Impact of GST on Indian Economy

Mr. Rajesh Kumar
Department of Commerce,
B.R.A. Bihar University, Muzaffarpur.

Abstract

In India’s there are multiplied taxes which create problems for businesses as well as consumers. India is a country where we found complex tax structure. Present ruling govt. has given more emphasis on the implement of GST bill. The study described how GST will help to govt. and business. And also explained how GST reduces the cost of goods and services. By amalgamating a large number of central and state taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill effects of cascading and pave the way for common national market. Some of them gave positive responds and some others gave negative feedbacks as the implementation has resulted in higher prices for goods and services and thus this tax may cause burden to people. GST will have widespread ramification on the economy, be it manufacturing sector or service sector. All the players of the commercial sphere be it trades, manufactures or service providers are equally being affected by the introduction of GST.

Keywords: GST needs, Indian economy, awareness and knowledge.

Introduction

Goods and services Tax (GST) are a proposed system of indirect taxation in India merging most of the exiting taxes into single system of taxation. It was introduced by the constitution (One Hundred and First Amendment) Act 2016. The chairman of GST bill is union finance minister which is currently Arun Jaitley. GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India. To replace taxes lived by the central and state governments. Goods and services tax would be livid and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST- registered business to claim tax credit to the value of GST they paid on purchase of goods and services as part of their normal commercial activity. Taxable goods and services
are not distinguished from one another and are taxed at single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services adhering to the destination principle. Introduction of an integrated goods and services tax (GST) to replace the existing multiple tax structures of central and state taxes is not only desirable but imperative in the emerging economic environment. The implementation of GST would ensure that India provides a tax regime that is almost similar to the rest of the world. It will also improve the international cost competitiveness of native goods and services. The GST at the central and at the state level will in this way give more alleviation to industry trade, and agri-business also, customers through a more thorough and more extensive scope of coverage of input tax set-off and services tax setoff. The finance minister of India Mr. Arun Jaitley assured that India could become a global market as implementation of GST will give 21 boosts to Asia’s third largest economy.

Objectives of the study

1. To study about the concept of GST.
2. To study the pros and cons of GST.
3. To study the positive and negative impact of GST on Indian economy.

Research Methodology

The research paper is an attempt of research. Based on the secondary data sourced from Journal, internet, Books, previous research paper which focused on the various aspects of good and service act.

Features of GST

The proposed GST regime shall have the following features :

1. It shall be a destination-based taxation.
2. It shall have a dual administration- central and state.
3. State wise determination of taxable person- no more centralized registration.
4. Seamless credit amongst goods and services.
GSTN

Goods and services tax network (GSTN) are a not-for-profit, non-government firm that would provide IT infrastructure and services to the central and state government, taxpayers and other stakeholders for implementation of the goods and services tax (GST). It will be owned by three stakeholders- the centre, the state and the technology partner NSDL. then central board of excise and customs (CBEC) chairman S Duttmajumdar said while addressing a “National Conference on GST.” On the possibility of rolling out GST, he said, “There was no need for alarm if GST was not Rolled out in April 1, 2017”.

Multiplicity of Taxes

Presently, the constitution empowers the central government to levy excise duty on manufacturing and service tax on the supply of services. Further it empowers the state governments to levy sales tax or value added tax (VAT) on the sale of goods. This exclusive division of fiscal powers has led to a multiplicity of indirect taxes in the country. In addition, central sales tax (CST) is levied on inter-state sale of goods by the central government, but collected and retained by the exporting states. Further, many states levy an entry tax on the entry of goods in local areas. Taxes by union government, state governments and the local government have resulted in difficulties and harassment to the payer. He has to contact several authorities and maintain separate for each of them.

Tax-Rate Under the Proposed

GST As per the decision made by all will of GST council on November 3, 2016, the tax rates would be at 4 slab of 5%, 12%, 18%, and 28%. Luxury and demerit goods will be taxed at 28% plus cess daily needs will be taxed at 5%.

Needs for GST

1. VAT rates and regulation differ from state to state. And it has been observed that states often resort to slashing these rates for attracting investors. This results in loss for both the central as well as state government.

2. As business processes have evolved, the taxing lines between the state list and central list have started to blur leading to double taxation and extensive litigation.
3. The central and state taxes are not fungible against each other nor are the state taxes fungible inter-state, leading to a cascading effect.

4. The disparity in the rate of taxes as levied by respective state has led to business structuring their transactions only to achieve a tax advantage.

**Pros and cons of GST**

There are the following pros of GST

- GST introduced One-Country-One –Tax Regime
- GST divided all indirect taxes at the state and central level.
- GST widen the tax regime by covering goods and services as well as make it transparent.
- GST increased consumption by brought down the prices of goods and services.
- GST created business-friendly environment by increase tax-GDP ratio.
- GST reduced the cascading effect of taxes on the final price of the product.
- GST eliminated multiple taxes.
- GST reduced black money in the market, need for financial documentation increased.
- Higher threshold for registration.
- GST introduced composition schemes for small business.
- Online simple procedure under GST.
- Lesser compliances.
- Regulating the unorganized sector.
- Employment opportunities generation for youths as GST trained experts.

**Cons of GST**

There are some cons of GST are as follows

- GST made some services and goods expensive.
- All credits are online and some penalties applied. So, it is threatening for some business men who were free from the taxes in the past.
- Maintenance of record is not easy for small businessman because it compiles many types of taxes.
- Learning of new tax system required would not be an easy tax for the small traders.
➢ Necessity of internet, laptops and computers required for small traders who lack such kind of facilities.
➢ Local dealers have to be paid GST at both level CGST and SGST level.
➢ Few industries negatively affected by the GST system like Real Estate etc.
➢ GST system stated heavy reduction in the collection of GST during some last years.

Positive impact of GST on Indian economy

There are following positive impacts of GST on Indian Economy
➢ Reduce the burden of tax on manufactures and producers through more production.
➢ Single tax system eliminates the different tax barriers.
➢ Government Revenue increased after the implementation of GST.
➢ Some sectors like Auto Commercial Vehicle, consumer goods, footwear, cigarettes, building material and logistics make grow due to reduction of tax on different items under GST.

![Diagram of GST](image)

Negative impact of GST on Indian economy

There are following positive impacts of GST on Indian Economy
➢ Some sectors like Hotels, Restaurant and Branded Apparels go down due to increase in tax rates on different items under GST.
➢ GST tax rate varies from 0%, 5%, 12%, 18% and 28% which is limited for the whole taxation system earlier separate tax rate existed for different goods and services.
➢ Growth in inflation might be effect due to GST.
➢ Increased value of offerings approach, an upload on for your monthly prices.
Reorganization of the budgets to endure the additional services cost.

Conclusion

- The introduction of goods and services tax (GST) would be a significant step in the reform of indirect taxation India. Amalgamating several central and state taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement.
- India is all set to introduce goods and services tax after crossing the various hurdles in its way. GST is a long-term strategy planned by the government and its positive impact shall be seen in the long run only.
- Moving to GST regime will be beneficial for the economy on multiple counts. GST will soon be knocking the doors if Indian economy and thus we shall all be ready to deal with it. It’s the world wide accepted system of taxation and will result in India joining this system too.
- In India implementation of GST would also greatly help in removing economic distortion caused by present complex tax structure and will help in development of a common national market.
- No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector.
- Electronic processing of tax returns, refunds and tax payments through “GSTNET” without human intervention, will reduce corruption and tax evasion.
- GST offer comprehensive and continuous chain of tax credits from the producer’s point/service, producer’s point up to the retailer’s level consumer’s level thereby taxing only the value added at each stage of supply chain.
- Overall revenues of the government would increase will GST as it would promote export, raise employment and growth.

References


4. Purohit MC, Purohit VK. Goods and Services Tax in India.


6. Dr. SK Singh, Dr. Madhulika Singh. Public Finance” (Edition 2018) Published by SahityaBhawan Publication Agra.


9. Google-Budget 2017-GST.