

Impact of GST & Digital economy on Business, trade, Commerce and Public finance.

Mr. Suyog G. Kavle
(Research scholar)

Abstract: *A Cashless Economy is one in which all financial transactions are carried out through digital means. It includes e-banking thru mobile phones, debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. GST has been the biggest Indirect tax reform, which is observed and anticipated to have a long lasting impact on the nation's history of tax reforms. This article attempts to provide a general impact of the combination of GST and the Digital economy, on the trade and commerce and the public finance. The study also tries to understand challenges and opportunities with specific reference to implementation of GST and Digital India.*

Keywords: *Digital economy, GST, cashless economy*

Introduction:

GST, since its roll out and implementation from July 1ST, 2017 has been a hot flaming topic for all the folks and stakeholders. GST has been the biggest Indirect tax reform, which is observed and anticipated to have a long lasting impact on the nation's history of tax reforms. Though, the tax regime was already in place in a plenty no. of nations other than India, Our nation after seeding it in the year 2000, finally the idea got crystallised after a wait of 17 long years.

From the leaders of the nation, it's presented as a blessing for the fiscal health of the nation in the long run. To have a comparison between the old and the GST tax regime, one clearly agrees that GST has promised to and is also dedicated to bring in more transparency in the entire tax payment and collection structure. Having stated the transparency in the GST functioning and mechanism, it is more so as a reason of the Digital platform at which it is being regulated and controlled. The Ideology of the government behind digitalisation of the business transactions, was to bring on records, all the details of the formal and informal transactions undertaken by the Businesses. For that matter, a strong IT infrastructure was a must for practical implementation of such an ideology. The GSTN, i.e the Goods and Service Tax Network, a Private Limited Company, incorporated well in advance and prior to the roll out of GST, is the IT Backbone of the GST regime.

Thanks to the Digital economy culture, that is accepted and welcomed with open arms by the majority of the nation, that GST could be possible. Digital economy, since the launch of internet has placed its feet deep and firm in the conduct of business cultures. Digital economy provides business networking opportunities across borders and worldwide. It has changed the traditional way of doing business. The goods and services can be traded over the internet, called as the e-commerce, payments can be made for various transactions online. However, no business conduct format is immune to uncertainties. Likely, the digi-economy has its own pros and cons. It is commendable that it has paved the way of doing business easily, but there is also a simultaneous threat of the data and sensitive information of the stakeholders, being traced and hacked and misused by the wrong doers, who are present worldwide for making unjust profits and engaging in the wrong doings and illegal acts. Whatever it be, there are also solutions for such uncertainties, no assured immunity

Objectives and specific area of research:

All the use of the Digital economy and the New Tax implemented by the government, has left a powerful impact on the economy as a whole. The businesses - the trade and commerce and the public finance. This article attempts to provide a general impact of the combination of GST and the Digital economy, on the trade and commerce and the public finance.

Research Methodology

The study is carried out to understand the cashless economy and its challenges and opportunities with specific reference to Indian economy. The study focuses on extensive study based on secondary data. The data has been collected with the help of e-books magazines, newspapers, research article, research journal, e-journals.

Impact on Business- Trade and Commerce

The businesses in our nation were distributed in the organised sector and the Unorganised Sector. With the digitalisation and GST, the organised sector businesses were the most benefited ones. The organisations under the old Indirect tax regime, had to be registered with various authorities and consequently had various registration numbers to keep track of. Certainly, with such no. of authorities to be reported to and complying with each of their norms, the records maintenance was a task. It demanded a lot of funds. For that purpose, the businessmen had to incur a lot of cost for document maintenance and handling. Proper officers and labour was involved. There was a lot of human intervention. With online mechanism of the GST, the tax record maintenance cost has significantly reduced. Also the chances of missing entries in the books, and committing human errors have been limited. GSTIN is that one registration number that has replaced all the other numbers such as VAT TIN No., TAN, STIN, etc. GSTIN is a 15 digit unique Code which is assigned to a taxpayer, which is allotted State wise and is PAN Based. The processes of paying taxes, availing input tax credit, claiming refunds, and satisfying the demands have all become less complex and faster. The flow of input tax

credit is smooth and even throughout the supply chain. There are negligible chances to either wrongly claim / or for excess claim of input tax credit, due to the matching concept incorporated in the GST law. The opportunities to tamper the invoices and related tax paying documents has minimised due to timely reporting and all the information being available with the department.

The unorganised sector has also been affected by the GST. All those small entities which were carrying on their businesses in an unorganised manner, have also been brought under the ambit of the official, legal & recognized structure. With their registrations under GST, they have better opportunities to avail finances. The bankers and the financial institutions find the registered entities more reliable and credible, as their records and the finance structures are much transparent as compared to the unregistered ones.

Under the GST regime, reporting of the business transactions has been formalised and a stringent time line has been set for such compliance. Any defaulter under the GST reporting norms can't get away without being penalised for any of the defaults.

For example, under the previous Indirect tax regime, if any tax/ duty was underpaid or evaded by the businessmen, it was only when and if the department took cognizance of such an evasion, would the department send the notice to the taxpayer raising a demand. In such a case, in the first place, there was always a contest from the taxpayer arguing that his self-assessed tax/duty is the final and correct amount payable. Which was further to be denied and countered by the department, to hold its contention and demand right in the eyes of law. After all this, if at all the assessee was held guilty, such an assessee would further play his jack and try to negotiate on the demand and do an out of court settlement, and succeed in setting aside any charges and claims against him. The human intervention and the settlements between the officers and the defaulters, gave room for corruption to creep in, which eventually led to loss of revenue, and more opportunities for such corrupt officers and defaulters to make unjust gains.

However, with GST and digital transactions, there is no escape for the tax payer to pay less than what he ought to. If the tax payer has defaulted, while he tries to upload/report his transactions through his GST portal, he will first be mandatorily directed and required to make the payment of penalty and then be allowed to do any further transaction such as submission of return or paying tax for the current tax period, etcetera. This mechanism has curtailed the scope of corruption to a great extent and has made possible the timely payments and collection of taxes under one single registration number and one online portal.

Impact on the Public finance

With GST, the businesses have been drawn into the digital economy. The entire digitalisation concept has made business work and undertake transactions very conveniently. A person can make money on the go. In today's business culture, no one wishes to be like a “frog in a well, for a frog in well knows nothing of the

great ocean", that is to say that, businessmen today not only want to capture the market from where they begin, but also wish to expand to the other states/ territories or even nations for that matter. Going far, wide and global is the goal. That being the case, traders / organisations who wish to involve in inter-state trade, must be registered. These provisions along with others in the GST act, have increased the no. of registered tax payers manifold as compare to the earlier tax laws.

The GST law is framed in a manner so as to directly or indirectly to encourage or induce the suppliers and businessmen to be a part of GST and get themselves registered. For a simple reason that, a person dealing with an unregistered supplier will be burdened with the liability to pay the tax on that transaction with no credit available for such tax component borne by him. Therefore, people will be reluctant to deal with unregistered suppliers, thereby inducing such suppliers to get registered. The hassle free credit benefit and other schemes such as composition scheme for the small tax payers, the zero rated supply schemes amongst others, encourage the organisations to be registered. This has led to a favourable impact on the public finance of the nation. For as many as the number of registered tax payers, so much more is the tax revenue generated for the nation. As many people come under the ambit of the formal business and tax structure, so much more will be the traceability of the funds in circulation in the economy. Scope for hawala transactions and black money transactions is estimably difficult.

The introduction of the GST is likely to have an enduring impact on state finances over the medium term for several reasons. First, with states being unable to rationalise their committed expenditure burden (viz., pension liabilities, interest obligations and administrative expenses) in the near term, revenue expansion through GST implementation is a prudent strategy in remaining committed to the path of fiscal consolidation. Second, the GST is likely to chart out a new course for cooperative federalism in India focusing on cooperation between the Centre and states in deciding on (i) tax rates, (ii) exemptions and (iii) commodities featuring in each category of tax rate/slab. Finally, GST implementation may result in augmenting the shareable pool of resources which would result in greater transfer of resources from the Centre to the states. Cumulatively, these issues are likely to have a profound impact on state finances in the coming years.

Conclusion

To sum up, the GST driven by the digital economy, has resulted in ease of doing business. Bringing the taxpayers to the digital platform is a challenge in itself, as not everyone is comfortable using the internet and doing transactions online. However, with this digitalised GST platform and the dedicated efforts from the department to make the suppliers comfortable with this pattern of reporting and transacting, the future of GST in India looks promising. Also the professionals have played a supportive and commendable role in making this project a success for the nation. The immediate impact of GST on government finances is deemed to be negligible. In the medium to long term, however, GST is likely to increase the tax effectiveness of the Central

and state governments marginally by 0.6 which is likely to reduce the gross fiscal deficit by 0.7-1.2 per cent of GDP if disinvestment receipts and non-tax revenues remain unchanged from the trend of the previous 5 years (CRISIL, 2014).

Reference:

1. GST a game changer study of state budget 2016-17
2. The Hindu: THE GST OF IT
3. Ideas for India - GST explainer_a Public Finance expert's View- nifpb
4. The Economic Times – featured articles in the Economic times (2017)
5. Economist.com_news_asia.
6. gstcouncil.gov.in- GST-Concept-and-Status_english

