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A Study on Goods and Service Tax and Its Impact on MSME Sector Related with North-East States

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Abstract:

Indian tax system is very old and lengthy and burdening. The tax system of any country plays an important role in economic, social and political development. The various tax in India are reformed from time to time. The most historical reform in Indian tax system is implementation of GST, which subsumed different central and state tax. GST is a destination based tax which simplify the Indian tax structure and provide a ready market to businessmen.

Keywords: Destination based, Cascading, Subsumed, Nuances, Tax review etc.

Introduction:

After independence funds was a major problem for the government for their administration and also to allocate funds for achieving a socialistic pattern of society. For this purpose Excise Duty was introduced in India. But later other taxes also imposed like Customs duty on imported goods. L.K. Jha is considered as the architect of the indirect tax reforms.

In the year 2006, Union Finance Minister Shri P. Chidambaram while introducing budget in the parliament, proposed to introduced GST by 1st april, 2010. Mr. Arun Jaitley, the finance minister in the union budget speech of 15-16, reiterated the commitment of the centre and the state govt. to implement GST by 1st April, 2016.

Some of the features of the GST

1. One nation One tax

2. Dual GST model – two component of tax
3. Role of GST Council
4. Inter-state Transaction and the IGST Mechanism
5. Creation of Unified National Market.
6. No cascading effect.

Nomenclature used for GST:-

CGST: it means Central Goods and Service tax. It is levied under the central Goods and Service tax act, 2017.

SGST: It means State Goods and Service Tax. It is levied under the State Goods and service tax act, 2017.

UGST: it means Union Goods and Service tax. It is levied in UT. IT is levied under UT Goods and Service Tax act, 2017.

IGST: It means Integrated Goods and Service Tax Act, 2017. IGST is the total amount of CGST and SGST/UGST.

Taxes Subsumed by GST:

Central Taxes:

a. Central excise duty
b. Duties of excise
c. Additional duties of excise (Goods of special importance)
d. Special additional duties of customs (SAD)
e. Service Tax.

State Tax:

a. State Value Added Tax/ sales tax.
b. Central Sales Tax
c. Luxury Tax
d. Entry Tax
e. Entertainment tax.
f. Taxes on advertisement
g. Purchase tax.
h. Taxes on lotteries, betting and gambling.

Commodities kept outside the scope of GST:

a. Alcohol for human consumption
b. Certain Petroleum products namely petroleum crude, high speed diesel, natural gas, aviation turbine fuel etc.
c. Electricity.

This study examine the key challenges faces by MSME sectors after implemented GST in North-Eastern states, it also examine the detail depth of the tax review, tax opportunities and future prospects of MSME sector in market after the Tax reform. My study will examine the prevailing problem in the states relating with GST filling, tax collection and structure and future problems in MSME sector specially for Small businessmen.

GST Slabs in India (New slabs)

- 0 percent: Daily essentials, unprocessed food items, life and health insurance and educational services.
- 5 percent: Essential items, packed foods, medicine, footwear etc.
- 18 percent: most goods and services including electronic, cement, two wheelers, small cars, restaurant services etc.
- 40 percent: high-end items like luxury cars, tobacco products, pan masala and aerated drinks.

REVIEW OF LITERATURE:

DR. Laxmiputra, "A study on GST implementation Challenges and Impact for Small Businesses in India" Published on April 6, on Journal of Scholastic and Engineering Science and Management states that there are different types GST. He tried to explain the concept of GST, its background, current structure and markets impact.

Neha and Manpreet Sharma described GST in their paper "A study on GST in India" they tried to study the benefits of GST and current status of GST in Indian market. As per their study our current indirect tax structure is unable to increase the competitiveness of industries.

Research Design:

After implementing GST there are different challenges and obstacles
is faced by businessmen. There remains a significant gap in understanding the structure of GST by MSME sector, the nuances of GST. My study focus on the current scenario of market in North-Eastern states, its future growth, future tax reform and sector assistance.

Statement of problems: GST implementation in India is one of the most significant tax reforms. This reform provides easy structure and focuses on One Nation One tax policy. However, MSME sector have encountered numerous challenges adapting to this new tax structure. These challenges includes different tax structure (rates which are vary), increased administration, compliance in GST filling, cash flow disruption as delayed ITC. Moreover, the frequent changes the rules and rates have added to the confusion and operational confusion among the businessmen. This study deals in how we overcome from all these problems and how the market will be streamlined and also the future tax reform in MSME sector and special assistance to North-Eastern states.

Objectives of our study:

1. To understand the framework, structure and the execution of GST in the states.
2. To understand and analysis the problems and opportunities faces by MSME sectors in the states before and after the GST implementation.
3. To evaluate the impact of GST on North-eastern states specially for states like Assam (Gateway of North-east).
4. To understand the future tax reform and tax rates variation.

Research Methodology:

Primary data: this study will be based on primary data. Primary data is a date which is collected for the very first time by questionnaire, Surveys, interviews, observations, experiments and focus groups.

Secondary data: the data which is collected from an existing published source is called secondary data. This type of data is collected from public databases, government and institutional reports, academic journals and reports, internal company records etc.

Conclusion:

The implementation of GST is significant tax reforms in India. It aimed to create a unified and streamlined market. GST subsumed more than 20 Central and state taxes. This reform is a greatest tax reform in Indian history.

For MSME sector, GST has brought both opportunities and challenges. It has simplified the tax structure, reduced cascading effect i.e. tax on tax and reduced tax barriers. It also increased the confusion among the traders about the new tax structure, ITC compliance, and lack of technological knowledge etc.

Despite the challenges, it improved business transparency, revenue collection, tax payment, streamlined tax structure in market, increased awareness among entrepreneurs. It shows that businesses have adopted GST system in India.

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