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An Overview on the Tax Management in the Indian Economy with Reference to GST

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Abstract: *Beginning on July 1st, 2017, the Goods and Services Tax (GST) was implemented. All of India is subject to this indirect tax. Every commodity and service would now be subject to a single tax. GST has been adopted by almost 160 nations. The industry will benefit from GST's guarantee of a wide tax base with reasonable exemptions. The GST will break down all the tax barriers between states and unify the nation through a single tax rate, allowing the economy to expand more effectively while reducing tax accumulation. In addition to helping to lower consumer prices, a consistent tax rate and a reduction in many levies would all have positive effects for the Indian economy. Whether positively or negatively, GST will have an impact on numerous industries. All indirect taxes in the economy are combined into one tax known as the Goods and Services Tax (GST). It is allegedly a national tax. Since there is just one rate applicable to one set of items across the whole nation, it is a consistent tax across all states. In essence, GST is a tax on value addition that applies to all stages of production, from the manufacturer to the customer. The current article aims to define the term GST, elucidate its structure and different forms, and investigate both the positive and negative effects of GST on the Indian economy. The secondary sources used in the current study include books, journals, websites, newspapers, magazines, and other types of secondary data.*

Keywords: GST, TAX, Cascading effect, Unified market, Tax compliance.

I. INTRODUCTION

All indirect taxes in the economy are combined into one tax known as the Goods and Services Tax (GST). It is allegedly a national tax. Since there is just one rate applicable to one set of items across the whole nation, it is a consistent tax across all states. As a result, the GST campaign's tagline is "one tax, one nation, one market." The fact that the GST took over 18 years to develop into its ultimate form suggests that the government found it extremely challenging to come up with a streamlined tax system for goods and services. In essence, GST is a tax on value addition that applies to all stages of production, from the manufacturer to the customer. A value-added tax is imposed on the production, marketing, and consumption of products and services. Since the GST makes no distinction between commodities and services, both are taxed at the same rate. Several indirect taxes, including excise duty, service tax, VAT, entertainment tax, luxury tax, etc., have been merged under the GST. Its primary goal is to combine all indirect tax levies into one tax, replacing several tax levies, getting over existing indirect tax structure's restrictions, and improving tax administration efficiency. GST creates a single indirect tax for the whole country, transforming India into a single shared market. Under the GST, there is no cascading of taxes. One of the most significant tax developments after independence has been the GST. One of the most significant tax developments after independence has been the GST. GST was initially presented during the 2007–2008 budget session. The proposal for the introduction of the GST Constitutional Amendment Bill was accepted by the Union Cabinet ministry on December 17, 2014, much ahead of schedule. The GST bill was submitted to Lok Sabha on December 19, 2014. The Bill was taken in for further consideration in preparation for the upcoming budget session. On September 8, 2016, the President of India formally approved the Goods and Services Tax (GST) Constitution Amendment Bill, which led to its introduction in the Indian house and ratification by more than 50% of the size of its legislatures. Current indirect taxes have been replaced with the GST.

It will assist in bringing down the price of products and services.Tax rates that are uniform.It will promote economic growth.It will aid in increasing the competitiveness of the goods and services It may increase the company' liquidity.It will make judgments more quickly and need less human work. Additionally, it will aid in increasing Indian exports on the global market, strengthening the position of the balance of payments.

If the small and marginal producers are eliminated, production activity will decline, but the impact on employment will be even more severe because production activity in the shadow economy is what generates the majority of employment opportunities in the nation. • The government proposes to set up a "Anti-profiteering Authority" to monitor the shadow economy's small and marginal producers. This authority has the right to revoke the registration of any businesses that are proven to overcharge customers or otherwise abuse them. Business leaders have publicly stated their intense dissatisfaction about this matter.

The upkeep of records at all levels of sale and purchase of products and services is anticipated to increase the operational costs of small and marginal enterprises. There is a strong likelihood that some goods and services' prices will increase if the GST is implemented. This might fuel the nation's inflationary spiral. As a result of the fact that over 75% of products and services would experience taxation after the implementation of the GST, inflationary spiral is also expected. Small, medium, and microbusiness owners aren't GST-ready. Even though GST is a tax reform, its introduction should have been postponed until these business owners fully comprehend the advantages and disadvantages of this tax.

Despite making up close to 35–40% of the GDP, petroleum and electricity are exempt from the GST. This is a significant flaw or shortcoming of GST.

II. TYPES OF TAXES UNDER GST

- Central Goods and Services Tax (CGST): This is the GST that the Center imposes on "Intra-State" supplies of goods or services.
- State Goods and Services Tax (SGST): This is a tax that the state imposes on the provision of goods and services within its borders.
- Union Territory Goods and Services Tax (UTGST): This is the GST imposed on the provision of goods and services in any of India's Union Territories.

2.1 Patterns of Taxation in Various Industry

1. E-commerce: The e-commerce industry in India is growing steadily, and after the implementation of GST, it has continued to expand. However, it will be interesting to see how the GST law's long-term effects play out because it introduces the unpopular tax collection at source (TCS) mechanism for e-companies. Because the introduction of GST necessitates tax collection at source, which shatters the relationship between customer and seller, e-commerce enterprises would incur higher administrative costs. TCS is now charging a 1% charge in India.
2. Pharma: When considering the total effects of GST, the pharmaceutical and healthcare sectors are the most advantageous. It will clarify the tax system and raise medical tourism while setting a standard of performance for generic medicine manufacturers. Pricing tax structure will therefore become a key issue for the pharmaceutical industry. Therefore, this industry anticipates a tax relaxation because it would make healthcare services easily affordable for everyone. The healthcare industry will continue to be excluded from the GST, but all of its inputs will be subject to an 18% tax, which will raise its operational costs.
3. Telecommunications: Prices in the telecom industry will decrease with the adoption of the GST. Manufacturers will benefit from cost savings by efficiently managing their inventory and fortifying their warehouse. Since the GST has eliminated the need for setting up state-specific organisations and transferring goods, it would be easier for phone manufacturers to sell their products and cut down on transportation expenses. GST has increased the tax rate on this industry from 15% to 18%. Higher tax credits probably won't go beyond 1% of the revenue.
4. Textile: As is well known, India's textile sector creates a lot of jobs for both skilled and unskilled employees. Additionally contributing 10% to overall exports, it will expand much more under GST. GST would have an

impact on small and medium-sized businesses through the cotton and textile industries, which previously had no central excise charge (optional). After GST, a rate of 15% is anticipated, which will have a moderate effect on the sector. In comparison to the other current taxing systems, the effect will be neutral or slightly negative. However, they will gain from lower shipping costs, savings, etc.

III. CONCLUSION

GST will be a significant development in India's indirect tax policies. There is a reduction in the number of taxes to only one. GST will simplify taxation for businesses. As the overall tax burden on products and services is lowered, customers will also gain. GST will also increase the competitiveness of Indian goods in international markets. GST will be simpler to manage. The proposed taxing structure has a lot of potential to keep the Indian economy growing if it is put into place. Undoubtedly, change is never simple. It is crucial to learn from developed economies that have introduced GST and overcome the teething problems to benefit from having a unified tax system and simple input credits. France was the first country to implement GST in 1954. GST will simplify industry taxation. Instead of implementing a tax system that is fraught with uncertainty, the government must make the GST a watershed tax reform.

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