

## **Impact of GST on Indian market Prospect of positive And negative**

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### **Abstract**

GST (Goods and Services Tax) has certainly changed the scenario of service taxes on the goods as now only one type of tax is applicable on the goods and services. GST has made the structure of the tax on the services and goods so simple and transparent that no hidden service tax can be applied on goods. Initially, this GST was opposed by a number of retailers and merchants as they thought that it might bring complexity in the tax structure. But, now after a couple of years, the things have changed rapidly with the introduction of GST as all the retailers and merchants are finding it much easier to deal with the tax structure. Hence, GST can be regarded as the most historical decision taken by Indian government. The current paper highlights the positive and negative prospects of GST.

**KEYWORDS:** GST, Economy, Merchant, Service Tax

### **I Introduction**

Before the introduction of GST, value added tax was taken as service tax on goods and the rate of this VAT was dissimilar in different states of the country. For example, if the rate of VAT was 4% in Haryana then this VAT rate tend to be 5% or 6% in the states like Tamilnadu or Andhra Pradesh. Hence, the price of a particular product was found to be different in different states of the country. Hence, to overcome this limitation of VAT, the concept of GST was introduced by Indian government in 2016 so that transparency in the service tax can be brought and the consumers get to know the real price of the goods as it was observed that in case of VAT, many merchants and retailers used to take higher charges of the goods as hidden service tax and due to the lack of transparency, the consumers had to pay the offered price. But, now the situation is changed after GST as all the tax patterns are pre-specified by the government where all the essential goods and services are placed in different slots of services taxes. Consumers can have a look on this pre-defined list to get the real amount of the product as the fraud in the name of the hidden taxes has been eliminated by the GST service. Under this new service tax structure, four slabs are formed where near about 1300 essential goods and services are categorized. These four categories fall into the pattern of 5%, 12%, 18% and 28%. Here, almost all the goods needed in the daily lives are placed in the slot of 5 % so that the normal consumer should have no problem while paying for these daily essential things. According to a report, the cost of a number of products has fallen down due to this new facility of GST. On the other hand, almost all the luxurious things are put in the slot of 28% and most of these things are belonged to the upper class families and hence,

middle class families have no extra burden due to the implication of this GST. GST has certainly proved to be an important tool for the Indian government to manage the climbing inflation as the percentage of this inflation tends to be lowered down as an effect of GST and common people can get a relief out of this. With the implementation of GST, all the hidden service taxes have eliminated and as a result, more transparency can be seen in the tax pattern and merchants get the option of filling the tax online making it efficient for merchants. Hence, it can be said that GST has proven to be a revolution in the Indian market where the level of transparency has reached to the upper level as consumers get more awareness about the cost of the product.

## **II. Literature Review**

### **POSITIVE AND NEGATIVE PROSPECTS OF GST**

One of the positive impacts of GST is that with a good amount of tax received, it has become a good source for the state as well as central government to get good revenue. With the help of GST portal, all the procedure of service tax have become online and hence, now government has more options in order to monitor the tax pattern of all the merchants and it has now become more difficult for any merchant to cheat. Also, a rise in the growth in the industrial activities is observed after the introduction of GST as it has opened a number of ways for various retail industries to grow further. With GST, India is now a unified market and the foreign investment has increased in India. The goods that are manufactured within India because of their reduced costs have become more competitive in international market leading to growth in export. The implementation of Goods & Services tax puts India in the line of international tax standards, making it easier for Indian businesses to sell in the global market. GST has two constituents i.e. The central GST and the State GST. The Central GST replaces - Service Tax, Central Excise Duty, and Custom Duty etc. The State GST replaces - State VAT, Central Sales Tax, Tax on Advertisements, Luxury Tax, Purchase Tax, Entertainment Tax etc. Before GST, there were so many taxes and now they have replaced all these taxes and duties with Central GST and State GST. GST has changed VAT all over India. Now we do not need to pay different amounts of taxes in different states. It is one tax system for all states of India and so we have already got rid of various taxes and duties on our businesses. GST is being referred to as a single taxation system but in reality it is a dual tax because both the state and centre both will collect separate tax on a single transaction of sale and service. The tax rate has been increased for many products, thus increasing their costs. Sectors like Textile, Media, Pharma, Dairy Products, IT and Telecom are bearing the brunt of a higher tax. Also the price of commodities has increased like jewellery, mobile phones and credit cards. Economists are of the opinion that GST in India has already had a negative impact on the real estate market. It has added up to 8 percent to the cost of new homes and reduced demand by about 12 percent. There are approximately 140 countries where GST has already been implemented by Australia, Germany, Japan, and Pakistan. India is one of the most stable economies of the world and we have proved to be quite adept at adjusting to major economic renovations. As the coin has two sides, same way implementation of GST impacts a nation both ways, positively and negatively. If we ignore the negative aspects and consider the positive effect, then it is a way to reduce the black money. GST is having a few initial problems, but with time, we will be able to see the bigger picture and it will surely result in an economic integration.

### **III. Methodology**

Under the old taxation system, taxes used to constitute about 25-30% of the retail price of the goods and services. The implementation of GST, prices have gone down since the burden of paying tax has fallen onto the end consumer of the goods and services. Therefore, there is a scope for businesses to produce more at lesser effective costs, leading to a rise in competition. The software an IT giants of the country have some clarity for the payment of taxes. Under the old system of taxation, there was some dispute on as to whether they need to apply for VAT or Service Charge on their products. GST clearly distinguishes between products and services and the way taxation is applied to them. The GST impact on the transportation of goods and services from state to another has been a very welcoming change. Goods can be easily transported from one place to another under the new regime. This encourages businesses to have a PAN India presence. The movement of goods across state borders can be done easily via the procedure of generation of the e-way bill. According to an economic survey conducted by the National Informatics Centre (NIC), the implementation of GST so far, has resulted in an increase in the number of unique indirect taxpayers by more than 50%. There are 3.4 million new indirect tax registrants. The level of tax filers by November 2017 was 31% greater. The Finance Minister stated that 7.2 million of the 8 million indirect tax assesses under the earlier tax system have migrated to GST, while 1.3 million new taxpayers have also signed up under the new system, indicating that the tax base is set to widen significantly by the end of the financial year. Before GST, a typical business in India had to take a service tax number and a value added tax (VAT) number. Depending on the product and the market, some businesses had to additionally take the excise number, customs number, and more. These permissions had government fees ranging from Rs 1,000 to Rs. 5,000, depending on the tax number applied. Many processes had to be completed physically. A common practice was to hire tax practitioners or lawyers for registering their business. However, these professionals, who are usually chartered accountants or taxpractising lawyers, often charge government fees as well as their service fees. This inflates the compliance cost to Rs 5,000 to Rs 10,000. GST led to a 200% increase in the compliance cost for the 40 interviewed small and medium-scale businesses. The effect seems to be the same as observed for most other small and medium-scale traders in these two cities. At first, the businesses suffered from the one-time transition cost. Small businesses lacked the required infrastructure—printer, and software specially designed for GST— which made GST compliance challenging, time-consuming, and costly for them. Apart from the one-time cost, the businesses faced challenges due to a permanent increase in tax compliance cost. This is because over 90% of the businesses that were surveyed used professional help in filing taxes. Since the uploading of each invoice, now, has to be done regularly, an accountant may have to be designated for this purpose, which small businesses may not be able to afford.

### **Conclusion**

The GST reform package is ambitious and is undoubtedly a major move for the \$2 Trillion Indian economy. Its main selling point for the Indian economy is its supposed advantage of making it easier for businesses to do business. It provides a simplified taxation scheme for goods and services, something businessmen will appreciate. It's far from perfect, though, and it's definitely worth paying attention to non-political criticisms, especially in relation to how it affects poorer Indians. GST's impact on the Indian economy can go either way: good or not

so good. Fortunately, there aren't that many analysts who express damningly averse views on the matter. With honest and efficient administration, GST may be a good move for the world's third largest economy.

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