

AN ANALYSIS OF GOODS AND SERVICE TAX (GST) ON INDIA

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ABSTRACT

GST also known as the Goods and Services Tax is defined as the massive indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country. The study period covered under this is for the years from July 2017 to December 2018. The study conducted is empirical in nature and hence descriptive research has been conducted. The main source of obtaining necessary data for the study was Secondary Data. This study is empirical in nature and hence secondary data is used to conduct the research

Keywords: Goods and Service Tax; Indian economy.

Introduction

A good tax system plays an important role on the economy of a country through their impact on both efficiency and equity. The concept of single tax policy in all sales and services first came from the European countries and later this type of tax policy is reformed as GST, which stands for Goods and services Tax. Already 160 countries have implemented GST in their tax regime. GST is a comprehensive tax system that will subsume almost all the indirect taxes of states and central governments. Although it was considered as the biggest taxation by many countries of the world in many years ago, India roused up around the year 2000 and then the NDA government formed an empowered committee to design GST model for its implementation and since many debates was arise on implementing GST in India. Finally, India Govt. committed to introduce GST by almost July, 2017 (4). We hope the proposed GST is likely to change the whole scenario of current indirect tax policy.

GST is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services that is, under GST, there would be only one tax rate for both goods and services. The proposed GST in India has a dual system of GST which contains two components viz. the central GST (CGST) to be levied and collected the central, and states GST (SGST) or Interstate GST (IGST) to be levied and collected by respective states. CGST will subsume central indirect taxes like service tax, central sales tax, central excise duty, customs duty, counter veiling

duties, whereas SGST will subsume sales tax (or VAT), Entertainment Tax, Octroi and Luxury Tax, Entry Tax, Tax on lottery and gambling. Introduction of GST will give India a world class tax system by improving tax collections and it will indeed be a further significant improvement towards a comprehensive tax reforms that will boost overall growth of the economy.

Objectives of the Study:

1. To study the concept of goods and services tax
2. To analyse the goods and services tax for the growth of Indian economy
3. To examine the impact of industrial production on goods and services tax

Hypotheses

1. The IIP is significance impact on GST in india
2. There is significance relationship between industrial sectors output and GST

Methodology

The scope of the research comprises of information derived from secondary data from various sources. The various information and statistics were derived from the different sources e.g. websites journals , books etc. Goods and Services Tax (GST) and Index of Industrial Production (IIP) , it is a proxy for GDP was a natural choice for inclusion in the study, as it is the most popular economy indices and widely used by economic growth for benchmarking. The study period covered under this is for the years from July 2017 to December 2018.

HISTORY OF GST

The firstly introduced the Indian GST was in France around 1950s. After that the GST broadly being adopted by more than 120 countries, including the entire member states of the European Union (EU). GST is a percentage tax on value added (the difference between sales and the cost of purchased material inputs) at each stage of production. There are three basic types of VAT (GST) that depending on how the investment is treated in the tax base which are: (1) GDP-type GST; (2) consumption-type GST; and (3) income-type GST. Under the first type (GDP-type GST) system in calculating the tax base, there not allowed any the deductions for capital investment and depreciation of capital. So, the tax is equivalent to a sales tax which applicable to both consumer and capital goods.

GST or Goods and Services Tax came into use from July 1, 2017 replacing number of other taxes that was applied till June 30, 2018. The discussions of GST Bill has been in process process for more than two decades and the bill was passed to implement GST from July 1, 2017 by the Prime Minister of India and his Finance Minister Arun Jaitley. GST was launched on the midnight of July 1, 2017. The single GST replaced several taxes and levies.

ANALYSIS DATA

From 1st July 2017 GST has been implemented in India. Here we are providing monthly collection statics from GST tax how much you have paid to India govt. in account of GST. India govt. gets revenue from GST tax in monthly in crore the tax is collected. **GST**

Monthly value of IIP and GST

Year	Month	IIP (Index)	GST (Crores)
2017	July	118	94063
	August	122.1	90669
	September	123.1	93141
	October	122.5	83346
	November	125.8	80808
	December	130.6	86703
2018	January	132.3	86318
	February	127.4	85174
	March	140.3	103458
	April	122.6	103458
	May	129.6	94016
	June	127.7	95610
	July	125.7	96500
	August	128	94960
	September	128.8	94442
	October	132.8	100710
	November	126.2	97637
	December	133.7	94700

Sources: Ministry of Finance

Above the table shows index of industrial production and goods and services tax in India. The high index value of IIP is 140.3 in March 2008 and low value of index 118 during July 2007 that is introduced at the time of

GST. The more amount of revenue collection from GST to central government is Rs 103458 cr, in march/april 2018 and less in Rs 80808 cr, in November 2017, Obviously, the Index of industrial production increasing from July 2017, (118) to December 2018, (136) this impact after introduced of GST in India. Therefore, the IIP increased after introduced of GST in India.

Industrial Sectors Output and GST

Sources: Ministry of Finance

Year	Month	Mining & Quarryin	Manufacturing	Electricity	IIP	GST(Cre)
2017	July	92.4	119.3	151.9	118	94063
	August	92.6	124.1	155.4	122.1	90669
	September	94.4	125.6	150.5	123.1	93141
	October	100.8	123.7	149.8	122.5	83346
	November	107.7	127.7	140.1	125.8	80808
	December	115.5	132	143.9	130.6	86703
2018	January	114.7	133.8	149.5	132.3	86318
	February	110.1	129.7	136.1	127.4	85174
	March	131.6	140.2	156.7	140.3	103458
	April	102.6	123.1	153.7	122.6	103458
	May	107.6	130.1	164.7	129.6	94016
	June	104.9	128.6	159.7	127.7	95610
	July	95.5	127.6	162	125.7	96500
	August	92	130.6	167.2	128	94960
	September	94.5	131.6	162.9	128.8	94442
	October	108.1	133.9	166	132.8	100710
	November	110.6	126.9	147.2	126.2	97637
	December	114.4	135.5	150.3	133.7	94700

This table explains overall output of industrial sector such as Mining & Quarrying, manufacturing, Electricity and collection of goods and services tax in India. The general IIP estimate from there sector of industrial output in India. The maximum and minimum of three sector of production industrial sector are 114.4, 135.5 & 166 and 92, 119.3 & 140.1, respectively. From the table 4.2, productions of mining & quarrying has some fluctuation during the study period and remaining two sector production are increase continuously.

Descriptive Statistics of IIP and GST

Statistical Measurement	IIP	GST
Mean	127.66	93095.16
Stand error	1.23	1536.48
Median	127.55	94252.5
Mode		103458
Stand dev	5.23	6518.766
Sample variance	27.33	42494311.56
Kurtosis	0.84	-0.52
Skewness	0.51	-0.24
Range	22.3	22650
Minimum	118	80808
Maximum	140.3	103458
Sum	2297.2	1675713
N	18	18

The table shows, that descriptive statistics for IIP and GST. The table 4.6.exhibit IIP and GST a positive mean, sample mean, maximum, minimum, standard deviation, skewness and kurtosis have been reported.

The summary statistics shows average value of index of industrial production is 127.66. While the maximum and minimum values of IIP are 140.3 and 118, respectively. The average Goods and services tax Rs 93095.16, cr while the maximum and minimum amount of GST are Rs. 103458 cr and Rs. 80808 cr, respectively.

The low standard deviation of IIP with respect to the mean is an indication the low volatility in the industrial production. The value of standard deviation of GST indicates that the GST is less volatile that means no much more variance collection of GST during the study period.

The value of skewness and kurtosis indicate the lack of symmetric in the distribution. High or low kurtosis value indicates extreme leptokurtic or extreme platykurtic. Generally values for zero skewness and kurtosis at 3 represents that the observed distribution is normally distributed. In terms of skewness, IIP is positive asymmetry skewed to the right and GST have negative skewed to the left distribution. The degree of kurtosis of a distribution is measured relative to the peakedness or a normal. The value of kurtosis of IIP is -0.84 (< 3) the distribution is said to be flat topped, and the curve is platykurtic and also same conclusion for GST.

4.4 Testing of Hypotheses

Hypothesis -1

The IIP is significance impact on GST in India

Table 4.4

Estimation of GST from IIP using regression analysis

$$Y = \alpha + \beta x + u$$

$$Y = \text{GST}$$

$$X = \text{IIP}$$

$$\alpha = \text{Intercept value (if } x = 0)$$

$$\beta = \text{Co-efficient of determination}$$

$$u = \text{Stochastic variables (} u=0)$$

$$\hat{Y} = 52715.53 + 316.399X$$

$$\text{Sd.err} = 38506.50 \quad 301.483$$

$$t\text{-stat} = 1.3691.0494^*$$

$$F \text{ value} = 1.101 \quad R^2 = 0.06$$

Note: * insignificance at 5% level

The α value is **52715.53**, it indicate the maximum value of GST, if IIP is zero. The effect of IIP on GST is **316.399** it means one percent increase in IIP index it leads to Rs, **316.399** crof GST revenue increases. The t – test is 1.0494 (< 1.96), it reveals that there is insignificance relation between IIP and GST at 5% level.

The R^2 value is 0.06, there is 0.06% change in GST due to linear influence on IIP. The F- value indicates the model not good fit for analysis. Therefore, the hypothesis is “**The IIP is significance impact on GST in India**” is rejected.

Hypothesis -2

There is significance relationship between Industrial Sectors Output and GST

Table 4.5

Estimation of GST from Industrial Sectors Output using MLR analysis

$$Y = \alpha + \beta x + \lambda m + \gamma e + u$$

$$Y = \text{GST}$$

$$x = \text{Mining and Quarrying}$$

$$m = \text{Maunufacturing}$$

$$e = \text{Electricity}$$

$$\alpha = \text{Intercept value (if } x = 0)$$

$$\beta, \lambda, \gamma = \text{Co-efficient of determination / Unit changes}$$

$$u = \text{Stochastic variables (u=0)}$$

$$\hat{Y} = 6670.54 + 179.76X - 6.153m + 447.07e$$

$$\text{Sd.err} = 30208.145119.793 \quad 4.770 \quad 153.344$$

$$\text{t-stat} = 0.2211.501 \quad -1.290 \quad 2.916^*$$

$$\text{F value} = 5.111 \quad R^2 = 0.52$$

*Note: * significant at 5% level*

The α value is **6670.54**, it indicate the maximum value of GST, if Industrial sector output is zero. The effect of Mining and Quarrying, Maunufacturing and Electricity on GST is **179.76**, **- 6.153**, **447.07**, it means one percent increase in Mining and Quarrying index it leads to Rs. **179.76 cr** GST revenue increases. The co efficient value of Maunufacturing is **- 6.153** it means one present increase in index it leads to GST revenue decrease Rs, 6.153 cr. Finally, the co-efficient value of Electricity is **447.07** it represent one present increase in index it leads to Rs. **447.07 cr** GST revenue increases. The support for result is based on t – test is **2.916** (> 1.56), it reveals that there is significance relation between index of Electricity production and GST at 5% level.

The R^2 value is 0.52, there is 52% change in GST due to linear influence on production of industrial sector.

The F- value indicates the model good fit for analysis. Therefore, the hypothesis is “**There is significance relationship between Industrial Sectors Output and GST**” is accepted.

Conclusion

The concept of single tax policy in all sales and services first came from the European countries and later this type of tax policy is reformed as GST, which stands for Goods and services Tax. Already 160 countries have implemented GST in their tax regime. GST is a comprehensive tax system that will subsume almost all the indirect taxes of states and central governments. Although it was considered as the biggest taxation by many countries of the world in many years ago, India roused up around the year 2000 and then the NDA government formed an empowered committee to design GST model for its implementation and since many debates was arise on implementing GST in India.

The Supply of goods and services are base for charging tax. GAT is very comprehensive indirect taxation system on manufactured product and services, sale and consumptions of goods and services at national level. GST is going be one of the biggest tax reform after independence till the date. GST is very comprehensive indirect taxation system on goods manufactured and services provided. It is one of the biggest tax reforms in country.

The clause 366(26A) of the Bill defines “Services” means anything other than Goods. Thus it can be said that GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level.

Finally, the index of industrial production is positive impact on goods and services tax in India, but there is insignificance. On the other hand index of electricity, it is positive and significant impact on goods and services tax in india.

On priority, it is up to the government to address the capacity building amongst the lesser-endowed participants, such as the small-scale manufacturers and traders. Ways have to be found for lowering the overall compliance cost, and necessary changes may have to be made for the good of the masses. GST will become good and simple, only when the entire country works as a whole towards making it successful.

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