



The Goods and Services Tax (GST) was introduced from July 1 last year to subsume plethora of indirect taxes like excise and sales tax. (Reuters)

The Finance Ministry today said it would be increasingly difficult for businesses to remain outside the tax net as GST is leading to formalisation of the economy. The Goods and Services Tax (GST) was introduced from July 1 last year to subsume plethora of indirect taxes like excise and sales tax. “Historic tax reform GST has resulted in formalisation of the economy and consequently information flow would eventually augment not only the indirect tax collections but also direct tax collections,” the ministry said in a statement. Before GST, the Centre had little data on small manufacturers and consumption because the excise was imposed only at the manufacturing stage while the states had little data on the activities of local firms outside their borders.

Under GST, there will be “now seamless flow” of availability of common set of data to the Centre and the states, making direct and indirect tax collections more effective.

“The (GST) tax base is expected to rise consistently as the incentives for formalisation increase,” it said adding that it would make increasingly difficult for those liable to pay tax to remain outside the tax net. The ministry further said steps were also being taken for further simplification of GST structure in order to facilitate tax payers and to extend benefit to the customers.

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