

A Study on Impact of GST on Indian Economy

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Abstract: - Goods and Service Tax is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India's is one indirect tax for the entire country. There are 3 taxes applicable under GST: CGST, SGST & IGST. GST will mainly remove the Cascading effect on the sale of goods and services. Removal of cascading effect will directly impact the cost of goods. This paper gives an understanding about GST in India & its impact on the Indian Economy. The Evolution of GST in India is also discussed in this research paper. The research objectives focus around the evolution of GST, how it works & how different sectors are affected by GST.

Keywords: GST, Goods and services tax, Dual GST, Indian economy and value added tax.

1. INTRODUCTION

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%. Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods. In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross utilization of credits. The current system taxes production, whereas the GST will aim to tax consumption.

History of GST in India

The first reform process of India's indirect tax regime was started in 1986 by congress government, with the introduction of the Modified Value Added Tax (MODVAT). A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between the BJP Government and his economic advisory panel, which included three former RBI governors. After BJP government is set up a committee headed by the Finance Minister of West Bengal, Asim Dasgupta to design a GST model. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Commission. In the 2014 Lok Sabha election, the BJP government was elected into power, with the consequential dissolution of the 15th Lok Sabha, the GST Bill

– approved by the standing committee for reintroduction – lapsed. After the enactment of various GST law (Constitution 122 Amendment) Bill, 2014) was launched all over India with effect from 01 July 2017 the Jammu and Kashmir state legislature passed its GST act on 7 July 2017. The current Structure of GST is a Central GST, State GST and Integrated GST in India.

Meaning

What is GST?

G – Goods

S – Services

T – Tax

“Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level under which no distinction is made between goods and services for levying of tax. It will mostly substitute all indirect taxes levied on goods and services by the Central and State governments in India.

Types of GST

What is CGST?

CGST full form is Central Goods and Services Tax: -

CGST refers to the Central GST tax that is levied by the Central Government of India on any transaction of goods and services tax taking place within a state. It is one of the two taxes charged on every intrastate (within one state) transaction, the other one being SGST (or UTGST for Union Territories). CGST replaces all the existing Central taxes including Service Tax, Central Excise Duty, CST, Customs Duty, SAD, etc. The rate of CGST is usually equal to the SGST rate.

What is SGST?

SGST full form is State Goods and Services Tax: -

SGST (State GST) is one of the two taxes levied on every intrastate (within one state) transaction of goods and services. The other one is CGST. SGST is levied by the state where the goods are being sold/purchased. It will replace all the existing state taxes including VAT, State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cesses and Surcharges on any kind of transaction involving goods and services. The State Government is the sole claimer of the revenue earned under SGST.

What is IGST?

IGST full form is Integrated Goods and Services Tax: -

Integrated GST (IGST) is applicable on interstate (between two states) transactions of goods and services, as well as on imports. This tax will be collected by the Central government and will further be distributed among the respective states. IGST is charged when a product or service is moved from one state to another. IGST is in place to ensure that a state has to deal only with the Union government and not with every state separately to settle the interstate tax amounts.

What is UTGST (or UGST)?

UTGST full form is Union Territory Goods and Services Tax: -

The Union Territory Goods and Services Tax, commonly referred to as UTGST, is the GST applicable on the goods and services supply that takes place in any of the five Union Territories of India, including Andaman and Nicobar Islands, Dadra and Nagar Haveli, Chandigarh, Lakshadweep and Daman and Diu. This UTGST will be charged in addition to the Central GST (CGST) explained above. For any transaction of goods/services within a Union Territory: CGST + UTGST. The reason why a separate GST was implemented for the Union Territories is that the common State GST (SGST) cannot be applied in a Union Territory without legislature. Delhi and Puducherry UTs already have their own legislatures, so SGST is applicable to them.

Taxation System in India before GST

Central Government levied taxes on the following:

1. Income Tax: Tax collected on the income of an individual
2. Customs duties: Duties collected on the exports and imports of goods
3. Service tax: Taxes gathered on various services
4. Central excise: Taxes on manufacturing of dutiable Goods State Governments levied the following taxes:
5. Value Added Tax (VAT): Sales of goods involve the particular tax. The sales of the goods in intrastate are recovered by the VAT Law of that state, whereas those among the inter-state is levied by the Central Sales Tax Act.

Research Methodology

This study is descriptive in nature because here we have explained the probable impact of GST on different sectors. For this secondary data has been collected through different articles, research papers and reports published about GST. So, this study highlights opportunities and challenges going to occur to different sectors due to GST.

Objectives of the Study

- To study the positive and negative impact of GST on Indian Economy.
- To study about Goods and Service Tax and its impact on the economy.

Data Collection

This paper is a descriptive paper based on secondary data collected from different books, news-paper articles and research journals.

Conclusion

Efficiency & equity in the economy can be brought by proper taxation system in the country. While comparing challenges with its positive and negative, it is clearly visible that its positive impact is more compared to challenges. A good tax system should focus on income distribution as well as generate revenues to government. To Implementing GST is to maintain simplicity and transparency in taxation system. GST will give Indian economy a strong and smart tax system for economic development. But for gaining those benefits country will need to build strong mechanism. The objective GST is to replace VAT; GST will be solving all the complexities present in the current indirect tax system. It will be giving relief to various parties like consumers, producers and Government.

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