



Benefits and Implications for the Indian Economy of the Goods and Services Tax

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ABSTRACT

New taxes on products and services were implemented on July 1st of this year, beginning in California. As part of the new system, all of the current indirect taxes were scheduled to be replaced with a single tax. Consumption taxes are levied on items and services depending on where they are going to be utilised in accordance with the Products and Services Tax (GST) (Bhushan Satya). When a producer sells a product or service to a consumer, GST is a single tax that's added on top of whatever they sell. When it comes to value added taxes, it's all about the end user bearing the brunt of the cost, since input tax credits are transmitted to subsequent levels of value addition. Tax cascading will be reduced, if not eliminated, when the GST is implemented, according to the expectations. It is the goal of this article to emphasise the economic costs and advantages of the adoption of the GST. Also, the study seeks to determine what the economy's growth rate would be following the implementation of the GST. Finally, the research aims to determine how it will affect the economy in the long run and how it will assist the economy in the short term. In India, the impact of indirect taxes, such as GST, on small and medium-sized enterprises is being studied. Indian and other relevant literature up to 2020 has been researched, which includes both published and unpublished sources. The necessary literature has been selected with sufficient care and study. Thematic analysis and presentation of insights gleaned from a substantial body of literature. It is obvious from the findings of this study that GST has a significant impact on prospects for small and medium-sized enterprises (SMEs) in India as well as the experiences of SMEs in other countries and the present issues faced by SMEs in India. Significantly, the impact of GST on small and medium-sized businesses (MSME) across a wide range of sectors would be variable as well as dependent on state politics. This study serves as a foundation for future research and helps MSME owners and policymakers make educated choices.

Keywords-- Economic growth, tax collection, and tax revenue

INTRODUCTION

This year, India has enacted the most significant tax reform in the world: the tax is levied on both the buyer and the seller. It's a tax based on where you go. Taxes will be collected at the time of purchase. The GST concept was initially proposed in 1999-2000. According to the 12th Finance Commission, the Kelkar Committee advocated adopting GST in 2004-05. In February 2006, Finance Minister P Chidambaram proposed the adoption of the GST by the 1st of April 2010 on the basis of the same recommendations. When GST committee head Asim Dasgupta stepped down, the reform was placed on hold. On August 8th, 2016, the Parliament approved the Constitutional Amendment Bill for GST, "which was ratified by more than 15 states and enacted in early September (Prabhash K Dutta 2017)". At midnight on July 1st, 2017, the GST went into effect. In midnight, both chambers of Parliament assembled at Central Parliamentary Hall for a historic session to celebrate the beginning of the new fiscal year. The implementation of the GST has necessitated the filing of monthly returns by all registered people by the 20th of the following month. "On July 1st, 2017, the GST, or Goods and Services Tax, went into force. GST is a single tax that is levied on the supply of goods and services from the producer to the final consumer, in other words". There are two ways to think about value added tax: as a tax on value added, or as a tax imposed on value added. "There are now zero to 28 percent taxes on goods and services throughout India as a result of the implementation of the Products and Services Tax (GST)". There remains a distinct tariff rate for some commodities or items like gold, precious stones, and semi-precious stones. Special rates of taxation apply to some items. This tax is levied on a wide range of goods including luxury autos and cigarettes. The Benefits of GST A new tax system called the Goods and Services Tax (GST) has taken the place of the Value Added Tax. Indian goods and services are subject to a tax under this law. Taxes imposed by the federal and state governments were replaced or merged under this law. To name a few advantages, GST includes the following: -

Tax evasion was reduced as a result of this strategy. A restriction on the movement of black money. The entire cost of doing business is reduced because of a decreased tax burden. "Indirect taxes were consolidated into a single tax under the GST (Goods and Services Tax)". This resulted in a tax increase. simplify and streamlines the processes for all service providers and companies. A decrease in corruption is achieved, as well as a decrease in non-received sales by way of "the Goods and Services Tax (GST). Not just the elimination of the cascading tax impact, i.e., taxes imposed on taxes, but also an expected growth in the production of products and services". Taxpayers in the end has seen a reduction in their burden. The elimination of various taxes.

Negative Effects of GST

A new tax system called the Goods and Services Tax (GST) has taken the place of the Value Added Tax. Indian goods and services are subject to a tax under this law. Taxes imposed by the federal and state governments were replaced or merged under this law. Long-term profits are given precedence under the Goods and Services Tax (GST). While working hard for the future offers many benefits, it also comes with some drawbacks. There are many disadvantages to the GST, including the following: - Goods and Services Tax (GST) has pushed up transaction costs between banks. "The cost of doing business has gone

up from 15% to 18%. Insurance premiums have raised as a result of the Goods and Services Tax (GST)". The housing market has suffered as a result. Since the introduction of the GST (GST). The price of a home has risen by 12% in the last year alone. Businesses have had to deal with a more sophisticated Goods and Services Tax (GST) system since it was first implemented. Retailers had to pay up to 4% in sales tax before the introduction of the Goods and Services Tax (GST). The GST's Economic Benefits for India's Economy That is to say, taxes on taxes are reduced or eliminated as a result of the reduction in the cascading impact. Consumption of commodities is expected to rise in the near future. It was decided to get rid of all of the many indirect taxes that were packaged together. Tax compliance will be lower, and tax policy will be simpler, under the new system than under the old one. As a consequence of lower manufacturing taxes, production expenses have fallen. It's predicted that this would result in lower pricing for consumer items. As a result of this reduction in the financial load, consumers may now afford to buy the same costly things sooner. As demand increases, so does supply. There will be an increase in product output as a consequence of this. As the method utilised by merchants and stores is required to be scrutinised, it will help control the circulation of illicit money. India's economy will get a long-term boost.

REVIEW OF LITERATURE

Prof. Sudha Vepa Chair person Board of studies Department of Business Management, Osmania University, Hyderabad (2022) in her study, "Goods and Services Tax and Its Impact on the Indian Economy," he found that Corporations, enterprises, and service providers will benefit in the long run. Government and citizens alike stand to profit from a more transparent indirect tax collecting process.

The R. Kumar, Mohan A big part of the global economy will be played by India in the next years. Globally developed economies and neighbouring nations would all be affected by the introduction of the goods and services tax (GST). It will only be simple if the whole country works together to make it a success. Businesses may benefit from the new tax system's benefits on the economy in addition to what they are now experiencing.

"A Study on the Impact of GST: Business Review," by Ajeev, Kiran and T M. Somasekharan (2019), claims that Governments are also better equipped to deal with issues relating to taxes, input tax credits and refunds as well as international trade. Because of regular changes in GST regulation, companies must update their accounting systems. For the sake of brevity, we will refer to these charges as "technical and legal costs.

Dr .G. Vidyasagar Rao Joint Director Directorate of Academic Audit Osmania University (2022) is the author of this article (2018) In this research, named "Population Awareness, Knowledge, and Understanding of GST in India," examines how well the Indian public is informed about GST. GST aims to simplify the current indirect tax system and make it simpler for taxpayers to comply with it.

Dr Naveen Prasadula. MSC (I.T), MBA, PHD (2021) Department of Business Management Osmania University and K. Naveen Kumar, Research Scholar, Rabindranath Tagore University and Assistant Professor, Villa Marie Degree College for Women, Somajiguda, Hyderabad (2022) this investigation, dubbed "Population Awareness, Knowledge, and Understanding of GST in India," examines how well the Indian public is informed about GST. GST aims to simplify the current indirect tax system and make it

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A considerable influence on India's economic growth was seen with the implementation of the Goods and Services Tax (GST)". Tax reforms in India might reduce market volatility in the near future and improve the allocation of resources within the industry. The study also found that GST will increase GDP and exports for the nation, enhancing economic well-being and returns on production inputs like land, labour, and capital, among other things.

Dr Naveen Prasadula is the author a research titled "GST: The Economic Impact on India" The goal of this research paper is to demonstrate how GST, which comprises VAT, Excise Duty, Service Tax, and Sales Tax, can help simplify taxation in India's currently convoluted structure. A considerable influence on India's economic growth was seen with the implementation of the Goods and Services Tax (GST). Tax reforms in India might reduce market volatility in the near future and improve the allocation of resources within the industry. The study also found that GST will increase GDP and exports for the nation, enhancing economic well-being and returns on production inputs like land, labour, and capital, among other things.

Ms. Rajeshwari.P PHD *Research Scholar*, Dr APJ Abdul Kalam University Indore. (2022) her paper, "Customers' Awareness of Goods and Service Tax (GST)," explores the impact of GST on MSMEs as part of her research. Over the years, small and medium-sized businesses (SMEs) have been credited for fueling India's economic development (SMEs).

The world's Mitra Priyas have come together! (2017) the introduction of the Goods and Services Tax (GST) in India has been referred as a game changer. According to the findings, the GST streamlines several taxes and eliminates the cascading effect they have. Paper depicts a tax system with several tax rates. CGST and SGST cross credit utilisation would be possible depending on the effect of the input tax credit on the two tax systems.

Jadhav Bhika Lala (2017) the article's title is "The Impact of GST on the Indian Economy. GST, its features, and how it affects the price of goods and services will be discussed in this article". According to the report, India's current critical indirect tax structure has been reworked to simplify the GST system. Additionally, it was found that a GST with a well-thought-out design is an enticing method to prevent the distortion of the existing system of many taxes while simultaneously minimising compliance costs.

Vasundhara Jain and Reema Aggarwal are co-authors on this article (2017) It is discussed in "Impact of GST on the Indian Economy-Opportunities and Challenges why it is vital to alter the tax structure from the present tax structure to the GST model. Almost all state and local indirect taxes are covered by the GST's comprehensive income tax credit. More efficiently distributed input components will improve GDP and exports by using an integrated GST structure". Tax reform will be difficult for many people, but the new system's openness and coherence will entice foreign investment and deliver a slew of advantages.

OBJECTIVE OF THE RESEARCH

Additionally, the study examines the predicted growth rate of the economy after implementing the GST. Finally, the study determines how the effects on the economy will unfold in the long run.

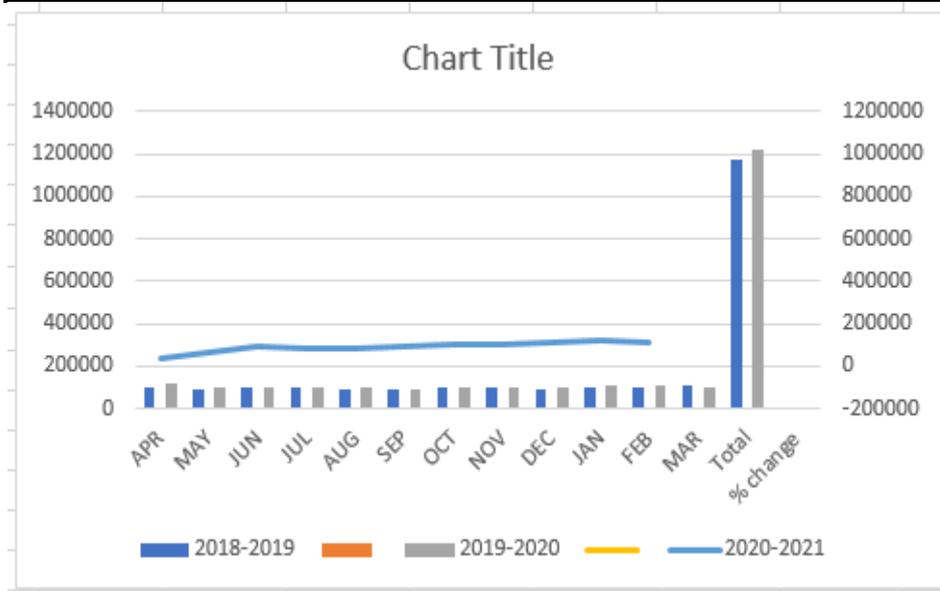
PROCEDURE OF THE EXAMINATION

The long-term benefits of GST (Goods and Services Tax) for India's economy are enormous. The Good and Services Tax (GST) has a benefit because of the universality of taxes. It incorporates all of India's previous indirect taxes, including those imposed before the Value Added Tax was implemented (VAT). Transparency in the business sector is made possible by the Goods and Services Tax (GST). When the economy improves, more employment will be created, which will ultimately lead to lower taxes. All parties engaged in the economy stand to gain by implementing GST throughout the country. Manufacturers and retailers would benefit from fewer tax filings and clearer rules. Customers anticipated to pay less for goods and services, but governments expected to gain more money from the same investments. For both domestic and international markets, Indian products are expected to become more competitive thanks to the implementation of the Goods and Services Tax (GST). An increase in household medical expenditures is projected to have a long-term impact on consumer demand, according to a research citing the effects of the two waves. It is (Subodh, Kumawat, 2021). "According to the GST Council of India, India has had its GST system in operation for three years. There are still many issues that need to be addressed by the government in order to develop a sound tax system. The COVID-19 outbreak compounded the government's efforts to remedy the GST's detrimental impact on the Indian economy. (AmitMundra, 2020) The influence on the Indian economy may be seen in the GST revenues over the course of three academic years.

Goods and Services Tax (GST) Collection (GST)

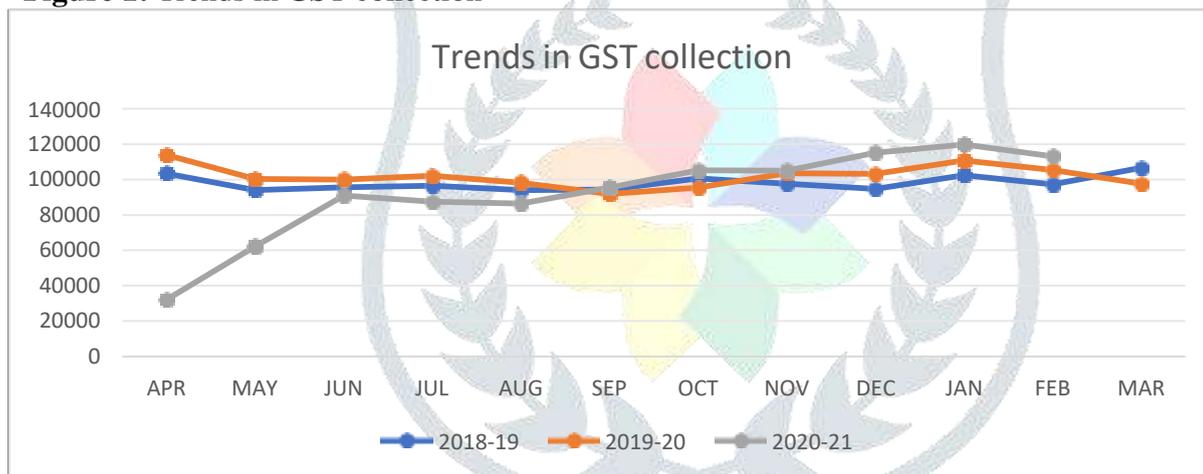
MONTHS	Year 2018-2019	Year 2019-2020	Year 2020-2021		
APR	103459	113865	32172		
MAY	94016	100289	62151		
JUN	95610	99939	90917		
JUL	96483	102083	87422		
AUG	93960	98202	86449		
SEP	94442	91916	95480		
OCT	100710	95380	105155		
NOV	97637	103492	104963		
DEC	94726	103184	115174		
JAN	102503	110818	119875		
FEB	97247	105366	113143		
MAR	106577	97597			
Total					
% change	1177370	3.801779	1222131	-17.1201	1012901

Tax revenue collected under the Goods and Services Tax (Inter-Year comparison)



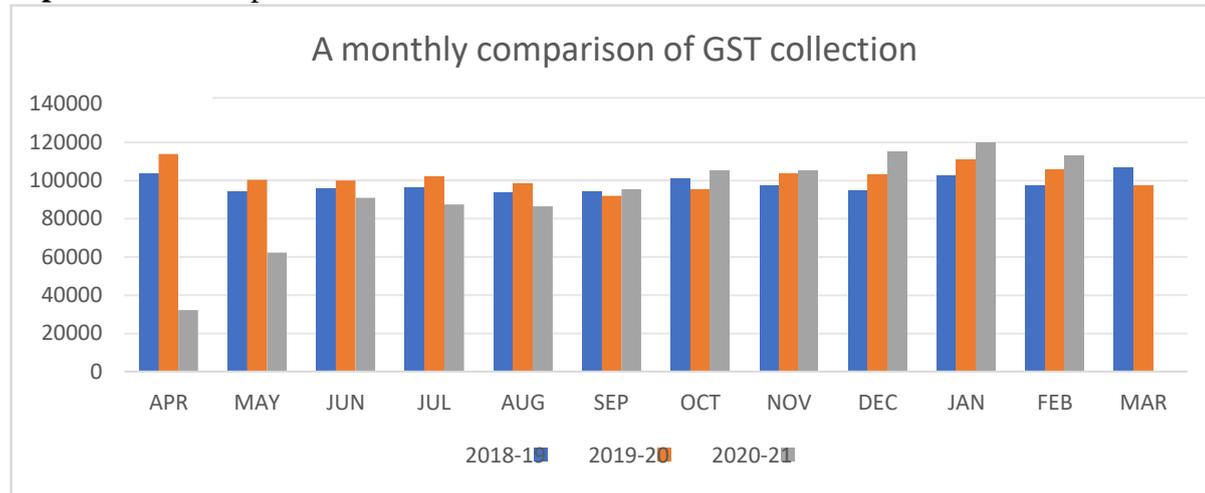
Source: Ministry of Finance Government of India. From 2018 to 2020, information will be gathered. GST receipts were Rs. 1177370 crores in fiscal years 2018-2019. The overall collection grew by 3.8 percent in the year 2019-2020, resulting in a total of Rs. 1222131 crores. But in 2020-2021, total collection fell to Rs. 1012901 crores, a decrease of 2 percent during that period.

“Figure 1: Trends in GST collection



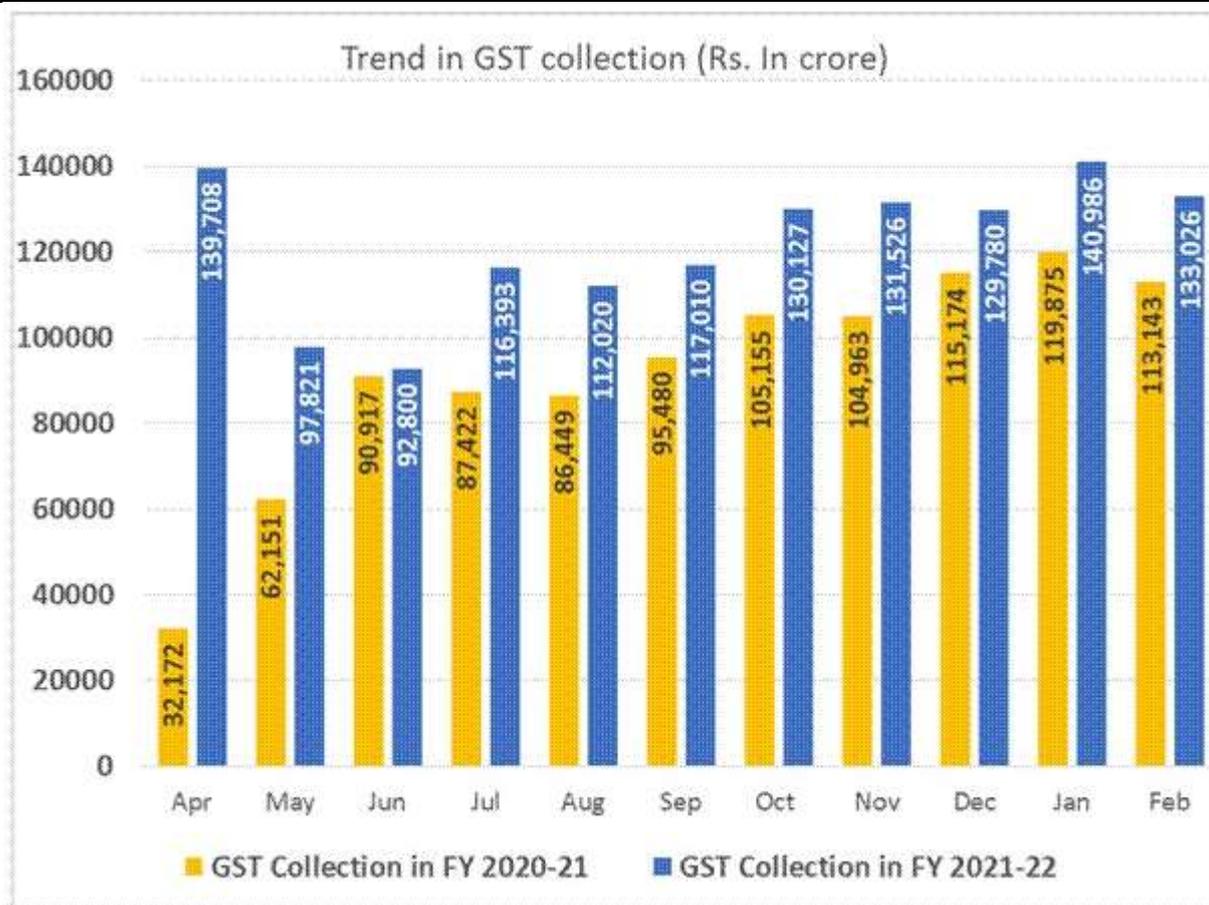
Source: Ministry of Finance Government of India”.

Multiple years have revealed a wide range in the amount of GST collected over the time period in question. It has showed a linear trend over the first two years of 2018-2019 and 2019-2020, with fluctuations at the start and end of each year. As a result, the year 2020-2021 has displayed a nonlinear pattern in GST collection.

Cipher 2: “A comparison of the GST collection month-to-month

Source: Ministry of Finance Government of India”.

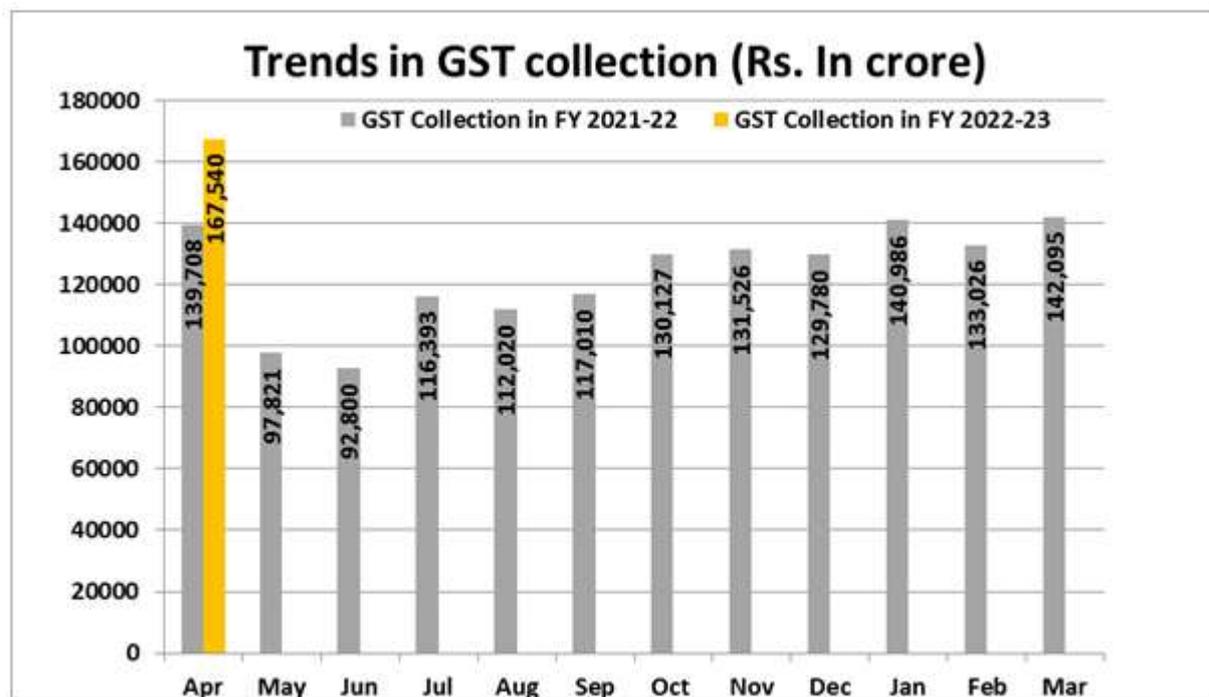
The table above displays the total amount of GST collected between 2018 and 2021. The largest amount of GST collected in March was Rs. 106577 Cr. (Rs. 106577 crore) in 2018-2019, according to an intra-year comparison. As for the August total, Rs. 93960 Cr. was all that was collected. In the fiscal year 2019-2020, the highest GST collection was in April, totaling Rs. 113865 Cr., In September, GST collections totaled Rs. 101916 Cr., the lowest of the year. Additionally, in the year 2020-2021, the largest amount of GST collected was Rs. 119875 crore. While the least amount, Rs. 32172 crore, was collected in January. in April. There was an upward tendency in the collections in November, December, January, and February over this time, while the rest of the months saw a variety in their totals. The effect on the country's GDP The GST is expected to increase India's GDP by between 1.0 and 3.0 percent after its implementation. “India's GDP growth rate has fallen to a six-year low of 4.04 percent for the 2019-2020 fiscal year”. Taxes implemented in July 2017 have mostly failed to live up to expectations. Two Corona pandemics have wreaked havoc on India's economy, wiping off millions of people. Growth in the Indian economy will fall from 8.26 percent in 2019-2020 to 4.04 percent in 2020-2020, and then to -7.26% in 2020-2021/22. “According to figures from the Ministry of Statistics and Programme Implementation, GDP in the third quarter of 2019-2020 was Rs 36.08 lakh crore at constant prices (2011-2012)”. Nonetheless; it is expected to be valued 36.22 lakh crore in Q3 2020-2021, a growth of 0.4 percent. The third quarter of 2020-2021 saw GDP rise by 0.4% after a gruelling first two quarters. As a consequence, the country's economy has come out of a technical downturn.



“In April 2022, GST revenue was Rs 1.68 lakh crore (about \$1.68 trillion). It was the first time ever that the gross GST collection topped the previous highest sum of Rs. 1,42,095 crore collected in the same month last year. In April, 2022, GST collections totaled Rs 33,159 crore; SGST receipts totaled Rs 41,793 crore; IGST totaled Rs 81,939 crore; and cess revenues were Rs 10,649 crore (including Rs 857 crore collected on import of goods). “In April 2022, total GST revenue reached an all-time high of Rs 25,000 crore, more than double the previous month's record-breaking collection of Rs 1,42,095 crore. Over Rs 33,423 crore in CGST and over Rs 26,962 crore in the SGST have been cleared by the government”. After normal settlement in April 2022, the CGST and SGST revenues were Rs 66,582 and Rs 68,755 crore, respectively. Twenty percent more money will be collected under the GST in April of 2022 than there was under GST in the same month the previous year. Import revenues were up 30% and domestic transaction revenues (including services imports) were up 17% compared to the same month last year, respectively, during this month. A record-breaking amount of money has been collected in GST for the first time in the history of the country.

From 4:00 p.m. to 5:00 p.m. on April 20, 2022, “the IRS collected the most taxes in a single day and an hour in its history. Rs 57,847 crore was paid out in 9.58 million transactions on April 20th, and around Rs 8,000 crore was paid out in 88,000 transactions during the hours of 4-5 PM on April 20th”, 2022. Last year, Rs 48,000 crore was paid out in 7.22 lakh transactions on the busiest single day, while Rs 6,400 crore was collected in one hour (2-3 PM on the same day last year) in 65,000 transactions. There were 1.06 million GSTR-3B filings in April 2022 compared to 92 million in April 2021, with 97 million being for the month of March 2022. In April 2022, 1.05 million GSTR-1 invoice statements were filed. GSTR-3B filings increased to 84.7% in April 2022, up from 78.3% in April 2021, while GSTR-1 filings

increased to 83.11 percent in April 2022, up from 73.9 percent in April 2021. The graph below depicts the current year's monthly gross GST revenue patterns. To see how each state's tax revenue compares to the previous year's, look at the following table.



CONCLUSION

In this article, India's most major reform, the Goods and Services Tax (GST), is examined. In India, economic development, capital investment, spending, consumer demand, and employment were all projected to be boosted by the implementation of the Goods and Services Tax (GST). "One Nation, One Tax, One Market" is the administration's goal for the country. This study indicates that India's economy has had mixed effects as a result of the Goods and Services Tax (GST). More than Rs. 1177370 crores was earned in the fiscal year 2018-19. There was a 3.8 percent increase in total revenue for the fiscal year 2019-20, reaching Rs. 1222131 crores. A total of Rs. 1012901 crores was lost in the fiscal year 2020-21. In terms of economic growth, the GST has a significant impact. Economic growth in India would slow from 8.26% to 4.04% in 2019-20 and then reach -7.26% in 2020-21. The TWO corona Pandemics are the primary cause of the falling GDP growth rate. Taxing consumption rather than income in emerging countries like India, where the service industry is booming, is projected to generate significant money. Finally, GST seems to eradicate all tax discrepancies, levelling the playing field for small and medium-sized businesses. In the long run, it has been suggested, the GST rate should be rethought. The research also found that the Atamnirbhar Bharat yojana, an LTC cash voucher programme, should be maintained till the GST income collection improves and the GDP grows at a greater pace. However, long-term growth in India's economy is possible provided patience and determination are shown in enacting the GST.

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