AN OVERVIEW OF GOODS AND SERVICES TAX IN INDIAN CONTEXT

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ABSTRACT

Indian economy is the testimony for increasing the growth in very short period of time. Tax in form of direct and indirect is the largest source of revenue to the government. Chairman of 13th Finance Commission Dr. Vijay Kelkar, has advised to have a reasonable, scientific and contemporary taxation structure in sync with industrialized countries form the premise of the establishment of Goods and Service Tax (GST) in India. Tax structure is created and executed in such a manner that it contributes to the growth of nation. A Taxation Structure which allows ease of conducting business and having little potential for tax evasion gives prosperity to a country's economy. The GST is the major and widespread indirect tax reform since 1947. Replacement of outgoing taxes like value-added tax, excise duty, service tax and sales tax is the fundamental notion of GST. It will be levied on manufacturing sale and use of goods & services. GST is projected to affect of the present tax system and result in unifying the nation economically. This article has concentrated on the background, aims of the proposed GST and the effect of GST in several sections of Indian economy. The study subsequently focused on numerous advantages and prospects of GST. Finally, the article analyses and brings forth a definite conclusion.

Keywords:- *Goods and services tax(GST), Tax Reform, Taxation, Impact.*

INTRODUCTION

The contemporary English word tax comes from the Latin word taxare, which means to estimate. As defined by the United Nations Convention on Taxation and Trade, taxes are "any contribution imposed by government, under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name," and they are not voluntary payments or gifts. The economy is impacted in two ways by tax policy: the efficiency and equity of the tax system. While taxes should be used to fund public services and infrastructure improvement, income inequality should also be addressed. GST is an acronym for the GST. The GST may cause significant changes to the current Indirect Tax system. Significant tax reforms have not occurred since 1947. In the past, India's indirect tax system was too complex, with federal and state taxes acting separately. The implementation of GST will simplify the national economy by centralizing all indirect taxes. The responses of enterprises and organizations to the new tax framework introduced by GST will be intriguing to see. Many other federal and state taxes in India will be phased out and replaced by the GST. The GST would be levied and collected on every purchase and sale. At the time of purchase, goods and services are not subject to GST.

In 1954, Franch proposed GST, and now 160 countries utilize it. Although the vast majority of nations now use a unified GST, a few still use a dual GST system in which tax is levied at both the national and state levels. The federal government's tax collection mechanism is known as the Central Goods and Services Tax(CGST), whereas the individual states' systems are referred to as the State Goods and Services Taxes(SGST). In India, there are two types of sales taxes: the federal CGST and the state-level SGST.

REVIEW OF LITERATURE

Jaiprakash (2014), has discussed the benefits to the economy, business, farmers, and consumers that would result from the repeal of the CST and the implementation of unified Central and SGST. Researcher should take advantage of the current period of economic expansion and low inflation by enacting GST so as to maximize its potential to increase revenue collection.

Venkadasalam S.(2014), examines the post-tax effect of GST on GDP growth in ASEAN nations using the Least Squares Dummy Variable Model(LSDVM). According to him, seven of the ten ASEAN nations are already implementing the GST. Consistent with standard economic theory, he also postulated a positive relationship between GDP and people's and the government's final consumption expenditures. However, post-GST results are not uniform across countries. The development of the Philippines and that of Thailand are clearly correlated negatively. Meanwhile, Singapore displays an exceptionally optimistic correlation.

Agrawal (2017), As a result of GST's implementation, this study report seeks to clarify the topic for the general public. The purpose of this study is to provide light on how GST works and how it has affected the Indian economy. With the GST system in place, everyone will be responsible for paying tax on their output, but they will get a refund on their input taxes. On July 1, 2017, a ceremony was held in Parliament's Central Hall to officially introduce the GST system.

OBJECTIVES OF THE STUDY

- To study the overview of GST in Indian Context.
- To study about the Impact and Challenges of GST on various constituents Indian Economy.
- To suggest the measures to deal with unfavaourable impact on various stakeholders.

RESEARCH METHODOLOGY

Secondary data and research publications were sufficient. Critically evaluated and extracted. This generated qualitative and quantitative research theory. Secondary data were collected from official websites, national and international journals, publications, conference papers, Government reports, newspapers, and magazines on tax system and GST.

IMPACT OF GST ON INDIAN ECONOMY

The economy and many other industries benefit from GST in the ways listed below.

- **Impact on Cement Industry:** Angel Broking predicts that the cement business would have no impact from GST. The previous excise and VAT rates on cement ranged from 12.5% to 15.5%. The cement tax rate under GST is 28%, which is quite similar to the present rate.
- **Impact on Food Industry:** Any tax on food would be regressive since it affects those of lower incomes disproportionately. Since food production and distribution are so poorly regulated in India, the extension of GST will be particularly challenging in the food processing industry. In most countries, taxes on food are set at a lower rate out of a concern for fairness and equity on a global scale. Canada, the United Kingdom, and Australia are examples of countries that do not tax food since it makes up such a tiny percentage of the average household's spending. Food is taxed at a standard rate in many nations, while in Singapore and Japan, for example, the GST rate is just 3%. There is no consensus among international law enforcement agencies on how much food should be processed. Therefore, all food products in India, regardless of processing, should benefit from reduced or eliminated taxes..
- **Impact on Brokers and equity investments:** As a result of the Goods and Services Tax (GST) absorbing the service tax, the previously applicable 15% GST rate on financial services has been increased to 18%. Since the overall change is only about 3 basis points, it may not be too significant from the perspective of long-term investors. Short-term traders' ability to profit from economics of fund-mixing in the equities markets will be affected by these three basis points. Whether or whether this affects trading activity and market liquidity remains to be seen.
- **Impact on consumer goods sector:** Once the GST is fully implemented, the FMCG industry will look very different. 50% of the Food and Beverage sector and 30% of the Household and Personal care sector make up the Food Manufacturing Consumer Goods industry. The fast-moving consumer goods (FMCG) industry is the nation's largest single source of direct and indirect tax revenue. The company's choice of where to produce and sell its goods is affected by the plethora of taxes that must be paid. Their corporations locate their factories and distribution centers in areas with favorable tax climates. Stock movement between states from warehouses is subject to taxes. Because taxes increase the cost to the business, GST will undoubtedly have an effect on the FMCG industry.
- **Impact on Information Technology services:** The suggested GST rate for the IT sector is still up in the air. The combined GST rate for the product was agreed upon at 27%. The anticipated GST classifies the transfer of software in electronic form as a service (intellectual property).in addition to being considered tangible property if transmitted through tangible medium. The general sales tax(GST) will simplify and centralize taxes, resulting in lower prices for consumers.
- **Impact on Automobile and auto ancillaries:** It is anticipated that the GST rates would be neutral for the automotive industry, with the exception of hybrid vehicles, which will be subject to a 28% GST. There will be no major changes in the present tax system for other types of vehicles. There will be a detrimental impact on tractor firms as their tax rate increases from 6-7 percent to 12 percent.

- **Impact on small Scale Enterprises:** There are three types of small businesses, and only the first two are exempt from GST registration. Those with turnovers between the threshold and the composition threshold may choose to either pay a tax depending on their turnover or opt into the GST system. Those who are on the cusp of the limit will need to consider GST. The situation is more complicated with regard to the central GST, although it is projected to increase compliance and broaden the tax base by up to 2% of GDP. With the introduction of GST, businesses will pay less in taxes.
- **Impact on Telecom:** There is a lot of stress on the industry because of how much competition there is from Reliance Jio. The GST system would increase the levy on telecommunication services from 15% to 18%.
- **Impact on Infrastructure sector:** Power, roads, ports, trains, and mining make up the bulk of India's infrastructure industry. The indirect tax levied is unique and separate from the others, and this is a multi-part system. This industry has its own set of special considerations and worries because to its significance on the national stage. The GST would expand the tax base while maintaining exemptions and addressing growth and national interest issues.

CONCLUSION

As the primary source of government revenue, tax policy can have far-reaching effects on economic efficiency and fairness. A progressive tax system would respond to concerns about economic inequality while simultaneously seeking to finance essential government programs and investments in public facilities and services. If they want to attract foreign investment, all economies should embrace GST on a national basis. Developing economies, like India's, may achieve sustained and balanced growth with the help of GST. India would gradually adopt international norms in taxes, business regulations, and management techniques, positioning itself among the world's elite in these areas. From what has been said, it is clear that producers and consumers would benefit from GST because of its ability to subsume a number of different taxes and give widespread coverage for input tax credit set-off and service tax set-off. In addition, it is clear that GST has a beneficial effect on many different industries.

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