

An Analysis of GST on Micro, Small and Medium Enterprises in India

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ABSTRACT

The tax payment system of India is more ancient the colonial rulers of India was make the remarkable change in entire tax system of the country for their own benefit and protection of expansion of British based industry in India. They created two types of taxes in India direct and indirect tax although it was in favor of British government. It was charged by central government and state government on the basis of nature and jurisdiction some of the taxes was also charged by local body like municipality. The power of allocation of taxes is granted by the constitution of India to center and state. Having several reforms in Indian tax system from independence to 2015 has several complexities. That's creating problem to tax payer and government. It will bring the reformer as well as government to think upon a acceptable, rational and affordable tax system. Its result is now taken place that is GST which is 'One Tax for One Nation' that is in practice by several government of the world. The research paper is focusing upon conceptuality, applicability and implementation of GST. Further it will describe the benefits of GST to Small, Medium enterprises in the country. It is based on secondary information which is taken from existing study and information in various literatures on the secondary source.

Key Words: Tax, Government, Goods, Services, Reform.

INTRODUCTION:

The Central Goods & Services Tax (GST) of India is introduced by 1st July 2017 by the one hundred and twenty second amendment bill of the constitution of India (one hundred and first amendments Act, 2016) applicable throughout India. It will reduce the several types of cascading imposed by center and state government. It will governed by Goods & Services Tax Council having chairmen, Finance minister of India. It is nothing else, unification of several indirect taxes levied by government. The governing body of GST is a federal agency having its own decision making power will improve the complex tax structure of India. It will further minimize. Finally it brings benefit to all the factors of economy such as industry, government and

citizens. It will also minimize the cost of production of goods & services across the country that boost up the economy, consequentially the goods & services of Indian manufacturer became competitive world wide. 'GST is likely to improve India's ranking in the Ease of Doing Business Index'¹ that is the major challenges of India industrial and economic development, also affecting employment creation and under utilization of demographic dividend of country. Tax evasion is the major problem India that will short out by application of GST. It is fully based of technology, the simple and automated procedure of several steps such as registration, tax payment, refund and return etc could performed through a single portal that will ensure the transparency and accountability. It will also reduce the distance between taxpayer and tax administration. Reduction in taxes will decrease the prices of product that create more demand and more consumption resulting more production will taking place in the economy, further it will increase the amount of investment and employment which is major problem of the country. After implementation of GST, the country is expecting to boost the export and make the India as a globally accepted destination of investment. It the export will raise and investment will take the place then the dream of India to become the global leader is not for away. GST is also improving the ranking of India in 'ease of doing business' that will also attract the more and more investment in the country. The service industry has biggest contribution in economy ans currently its part is around 12 percent in tax payment after implication of GST it will increase to around 27 percent. The bank and other financial service provider such as Non banking Financial Institutions (NBFC) is the backbone of service sector as well as economy and contributing around 6 percent indirect tax in the country, with the application of GST their operation will gone to easy, and its performance is expected to improve.

Type of Goods & Services Tax-

After implementation of new GST, there are following forms of GST:

1. **Central Goods Services Tax-** if any goods are selling in only one state then it would be charged by both CGST and State Goods Services Tax. But the amount of tax will be part of central government. It is nothing else, summation of central excise duty, central sales tax etc
2. **State Goods Services Tax-** it is a part of Goods and Services tax introduced by the government of India, will covered by State Goods Service Tax act 2016. The amount of tax revenue will be part of respective state. It is nothing else, only merge of Value added tax, entertainment Tax, Luxury Tax and entry Tax etc

¹ Directorate General of Taxpayer Services central board of excise & customs

3. **IGST**- if the goods are carried from one state/ union territory/ foreign to another state/ union territory for sale then IGST will be charged. Finally it is not any other form of tax other than CGST and SGST because merchant will take the credit of their prior tax (CGST & SGST) payment.

Table 1: List of Asian Countries Implementing VAT/GST:

S. No	Country	GDP Per Capita (World Bank, 2011, USD)	Year of Implementation	Current Rate (%)
14	South Korea	22,424	1977	10.00
16	Taiwan	NA	1986	5.00
5	Japan	45,903	1989	5.00
12	Pakistan	1,189	1990	16.00
1	Bangladesh	743	1991	15.00
7	Kazakhstan	11,357	1991	12.00
19	Uzbekistan	1,546	1992	20.00
18	Turkmenistan	5,497	1993	15.00
2	China	5,445	1994	17.00
11	Nepal	619	1997	13.00
10	Mongolia	3,129	1998	10.00
8	Kyrgyzstan	1,124	1999	20.00
6	Jordan	4,666	2001	16.00
9	Lebanon	9,413	2002	10.00
15	Sri Lanka	2,835	2002	12.00
13	Papua New Guinea	1,845	2004	10.00
3	India	1,509	2005	12.50

17	Tajikistan	935	2007	20.00
4	Iran	NA	2008	5.00

Sources-<http://www.ey.com/gl/en/services/tax/worldwide-vat--gst-and-sales-tax-guide---rates>

Table 2: States In India Who Co firm Goods and Service Tax (GST) Constitution Amendment Bill

S. No.	State	Passed on
1	Andhra Pradesh	8 th August 2016
2	Arunachal Pradesh	8 th August 2016
3	Assam	12 th August 2016
4	Bihar	16 th August 2016
5	Chhattisgarh	22 th August 2016
6	Delhi	24 th August 2016
7	Goa	31 th August 2016
8	Gujarat	23 th August 2016
9	Haryana	29 th August 2016
10	Himachal Pradesh	22 th August 2016
11	Jharkhand	17 th August 2016
12	Madhya Pradesh	24 th August 2016
13	Maharashtra	29 th August 2016
14	Meghalaya	9 th August 2016
15	Mizoram	30 th August 2016
16	Nagaland	26 th August 2016
17	Odisha	1 th August 2016

18	Pondicherry	2 th August 2016
19	Punjab	12 th August 2016
20	Rajasthan	2 th August 2016
21	Sikkim	30 th August 2016
22	Telangana	30 th August 2016
23	Tripura	26 th August 2016

Impact of GST on Micro, Small and Medium Enterprises:

The small scale enterprises are playing a vital role in Indian economic development, by generating employment and contribution in Gross Domestic Product (GDP) etc. it had been driver of Indian economy from decades. Now India has around three (3) million small and medium enterprises spreading over the every corner of country. Its contribution is around 50 percent of total industrial output and 42 percent of total export of India. It has been foremost employment generation sector of the country. It is also contributing in the mission of balanced regional development of the India.

There are following impact of GST on small and medium enterprises-

1. **Registration-** after implementation of GST registration of small and medium enterprises will go through online that will minimize the various procedural charges and insure to entrepreneur to take timely registration certificate. It will also decrease the various interference of bureaucracy. It will ease the starting and expansion of small and medium business through centralized registration system.
2. **Payment, Refund & Return-** Electronic payment of registration fee and tax will ensure the transparency and reduce time. Refund will be faster by enabling the GST that will maximize the liquidity of small and medium enterprises, further it will help for the operation of business. All the return will be performed by electronic payment system that will lead the accuracy and minimum time consumption. The electronic payment system will be automatically compile various adjustment like tax credit and tax liability.
3. **Reduction of tax burden on Small and Medium Enterprises:** According to present tax regime, the small and medium enterprises which having the turnover of more than Rs. 5 lakh are bounded to pay Value Added Tax (VAT) registration fee. After the implementation of GST this limit will be extend to 25 lakh that will be a heavy relief for around 60 percent of small and medium enterprises. Further it will increase the new startup and increase the level of operation of existing small and medium enterprises.
4. **Festering the Operation of SM\E and Reduce the Logistic Cost-**

The implementation of GST will increase the spread of goods & services across the region/state of the country because there is no entry tax for manufacturing and sales for any region/ state within the country and also reduce the logistic cost, according to Credit Rating Information System of India Limited (CRISIL) it will be reduce by around 2 percent. Therefore operation of small and medium enterprises will be accelerating over interstate.

Conclusion

The GST is super and efficient tax system in order to implementation across the country it is making India as equal to world class tax system. It would create a transparent and accountable tax system. It is the time demand of India to implement such type of tax because the production of goods and services is increasing over the time and the tax collection and administration cost is so high. So, simple tax system is requirement of taxpayer and government as well. The government will realize more tax revenue. It is further create more employment opportunities and leverage the GDP by 1-1.5 percent. It minimizes the cost of production of goods and service that will helpful to domestic industry to flourish in the domestic market and compete in the global market. It will further boost the development of small and medium industry in India through making ease of doing business, easy registration process and so on.

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