



## **Goods and services tax (GST) in India and its impact on Indian economy**

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### **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 burder 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) is 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 ArunJaitley. 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 centre 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. ArunJaitley assured that India could become a global market as implementation of GST will give 21 boosts to Asia's third largest economy.

### **Objective of the study**

1. To know the concept of GST.
2. To check the impact on prices of goods and services.
3. To know the need for GST.
4. To study the 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- centre 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) is 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.

**Positive Impact of GST**

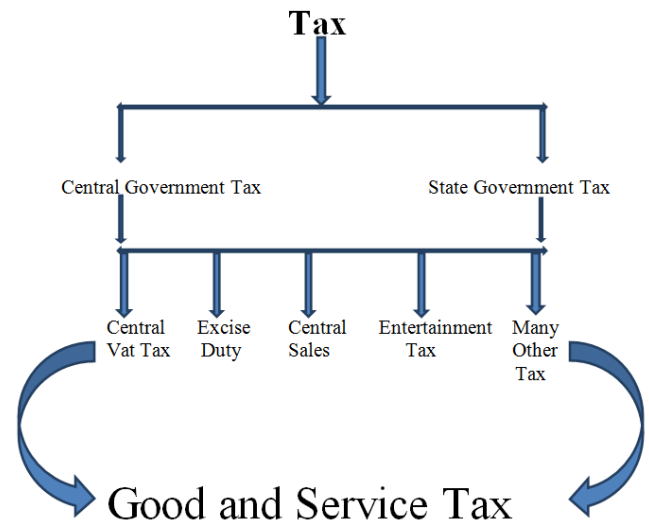
A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, excise etc. A simplified tax policy as compared to earlier tax structure

1. Tax evasion will become difficult.
2. Removes cascading effect of taxes (i.e) removes tax on tax.
3. Due to lower burden taxes on the manufacturing sector the manufacturing costs will be reduced, hence prices of consumer good likely to come down. Due to reduced costs, some products like cars, FMCG, etc. will become low.
4. This will help in lowering the burden on common man (i.e) you will have to spend less money to buy the same products which were earlier costly. The low prices will further lead to an increase in the demand of good.
5. Increased demand will lead to increase in supply. Hence, this will ultimately lead to increase in the production of goods. The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers act rally get low-priced goods.

**Impact of GST on Indian Economy**

The Goods and Services Tax (GST) bill is expected to have wide ranging ramifications for the complicated taxation system in the country. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. While giving financial muscle to the government for increasing the capital expenditure which will help the economy grow. The GST

impact on growth will be negative in short run but positive later. The 1% tax that has been proposed as a sop to appease the states for compensating their loss of revenue from the inter-state CST is likely to play a spoil sport. It is probable that it may affect the GDP adversely. FMCG companies will now shift towards the area where they can have the benefits of tax. There will be a positive effect on costing of products or costing also. Hence GST playing a favourable role. The Indian infrastructure sector largely comprises power road, port, railways, and mining. And the indirect tax levy is different and unique for each of them, and this is complex in nature. After implementation of GST the system of multiple taxes will not exists, therefore increasing the tax base currently in Indian tax evasion is the problem lying in front of govt. and due to confusing tax system prevailing people often evade, but GST will act as a weapon against this practise and increase the revenue for the government as well with the collection done at point of sale, both components will be charged on the manufacturing costs and therefore leading to decrease of price which in turn will benefit the consumer and further leading to increase in the consumption of goods which further will increase the profit of the companies.



**Fig 1**

**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.

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