

IMPACT OF GOODS AND SERVICES TAX (GST) ON INDIAN ECONOMY

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ABSTRACT

GST is a single national uniform tax levied across India on all goods and services. Under GST, indirect taxes like excise duty, central sales tax (CST), value-added tax (VAT), etc. will be consolidated into a single system. India's economic growth is often credited to the introduction of the Goods and Services Tax (GST), which is seen as a major step toward a comprehensive indirect tax reform in the country. The purpose of the proposed study is to determine the effects of GST on the Indian economy by looking at how it will affect various industries separately. With an exploratory focus and a reliance on secondary sources, this study draws its conclusions. The study is exploratory in nature and Secondary Data which has been used for the present study has been collected from different sources i.e. Journals, Periodicals, Newspapers & different websites.

Key Words: GST, Economy, cascading effect of taxes, GST Council, Cess, taxation reforms.

INTRODUCTION

Goods and Services Tax (GST) was launched on 1st of July 2017. It is an indirect tax applicable throughout India. Now single tax would be levied on all goods and services. Around 160 countries have implemented GST. GST will ensure a comprehensive tax base with minimum exemptions, which will help the industry. GST will help the economy to grow in more efficient manner by ameliorating the tax accumulation as it will disrupt all the tax barriers between states and integrate country via single tax rate. It will benefit the Indian economy in many ways-help in reducing the price for consumers, rate of tax will be uniform, reduce multiple taxes. GST will affect many sectors in positive or negative manner. GST, as per government estimates, will boost India's GDP by around 2 per cent. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. After GST implementation certain products prices will reduce like branded goods, hotels, personal hair products, soap etc. Few products price will increase like mobile bills, aerated drinks, internet, air tickets. Goods and Services Taxes would be collected in three ways: CGST: where the revenue will be collected by the central government, SGST: where the revenue will be collected by the state governments for intra-state sales, IGST: where the revenue will be collected by the central government for interstate sales.



Features of GST

- **Registration of taxpayers:** Every person with a turnover exceeding Rs 20 lakh will have to register in every state in which he conducts business. This threshold will be Rs 10 lakh for special category states (i.e. Himalayan and North-Eastern states).
- **Returns:** Every taxpayer is required to file tax returns on a monthly basis by submitting: (i) details of supplies provided, (ii) details of supplies received, and (iii) payment of tax. In addition to the monthly returns, an annual return will have to be filed by each taxpayer.
- **Exemptions from GST:** There are certain goods and services which are exempted from GST.
- **Taxable amount (value of supply):** The GST would be applicable on the supply of goods and services, whose value will include: (i) price paid on the supply, (ii) taxes and duties levied under other tax laws, (iii) interest, late fee, penalties for delayed payments, among others.
- **Payment of GST:** The CGST and SGST needs to be paid in the accounts of the central and states government.

- Goods and Services Tax Network (GSTN): It is a non-profit, Non-Government Company called Goods and Services Tax Network (GSTN). It will manage the entire IT system of GST portal.
- Input Tax Credit (ITC) Set Off : ITC for CGST & SGST will be taken for taxes allowed against central and state respectively.
- GST on Imports: Centre will levy IGST on inter-State supply of goods and services.

REVIEW OF LITERATURE

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" that implementing GST in India would help in removing current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Nishita Gupta (2014) in her study stated that by implementing GST would give many benefits to our country which is not given by current tax structure and will benefit the economy.

Rathod M (2017) in his paper "An Overview of Goods and Service Tax (GST) In India" concludes that GST will be a step towards a developed India benefiting too many parties and entire nation.

World Bank (2018) and et.al "Study on GST in India" concluded that the Indian GST system is among the most complicated ones in the world, with its high tax rates and a larger number of tax rates and negative impact on its economy.

OBJECTIVES

- To understand the concept & structure of GST.
- To explore the type of tax under GST.
- To study about the impact of GST on different sectors of Indian Economy.

METHODOLOGY

The present paper is based on descriptive as well as exploratory research. It is descriptive in the sense that proper description has been made regarding the concept of GST in India. It is exploratory in the sense that various impacts of GST on Indian economy which can be positive as well as negative have been identified. The present study is based on secondary data and the various secondary sources include books, journals, magazines, newspapers, websites etc.

STRUCTURE OF GST

GST Council has specified multi-tier tax structure of 0%, 5%, 12%, 18% and 28% as applicable to different categories of goods and services. 7% items are exempted from GST, whereas, 14% items have 5% GST tax slab and 17% items have 12% GST tax slab. Around 43% items have 18% GST slab rate and 19% items have 28% GST slab rates. The latest category list is as under:-

- **GST Rate Slab Exempted (No Tax):** This category includes 7% of all goods and services. Fresh fruits and vegetables, milk, buttermilk, curd, natural honey, flour, besan, bread, all kinds of salt, jaggery, hulled cereal grains, fresh meat, fish, chicken, eggs, bindi, sindoor, kaja,

bangles, drawing, and coloring books, stamps, judicial papers, printed books, newspapers, jute and handloom, hotels and lodges with tariffs below INR 1000, and so on are examples of these.

5% GST Rate Slab: This category includes 14% of all goods and services. Some examples include clothing under INR 1000 and footwear under INR 500, packaged food items, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, cashew nut, cashew nut in shell, raisin, ice, fish file, kerosene, coal, medicine, agarbatti (incense sticks), postage or revenue stamps, fertilizers, etc.

12% GST Slab Rate: Edibles such as frozen meat products, butter, cheese, ghee, packaged dry fruits, animal fat, sausages, fruit juices, namkeen, ketchup & sauces, ayurvedic medicines, all diagnostic kits and reagents, cellphones, spoons, forks, tooth powder, umbrella, sewing machine, spectacles, indoor games such as playing cards, chess board, carrom board, ludo, apparels above INR 1000, This category includes 17% of all goods and services.

18% GST Slab Rate: This category includes 43% of all goods and services. Pasta, biscuits, cornflakes, pastries and cakes, preserved vegetables, jams, soups, ice cream, mayonnaise, mixed condiments and seasonings, mineral water, more than INR 500 footwear, camera, speakers, monitors, printers, electrical transformer, optical fiber, tissues, sanitary napkins, notebooks, steel products, headgear and its parts, aluminum foil, bamboo furniture, AC restaurants that serve liquor, restaurants in five-star and luxury hotels, telecom services.

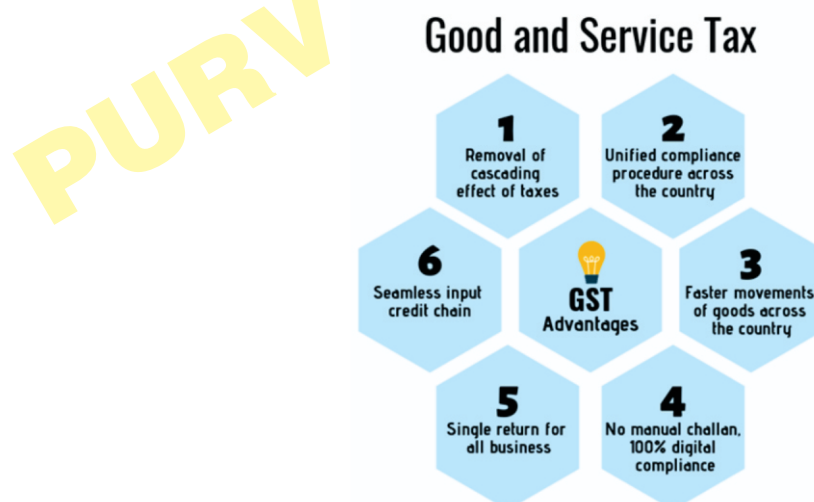
28% GST Rate Slab: This category includes 19% of all goods and services. The remaining edibles, such as chewing gum, bidi, molasses, chocolate that does not contain cocoa, waffles and wafers coated in chocolate, pan masala, aerated water, personal care items such as deodorants, shaving creams, aftershave, hair shampoo, dye, sunscreen, paint, water heater, dishwasher, weighing machine, washing machine, vacuum cleaner, automobiles, motorcycles, Five star hotel stays, race club betting, private lottery and movie tickets above INR.



BENEFITS OF GST

- GST will enable seamless credit across the entire supply chain and across all states using a single tax base.

- The implementation of a Goods and Services Tax would eliminate the cascading effects of taxes on the production and distribution costs of goods and services.
- The elimination of cascading effects, i.e. tax on tax, will significantly improve the competitiveness of original goods and services in the market, resulting in a positive impact on the country's GDP growth.
- Revenue will rise under the GST regime as the dealer base expands by capturing value addition in the distributive trade and as compliance improves.
- The GST regime is expected to increase transparency in the indirect tax framework while also lowering the rate of inflation.
- Exports will be zero-rated in their entirety under the GST regime, as opposed to the current system, where refunds of some taxes are not permitted due to the fragmented nature of indirect taxes between the Centre and the States.
 - All taxes paid on exported goods or services, or on inputs or input services used in the supply of such export goods or services, will be refunded.
 - By eliminating rate arbitrage between neighboring states as well as that between intra and inter-state sales, uniform GST rates will reduce the incentive for evasion. Harmonization of laws, procedures and tax rates will make compliance easier and more straightforward.
- Common procedures for taxpayer registration, tax refunds, uniform tax return formats, a common tax base, a common system of classification of goods or services, and timelines for each activity will provide greater certainty to the taxation system.
- GST is heavily reliant on technology. The common portal will serve as the taxpayer's interface with the tax authorities (GSTN). Various processes, such as registration, returns, refunds, tax payments, and so on, will be simplified and automated.



SECTOR-WISE IMPACT OF GST IN INDIA

1. E-commerce

E-commerce sector in India is making progress day by day and after implementation of GST there is continuous growth in e-commerce sector's but seeing its long term effect will be interesting because tax collection at source (TCS) mechanism is introduced by GST law for e-companies with which they are not too happy. Introduction of GST will increase administrative cost of e-commerce companies because GST makes it necessary to collect tax collection at source which disrupts the relation between buyer and seller. Current rate prevailing in India for TCS is 1%.

2. Pharma

Taking about overall impact of GST, pharma and healthcare industries is the most benefitingsector. It will set a degree of performance for generic drug makers, it boost medical tourism and also elucidate tax framework. So a major concern which will arise for pharma sector is pricing tax structure. So this sector is expecting a tax relaxation as it will result in making healthcare services affordable to all at easy rates. The healthcare sector remain exempted from the GST and all the inputs of this sector will be taxed at the rate of 18% which will result in increasing the operating cost of healthcare sector.

3. Telecommunication

After implementation of GST prices of telecom sector will arrive down. Through effectively managing the inventory and by strengthening their warehouse manufactures will get the benefit of saving on cost. For handset manufacturer it will be more convenient to sell their equipment because GST has revoke the requirement of setting state specific bodies and transfer stocks as will add on saving the logistics costs. Tax rate under GST on this sector is 18% which was 15% previously. With higher tax credit is unlikely to exceed 1% of the revenue.

4. Textile

As we know textile industry generate large number of jobs for skilled and unskilled workers in India. It also gives 10% in the total export, and it will continue to grow under GST also. GST would affectsmall and medium enterprises through affecting the cotton and textile industry because it formerly attracted zero central excise duty (optional). Expected rate is 15% after GST which will have a reasonable impact on the industry. The impact will be neutral or a little negative compared to other present system of taxation. But they will be benefited with reduce cost of transportation, saving etc.

5. Real Estate

In Indian economy real estate is a most essential sector, and it also has a huge role in employment generation. We can't evaluate the impact of Goods and Service Tax on real estate completely because it heavily depend on prevailing tax rates. This sector has brought a lot of essential transparency and accountability to the industry; it is due to the implementation of GST. Tax rate under GST on under-construction real estate projects will be 12% only and which is not fixed at 18% because it will reduce land cost.

6. Agriculture

Agriculture sector is the base of Indian economy as a large part of population depends on agriculture and it also is also contributing a major part in Indian GDP it has 16% part in overall GDP. Implementation of GST will resolve the major issue of agriculture sector which is transportation of agriculture products. Implementation of Goods and Service Tax is a notch towards building one national agricultural market on account of comprising all type of taxes on marketing of agricultural products. Under GST tax rate is nil in seeds, 12% on tractors, 5% on fertilizers and 12% is on fertilizers.

7. FMCG

FMCG sector is another most essential sector and it is taking important benefit through saving in logistics and transportation cost and Goods and Service Tax has also terminated the requisite for various sales depots. Under FMCG, by and large tax burden would reduce. The major relief would be in Soap and Hair oil segment.

8. Freelancers

Freelancer is still a promising industry in India and the rules regulation related to it also very uncertain yet. But due to the GST implementation it will become easy for freelancer to file their taxes online and it is also easy to do. As previously they are taxed as service provider but the new tax format brings lot of transparency and answerability in freelancers.

9. Automobiles

Automobile industry is a biggest producing sector as it produces a huge number of cars which is mostly used by the giant population of India. In the earlier tax structure, a number of taxes laid on this sector, such as road tax, value added tax, sales tax, motor vehicle tax etc. GST submergerd the all taxes previously collected individually by government. There is a decrease in tax burden on majority of manufactured goods after GST implementation. A view at key components of manufacturing like automobile sector discloses that tax rate will be reduced in automobile sector and main advantage would go to SUV segment.

10. Startups

GST will fit well in Indian startup scene due to the increasing limit of registration; tax credit on purchase etc. previously in India there was different VAT laws in different state which create a lot of confusion to the companies which have PAN India presence. But after the introduction of GST this problem is resolved as a uniform tax structure is followed all over the country.

CONCLUSION

One of the most significant actions taken by the administration is the introduction of the Goods and Services Tax (GST). The use of an information technology (IT) method for goods and services tax increases openness of tax income to the public. After the introduction of GST, the advantage of which is transferred to both government and consumer, it is expected that mischievous activity related to theft will be eradicated. The government's anticipated increase in

revenue would not come from higher prices paid by customers but rather from a decrease in tax evasion. We have made the biggest step toward a more equitable indirect tax reform in our country with the implementation of GST. There is no distinction between the government, industry, or the service sector when it comes to the application of the goods and services tax. The goal of establishing GST is to promote economic growth on a national scale by facilitating greater collaboration between individual state economies. Confusion and problems are to be expected in the transition to a new goods and services tax (GST) regime, to which 159 nations are currently familiar. Because of the different tax rates imposed by the federal government and individual states, GST has gained widespread acceptance and praise.

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