

The Effect of Gst on the Economy of India

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Abstract

The increased taxation in India causes issues for both consumers and businesses. India has a complicated tax system that we have observed. The current government is placing greater emphasis on implementing the GST bill. The report outlined how GST will benefit businesses and the government. Additionally described how GST lowers the price of goods and services. It would lessen the negative consequences of cascading and set the path for a common national market by combining numerous federal and state taxes into a single tax and permitting set-off of earlier stages of taxes. While some of them responded favourably and others unfavourably, the implementation of the tax has raised the cost of goods and services, raising the possibility of hardship for some. GST will have a significant impact on all areas of the economy, including the manufacturing and service sectors. The implementation of the Goods and Services Tax (GST) has an equal impact on all participants in the commercial arena, including manufacturers, traders, and service providers.

Keywords: Indian economy, GST requirements, awareness, and knowledge.

Introduction

The Goods and Services Tax (GST) is a proposed indirect taxation system in India that would combine the majority of the current taxation regimes into one. The Constitution (One Hundred and First Amendment) Act of 2016 introduced it. Arun Jaitley, the union finance minister, is the chairman of the GST bill at the moment. India's general sales tax (GST) would be a comprehensive indirect tax on the production, distribution, and use of goods and services. to take the place of the federal and state governments' taxes. Using the input tax credit method, goods and services tax would be levied and collected at each stage of the sale or acquisition of goods or services. With this method, businesses that are registered with the GST can claim a tax credit equal to the amount of GST they paid when they made purchases of goods and services as part of their regular business operations. Throughout a supply chain, taxable products and services are subject to a single rate of taxation until they are received by the customer. Generally speaking, administrative accountability would lie with a single authority to impose taxes on goods and services. According to the destination principle, imports and exports would be subject to the same taxes and be zero-rated. In the new economic landscape, it is not only desirable but also necessary to replace the current multiple tax structures of federal and state taxes with an integrated goods and services tax (GST). With the introduction of GST, India would be able to offer a tax system that is nearly identical to that of the rest of the globe. Additionally, it will raise native goods and services' cost competitiveness abroad. By providing a more comprehensive and wide-ranging range of coverage for input tax set-off and services tax set-off, the GST at both the federal and state levels will thereby

provide greater relief to industry trade and agribusiness customers as well. Arun Jaitley, India's finance minister, promised that the country could grow into a global market because the GST will boost the third-largest economy in Asia by 21 percent.

Objectives of the study

1. To study research the GST concept.
2. To study GST's benefits and drawbacks.
3. To study the effects of GST—both good and bad—on the Indian economy.

Research Methodology

The research paper represents an investigation. Based on secondary data from books, journals, the internet, and earlier research papers that examined the various facets of the service and the good act.

Features of GST

The following characteristics of the proposed GST regime will be present:

1. Destination-based taxation.
2. It will be administered by both the state and the federal government.
3. Taxpaying persons are determined state-by-state; centralized registration is no longer required.
4. Streamlined credit between products and services.

GSTN

The Goods and Services Tax Network (GSTN) is a non-governmental organization that operates without profit and provides IT infrastructure and services to various stakeholders, including state and federal governments, taxpayers, and other relevant parties, in order to implement the Goods and Services Tax (GST). Three parties will own it: the state, the center, and NSDL, the technology partner. At a "National Conference on GST," S. Duttmajumdar, the chairman of the Central Board of Excise and Customs (CBEC), stated at that time. He stated, "There was no need for alarm if GST was not Rolled out in April 1, 2017" in reference to the potential implementation of the tax.

Multiplicity of Taxes

Currently, the constitution gives the national government the authority to impose service taxes on the provision of services and manufacturing excise duties. Additionally, it gives state governments the authority to impose value added tax (VAT) or sales tax on the sale of goods. There are many different types of indirect taxes in the nation as a result of this exclusive division of fiscal powers. Furthermore, the exporting states are responsible for collecting and keeping the central sales tax (CST), which is levied by the central government on interstate sales of goods. Furthermore, the entry of goods into local areas is subject to entry taxes in many states. The union government, state governments, and local governments have all imposed taxes that have caused problems and intimidation for the taxpayer.

GST Tax Rates

The GST Council decided on November 3, 2016, that there would be four tax slabs with rates of 5%, 12%, 18%, and 28%. Daily necessities will be taxed at 5%, while luxury and demerit goods will be taxed at 28%.

Importance of GST

1. State-by-state variations exist in VAT rates and regulations. Furthermore, it has been noted that states frequently use these rates to cut them in order to draw in investors. This leads to losses for both the federal government and the state governments.
2. Due to the evolution of business procedures, there has been a blurring of the taxation boundaries between the state list and central list, resulting in double taxation and protracted litigation.
3. There is a cascading effect because state and federal taxes are not fungible against one another or between states.
4. Because of the differences in the tax rates imposed by the various states, businesses are now structuring their transactions solely to take advantage of tax breaks.

Advantages and Disadvantages of GST

Advantages:

- ❖ The One-nation-One-Tax Regime was introduced by GST.
- ❖ All indirect taxes were split between the central and state levels by the GST.
- ❖ The Goods and Services Tax (GST) broadens the tax regime and increases transparency.
- ❖ Because GST reduced the prices of goods and services, consumption increased.
- ❖ The GST increased the tax-to-GDP ratio, resulting in a business-friendly environment.
- ❖ The GST lessened the tax cascade's impact on the product's ultimate price.
- ❖ GST got rid of several taxes.
- ❖ The GST lowered the amount of black money in the economy while raising the demand for financial records.
- ❖ Increased registration thresholds
- ❖ composition schemes for small businesses were introduced by the GST.
- ❖ Simplified online process for GST.
- ❖ Reduced compliances.

Disadvantages:

- ❖ Some goods and services became more expensive due to GST.
- ❖ All credits are available online and there are penalties. For some businessmen who were previously tax-free, this poses a threat.
- ❖ For small business owners, maintaining records can be challenging as they involve compiling various forms of taxes.
- ❖ For small traders, it would be difficult to learn the new tax system.
- ❖ Computers, laptops, and the internet are necessities for small business owners without these kinds of resources.
- ❖ GST must be paid to local dealers at both the CGST and SGST levels.
- ❖ The GST system has a negative impact on certain industries, such as real estate.
- ❖ The GST system indicated a significant decline in GST collection over the past few years.

Favorable Effect of GST on the economy of India

- ❖ Increase production to lessen the tax burden on manufacturers and producers.

- ❖ A single tax system removes various tax barriers.
- ❖ After the introduction of the Goods and Services Tax, the Government's revenue rose.
- ❖ Certain industries, such as auto-commercial vehicles, consumer goods, building materials, cigarettes, footwear, and logistics, have experienced growth as a result of the GST tax reduction on various items.



Unfavorable Effect of GST on the economy of India

- ❖ The increase in tax rates on various items under GST causes a decline in certain sectors, such as restaurants, hotels, and branded apparel.
- ❖ The GST tax rate is fixed at 0%, 5%, 12%, 18%, and 28% for the entire tax system. Previously, different tax rates were applicable to different goods and services.
- ❖ A rise in inflation could be a result of GST.
- ❖ Added value as an approach to your monthly prices, an upload on.

Conclusion

- ✓ A major step toward the reform of indirect taxation in India would be the implementation of the goods and services tax (GST). A common national market would be made possible by combining multiple federal and state taxes into a single tax to reduce cascading or double taxation. The tax's simplicity ought to make administration and enforcement simpler.
- ✓ Having overcome numerous obstacles, India is prepared to implement a goods and services tax. The government designed GST as a long-term plan, and its benefits won't become apparent right away.
- ✓ "There are several ways that the economy will benefit from the switch to the GST regime. We will all be prepared to deal with the impending arrival of GST in the Indian economy.
- ✓ The introduction of GST in India will also significantly aid in removing economic distortions brought on by the country's current complicated tax system and will support the growth of a single national market.
- ✓ Without a doubt, GST will give India a tax system of the highest caliber by giving the manufacturing and service sectors distinct treatment.

- ✓ Tax evasion and corruption will decrease when tax returns, refunds, and payments are processed electronically via "GSTNET" and without the need for human intervention.
- ✓ In order to tax only the value added at each stage of the supply chain, the GST offers a comprehensive and continuous chain of tax credits from the producer's point/service up to the retailer's level and consumer's level.
- ✓ The GST would boost the government's overall revenues because it would encourage exports, increase employment, and spur economic growth.

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