

IMPACT OF GST ON INDIAN ECONOMY

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ABSTRACT

Sound tax policies of a country are an indication of strong governance and sustainable economic development. As taxes are the drivers of the economy, tax policies should keep in view the issues of income distribution and also focused on strategies to generate tax revenues to support government expenditures on public services and infrastructural development.

Rolling out GST on 1 July, 2017 is the result of more than a decade of discussions, tussles among states, and between states and the Union government, instances of give and take, lobbying and compromise. GST has been termed a potential game changer; the single biggest tax reform undertaken by India in 70 years of independence, the government says is founded on the concept of “one nation, one market and one tax.” On 1st July 2017, a single indirect tax regime has been kicked into force in Asia’s third largest economy, dismantling inter-state barriers to trade in goods and services.

Key Words: Goods and service tax, economic development, Indian economy and value added tax.

INTRODUCTION

The Goods and Services Tax (G.S.T.) is a landmark step taken by the Government of India to give a boost the GDP of economy, to introduce a more effective tax regime and to make the products and services globally competitive. By subsuming most of the central and state taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading and improve competitiveness and liquidity of the businesses. Hailed as one of the biggest fiscal reforms in the country, GST will be applicable to all businesses, small and large. With GST, there will be no scope for variable taxation anymore and the entire nation will follow a unified tax structure.

OBJECTIVES OF STUDY:

- To study the concept of Goods and Services Tax (GST) and its features.
- To have an overview of the journey it undertook before launching.
- To study the impact of GST on Indian Economy.
- To understand how GST will work in India.
- To study the challenges of GST.

RESEARCH METHODOLOGY

The research paper is an attempt of research, based on the secondary data collected from various books, national & international journals, articles, government reports, publications from various websites which has been published and focused on various aspects of Goods and Service tax. According to the requirements of the objectives of the study, design of the study is descriptive type.

LITERATURE REVIEW

Poonam, 2017 in her study, she had cleared that GST would be a very important step in the field of indirect taxation. The cascading and double taxation effects can be reduced by combing central and state taxes. Consumer’s tax burden will approximately reduce to 25% to 30% when GST is introduced. After introduction of GST concept, Indian manufactured products would become more and more competitive in

the domestic and international markets. This taxation system would instantly encourage economic growth. GST with its transparent features will prove easier to administer. In this paper the author has tried to attempt to spot the concept of GST & its current status in India. Paper has tried to give information about GST system. The study also aims to be familiar with the advantages and challenges of GST in Indian scenario.

Shefali Dani has proposed that GST regime is a half-hearted attempt to rationalize indirect tax structure. Approximately more than 150 countries have implemented GST concept. As per researcher government of India must study the GST regime set up by various countries and also their fallouts before implementing GST. It is the need of hour that, the government must make an attempt to insulate the vast poor population of India, against the inflation due to implementation of GST. There is no doubt, GST will simplify its existing indirect tax system and will have to help to remove inefficiencies created by the existing current heterogeneous tax system, only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.

What is GST:

GST will be levied on both goods and services. India will follow a dual system of GST to keep the Centre and State fiscally independent of each other. The GST Council, consisting of the Union Finance Minister and various State Finance Ministers, has devised a four-tiered tax structure for the country with tax slabs of 5%, 12%, 18%, and 28% for different categories of products.

WHICH TAXES WILL GST REPLACE?

It will replace all the following taxes and bring them under one umbrella to make compliance easier:

Currently levied and collected by the Centre	Currently levied and collected by the State
1. Centre Excise duty	1. State VAT
2. Additional duties of Customs (CVD)	2. Central Sales Tax
3. Special Additional Duty of Customs (SAD)	3. Entertainment and Amusement Tax (except when levied by the local bodies)
4. Service Tax	4. Taxes on lotteries, betting and gambling

ASSESSE :

An Assesse under GST, is a person who carries on any business at any place in India and who is registered or required to be registered under the GST Act.

GST registration is mandatory for (amongst others):

- Any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states)
- Input service distributor
- E-commerce operator or aggregator
- Person who supplies via e-commerce aggregator

GSTIN:

An expected 8 million taxpayers will migrate from various platforms into GST. All of these businesses will be assigned a unique Goods and Services Tax Identification Number (GSTIN). But most are yet not aware of the new registration process and the identification number. Each taxpayer will be allotted a state-wise PAN-based 15-digit Goods and Services Taxpayer Identification Number (GSTIN). PAN is absolutely mandatory for GST. A person without PAN must first obtain a PAN before registering for GST.

Impact of GST on Indian Economy:

- Reduction in prices of goods and services due to elimination of cascading.
- Uniform prices throughout the country.
- Transparency in taxation system.
- Increase in employment opportunities.

- Reduction in multiplicity of Taxes
- Mitigation of cascading /double taxation
- More efficient neutralization of taxes especially for exports
- Development of common national market.
- Simpler tax regime-fewer rates exemption.

For Central/ State Governments.

A unified common national market to boost Foreign Investment and “Make In India” campaign
Boost to export /manufacture activity , generation of more employment, leading to reduced poverty and increased GDP growth.

Improving the overall investment climate in the country which will benefit the development of the states.

Uniform SGST and IGST rates to reduce the incentives for tax evasion.

Reduction in compliance costs as no requirement of multiple record keeping.

- It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate.
- Implementation of GST would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market.
- GST will soon be knocking the doors if Indian economy and thus we shall all be ready to deal with it.
- It's the world wide accepted system of taxation and will result in India joining this system too.
- With GST, the economy will become more efficient and revenue receipts will go up as more of the informal economy becomes a part of the formal economy.
- A large part of tax litigation in India is around tax exemptions, which the new system (GST) seeks to minimize. Putting an end to a multilayered tax system, dismantling border check posts and eliminating the need for face-to-face meetings between executives and field officers of the tax department, will contribute to that.
- Consumers, on the other hand, will for the first time get a measure of the total central and state taxes levied on a product, bringing to an end the host of hidden and embedded taxes they were paying so far.
- *GST will create a business friendly environment, as prices will fall and it would also control the inflation rates.*
- It can be further concluded that GST have a positive impact on various sectors and industry.

CHALLENGES:

GST will be the biggest reform in Indian taxation since 1947, but there are many challenges for its successful implementation. These are as under

- Consent of States:** For implementing it is critical that GST bill is passed by the respective state Governments in state assemblies so as to bring majority. This is a herculean task.
- Revenue Neutral Rate (RNR):** It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.
- Threshold Limit in GST:** While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country

- **Robust IT Network:** Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for GST Registration, gst return filing, tax payments, IGST settlements etc. Thus there should be a robust IT backbone
- **Extensive Training to Tax Administration Staff:** GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.

Additional Levy on GST: The Purpose of additional Levy is to compensate states for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make “INDIA” as one state where inter-state movement of goods is common. In this situation, it would defeat the very purpose of GST in the country.

The biggest concern for authorities is whether there will be supply disruptions and whether firms will resort to profiteering. To ensure GST is not inflationary, an anti-profiteering authority is being set up.

CONCLUSION:

With India expected to play significant role in the world economy, GST will also prove to be a game changer as it will make Indian products competitive in the domestic as well as the international markets leading to an overall increase in exports. Once implemented, this unparalleled tax reform holds great promise in terms of sustainable growth for the Indian economy. Currently in India tax evasion is the problem lying in front of govt. and due to confusing tax system prevailing people often evade, but GST will act as a weapon against this practice and increase the revenue for the government as well. All these benefits will add significantly to the GDP growth of India in the medium and long run. Implementation of GST would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market. Policymakers are betting on GST to achieve various economic goals in one stroke—promoting the manufacturing sector, boosting exports by making production more competitive, creating more jobs, improving the investment climate, cutting down tax evasion and lowering the compliance cost to businesses. Though there are bottlenecks in adapting and ruining the system in India though it be political or growth and more research is yet to be done. Introduction of GST is a very good start. Reforms, however, do not end here. Certain features can be further streamlined

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