

GST: Impact on Indian Economy

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Introduction

Indian Government cancelled other all taxes on goods and services and started one tax system which is GST (Goods and Services Tax). There are four type of GST namely SGST, CGST, IGST, UGST.

The new tax system was launched at a function in Central Hall of Parliament on 1st July, 2017 (Friday midnight).

“GST is tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer’s / service provider’s point up to the retailer’s level where only the final consumer should bear the tax.”

France is the first country in the world which has implemented GST in 1954. In India, the Constitution 115th Amendment Bill, 2011 was introduced in Parliament to enable the levy of GST. The government has appointed various committees, task force to give their views to introduce a vibrant and modern indirect tax structure in India.

However, the Bill lapsed with the discussion of the 15th Lok Sabha and then, the bill was passed by Lok Sabha in May 2015 and referred to a Select Committee of Rajya Sabha for examination.

Objectives of the Study

- 1) To Study the basic concept and framework of GST.
- 2) To Study the Impact of GST on Indian Economy.

Data Collection

This research paper is purely based on the secondary data. The data collected from websites, Journals, articles.

Concept of GST

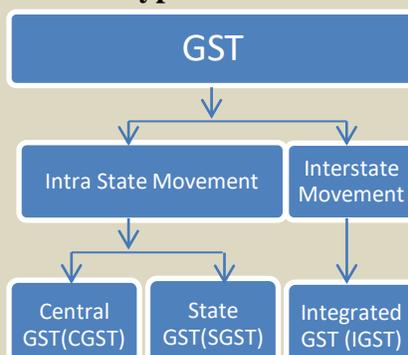
Goods and Services Tax (GST) is a value-added indirect tax at each stage of the supply of goods and services precisely on the amount of value addition achieved. It seeks to eliminate inefficiencies in the tax system that result in ‘tax on tax’, known as cascading of taxes. GST is a destination-based tax on consumption, as per which the state’s share of taxes on inter-state commerce goes to the one that is home to the final consumer, rather than to the exporting state. GST has two equal components of central and state GST.

Businesses and traders with annual sales above Rs20 lakh are liable to pay GST. The threshold for paying GST is Rs. 10 lakh in the case of northeastern and special category states. GST is applicable on inter-state trade irrespective of this threshold.

Rate of GST (Some Countries)

Country	Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
Sweden	25%
New Zealand	15%

Types of GST



- 1) **CGST:** - CGST Stands for Central Goods and Services Tax. This is applicable on the supplies within the states. This tax is collected by the central government.
- 2) **SGST:** - SGST Stands for State goods and services Tax. This is applicable on supplies within the states. This tax is collected by the State Government.
- 3) **IGST:** - IGST Stands for Integrated goods and services Tax. This is applicable on interstates and import transactions. This collected Tax is shares between center and states governments.
- 4) **UTGST:** -If transaction is related to any Union Territory (At present: Andaman & Nikobar Island, Lakshadweep, Dadra & Nagar Haveli, Daman & Diu and Chandigarh), then in place of SGST, UTGST will be charge.

Transaction	Old Regime	New Regime
Intra state (Sale within the state)	VAT + Central Excise/Service tax	CGST + SGST
Inter State (Sale to another State)	Central Sales Tax + Excise/Service Tax	IGST

The Taxes included in the GST

GST will be substituting all indirect taxes levied by the state and central government. GST would apply to all goods other than crude petroleum, motor spirit, diesel, aviation turbine fuel and natural gas and alcoholic liquor for human consumption. Indirect Taxes that are going to subsume under GST are given below:

CGST	Central Excise duty + Additional Excise Duties, Service Tax, Central Cesses and surcharges on goods & Services, Additional and special additional duties of Custom
SGST	VAT, State cesses and surcharges on goods & Services, Taxes on Lottery, Betting, Gambling, Entry Tax & Octroi, Entertainment Tax, (except by local bodies), Purchase Tax & Luxury Tax, Central Sales Tax

GST and Its impact on Indian Economy

- 1) **Fast moving consumer goods sector:** The current rate of taxation in FMCG sector is around 22 to 25% and after GST rate is expected to be much lower which will result in reduction of prices of consumer goods.
- 2) **Food Industry:** The application of GST to food items will have a Notable impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains

and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

- 3) **Information Technology enabled services:** Today, most IT service providers have a multi-locational presence with the preferred mode of service tax compliance being on a centralized basis from a single location and IT service provider also enjoys the input service credits as well as enjoys the refunds. But under GST, service provider may be required to pay State GST or Central GST or Integrated and GST across multiple states, which is not clear yet.
- 4) **Infrastructure sector:** By the implementation of GST the complex tax will be removed and would increase tax base.
- 5) **Real Estate Industry:** The implementation of GST on real estate sector will effect partially. As the sale or transfer of immovable properties are not included in GST. However the procurement of materials of construction is falling under GST. The classification of goods and services is very important under this sector because it is very necessary to classify the things which will cover under GST and which are not. The implementation of GST will affect same as in service sector.
- 6) **Pharma Industry:** The implementation of GST would have a constructive effect on Healthcare industries particularly Pharma. It will help the industries by sorting out the taxation structure since 8 different types of taxes are enforced on pharmaceutical industries today. The merger of all the taxes into one uniform tax will ease the way of doing business. GST would also improve the transportation and supply chain of pharmaceutical products.
- 7) **Services Sector:** Services sector of India consists of 60% of the GDP. The GST rate for services is expected to be 18 to 20% which is higher than the current rate of tax that is 15%. So there will be increased cost for services like Banking, Telecom and Insurance.
- 8) **Agriculture Sector:** The GST on agriculture sector will have a positive impact as all the taxes will be subsumed under a single rate of tax. So the movement of agriculture commodities between states will be easier & hassle free which will save time and remove wastages for the transportation of perishables items.
- 9) **Transport sector:** GST is a positive for transportation sector in two ways, as it reduces the logistics cost and increases the efficiency both within India and exports.
- 10) **Tourism, Hospitality and Restaurant:** Presently, the rates in these industries are higher due to existing multiple taxes. With the implementation of RNR (Revenue Neutrality Rate) which is more than the present tax rate, this would definitely discourage tourists and users of services and adversely affects the growth of sector.
- 11) **E Commerce:** Due to GST Increase in administration & documentation workload.
- 12) **Telecom:** GST implementation on telecom industry is the price of handset is come down and increase in call rates and data charges.

Conclusion

To Introducing the GST To the consumer and Indian Market Indian government take steps to reform the India's tax system and make it better. GST helps to decrease many goods and services price but also increases rates partially in food industry, telecom industry. GST helps to

generate revenue to State and central government and it is a simple & easy to administer, GST helps to make more transparency. Efficient and effective control on leakages. GST helps business the multiple transactions cost of doing businesses. GST benefited to consumers Minimization of tax burden, Reduction in prices of goods& services. GST benefited to business by Simplification & Automation of compliance procedures, Eradication of multicapitality of taxes, Competitive environment for Indian goods & Services in International markets, Uniformity of Tax rates & structures, Removal of cascading.

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