

## **Impact of GST on Indian Economy**

**Dr. Ravindra Kumar**

(Research Fellow)

B.R.A.B.University Muzaffarpur

### **Abstract**

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth. The Proposed study is designed to know the impact on GST on Indian Economy with the Help of Its individual effect on different sectors. The Study is Exploratory in nature and Secondary Data has been used for the study. The data will be collected from different Journals, Periodicals, Newspapers and Internets.

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

### **I Introduction**

To remove cascading effect of taxes and also to provide for a common national market for goods and services, the Government of India proposed for amendments to introduce the goods and services tax for conferring concurrent taxing powers on the union as well as states including union territory with legislature to make laws for levying goods and services tax on every transactions. GST is an indirect tax has introduced on 1 July 2017 in India and was applicable throughout India which replaced multiple cascading taxes levied both by central and state governments. The GST is governed by a GST Council. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28% and there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. Further in addition a Cess of 15% or other

rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Expert viewed it as biggest tax reform in India founded on the notion of “one nation, one market, and one tax”. The GST rollout has converted India into a unified market of 1.3 billion citizens. The rollout has a positive hope of India’s fiscal reform program regaining momentum and widening the economy of the nation. The idea behind implementing GST in the country in 29 states and 7 Union Territories is that it would offer a win-win situation for every citizen .The entire taxation base will be shared between the assessment mechanism of the center and the states who would get to collect tax on the economic activities taking place in Indian territorial waters. At the ninth GST council meeting the center made significant concessions to bring states, including the defiant ones. The administrative decisions will be as follows. The state will administer 90 percent of the tax players, including service providers with annual turnover up to rupees 1.5 crore with scrutiny, and audit powers and the balanced 10 Percent will be controlled by the Centre. Tax players above that threshold turnover, including those pay integrated (interstate imports) GST will be equally shared between the center and state, and this will lead to significant shifting of the tax players base from center to state.

## **II. Methodology**

The proposed study is a Desk research and is an attempt of descriptive research, based on the secondary data sourced from journals, Internet, articles, previous research paper, parliament library and reference research ,Documentation and information service(LARRDIS]

## **III. Literature Review**

“Goods and service tax: it’s impact on Indian Economy” stated that The goods and services Tax (GST) will indeed be a significant improvement towards a comprehensive indirect tax reforms in India and it would give India a world class tax system and improve tax collections. It would end distortions of differential sectors .Further viewed that it would lead to the abolition of taxes such as central sales tax, state level sales tax, octroi, entry tax, stamp duty, telecom license fees, and axon consumption. GST is expected to create a business friendly environment in India, as a result

price levels and inflation rates would come down overtime because of application of uniform tax rate. Moreover It will also improve government's fiscal health as the tax collection system would become more transparent, making tax evasion difficult. Nitin Kumar wrote in his research paper “Godsend Services tax in India: A way forward that The Goods and Service Tax (GST) is one of the biggest taxation reforms in India The central idea behind this form of taxation is to replace existing levies like VAT, , service tax ,excise duty and sales tax by levying a comprehensive tax on the manufacture and consumption of goods and services in the country. GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different points. Dr. Ambrishstates in his study “Goods and Service Tax and Its Impact on startups “that GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different points. Based on a 2015 NASSCOM report this paper also analyzed how the GST has impact on startup of the country and how the has the impact on GDP. Dr. R. Vasanthagopal, Studied “GST in India: A Big Leap in the Indirect Taxation System”, and found that the positive impacts are dependent if design of the GST is rational and if balance the conflicting interests of various stakeholders. Further he said GST would be a big leaf ion the indirect tax system and also give a new impetus to India’s economic change. furtherhe mentioned that the implementation of the GST would be pegged as one of the biggest game changing reforms of the Indian government, which will help India to become an economically integrated economy and help to reduce business costs and facilitate seamless movements of goods and services eliminating local charges. An overview of GST and Its impact on different sectors If talk about impact of GST on manufacturers, distributor and retailers It is believe GST is expected to boost competitiveness and performance in India’s manufacturer due to tax structure. High infrastructure spending and declining export are just some of the concerns of this sector. Single tax system will decrease the administrative costs for manufacturers and distributors and this sector will grow more strongly. If thrown glance on impact of GST on Service Providers it is observe that most of the tax burden is borne by domains such as telecommunication services, Insurance industry, business support services, Banking and Financial services , IT services etc. Introduction of GST will decrease burden The Logistic industry forms the backbone of the economy. We can fairly assume that a well organized and mature logistics industry has the potential to shoot ahead the “Make In

India” initiative of the Government of India and has positive impact on economy. Simultaneously GST will help the ecom sector’s growth but the long-term effects will be particularly interesting because the model GST law specifically proposes a tax collection at source (TCS) mechanism, If talk about Pharma industry GST is expected to benefit the pharma and healthcare industries. It boosts medical tourism with simplified tax structure. Telecommunications sector prices are expected to come down after GST. Manufacturers will save on costs through efficient management of inventory. Handset manufacturers will find it easier to sell their equipment as GST will negate the need of the state and will also save up on logistics costs. Textile industry generates employment to a large number of skilled and unskilled workers. It contributes about 10% of the total annual export, and this value is likely to increase under GST. GST would affect positively to the cotton value chain of the textile industry which lead economic growth. The real estate sector is also plays important role in the Indian economy; it plays an important role in employment generation in India. The sector will see substantial benefits from GST implementation. Agricultural sector is the largest contributor of GDP. It covers 16% of GDP. The major issues faced by the agricultural sector, is transportation of agri products across state lines. It is expected that GST will resolve the issue of transportation. FMCG sector could raise significant savings in logistics and distribution costs as the GST will eliminate the need for multiple sales depots. The GST rate for this sector is expected to be around 17% which is way lesser than the 24-25% tax rate paid currently by FMCG companies. Under the current tax system, there are several taxes applicable on automobile sector like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty which will be subsumed by GST. An analysis on GST and its impact on Indian Economy The implementation of goods and service Tax(GST) coupled with a digitized economy ushered in by demonstration, will make India’s economy” look much cleaner and bigger “said union finance minister ArunJaitely at the vibrant Gujarat global Summit. Further he said ,it is going to be a major step towards the integration of informal economy and this itself is going to increase the transactions, which are covered within the Banking system transactions and may lead to higher revenue in the

## **IV. Conclusion**

A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will also be beneficial to individuals as the prices will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP. As GST implementation applied at a time for all states lack of policy barrier will be removed. Directly GST will increase the investment in FDIs which increase the foreign exchange of the country and indirectly increase the employment opportunities. It will promote new startups in India for its business-friendly tax structure.

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