

**Vol. IX
Number-11**

**ISSN 2319-5282
Jan.-Dec. 2020**

Edu Care

**A Multidisciplinary International
Peer Reviewed/Refereed Journal**

APH PUBLISHING CORPORATION




Principal
G.S.M.'s Arts & Commerce College
Chakan, Tal-Khed, Dist-Pune.

ISSN : 2319-5282

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Vol. IX, Number - 11

January-December, 2020

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MSME (सूक्ष्म, लघु एवं मध्यम उद्यम) की उत्तरजीविता तथा इससे आदिवासी जीवन पर पड़ने वाले प्रभावों का समाजशास्त्रीय अध्ययन डॉ. लवली पुरी और पवन कुमार	88




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Benefits, Issues & Problems with GST in India

Prof. Hemkant Nivrutti Gawade*

ABSTRACT

On 1st July 2017, GST was introduced in India. With the introduction of Goods & service tax many other prevailing taxes were replaced & abolished. Before implementation of GST (Goods & Service Tax), tax payer or trader was supposed to pay central excise duty, services tax, additional customs duty, surcharges, state-level value added tax, octroi, etc. GST was introduced to replace all these taxes, under One Nation One Tax System. The basic purpose of GST was to avoid cascading effect & make the indirect tax system more simplified.

The role of indirect taxes in the revenue collection is very important. GST brought important change in the taxation system & structure of the economy. It widens the markets. There is uniformity in the tax system. GST avoided Tax duplication. Instead of separate tax structure at different levels, CGST, SGST and IGST replaced other taxes.

These changes brought many benefits in taxation system. At the same time, there are some loopholes & challenges also. This paper tries to study the positive & negative impact of GST on Indian Economy.

Keywords: GST, Impact of GST, Tax Structure, Indirect Tax

INTRODUCTION

With the introduction of GST, there was a drastic change in the indirect tax system of the country. Tax collection is the major source of revenue. The pre-GST taxation system was quite confusing. Many a times tax on tax was charged, even it was a very hectic task for businessman also, to go through with all the different tax structures, its filing, compliances & other formalities.

The implementation of GST was proposed & was pending for few years, but finally it was implemented. On 1st July 2017, it was introduced. In the initial phase there was resistance, as any new system takes time to understand & to adopt. Every coin has two sides. Same way GST also has a brighter & dark side. The biggest benefit with GST was it replaced many indirect taxes. So, compliance for different types of indirect taxes was reduced.

Businessman was supposed to prepare separate record for central excise duty, services tax, additional customs duty, surcharges, state-level value added tax, octroi, etc. After introduction of GST, this work was simplified, as the filing compliance for all such taxes was replaced by GST. But again, traders initially were not use to with this new system of indirect tax.

The type of taxes, rates, etc. were different in different territories. So, to enjoy tax concessions, tax reliefs, less taxing, businessmen use to adopt different strategies. GST brought the uniformity in the taxation system under One Nation One Tax System. 2 major issues were addressed by introduction of GST. First issue of cascading effect & the second issue with record keeping & compliance of different type of taxes were solved to a greater extent by GST. The tax collection, compliance, filing was made simple & understandable.

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There might be some issues like, higher tax rates, issues with filing of GST or unavailability of skilled manpower to handle this new mechanism. If it's not properly addressed then the purpose & implementation of any law becomes useless. GST was a milestone in the taxation structure of the economy. It broadens the markets for the traders. Differentiation in the taxation system in different states was resolved due to GST. The uniformity in the tax system was observed & experienced. Issue of Tax duplication or cascading effect was resolved because of GST. The simple tax structure of CGST, SGST and IGST was introduced to the nation.

Though there might be many benefits of GST, but every law has some loopholes or issues. Even the success or failure of the law also depends on appropriate implementation of the same. These issues should be properly addressed.

The paper has following objectives.

OBJECTIVES

1. To study the concept of GST.
2. To study the background of this act.
3. To study the positive & negative impact of GST.
4. To provide information for future research.

IMPORTANT STAGES IN EVOLUTION OF GST

- 2006 – Union Minister announced GST and hinted to introduce GST from 1st April 2010.
- 2009 – First Discussion Paper was released by the Committee
- 2011 – 115th Amendment Bill introduced
- 2014 – 122nd Amendment Bill introduced
- 2016 – In August 2016, 101st Amendment Act enacted
- 2016 – In September 2016, Meeting of 1st GST Council was held
- 2017– In March 2017, GST Council recommended CGST, SGST, IGST, UTGST and Compensation Cess Act
- 2017 – In April 2017 - CGST, SGST, IGST, UTGST and Compensation Cess Act were passed
- 2017 – On 1st July 2017 - GST law was launched in India.
- 2017 – On 7th July 2017 Jammu and Kashmir state legislature passed its GST

DIFFERENT GST RATES AS ON 1ST JULY 2017

It was seen that the GST rates were higher for some commodities as compared to prevailing rate of taxes like VAT, Service tax etc. However, as GST replaced many other taxes, practically tax burden was reduced. Major components of GST are CGST for Central & SGST for State. There are five groups or slabs for GST. These rates were further modified in the 25th GST Council Meet.

Rates of GST for major goods until 25th January 2018 were as under.

0% GST Rate	Fresh Meat, Fish Chicken, Eggs, Milk, Butter Milk, Curd, Natural Honey, Fresh Fruits & Vegetables, Flour, Besan, Bread, Prasad, Salt, Bindi Sindoor, Stamps, Judicial Papers, Printed Books, Newspapers, Bangles, Handloom Etc.
5% GST Rate	Fish Fillet, Cream, Skimmed Milk Powder, Branded Paneer, Frozen Vegetables, Coffee, Tea, Spices, Pizza Bread, Rusk, Sabudana, Kerosene, Coal; Medicines, Stent, Lifeboats




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12% GST Rate	Frozen Meat Products, Butter, Cheese, Ghee, Dry Fruits in Packaged Form, Animal Fat, Sausage, Fruit Juices, Bhutia, Namkeen, Ayurvedic Medicines, Tooth Powder, Agarbatti, Colouring Books, Picture Books, Umbrella, Sewing Machine, And Cell phones
18% GST Rate	Flavoured Refined Sugar, Pasta, Cornflakes, Pastries and Cakes, Preserved Vegetables, Jams, Sauces, Soups, Ice Cream, Instant Food Mixes, Mineral Water, Tissues, Envelopes, Tampons, Notebooks, Steel Products, Printed Circuits, Camera, Speakers and Monitors.
28% GST Rate	Chewing Gum, Molasses, Chocolate Not Containing Cocoa, Waffles & Wafers Coated with Chocolate, Pan Masala, Aerated Water, Paint, Deodorants, Shaving Creams, After Shave, Hair Shampoo, Dye, Sunscreen, Wallpaper, Ceramic Tiles, Water Heater, Dishwasher, Weighing Machine, Washing Machine, Atm, Vending Machines, Vacuum Cleaner, Shavers, Hair Clippers, Automobiles, Motorcycles, Aircraft for Personal Use, And Yachts

REVISED GST RATES WITH EFFECT FROM 25TH JANUARY 2018

The tax rate of GST was high at the time of its introduction. However, in 25th GST Council Meet on 18th January 2018, the rate for 29 Goods and 53 Services were reduced on selective goods. Revised rates were enforced from 25th January 2018.

Goods taxed at 0%	Vibhuti, De-Oiled Rice Bran and Parts Used to Manufacture Hearing Aids
Reduced from 28% to 18%	Old and Used Motor Vehicles [Medium and Large Cars and SUVs] With A Condition That No ITC Is Availed, Public Transport Buses That Run on Biofuel
Reduced from 28% to 12%	For Old and Used Motor Vehicles [Other Than Medium and Large Cars and SUVs] With A Condition That No ITC Is Availed
Reduced from 18% to 12%	Sugar Boiled Confectionery, Drinking Water, Packed In 20 Liters Bottles, Biodiesel, Drip Irrigation System Including Laterals, Sprinklers, Mechanical Sprayer, Certain Listed Bio-Pesticides (12 In Nos), Fertilizer Grade Phosphoric Acid, Bamboo Wood Building Joinery
Reduced from 18% to 5%	LPG Supplied to Household Domestic Consumers, Raw Materials and Consumables Needed for Launch Vehicles, Satellites and Payloads (Both CGST And IGST Rates), Tamarind Kernel Powder, Mehendi Paste in Cones
Reduced from 12% to 5%	Articles of Straw, Of Esparto or Of Other Plaiting Materials, Velvet Fabric [With A Condition That No Refund Is Claimed On ITC]
Reduced from 3% to 0.25%	Diamonds and Precious Stones
Rate Increased - 0% to 5%	Rice Bran (Other Than De-Oiled Rice Bran)
Rate Increased - 12% to 18%	Cigarette Filter Rods

BENEFITS OF GST?

GST benefited nation in many ways. It brought uniformity in the taxation system of the goods all over the country. It boosts new markets. Local producer was motivated to trade globally. It




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also attracted foreign investors to invest in India. Tax burden of small shopkeepers was reduced. Ultimate benefit was passed on to consumer in form of avoiding tax on tax and reduced prices.

POSITIVE IMPACTS OF GST

GST was introduced in different slabs ranging from 0 % to 28 %. Timely revisions in this tax structure are still taking place. GST has benefited India in following ways

1. **Simple Tax System:** GST brought the concept of One Nation, One Tax. Therefore, the difficulties, efforts and cost of paying taxes was reduced and simplified. Even if the trader is trading in different states the tax rates & structure remains uniform.
2. **Simple Documentation & Compliance:** Many taxes are abolished & replaced by GST. Therefore, the paper work & compliance is also reduced. This helps the businessperson to concentrate more on business.
3. **Boosting Foreign Investment-** There is uniformity in the tax structure around the country. Further prices of commodities have been reduced. All these things attract the foreign Investor to invest in India.
4. **Bringing more Transparency-** As almost every record is digitalized, it can be cross checked easily. This will lead to corruption free system. Tax evasion will be automatically reduced. Record keeping will be easier.
5. **Avoiding Cascading effects-** In the prevailing system, before GST, there was cascading effect of taxation. As there were many taxes like Octroi, VAT, Sales Tax, Excise, Local Taxes, etc. before GST. Tax was paid 3-4 times on same goods. This was avoided by GST.
6. **Boosting Production & Foreign Markets-** The GST reduced the tax burden & unnecessary documentation on the seller. Therefore, efforts, documentation & formalities are reduced. Seller can focus more on production. Lesser cost of products makes his product competitive in the international market, leading to increase in exports & employment opportunities.
7. **Reduced prices of goods for consumer-** Due to lesser tax burden & increased production, consumer will get products at lower prices. This will increase the consumption of goods.

NEGATIVE IMPACTS OF GST

1. **Control from Center & State** – CGST will be collected by Center & SGST will be collected by State. So, tax paid on one commodity will have connection with two authorities, may increase work burden.
2. **Higher Tax rates-** As compared to VAT & other taxes, GST rates are higher for some commodities. Some goods fall in the tax bracket of 28%, hence increasing the cost of goods significantly.
3. **Increase in the Cost-** The highest tax bracket of GST is 28%. The final burden is born by consumer. High tax rate will increase the cost of the product. Even demand for goods may fall drastically. This may lead to slow down in the market.
4. **Adverse effects on few industries** – Industries & products falling in high tax brackets like Textile, Media, Dairy Products, IT, Telecom, etc have been adversely affected due to new tax structure.
5. **Technical Expertise required-** Registration, filling & compliance of GST required technical knowledge & expertise. This requires dedicated people having sound knowledge of this tax system. This will further increase the cost & expenses of seller.
6. **Fallen Demand for some products-** Real estate, telecom, jewelry etc. products have been experiencing demand fall to the greater extent due to increase in the cost & high taxes.




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7. **Dead End for small shop keepers-** It was observed that small retailers could not cope up with the new tax system. The slowdown in the market, absence of technical knowledge, inability to comply with formalities, small retailers shut down their business.

CONCLUSION

At present GST is implemented in 140 countries like, Australia, Germany, Japan, Pakistan, etc. It is observed that GST has benefited India in many ways. However, it also has adversely affected some industries and goods. GST has positive & negative effects on Economy. GST yet has not been simplified from seller's point of view. If the compliance part can be made more simplified. Government needs to make more efforts to make sellers & consumer aware of GST benefits. Unnecessary task, burden can eliminate the fear of GST.

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