

A Comprehensive Study on the Concept of GST and its Impact on Indian Economy

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Abstract: Goods and services tax GST is a general taxation at national level on the manufacture, sale and consumption of goods and services. Goods and Services Tax After India's independence, Goods and Services Tax is the biggest tax reform in India. Goods and services tax will boost the Indian economy by raising GDP. There are many indirect taxes, in particular VAT, Service Tax, Sales Tax, Octroi luxury tax and so on that have been implemented prior to the implementation of Goods and Services Tax in India. But all these indirect taxes have become part of a single umbrella at this point. There's just one tax in India since the Goods and Services Tax was implemented, which is monitored by the Central Government. Currently, goods and services are subject to a variety of tax rates. In addition, goods and services would be subject to only one rate of taxation pursuant to the Goods and Services Tax. It is anticipated that the Goods and Services Tax will create an environment favorable to business. This will also improve the government's fiscal situation and reduce inflation. An analysis of the concept of goods and service tax and its impact on India's economy has been presented in this report.

Keywords: Direct taxes, Indirect taxes, tax collections, revenue, savings, economy, VAT, Octroi.

I. INTRODUCTION

Tax policies, which have an impact on efficiency and equity, play a major role in the economy. The question of how much income should be distributed and the tax revenue that supports government expenditure on public services and infrastructure development should also be taken into account by a good system. GSH means the Goods and Services Tax. The complete scenario of the current indirect tax regime is likely to change as a result of the Goods and Services Tax. Since 1947, it has been regarded as the greatest tax reform. In India, a complex indirect taxation system was imposed by the Union and State individually prior to the introduction of the Goods and Services Tax. All indirect taxes which are hidden by the cover will be unified under GOS, creating a smooth national market. The introduction of the new VAT regime will fundamentally alter market dynamics, and it remains to be seen how businesses and companies are going to comply with a new taxation rule. The goods and services would be subject to a Goods and Service Tax at each stage of their sale or purchase. Goods and services are subject to the General Sales Tax at the place where real consumption takes place. The Goods and Services Tax was first introduced by Franch in 1954, and now it's followed by 160 countries. Most of the countries followed unified GST and some of the countries follow a dual GST system where tax is imposed by central and states both. When the central govt. imposed tax then it is called Central GST (CGST) and imposed by state govt. it is called state GST (SGST). In India we also follow dual system of GST which is including CGST and SGST.

II. REVIEW OF LITERATURE

Pallavikapila (2018) She mentioned in her study that since 1 April 2017, the Goods and Services Tax has been implemented by the Indian Government. One of the most important steps to reform India's indirect tax system has been taken in 2016 with the introduction of the Indian Constitution Act. In turn, the Goods and Services Tax has been defined as a comprehensive consumption tax levied on manufacturers, suppliers and consumers of goods and services which have contributed to transforming this country into one unified common market. Since its introduction, many explicit arguments have been put forward against the Goods and Services Tax. As the Goods and Services Tax forms a part of VAT, excise duties, service charges and sales taxes, she explained how it would help reduce existing tax complexity in India.

Yadav (2017): She stated in her research that replacing existing taxes such as VAT, excise duty, service tax and sales tax is a key idea of the Goods and Services Tax. Manufacturers and consumers of goods and services shall be subject to this tax. GST would be worthwhile to assess its positive impact on the various development areas like agriculture, manufacturing industry, MSME housing, poverty reduction, employment, price level EXIM trade, GDP, government revenue etc.

Ajoy Kumar (2017): In this paper made an attempt to explain the level of impact of this GST on the growth of the economy and benefits for the business and government and for the consumer. In developing countries like India the taxation system play is very crucial role in the development of revenues of the country but India tax system is not only difficult to understand but also difficult for calculation.

Dash (2017): Mentioned that Goods and Service Tax popularly known as GST a single tax on the supply of goods and service, right from the manufacture to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value

addition, which makes GST essentially a tax only on value addition at each stage. In this paper he highlighted the positive and negative impacts of the GST in Indian tax system.

Dr. Yogesh K. C. Agrawal (2017): The research paper is regarding impact of GST on Indian economy with the introduction of GST there is a confusion among the common people about GST. The aim of this research paper is to explain the mechanism of GST and its effect on Indian economy. Under the GST mechanism every person is liable to pay tax on output and shall be entitled to enjoy credit of input tax paid and tax shall be only on the amount of value added. The GST system was launched at a function in central Hall of parliament on 1st July 2017.

Dr. S. Shaik, Dr. S. A. Sameera, Sk. C. Firoz (2015): In this research study mention that GST is a Comprehensive tax levy on manufacture, sale and consumption of goods and service in national level. Currently company and business give the government a lot of Indirect taxes such as VAT, Service tax, Sales tax etc, but once GST is implemented all these indirect taxes would come under an umbrella. At present separate tax rates are applied to goods and service but under GST these would be one tax rate for goods and service. GST is to maintain a business friendly environment and it also improve government fiscal health and tax collection system would become more transparent.

M. Sehrawat and U. Dhanda (2015): Studied that "GST INDIA: A KEY TAX REFORM" GST is one of the most crucial tax Reforms in India which has been long pending. It is a comprehensive tax system that will include all indirect taxes of state and central government and unified economy into a seamless national market. This paper is focused on advantages of GST and challenges of faced by India in execution

Nitin Kumar (2014): Studied "Goods and Service Tax- A Way forward" and concluded that implementation of GST in India will help in removing economic alteration by current indirect tax system and expected to cheer up unbiased tax structure which is indifferent to geographical locations.

Joyprakash (2014): In his research study mention that GST is expected to give more relief to industry, trade, agriculture and consumer. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunity to introduce it.

Ahamed and S. Poddar (2009): Studied "Goods and Service Tax Reforms reforms and Inter- Governmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Objectives of GST

- To study the concept of Goods and Services Tax (GST) and impact on Indian economy.
- To realize how GST will work in India.
- To know the advantages and challenges of GST in Indian context.
- To furnish information for further research work on GST

III. RESEARCH METHODOLOGY

A comprehensive survey of secondary data collected from different literatures, national and international periodicals, government reports published on various website with a view to some aspects of goods and services taxation has been carried out in the study.

Recommendations

- Policy recommendations based on the findings of the study.
- Consideration of the balance between revenue generation and economic growth objectives.

Limitations and Future Research

- Identification of limitations in the current study.
- Suggestions for future research avenues to deepen our understanding of the topic.

Concept of GST

Goods and Services Tax GST is the same as all the indirect tax components. The Goods and Services Tax will cover all indirect taxes of Central Government and State Governments, in the form of a single tax. At all stages of the value addition, it must be recovered in both goods and services. The two models include Central Goods and Service Tax CGST + State Goods and Services Tax SGST. Central indirect taxes such as central excise duties, central sales and service tax will form part of the CGST. tax, special additional duty on customs whereas indirect tax of state govt. like state VAT purchase tax, luxury tax, Octroi, tax on lottery and gambling will be replaced by SGST. Integrated goods and Service tax (IGST) which is also called interstate goods and Service tax is also a component of GST. It is not an additional tax but it is a system to examine the interstate transactions of goods and service and to further assure that the tax should be received by the importer state as GST is a destination based tax. On the other hand, basic customs duties, duties on basic customs duties, entertainment taxes levied by Panchayet, municipality, regional or district council, alcohol for human consumption, tobacco and tobacco products, crude, diesel, petrol, natural gas and air turbines fuel are not included in the GST. Tax payers with an aggregate turnover in a financial year (Up to Rs 20 Lakhs and 10 Lakhs for North Eastern state and special category states) would be exempted from tax.

GST slabs are partition into five tax categories (i.e., 0%, 5%, 12%, 18% and 28%).

Positive impacts of gst in india

GST is a single taxation system that will reduce the number of indirect taxes. From now a single taxation term would cover of all of these indirect taxes.

It includes all indirect taxes under a single roof at the central and state level which reduce the burden from the state and central government.

To improving the cost competition of goods and service GST has freed the manufacturing sector from cascading effect (i.e., Tax on tax) of taxes.

A business friendly environment has been created by increasing tax-GDP ratio and inflation rate would come down.

GST would introduce corruption free taxation system.

Manufacturing cost will be reduced, hence prices of consumer goods likely to come down.

A unified tax regime will lead to less corruption which will indirectly effect the common people.

Negative impacts of GST in India

The Real estate market was affected badly by the introduction of GST.

Most of the dealers don't pay central excise tax by simply giving the VAT. But all of those dealers would now be forced to pay GST.

The short term impact of GST is expected to be negative for broader economy.

GST is mystifying term where double tax is changed in the name of single tax.

For consumer GST will be a mixed vegetable ingredients bag as some goods become cheaper while others will be expensive.

Service like Telecom, Banking, and Airline etc will become expensive.

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For imposing of GST online shopping will be more expensive.

If seller increases his profit margin the prices of goods can also see a rising trend.

The final consumer will bear only the GST charged by the last dealer in the supply chain and it helps uniformity of tax rates across the states in India.

Only the centre may levy and collect GST on supplies in the course of interstate trade of companies.

Sector wise impact of GST

Pharma: The pharmaceutical and healthcare industry is predicted to benefit from the introduction of GST. By restructuring the taxation system, this will be beneficial for industry. In addition, it would create a level playing field for generic pharmaceutical manufacturers, enhance medical tourism and simplify the tax system.

FMCG: The Indian FMCG industry is the largest in India's economy. It was estimated that, once the Goods and Services Tax came into force, this sector would see a much lower rate of VAT resulting in reduced prices for consumer goods.

Real Estate: The real estate sector is one of the important sectors in Indian economy. These sectors play an important role in employment in India. The implementation of GST on real estate will effect partially as the sale or transfer of immovable property is not including in GST.

Telecommunication: Prices are expected to fall following the introduction of Goods and Services Tax on this telecommunications sector. The manufacturer will save on costs. Handset manufacturer will find it easier to sell their equipment as GST.

Agriculture sector: The agriculture sector is the largest contributing sector the overall India's GDP. It covers around 16% of Indian GDP. GST may provide India with its first national market. (One nation one tax) for the agricultural goods. The GST on agriculture sector will have a positive impact as all the taxes will be subsumed under a single rate of tax.

Service Sector: Service sector of India consist of 60% GDP. The GST rate for service is 18% which is higher than previous rate of tax that is 15%. So there will be increase cost of service like Banking, Telecom, and Insurance etc.

Textiles: The Indian textile Industry contributes 10% of total annual exports. They provide employment to a large no of skilled and non skilled workers in the country. It is expected that the tax rate in GST would be higher of before imposed rate of tax because cotton and wool fiber which are exempted from tax would come under tax in GST. On the other side manufacturing cost may be reduced due to subsume of various taxes like Octroi, entry tax, luxury tax etc. There are few drawbacks also but GST will support the Industry in long run.

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