



## Impact Of Gst On Indian Economy

**Dr. D. Sivasakthi M.COM., M.B.A., M.Phil., Ph.D.,**  
**Associate Professor,**

Department of Commerce with Professional Accounting  
Dr. N.G.P. Arts and Science College, Coimbatore, India

**Vijayarani S,**  
**Student, III B.Com(PA)-B,**

Department of Commerce with Professional Accounting  
Dr. N.G.P. Arts and Science College, Coimbatore, India

**Abstract:** The introduction of the Goods and Services Tax (GST) on July 1, 2017, marked a transformative shift in India's taxation system. GST replaced a complex web of multiple indirect taxes with a single, unified tax regime, aimed at streamlining the tax structure and fostering a more efficient and transparent economy. This paper explores the impact of GST on the Indian economy, focusing on key sectors such as manufacturing, services, and the informal sector. GST has simplified compliance, reduced the cascading effect of taxes, and enhanced transparency, leading to improved ease of doing business. The reform has contributed to the growth of formalized businesses, especially through input tax credits, and reduced the tax burden on consumers by lowering prices of goods and services. However, challenges remain, including compliance costs for small businesses, technical glitches in the GST portal, and varying state-level adaptations of the tax. Overall, while GST has contributed to a more structured and formalized economy, the long-term benefits hinge on continued refinement of the system and resolving issues related to compliance and revenue collection. This paper discusses the impact of GST on economic growth, inflation, and fiscal federalism in India.

**Keywords:** Goods and Services Tax (GST), Indian Economy, Indirect Tax Reform, Tax Structure, Compliance, Input Tax Credit, Ease of Doing Business, Formalization, Economic Growth, Inflation, Fiscal Federalism.

### 1.1 Introduction:

Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. It is a destination-based tax that was introduced to replace multiple indirect taxes that existed at both the central and state levels. The primary objective of implementing GST was to simplify the taxation system, eliminate cascading effects of taxes, promote ease of doing business, and create a unified and transparent tax structure. The Goods and Services Tax (GST) is a transformative indirect tax system introduced in India on July 1, 2017. However, it might be interesting to note that the proposal for putting up a new taxation regime took place long before that. The idea of implementing GST was birthed in the year 2000 with the efforts of an Empowered Committee (EC) under the Late Shri Atal Bihari Vajpayee. However, it took a failed attempt to pass the bill in 2009 and several years of commitment to finally get it implemented under the government of Honourable Shri Narendra Modi. In this piece, we're going to look at how India is affected by GST Impact. This landmark tax reform replaced a fragmented and complex tax structure with a unified, destination-based tax regime. GST was implemented with the aim of streamlining the taxation system, eliminating the cascading effect of taxes, promoting ease of doing business, and fostering a more transparent and efficient indirect tax framework. The GST framework operates on the principle of taxing the supply of goods and services at each stage of the supply chain. Unlike the previous tax system, which included a plethora of central and state-level taxes such as central excise, service tax, and value-added tax (VAT), GST amalgamates these into a dual structure comprising Central GST (CGST) levied by the central government and State GST (SGST) imposed by individual states. Additionally, Union Territories administer Union Territory GST (UTGST). One of the key features of GST is its destination-based nature. Taxes are collected at the point of consumption, ensuring a fair distribution of tax revenue among states based on where the goods or services are ultimately consumed. This shift from the origin-based taxation system contributes to a more equitable distribution of tax revenues among states. Input Tax Credit (ITC) is a pivotal aspect of GST, allowing businesses to offset the tax paid

on inputs against the tax liability on the final output. This helps prevent the cascading effect of taxes, leading to a more efficient and cost-effective taxation system. GST also introduces a threshold exemption for small businesses, providing relief from mandatory registration for those with turnovers below a specified limit. Additionally, a Composition Scheme is available for small businesses, enabling them to pay a fixed percentage of turnover as tax and reducing the compliance burden. To facilitate the smooth implementation and functioning of GST, the Goods and Services Tax Network (GSTN) serves as the technological backbone. This digital platform enables seamless online filing of returns, payments, and compliance procedures, contributing to increased transparency and reduced opportunities for tax evasion. GST is a destination-based tax, meaning it is collected at the point of consumption rather than the point of origin. This ensures a fair distribution of tax revenue among states based on where the goods or services are consumed. GST is a destination-based tax, meaning it is collected at the point of consumption rather than the point of origin. This ensures a fair distribution of tax revenue among states based on where the goods or services are consumed. GSTN is the IT backbone of the GST system, providing a platform for taxpayers to register, file returns, and comply with GST regulations online. Small businesses with turnovers below a specified limit can opt for the composition scheme, allowing them to pay a fixed percentage of turnover as tax and reducing compliance requirements. Small businesses with turnovers below a certain threshold are exempt from mandatory GST registration. GST operations are digitized, with online filing of returns and payments. This promotes transparency, reduces paperwork, and minimizes the scope for tax evasion. GST has had different impacts on various sectors of the economy. While it has streamlined processes and reduced tax complexities, some sectors faced initial challenges and adjustments.

## 2.1 Review of Literature:

This Study observe the following researches for references, **Deshraj Son, Dr. Ranjan Porwal (2023)**, Goods and Services Tax (GST) is a composite tax which simplifies the vast tax structure of a country by supporting and enhancing its economic growth. GST is a combined tax levied on manufacturing, sale and consumption of goods and services at the national level. GST is a very noteworthy step in the field of indirect tax reforms in India. Many taxes have been abolished and only one tax remains. GST has made taxation easier for the industries. Consumers are also benefiting from the reduction in total tax burden on goods and services. m. It has a positive effect on the Indian economy, but it needs further improvement so that it can meet the challenges of the future economy. **Dr. Syeda Shumaela Naeem and Jasmine Khan (2020)**, The Indian government has introduced various reforms in the taxation system for the development of national economy. These taxation reforms have helped the Indian economy to achieve the competitive advantage at Global Platform. And the conclusion is GST is one of the major economic reforms introduced in Indian economy. It has led a significant transformation in indirect taxation system of India. Through GST, the Origin based taxation has been improved into a simple, transparent, unified and rational Destination based taxation system. Being the highest taxation in world, the GST has also influenced the Indian economy and the consumers of Indian market to some extent. With the implementation of GST, the significant changes have been observed in the tax rate of many products and services. **Satya Bhushan (2020)**, GST has started in India by passing a long way. Most of the countries now in the world are under this system. Main Objective is understanding the concept of Goods and Service Tax Laws through survey of literature and study and analyse the various research works carried out on Goods and Service Tax Laws. This study is limited to the number of research articles and books referred. The study is based on secondary sources of data or information. Different books, newspapers and relevant websites, Govt. Publications and research papers, have been consulted in order to make the study effective one. This Study Concluded that, the lower price of goods increases consumption and more consumption leads to higher production thereby leading to economic growth and development of the country. **Udai Lal Paliwal, Nitin Kishore Saxena and Ashutosh Pandey (2019)**, This paper adopts the tax buoyancy approach for analysing the impact of GST on tax revenue. With the objective of analysing the impact of the introduction of GST on tax revenue in India we conducted a regression analysis. In our study we found that after the introduction of GST the tax revenue has become less responsive to the changes in GDP. The results contradict our hypothesis that tax revenue has become more responsive to the changes in GDP. The results of our study have wide policy implications given the current economic situations in the country. The growth of GDP in India in the year 2018-19 has averaged around 6.8 percent while the GDP growth rate in the first quarter of 2019-20 has reduced to 5 percent. **Shetty Deepa Thangam Geeta, SP. Mathiraj, M. Thivya Bharathi (2019)**, MSME play a vital in the economic progress of the Countries, so the implementation of GST has had an immense outcome on the continued existence in the market. This paper brought out issues and challenges experienced by MSME Entrepreneur. In order to find out the impact on various aspect such as applying of GST. To analyze the impact of Goods and Services Tax (GST) on



Micro, Small and Medium Entrepreneurs (MSMEs) in Sivagangai District, Tamil Nadu. Findings was to analyze the impact of Goods and Services Tax (GST) on Micro, Small and Medium Entrepreneurs (MSMEs) in Sivagangai District, Tamil Nadu. Conclusion of the Study is the study reflects that few of the preparedness in respect of GST by MSME entrepreneurs, need for improvising the GST network and other such related trends are turning out to be the bottle neck factors towards realizing the actual outcome of GST implementation. **Samit Kumar (2019)**, The introduction of GST has been a breath of fresh air to the taxation system in India. GST was implemented in accordance with GST bills passed by the government. The government enacted four bills on 12th April 2017 laying down the GST Rules. This simplifies a lot of the taxation problems with value addition for the delivery of Goods and Services in the country. This study concluded simplifies a lot of the taxation problems with value addition for the delivery of Goods and Services in the country. In addition, even though it will take a lot of time to educate businesses and make them compliant to the new taxation system in India, it is a step in the right direction for businesses in the long run. **Dr. Namita Mishra (2018)**, 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. Objective is to understand the concept of goods and service tax. The proposed study is 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). 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. **Meenakshi Bindal and Dinesh Chand Gupta (2018)**, GST Stands for Goods and Services Tax (GST). The GST Act was passed in the Lok Sabha on 29th March, 2017 and came into effect from 1st July, 2017. It was termed as One Nation One Tax. Objective of the Study is to highlight the impact of GST on Indian Economy. Finally, the Author Conclude, GST is at the initial stage in Indian economy. It will take some time to experience its effects on Indian economy. GST mechanism is designed in such a way that it is expected to generate good amount of revenue for both central and state government. **Kritika Somani (2018)**, This Study explains the impact of GST (Goods and Services Tax) on Micro, Small and Medium enterprises in India. GST is meant to bring every indirect form of tax under one roof. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. A simplified tax structure and unified market are the two main promises of GST. The Objective of the Study is Examine the Positive and Negative impact of GST on Micro Small and Medium Enterprises. Suggesting the measures to overcome negative impact of GST on MSME in India. Conclusion of Study is GST is fundamentally different from the existing tax structure and if the government can take corrective measures in a proactive manner, we can minimize the potential negative effects of the new tax regime on the MSME's and In the long term, the GST system will prove to be a boom for the Indian industry in general, and MSME's in particular. **A DASH (2017)**, Goods & Services Tax is a comprehensive, multistage, destination-based tax that will be levied on every value addition. The study has objectives to cognize the concept of GST and to study the features of GST. All most every industry body are "fully prepared" for implementation of the new indirect tax regime, while commending the government's efforts towards its rollout. Finally, the author conclude here with there are approx. 140 countries where GST has already been implemented. Some of the popular countries being Australia, Canada, Germany, Japan, and Pakistan, to name a few. **Prof.Pooja.S.Kawle and Prof.Yogesh.L.Aher (2017)**, Taxation plays an very important in economic development of country. With much awaited GST system and in-depth analysis, here we are with final GST bill passed by the parliament. Objective is to study the concept of Goods and Services Tax (GST). The study focuses on study of Secondary data collected from various books, national & international journals, government reports, publications from various websites which has been published and focused on various aspects of Goods and Service tax. Taxation plays a significant role in the development of the economy as it impacts the efficiency and equity. It is expected that a good system should control income distribution and at the same time it will also endeavour to generate tax revenue which will support government expenditure on public services and development of infrastructure. **SANKAR R (2017)**, GST is the crucial form of Indirect Taxation which is said to be the indirect taxation reform ever since our Independence. The GST is said to bring about the economic integration said by our Union Finance Minister Arun Jaitley during the Budget speech at 2016. Objective is to study about the concepts of GST and to study about the need and the Importance of the Goods and Service Tax to the Indian economy. This study is descriptive in nature and it used the exploratory technique. The data for the study were gathered from the secondary sources such as journals, articles published online and offline on various newspapers and websites. The GST is very crucial tax reform since independence of India, so it must be better handled with utmost care and analysed well before implementing it. And, the government both central and state have to conduct awareness programmes and

various literacy programmes about GST to its various stakeholders. **Dr.I.Siddiq and Dr.K.Sathya Prasad(2017)**, For a developing country like India and its demographic diversity, SMEs have emerged as the leading employment-generating sector and has provided balanced development across sectors. s. The true extent of the 'One Market' benefit of GST will be realized most by SMEs. Under the current tax regime, the ability of SMEs to reach potential consumers across India is limited. It has been Concluded that impact would be broadly neutral for property, electricity, telecom, pharmaceutical and fertilizer sectors. This will have a certain impact on the working capital requirements resulting in higher interest cost and eventually impact pricing policies. **Arti, Vinita Kanwal, Divya Pandey (2017)**, Impact of GST on Agriculture: A Review Agriculture is one of the most critical sectors of the Indian economy. Growth and development of agriculture and allied sector directly affects well-being of people at large, rural prosperity and employment and forms an important resource base for a number of agro-based industries and agro-services. GST is expected to have both positive and negative impact on the farm sector. In case of milk, Tea and Fertilizer it is expected to show a negative impact. These are the most popular commodities in India. Agricultural products were subjected to diversity of taxation rates; as single rate of goods and service tax would help the farmers and also to traders because they can sell their produce in any part of the country. **Ms. Priti Jadhav, Ms. Manjushree Yewale, Ms. Trupti Kalyankar, Mrs. Vandana Nemane (2017)**, Research studies carried out on Impact of GST on E-commerce. Statutory framework introduced by the government should be towards the advancement of business rather than creating obstacles. The GST law should provide an enabling environment that encourages e- commerce operators and suppliers. This paper examines different aspects like No threshold for GST registration, No Benefit under Composition Scheme, Tax Collection at Source by Marketplace Operator. Finally in the conclusion one country and one tax will help Indian Economy to grow Rapidly. **Abdul Matheen, K. Sai Santosh Kumar, Qamer Unnisa Hina, V. Sharmila(2017)**, The objective of the study is to understand the concept, benefits and impact of GST on Indian Economy. The GST system holds great promise in terms of sustaining growth for the Indian economy. While comparing challenges with its advantages, it is clearly visible that its advantages are more compared to challenges. GST will give Indian economy a strong and smart tax system for economic development. But for gaining those benefits country will need to build strong mechanism. **Lalita Pali, Geeta Pal (2017)**, Indian market, new tax reformed scheme was introduced to generate government's revenue equally between the state and center. This scheme was introduced by the governments between the state and center. The planned GST administration could be a weak endeavor to justify circuitous duty structure. The law-makers of Asian country ought to take into account the GST administration came upon by totally different nations and in addition their aftermaths antecedental actualizing it. This Study Concluded that GST can improve existing aberrant assessment framework and can expel wasteful aspects created by the present heterogeneous assessment framework simply if there's an affordable agreement over problems with edge constrain, financial gain rate, and incorporation of oil primarily based merchandise, power, alcohol and land. **Shefali Dani (2016)**, The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. t. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. **Milandeep Kour and et.al (2016)**, India is the hub of taxes where people pay many taxes which create confusion for them. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Tax paid directly to the government by the taxpayer i.e. Income Tax, Wealth Tax, and Corporation Tax. The Objective of the study is to enquire the impact of GST after its implementation and to find out difference between present indirect taxes and GST. A well-designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation also government has promised that GST will reduce the compliance burden at present there will be no distinction between imported and Indian goods & they would be taxed at the same rate. **S. Thowseaf and M. Ayisha Millath (2016)**, The word tax was derived from Latin, which means - to estimate. A tax is not a voluntary contribution instead it is enforced payment by legislative authority on public residing under them. Objective is to understand the concept of Goods and Services Tax and to examine the features of Goods and Services Tax. Exploratory research methodology has been utilized in the preparation of research paper. India achieved VAT system to accomplish the goal of economic development. GST, a modified version of existing VAT can make functional. GST will improve tax compliance, widen the tax base, remove existing unhealthy competition among states and restructure the burden in relation to taxation equitably amongst the manufacturing and services; Implementing GST will make



sure uniformity of taxes across the states in India, regardless of place of manufacture or distribution in India, which is better option when compared to VAT and in terms of administration.

### 3.1 Objective:

- To understand the concept of GST
- To know the benefits and challenges of GST
- To study the impact of GST on Indian economy

### 4.1 Methodology:

The study is based on secondary data of Journals, Articles, Newspapers and Magazines, GST portal and different websites. Secondary data was extensively used for the study.

### 5.1 Profile of the Study:

Goods and Services Tax (GST) is a composite tax which simplifies the vast tax structure of a country by supporting and enhancing its economic growth. GST is a combined tax levied on manufacturing, sale and consumption of goods and services at the national level. The Goods and Services tax bill, which was brought in 2014 by the 122<sup>nd</sup> amendment to the constitution. It marks the beginning of the Value Added Tax implemented at the national level in India. GST was introduced as an indirect tax on all stages of production to bring uniformity in the system. With the implementation of GST, there has been an amalgamation of central and state taxes into a single tax payment. This has also improved India's position in the domestic and international markets. To avoid payment of multiple taxes like excise duty and service tax at the central level and VAT at the state level, GST unifies these taxes and creates a uniform market across the country. Integration of various taxes in the GST system is leading to effective cross-utilization of credits. The system before GST was taxed on production, while GST aims to tax consumption.

#### 5.1.1 FEATURES OF GST

Goods and Services Tax (GST) in India is characterized by several key features aimed at simplifying the indirect tax system, promoting transparency, and creating a unified national market.

Here are the main features of GST:

##### **Unified Tax Structure:**

GST replaces a complex structure of multiple central and state taxes with a single, comprehensive tax applicable to the supply of goods and services.

##### **Dual GST Model:**

GST is implemented through a dual model, comprising Central GST (CGST) levied by the central government and State GST (SGST) imposed by individual states. Union Territories also levy Union Territory GST (UTGST).

##### **Destination-Based Tax:**

GST is a destination-based tax, collected at the point of consumption. This ensures a fair distribution of tax revenue among states based on where the goods or services are ultimately consumed.

##### **Input Tax Credit (ITC):**

Businesses can claim credit for the tax paid on inputs against the tax liability on the final output. This mechanism helps in avoiding the cascading effect of taxes and makes the taxation system more efficient.

##### **Goods and Services Tax Network (GSTN):**

GSTN is the technology backbone that facilitates the online registration, filing of returns, and compliance under GST. It ensures a seamless and transparent interaction between taxpayers and the tax authorities.

##### **Composition Scheme:**

Small businesses with turnovers below a certain limit can opt for the composition scheme, allowing them to pay a fixed percentage of turnover as tax. This scheme reduces compliance requirements for eligible businesses.

##### **Tax Slabs:**

GST is structured with multiple tax slabs (0%, 5%, 12%, 18%, and 28%) to accommodate different goods and services. Essential goods and services often have lower or nil rates, while luxury items attract higher rates.

##### **Real-Time Reporting and Compliance:**

GST encourages real-time reporting and compliance. The online nature of GST filings ensures that data is reported promptly, reducing the chances of tax evasion.

**Comprehensive Coverage:**

GST covers a wide range of goods and services, including previously untaxed sectors like e-commerce and services. This comprehensive coverage helps in broadening the tax base.

**5.1.2 OBJECTIVE OF GST**

The Goods and Services Tax (GST) system in India was introduced with several key objectives in mind. These objectives aimed to streamline the indirect tax structure, promote economic growth, enhance tax compliance, and create a unified national market. Here are the primary objectives of GST:

**Simplify Tax Structure:**

One of the main objectives of GST was to simplify the complex indirect tax system prevailing in India. GST replaced multiple indirect taxes levied by the central and state governments with a single, unified tax, thereby reducing the multiplicity of taxes, complexities, and compliance burdens for taxpayers.

**Create a Unified National Market:**

GST aimed to create a unified national market by removing inter-state barriers to trade and facilitating seamless movement of goods and services across state borders. The elimination of entry taxes and other inter-state levies helped in integrating the fragmented Indian market into a common economic space.

**Eliminate the Cascading Effect of Taxes:**

GST was designed to eliminate the cascading effect of taxes, also known as tax on tax, which occurred under the previous indirect tax regime. By allowing input tax credit across the value chain, GST ensures that taxes are levied only on the value added at each stage of production or distribution, leading to a more efficient tax system.

**Promote Ease of Doing Business:**

GST aimed to improve the ease of doing business in India by simplifying tax compliance procedures, reducing paperwork, and providing a common tax framework across states. The introduction of online registration, filing of returns, and payment of taxes through the GSTN portal streamlined administrative processes for businesses.

**Boost Economic Growth:**

GST was expected to contribute to the growth of India's economy by reducing tax barriers, promoting efficiency in the supply chain, and fostering a common market. The rationalization of tax rates and the removal of tax distortions were expected to improve productivity, investment, and competitiveness, thereby stimulating economic growth.

**Enhance Tax Compliance:**

GST aimed to broaden the tax base and enhance tax compliance by bringing more businesses into the formal economy. The transparency and accountability built into the GST system, along with the use of technology-driven processes like the GSTN, were expected to curb tax evasion and improve tax collection efficiency.

**5.1.3 TYPES OF GST**

Goods and Services Tax (GST) in India is a multi-stage, destination-based tax that subsumes various indirect taxes. There are several types of GST based on the nature of the transaction and the entities involved. The main types of GST in India are as follows:

**Central Goods and Services Tax (CGST):**

CGST is the component of GST that is collected by the Central Government on intra-state transactions. It is levied on the supply of goods and services within a state.

**State Goods and Services Tax (SGST):**

SGST is the component of GST that is collected by the State Government on intra-state transactions. It is also levied on the supply of goods and services within a state.

**Integrated Goods and Services Tax (IGST):**

IGST is applicable to inter-state transactions of goods and services. It is collected by the Central Government and then distributed to the destination state. IGST is designed to maintain a seamless flow of credit across states.

**Union Territory Goods and Services Tax (UTGST):**

UTGST is similar to SGST but is applicable to Union Territories without legislatures. It is levied on intra-Union Territory transactions of goods and services.

### 5.1.4 PRE-GST TAXATION

The pre-GST taxation system was characterized by cascading taxes, where taxes were levied on top of taxes, leading to a tax-on-tax effect. The lack of a unified tax structure resulted in a complex and inefficient tax regime, hindering the ease of doing business and creating barriers to the seamless movement of goods and services across states. The introduction of GST aimed to streamline and simplify this complex tax structure by unifying various taxes into a single, comprehensive indirect tax system.

Before the implementation of the Goods and Services Tax (GST) in India, the country had a complex and fragmented taxation system characterized by a multitude of indirect taxes imposed at both the central and state levels. Some of the prominent taxes that existed before GST included:

#### **Central Excise Duty:**

Central Excise Duty was a tax levied on the manufacture of goods in India. It applied to a wide range of manufactured products.

#### **Service Tax:**

Service Tax was imposed on specified services provided by service providers. It covered a variety of services across different sectors.

#### **Value Added Tax (VAT):**

VAT was a state-level tax on the sale of goods. Each state had its own set of VAT rates and regulations, leading to a lack of uniformity in the taxation of goods.

#### **Central Sales Tax (CST):**

CST was a tax levied on the sale of goods from one state to another. It was collected by the state government from the seller.

#### **Excise Duty on Manufacturing:**

Apart from Central Excise Duty, there were additional excise duties imposed on certain goods, contributing to the complexity of the tax structure.

#### **Octroi and Entry Tax:**

Octroi and entry taxes were levied by local municipal bodies and state governments, respectively, on the entry of goods into a local area or state.

#### **Customs Duty:**

Customs Duty was imposed on the import and export of goods. It was collected by the central government at the national borders.

#### **Entertainment Tax:**

Entertainment Tax was a state-level tax imposed on the exhibition of films, performances, and other forms of entertainment.

### 5.1.5 GST IN INDIA VS GST IN OTHER COUNTRY

While many countries have adopted a Goods and Services Tax (GST) or a similar value-added tax (VAT) system, the specific details and structures can vary significantly. Below is a comparison between the GST system in India and GST/VAT systems in other countries:

#### **INDIAN GST:**

##### **Dual GST System:**

India has a dual GST system, comprising Central Goods and Services Tax (CGST) levied by the central government and State Goods and Services Tax (SGST) levied by individual states for intra-state transactions.

##### **Integrated GST (IGST):**

For inter-state transactions, Integrated GST (IGST) is applied, and the revenue is shared between the central and state governments.

##### **Multiple Tax Slabs:**

India uses a multi-rate structure with different tax slabs (e.g., 5%, 12%, 18%, and 28%) to accommodate various goods and services.

##### **Compensation Cess:**

Compensation Cess is levied on certain goods to compensate states for any revenue loss due to the implementation of GST.

##### **Composition Scheme:**

A composition scheme is available for small businesses with a turnover threshold, allowing for simplified compliance.



**GST Council:**

The GST Council, consisting of representatives from the central and state governments, plays a crucial role in decision-making, rate adjustments, and policy changes.

**OTHER COUNTRIES:****Single GST/VAT System:**

Many countries have a single GST or VAT system, where a national-level tax is applied uniformly across the entire country. There may not be a distinction between central and state-level taxes.

**Simplified Tax Rates:**

Some countries follow a simplified tax rate structure with a single rate or only a few rates, which may be easier for businesses to manage.

**Destination-Based Tax:**

Like India, many countries follow a destination-based principle, where taxes are levied based on the location of the consumer.

**Different Thresholds and Exemptions:**

Thresholds for mandatory GST/VAT registration and exemptions for certain goods and services vary among countries.

**Input Tax Credit Mechanism:**

Most countries with a GST or VAT system include an input tax credit mechanism, allowing businesses to claim credit for taxes paid on inputs.

**International Trade Considerations:**

Some countries have specific mechanisms to address international trade, ensuring a smooth flow of goods and services across borders.

**Decision-Making Bodies:**

Decision-making structures may vary, with some countries having a federal structure similar to India, while others may have a more centralized approach.

**Compliance Requirements:**

Compliance procedures, including return filing, invoicing, and payment mechanisms, may differ based on the country's specific regulations.

**5.1.6 BENEFITS OF GST**

The Goods and Services Tax (GST) introduced in India has brought about several benefits, aiming to streamline the taxation system, promote ease of doing business, and foster economic growth. Some key benefits of GST include:

**Unified Tax Structure:**

GST replaced a complex and fragmented tax structure with a unified tax system. It amalgamated various indirect taxes at both the central and state levels, leading to a simplified and harmonized tax regime.

**Elimination of Cascading Effect:**

One of the significant advantages of GST is the elimination of the cascading effect of taxes. In the pre-GST era, taxes were applied on top of taxes, creating a tax-on-tax scenario. GST allows for the seamless flow of input tax credit, ensuring that taxes are only levied on the value addition at each stage of the supply chain.

**Ease of Doing Business:**

GST has facilitated ease of doing business by simplifying compliance procedures. The unified tax system has reduced the multiplicity of taxes, making it easier for businesses to understand and comply with tax regulations.

**Simplified Compliance:**

The introduction of a common online platform for GST registration, filing returns, and payment of taxes has simplified compliance processes. It has reduced the administrative burden on businesses and improved overall tax administration efficiency.

**Promotion of Digital Economy:**

GST has encouraged the digitization of business processes. The requirement for online filing of returns and payments has promoted the use of technology in financial transactions, contributing to the growth of the digital economy.

**Competitive Advantage:**

GST has enhanced the competitiveness of Indian goods and services in the global market. The unified tax system has made Indian products more competitive by eliminating tax distortions and reducing the cost of production.



**Transparent Taxation:**

GST promotes transparency in taxation. The online filing of returns, electronic invoicing, and the use of technology in tax administration contribute to a more transparent and accountable tax system.

**5.1.7 CHALLENGES OF GST**

The implementation of the Goods and Services Tax (GST) in India has brought about significant reforms, but it has also faced several challenges. Some of the key challenges associated with GST implementation include:

**Complexity and Multiple Tax Slabs:**

The presence of multiple tax slabs (e.g., 5%, 12%, 18%, and 28%) has led to complexity in the tax structure. Critics argue that a simpler, single-rate structure could have been more effective.

**Compliance and Transition Issues:**

The transition from the old tax regime to GST posed challenges for businesses, especially smaller ones. Adapting to the new compliance requirements and understanding the nuances of the GST framework was a significant hurdle.

**Technological Challenges:**

The digital infrastructure required for smooth GST implementation, including the GST Network (GSTN), faced initial technical glitches. Issues related to portal crashes, delays in return filing, and difficulties in obtaining input tax credit created challenges for businesses.

**Frequent Changes in Rules and Procedures:**

The frequent changes in GST rules and procedures, whether related to rates or compliance requirements, created uncertainty for businesses. Adapting to constant updates and modifications was challenging for taxpayers.

**Reverse Charge Mechanism (RCM):**

The Reverse Charge Mechanism (RCM), where the recipient of goods or services is liable to pay the tax, created complexities for businesses. Many businesses found it challenging to comply with the RCM provisions.

**Input Tax Credit (ITC) Reconciliation Issues:**

Reconciling Input Tax Credit (ITC) between the purchase and sales sides, especially in cases of inter-state transactions and chain transactions, became a cumbersome process for businesses.

**High Compliance Burden for Small Businesses:**

Small and medium-sized enterprises (SMEs) faced challenges in adapting to the new compliance requirements. The need for regular filing of returns, even for small businesses, increased the compliance burden.

**GST Council Decision-Making:**

Decision-making within the GST Council, which comprises representatives from both the central and state governments, can sometimes lead to delays and complexities in policy decisions.

**5.1.8 IMPACT OF GST ON INDIAN ECONOMY**

The impact of the Goods and Services Tax (GST) on the Indian economy has been multi-faceted, influencing various sectors and aspects. Here are some key aspects of the impact of GST on the Indian economy:

**Increased Tax Compliance:**

GST has expanded the tax base by bringing more businesses into the formal economy. The mandatory registration for GST and the use of technology for tax filing have contributed to increased tax compliance.

**Economic Growth:**

The rationalization of tax rates and the elimination of barriers to inter-state trade have positively contributed to economic growth. GST has facilitated a more efficient movement of goods and services, reducing logistics costs and enhancing competitiveness.

**Reduction in Tax Evasion:**

With a focus on transparency and the use of technology, GST has contributed to a reduction in tax evasion. The implementation of e-way bills and electronic invoicing has made it more challenging for businesses to evade taxes.

**Positive Impact on Manufacturing:**

The seamless flow of input tax credit across the supply chain has reduced the overall tax burden on manufacturers. This has positively influenced the manufacturing sector, encouraging production and investment.

**Consumer Benefits:**

While the impact on consumer prices has been mixed, some goods and services have become more affordable due to reduced tax rates under GST. However, certain sectors experienced temporary disruptions during the initial implementation.

**Ease of Doing Business:**

GST has simplified compliance procedures for businesses, contributing to an improved business environment. The online system for GST registration, return filing, and payment has reduced bureaucratic hurdles.

**Increased Foreign Direct Investment (FDI):**

The implementation of GST has enhanced India's attractiveness for foreign investors by creating a more transparent and predictable tax environment. This has contributed to increased foreign direct investment.

**Challenges and Transitional Issues:**

The initial phase of GST implementation faced challenges and disruptions, such as technology-related issues, adaptation by businesses, and uncertainty in tax classifications. However, many of these challenges were addressed over time.

**5.1.9 ADVANTAGES OF GST IN INDIA****Simplified Tax Structure:**

GST replaced multiple indirect taxes like VAT, service tax, excise duty, etc., with a single tax regime. This simplification reduces the complexity of the tax system, making it easier for businesses to understand and comply with.

**Uniform Taxation:**

GST aims to create a uniform tax structure across the country, eliminating the earlier system of varying taxes across different states. This ensures seamless interstate trade and reduces tax-related barriers.

**Boost to Economic Growth:**

By reducing tax evasion and promoting compliance, GST is expected to boost government revenues. Increased revenues can be utilized for infrastructure development and other public welfare programs, thus contributing to economic growth.

**Elimination of Cascading Effect:**

Under the previous tax system, taxes were levied on taxes, leading to a cascading effect. GST eliminates this by allowing businesses to claim input tax credit for taxes paid on inputs, thereby reducing the overall tax burden.

**Increased Efficiency:**

GST introduces online processes for tax registration, filing returns, and payments, making the entire tax system more efficient and transparent. This reduces paperwork and administrative burden for businesses.

**5.1.10 DISADVANTAGES OF GST IN INDIA:****Initial Implementation Challenges:**

The initial transition to GST posed significant challenges for businesses, especially small and medium enterprises (SMEs), in terms of understanding the new tax regime, updating systems, and complying with new regulations. This led to disruptions in business operations and increased compliance costs.

**Complexity:**

Despite the aim of simplification, GST can be complex due to multiple tax rates, exemptions, and compliance requirements. The classification of goods and services into different tax slabs adds to the complexity, making compliance challenging for businesses.

**Impact on Small Businesses:**

SMEs, particularly those operating in the unorganized sector, faced difficulties in adapting to the new tax regime due to compliance burdens and technological requirements. Compliance costs, including expenses related to software and professional services, can disproportionately affect small businesses.

**Revenue Volatility:**

GST is a consumption-based tax, and its revenue collection is susceptible to fluctuations in consumer spending patterns. Economic downturns or changes in consumer behaviour can lead to revenue volatility, affecting government finances.

**Potential Inflationary Pressures:**

The introduction of GST led to some price increases initially, as businesses adjusted to the new tax structure. While GST aims to be revenue-neutral in the long run, short-term price fluctuations can occur, potentially leading to inflationary pressures.

**5.1.11 GST IMPACT AND IMPLICATIONS ON VARIOUS INDUSTRIES IN INDIAN ECONOMY:**

The implementation of the Goods and Services Tax (GST) in India has had a profound impact on various industries across the economy. Here's a breakdown of the impact and implications on key sectors:

**Manufacturing Sector:****Positive Impact:**

GST has streamlined the tax structure by eliminating the cascading effect of taxes, reducing logistics costs, and simplifying compliance. This has led to increased efficiency in the manufacturing process.

**Challenges:**

Some segments within the manufacturing sector, especially those with complex supply chains or operating in states with higher tax rates, initially faced challenges in adapting to the new tax regime.

**Services Sector:****Positive Impact:**

GST has brought uniformity in taxation for services, leading to reduced tax burden and compliance costs for service providers. It has also facilitated the growth of service-oriented industries such as IT, hospitality, and healthcare.

**Challenges:**

Service providers initially experienced difficulties in understanding the new tax structure and transitioning to GST-compliant systems. Compliance requirements, especially for small service providers, posed challenges in the initial phases.

**FMCG (Fast-Moving Consumer Goods) Sector:****Positive Impact:**

GST has streamlined logistics and distribution networks, resulting in cost savings for FMCG companies. Input tax credit benefits have also improved margins for manufacturers and distributors.

**Challenges:**

FMCG companies had to reconfigure their supply chains and distribution networks to align with the GST framework. The transition phase led to destocking and inventory management challenges.

**Automobile Sector:****Mixed Impact:**

While GST has rationalized taxes and reduced the overall tax burden on automobiles, the shift to a higher tax rate of 28% for certain categories of vehicles led to increased prices for consumers.

**Challenges:**

The transition to GST disrupted the supply chain and led to inventory pile-ups for automobile manufacturers. Changes in tax rates and classification also necessitated adjustments in pricing strategies.

**Real Estate Sector:****Positive Impact:**

GST has replaced multiple taxes such as VAT, service tax, and excise duty, leading to greater transparency and simplicity in the real estate sector. Input tax credit benefits have also positively impacted construction costs.

**Challenges:**

The real estate sector faced challenges during the transition period, particularly in the resale market where issues such as valuation and input tax credit utilization needed clarity. Compliance requirements for developers also increased.

**Retail Sector:****Positive Impact:**

GST has simplified tax compliance for retailers by consolidating multiple taxes into a single tax regime. Input tax credit benefits have improved margins for retailers.

**Challenges:**

Retailers had to upgrade their billing and invoicing systems to comply with GST requirements. Additionally, changes in tax rates and classifications required adjustments in pricing strategies.



**Export-Oriented Industries:****Positive Impact:**

GST has boosted exports by providing input tax credit benefits on inputs used for exported goods and services. The GST refund mechanism has improved liquidity for exporters.

**Challenges:**

Delays in processing GST refunds and complexities in the refund process initially affected exporters' cash flows. Exporters also faced challenges in compliance related to documentation and procedural requirements.

**5.1.12 PROBLEMS ARE FACING GST IN INDIA:**

The Goods and Services Tax (GST) in India, introduced in July 2017, aimed to simplify the taxation system by replacing multiple indirect taxes levied by the central and state governments. While GST has brought about significant reforms in the Indian tax system, it also faces several challenges and problems:

**Complexity:**

The GST system in India is complex due to multiple tax slabs, various exemptions, and frequent changes in compliance requirements. This complexity increases the compliance burden for businesses, especially small and medium enterprises (SMEs), and may lead to errors in tax filing.

**High Compliance Burden:**

GST compliance involves numerous filings, including monthly returns, annual returns, and reconciliation statements. This imposes a significant administrative burden on businesses, particularly small-scale enterprises, which may struggle with the procedural requirements and face penalties for non-compliance.

**Transition Challenges:**

The transition to GST from the previous tax regime was not seamless. Many businesses faced difficulties in understanding and adapting to the new system, leading to disruptions in operations and cash flow issues.

**Technology Infrastructure:**

The GST system heavily relies on technology for registration, return filing, invoice matching, and tax payments. However, technological glitches, network downtime, and software issues have been reported, causing frustration among taxpayers and hindering compliance.

**Multiple Tax Rates:**

India's GST structure includes multiple tax rates (0%, 5%, 12%, 18%, and 28%), leading to classification issues and disputes over the appropriate tax rate for various goods and services. This complexity increases compliance costs and administrative challenges for businesses.

**Impact on Small Businesses:**

Small businesses, particularly those operating at the inter-state level, may face challenges due to the requirement of GST registration and compliance, irrespective of their turnover. This can disproportionately burden small enterprises and hinder their growth.

**6.1. RECOMMENDATION**

- ❖ Enhancing taxpayer education and awareness programs can further ensure better compliance and minimize errors.
- ❖ Addressing interstate trade barriers is essential to facilitate smoother movement of goods and services across state borders, promoting economic integration.
- ❖ Continuous review of tax slabs and rates is necessary to maintain competitiveness while considering the impact on businesses and consumers.
- ❖ Measures to promote export competitiveness should be implemented to leverage GST's potential for boosting India's international trade.

**7.1. CONCLUSION**

GST is still a work on process and nearing to get perfection. It take some time to experience its effects on Indian economy. GST mechanism is designed in such a way that it is expected to generate good amount of revenue for both central and state government. Regarding corporate, businessmen and service providers it will be beneficial in long run. It will bring transparency in collection of indirect taxes benefiting both the Government and the people of India. GST is a very noteworthy step in the field of indirect tax reforms in India. Many taxes have been abolished and only one tax remains. GST has made taxation easier for the industries and consumers are also benefiting from the reduction in total tax burden on goods and services.

GST will also make Indian products competitive in global markets, which will increase foreign exchange reserves. It has a positive effect on the Indian economy, but it needs further improvement so that it can meet the challenges of the future economy.

## 8.1. REFERENCES

### A. Journals:

1. Deshraj Son , Dr. Ranjan Porwal (2023), “ **An Impact of Goods and Service Tax (G.S.T.) on Indian Economy**” EPRA International Journal of Environmental Economics, ISSN: 2348 – 814X, Volume: 10, Issue: 11, pp:5-7.
2. Dr. Syeda Shumaela Naeem and Jasmine Khan (2020), “**The Social & Economical Impact of Gst On Indian Economy**” The International Journal of Business Management and Technology, ISSN: 2581-3889, Volume 4, Issue 2, pp: 74-85.
3. Satya Bhushan(2020), “**A Study of Literature Review on Goods And Services Tax Laws in India**” International Journal of Creative Research Thoughts (IJCRT), ISSN: 2320-2882, Volume 8, Issue 7, pp:4686-4693.
4. Udai Lal Paliwal , Nitin Kishore Saxena and Ashutosh Pandey(2019), “**Analysing the Impact of GST on Tax Revenue in India: The Tax Buoyancy Approach**” International Journal of Economics and Business Administration, Volume VII, Issue 4, pp: 514-523.
5. Shetty Deepa Thangam Geeta, SP. Mathiraj, M.Thivya Bharathi (2019), : “**Impact of GST on MSMEs**” International Journal of Recent Technology and Engineering (IJRTE), ISSN: 2277-3878, Volume-8 Issue-2S6, pp: 668-694.
6. Samit Kumar(2019), “**Impact Of Gst On Indian Economy**” THINK INDIA JOURNAL, ISSN:0971-1260, Vol-22-Issue-16, pp:4829-4835
7. Dr. Namita Mishra., (2018), “**Impact of GST on Indian Economy**”, International journal of basic and applied research, ISSN 2249-3352, Volume 8, Number 11, pp. 385-389.
8. Meenakshi Bindal and Dinesh Chand Gupta., (2018), “**Impact of GST on Indian Economy**”, International Journal of Engineering and Management Research, ISSN (ONLINE): 2250-0758, Volume-8, Issue-2, pp. 143-148.
9. Kritika Somani(2018), “**GST: Impact of GST on Micro Small & Medium Enterprises**” Aayushi International Interdisciplinary Research Journal (AIIRJ), ISSN 2349-638x, Vol – V, Issue-III, pp:133-135
10. A DASH., (2017), “**Positive and Negative Impact of Gst on Indian Economy**”, International Journal of Management and Applied Science, ISSN: 2394-7926, Volume-3, Issue-5, pp. 158-160.
11. Prof. Pooja. S. Kawle and Prof. Yogesh.L. Aher., (2017), “**GST: An economic overview: Challenges and Impact ahead**”, International Research Journal of Engineering and Technology, ISSN: 2395 -0056, Volume: 04 Issue: 04, pp. 2760-2763.
12. SANKAR R., (2017), “**Gst: Impact and Implications on Various Industries in Indian Economy**”, Journal of Internet Banking and Commerce, Volume. 22, No. 2, pp. 1-9.
13. Dr.I.Siddiq and Dr.K.Sathya Prasad( 2017 ), “**Impact of Gst on Micro, Small and Medium Enterprises**” Journal of Management and Science, ISSN: 2249-1260, e-ISSN: 2250-1819, Special Issue. No.1, pp:180-183.
14. Arti, Vinita Kanwal, Divya Pandey(2017), “**Impact of GST on Agriculture: A Review**”, Indian Journal of Economics and Development, ISSN: 2277-5412, Volume 13, pp: 65-68.
15. Ms. Priti Jadhav, Ms. Manjushree Yewale, Ms. Trupti Kalyankar, Mrs. Vandana Nemane (2017)<sup>1</sup>, “**Impact of GST on E-Commerce**” International Journal of Advanced Engineering Research and Science (IJAERS), ISSN: 2349-6495(P) | 2456-1908(O), Vol-4, Issue-8, pp: 70-73.
16. Abdul Matheen, K.Sai Santosh Kumar, Qamer Unnisa Hina, V.Sharmila(2017), “**Impact of GST on Indian Financial System**” IJSRST,Print ISSN: 2395-6011, Online ISSN: 2395-602X, Vol3, Issue 8, pp:1152-1156
17. Geeta Pal(2017), “**Impact of GST in Indian Market- A Literature**” International Journal of Research in Informative Science Application & Techniques (IJRISAT), ISSN-2581-5814, Vol.No.1, Issue No.1, pp:19-26
18. Shefali Dani., (2016), “**A Research Paper on an impact of Goods and Service Tax (GST) on Indian Economy**”, Business and Economics Journal, ISSN: 2151-6219, Volume 7, Issue 4, pp. 1-2.
19. Milandeep Kour, Kajal Chaudhary, Surjan Singh and Baljinder Kaur., (2016), “**A Study on Impact of Gst After its Implementation**”, International Journal of Innovative Studies in Sociology and Humanities, Volume: 1, Issue: 2, pp. 17-24.

20. S.Thowseaf and M. Ayisha Millath., (2016), “**A Study on GST Implementation and its Impact on Indian Industrial Sectors and Export**”, International Journal of Management Research and Social Science, ISSN 2394-6407, Volume 3, Issue 2, pp. 27-30.

