

Changes In Indian Economy Due to Goods and Services Tax

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Summary:

India is not just a country it is a subcontinent. Where 130 crore people live. India is the second most populous country in the world. There are about 28 states and 8 union territories in India. There is no such big federal structure anywhere in the world. After India got independence, after becoming a republic in 1950, India accepted the form of mixed economy. This system continued for many decades. After this, when the reforms started from 1991, some changes also started coming in the traditional tax structure. In fact, the real effect of the economic reforms of that time was also visible after eight to ten years. Due to the economic reforms in India after 1991, the way of doing business in India has changed. Due to this, the needs of business have also increased a lot. Twenty to twenty-five years ago, businesses, be it trade, be it industry, it was not so important for them to be competitive in the global market because at that time there was license raj. You are making something, selling it. You are also not dependent on the export market. So the competition was not that important. But in today's situation in the country, it is necessary for our industry to be competitive at the international level. If you sell in the domestic market, then cheaper goods from outside will come here. Now products are coming from all over the world on the basis of comparative price. That's why you cannot impose 30 or 40 percent import duty. From this point of view, the implementation of GST in India has its special importance. GST came into force in India from 1st July 2017. Today four years have passed since this incident. An attempt has been made in this article to review the changes that have taken place in the economy of India during these four years.

Preface:

The central government enacted GST (Goods and Services Tax) or Goods and Services Tax in Marathi on July 1, 2017. It is a 'tax system' or 'tax system' related to indirect taxes. In layman's terms, most of the indirect taxes of the country were merged into the tax system. GST is a plurality of prevailing indirect taxes which were abolished and replaced by a single tax. It is named as 'Goods and Services Tax'. Sasmira is now closed due to various indirect taxes that manufacturers and service providers have to bear due to this tax. GST brought transparency in the indirect tax system. Traders trading and selling goods and services will now have to pay a single tax instead of multiple taxes. As a result, the whole of India has become one market and traders are more inclined to pay taxes rather than evade them. This has led to a huge increase in tax revenue on goods and services from the state and central governments. Having a single tax has reduced the complexity and complexity of the tax system and simplified tax procedures. With the Single Tax, a fully computerized version of the tax system, there is little room for tax evaders to 'scam'. The GST Act introduced by the Government of India has made a huge change not only in the tax system of India but also in the Indian economy internationally. We will see this in the next section.

Research objective:

- To study the pre-GST tax system in India.
- To study the change in indirect tax revenue of the Central and State Governments due to the implementation of GST in India.
- To study the changes in India internationally due to the implementation of GST by the Government of India.

India's tax system in the pre-GST era:

Before GST was implemented in India, there was a multiple tax system on sale and purchase of goods and services. 17 types of different taxes and 23 cess were imposed by the central government, state government and local bodies on the same commodity from production to the end consumer. Before the introduction of GST, traders were required to file separate returns for each tax. This left a huge scope for tax evasion and black money in the economy. Errors in various taxation procedures led to large scale tax evasion. As a result, tax disputes in the past are still ongoing. Due to GST, the existing multiplicity of indirect taxes was abolished and only one tax was introduced in its place. Various indirect tax levies which manufacturers and service providers used to suffer due to this tax have been stopped and GST has brought tax collection transparency. The whole of India has become one market as traders manufacturing and selling goods and services in this group now have to pay a single tax instead of separate taxes. As a result, traders are more inclined to pay taxes rather than avoid them. This has led to a huge increase in tax revenue on goods and services from the state and central governments. Having a single tax has reduced the complexity of the tax system and simplified the indirect tax procedure. GST has led to a single tax on goods and services, and the fully computerized form of the GST tax system has prevented tax evasion and scams.

Changes in indirect tax revenue of the state and central government due to GST

There are three types of Goods and Services Tax System (GST).

1. **CGST (Central Goods and Services Tax):-** Tax is collected by the Central Government on the intrastate sale of goods and services.
2. **SGST (State Goods and Services Tax):-** The state government collects this tax on the basis of intensive supply of services and products.
3. **IGST (Integrated Goods and Services Tax):-** Tax is levied on the supply of products and services between two states. Taxes are shared between the central and state governments.

Following are the effects of GST on the Indian economy.

Under the Goods and Services Tax system on the Indian economy, the impact has been seen in the following areas. We have tried to know some such facts one by one in detail below.

1. Indirect Tax Structures Changes:

Indirect taxes such as excise duty, services and VAT tax were removed with the introduction of GST. This has increased the ease of doing business by removing the complex structure of indirect taxation of the country. This has greatly affected the economy of India.

2. Increase in the revenue of the Government of India:

November 2022 According to the Ministry of Finance, the gross GST revenue collection stood at Rs 1,45,867 crore in the month of November. Of this, Central GST was Rs 25,681 crore, State GST was Rs 32,651 crore, Integrated GST was Rs 77,103 crore (including Rs 38,635 crore received on imported goods) and Cess was Rs 10,433 crore. This includes Rs 817 crore as cess received from imported goods. This GST collection has broken all the records. The revenue for the month of April 2022 is 14% more than the revenue collected in the previous month. Due to GST, the revenue of the Center and the State Government is continuously increasing. Prior to this, the recovery of GST was as follows.

GST callaction:

(GST in Rs.crore)

FY 2017-18	7,19,078
FY 2018-19	11,77,370
FY 2019-20	12,22,117
FY 2020-21	11,36,803
FY 2021-22	14,76,000

3. Increase in export trade:

India's merchandise trade (exports and imports) crossed \$1 trillion during 2021-22 as the country's imports also reached an all-time high of \$610 billion, according to data from the Ministry of Commerce, Government of India. According to official figures, India exported \$292 billion in the financial year 2020-21. India's merchandise exports reached a record level of \$ 418 billion in the business year 2021-22 due to the better performance of petroleum products, engineering goods, gems and jewelry and chemical sectors. According to these figures, the country exported \$ 40 billion in March 2022, which is the highest level of exports in a month. GST has been an important 'Brahmastra' for India's GDP in times of challenging global environment.

4. Growth in GDP:

After the introduction of GST, the country's GDP is increasing continuously. Some experts believe that in the coming time, GST will increase the GDP by one and a half percent. They are saying this because the size of business in our country will increase with the introduction of GST. The economy will become vibrant and there will be many positive changes in it. So the first effect of GST will be that our economy will be able to achieve maximum growth in the next 10, 20 or 30 years. In the coming times, there is a need that the country achieves a growth rate of 8-9 percent so that the youth of our country can get employment. This is a business necessity for eight to nine percent growth.

5. Impact of GST on Make in India :

The 'Make in India' campaign is proposing to make India a world class manufacturing hub. Tax reform through GST will play an important role in attracting large scale investments. The Goods and Services Tax promises a progressive tax system that avoids tax cascades and helps establish India as a true common market. GST brings down the cost of production and also allows hassle free supply of goods. This is increasing the ease of doing business in India. India is the third fastest growing country in the world in the field of startups. America is at number one in the list and China is at number two. India has become the first developing country to launch the Global Innovation Index (GII) in collaboration with the World Intellectual Property Organization (WIPO) and the Confederation of Indian Industry (CII). India had 14 anti-unicorns in January-July 2022, while China had only 11 anti-unicorns in the same period. At the same time, India is at number three after America and China in terms of the total number of unicorns.

6. India's big jump in World Bank's Ease of Doing Business Report 2020:

In the year 2020, India has jumped 14 ranks and reached 63rd rank among 190 countries. India's rank in 2019 was 77th. India has improved on 7 out of 10 indicators and has moved closer to international best practices. The World Bank's 2020 report ranked India among the top 10 countries in improving ease of doing business and India has made this improvement for the third time in a row. India has improved by 67 ranks in three years. This is the highest jump made by any major country since 2011.

7. India overtakes Britain to become world's 5th largest economy:

The effect of continuous strengthening is being seen in the Indian economy. India has entered the top 5 economies due to the sharp growth in the domestic economy amid the slowdown in Europe. Among the largest economies, India has overtaken the UK and is now at the sixth position. According to a Bloomberg report, India has overtaken Britain in the last quarter of 2021, according to calculations done in US dollars, while according to IMF GDP data, India has further strengthened its lead in the first quarter of 2022. According to estimates, with this growth, India may soon become the 5th largest economy in the world even on an annual basis. This is because of GST.

8. India's forex reserves at record level:

The country's foreign exchange reserves have reached its peak. According to the data released by the Reserve Bank, in the week ending August 28, 2020, foreign exchange reserves have increased by \$ 3.883 billion to \$ 541.431 billion, which is the highest level ever. The interesting thing is that due to Kovid the GDP of the country has decreased.

Conclusion:

On the intervening night of June 30 and July 1, Prime Minister Modi and the then President Pranab Mukherjee and leaders of all parties gathered in the Parliament House, where the Government of India is located. GST was implemented through an app at 12 midnight. This tax, known as 'Goods and Services Tax', has been called 'Good and Simple Tax' by the government led by Prime Minister Narendra Modi. This tax system, called 'one country-one tax', is the biggest tax reform by the government after 70 years of independence. This will benefit those investing in India and will help in increasing exports. Along with this, it was also claimed at this time that the gap left in development in different states would be filled.

GST has a huge role to play in making our economy modern and competitive. Due to the old tax system and black money in India, a parallel economy was running. Due to the effect of demonetisation and introduction of GST, this effect of parallel economy will be reduced. In the coming time, the parallel economy will end completely and our real economy will increase. Due to GST, the scope of indirect taxes will increase and tax revenue will also increase. If the tax revenue of the Center and the State increases, then we will be able to spend more and more for the challenges like the need of the infrastructural sector and the need of the social sector. Will be able to spend more and more in health and education, road and railways. GST will also help in bringing down inflation. It is also not that this will reduce all prices overnight. But under GST, due to availability of input credit, the prices of goods will be under control and prices may also come down. Earlier there was no input tax credit on services, now they will also get this benefit. The real effect of GST will be seen in the coming two to three years. Initially there may be some difficulties in implementing it. When we buy a new car or a new house, some problems may arise. Similarly, when GST will be implemented, there may be some difficulties, but I believe that in a few years India's economy will show significant changes and India will emerge as an economic power in the world.

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