to a trackable, traceable system of transacting, with no scope for loopholes at all within a year.
  - **Fallacious argument- Unrealistic Expectations** (Fallacy of judging something as abnormal without having a proper expectation set for what is normal and expectations are not in alignment with system capacity and processing times). Here, it is highly unlikely that however smooth and strict the mandatory imposition be, the policy won't be executed within a year and that too with no loopholes. Supporting fact being- Initially, it was proposed that GST would be introduced from 1st April 2010 but actually got imposed on 1<sup>st</sup> July 2017.



- **Premise:** Up until now, there was hardly any linkage between taxpayer data reported in their income tax returns and the data reported in the GST returns. The government had announced in 2020 that taxpayers' turnovers reported under GST would be available on the income tax portal. Currently, there are thousands of businesses involved in fake invoice scams or who report crores of rupees under GST but do not pay income tax. The Government plan of integration of direct and indirect tax systems in India will bring a change once the government facilitates data-linking between the income tax and GST portals.
- **Conclusion:** It will become impossible for taxpayers to play in the fake invoice game or to even think about tax evasion. This move would also increase taxes for the exchequer and put a hard stop to underreporting of revenue data.
- **Fallacious argument- Slippery slope** (Method of inference where we extrapolate one event into a chain of events via a series of deductions, leading to a conclusion. The extrapolated events may or may not occur, so the slippery slope arguments can turn out to be visionary or just fear mongering.) Tax payers may find a different way for tax invasion and fake revenue data.

- **CONCLUSION-**

## **GOODS AND SERVICES TAX (GST) BENEFITED THE COUNTRY**





# References

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  - <https://www.newindianexpress.com/business/2021/jun/27/four-years-of-gst-the-good-bad-and-ugly-2321931.html>
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