

# GST: A Study of Its Positive and Negative Effects on Different Sectors of Indian Economy

Dr. Vivek V. Patil

Asst. Professor (Commerce), Smt. Radhabai Sarada Arts, Commerce & Science College, Anjangaon Surji

## Abstract: -

GST is basically an indirect tax that brings together most of the taxes levied on most goods and services into one area at the national level for the production, sale and consumption of goods and services. The introduction of GST will be an important step in the field of indirect tax reform in India. By consolidating numerous central and state taxes into one tax, he allows for pre-tax offsetting, it reduces the negative effects of the cascading and opens the way to a common domestic market.

Goods and Services Tax or GST was introduced in India in 2017 with the idea of imposing a uniform tax across the country. Therefore, it is considered one of the biggest tax reforms India has ever undergone. Several taxes are included in GST, thus eliminating tax cascading effects. To understand the impact of GST on the Indian economy as a whole, we first need to understand what GST is and how it is applied. We'll also go through in detail how GST affects different sectors. This article delves into the basic reality of how the GST affects a country.

**Keywords:** - comply, evasion, GST, rates, taxes

## Introduction: -

Goods and Services Tax (GST) is an indirect tax (or consumption tax) levied in India on the supply of goods and services. This is a comprehensive, multi-level location-based tax. Atal Bihari Vajpayee is known as the father of GST. It is comprehensive as it includes almost all indirect taxes, with the exception of some state taxes. As it is multi-stage, GST is levied at each stage of the production process, but it is intended to be reimbursed to all parties at various stages of production except the final consumer and is subject to consumption tax rather than excise tax. It is taxed as a destination tax from Origin like the old tax. This tax came into effect on 1<sup>st</sup> July 2017 through the implementation of the 101<sup>st</sup> Amendment to the Indian Constitution by the Government of India. GST replaces several existing taxes imposed by federal and state governments. GST is a broad-spectrum tiered tax regime that applies to the sale of goods and services. The main purpose of this tax regime is to curb the cascading effect of other indirect taxes and it will apply across India.

## The Objective of the Study: -

- 1) To go through the impact of GST on various sectors in India.
- 2) To discuss the consequences of the GST on the overall Indian economy.

## Research Methodology: -

Research methodology is a methodical and well-organized way to describe a certain example or flaw. It refers to the method used in science to obtain knowledge that is backed by logical inference and empirical observation, as well as its analytical, descriptive, and quantitative analysis.

## Data Collection: -

This study used a variety of secondary sources. Books, journals, newspapers, and information from websites are examples of secondary sources.

The secondary sources provide a theoretical and conceptual explanation of how the GST would affect the wider Indian economy. Consideration is given to a thorough description of each topic.

### Concept and Calculation of GST: -

Goods and Services Tax (GST) is a tax on goods and services sold within a country for consumption. Taxes are included in the final price and are paid by the consumer at the point of sale and passed on to the government by the seller. GST is generally taxed uniformly throughout the country. Goods and services are divided into five different tax classes for taxation purposes. 0%, 5%, 12%, 18%, 28%. However, mineral oil products, alcoholic beverages and electricity are not taxed with GST, but are taxed separately by individual state governments according to the previous tax regime. GST is calculated as  $\text{GST Amount} = (\text{Original Cost} * \text{GST Rate Percentage}) / 100$ .  $\text{Net Price} = \text{Original Cost} + \text{GST Amount}$ .

### Objective behind introducing GST: -

Under the clear slogan of "One Nation, One Tax, One Market",

1. To solve the indirect tax problem
2. For removal of cascade control effect
3. To increase taxpayers
4. To maintain consumption tax administration instead of manufacturing
5. To boost the government Earnings
6. Fighting Tax Evasion and Corruption

### Types of GST: -

There are four types of GST. Each tax rate is different. GST is levied in India at every stage of the manufacture and sale of goods and services. This tax is levied when goods and services are consumed. Below are different types of GST-

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

CGST Central Goods and Services Tax is a tax under the GST regime that applies to domestic (within the same state) transactions. CGST complies with the CGST Act. Revenue from CGST is collected by the central government.

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

State Goods and Services Tax or SGST is a tax under the GST regime that applies to domestic (within the same state) transactions. Domestic supplies of goods and services are subject to both provincial GST and central GST. However, State GST or SGST is imposed by the State on goods and/or services sold within the State. Subject to SGST law. Income generated by SGST is charged exclusively by the respective state governments.

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

The Integrated Goods and Services Tax (IGST) is a tax under the GST regime levied on interstate (between two states) supplies of goods and services, as well as imports and exports. IGST complies with the IGST Law. Under IGST, the central government is the body responsible for tax collection. After collecting taxes, it is further divided into states by the central government.

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

The Union Territory Goods and Services Tax or UTGST corresponds to the State Goods and Services Tax (SGST) levied on the supply of goods and/or services in the Union Territory (UT) of India. UTGST complies with UTGST law. UTGST revenues are collected by the Union Territory Government. UTGST replaces SGST for Union Territories. Therefore, UTGST is collected in Union territory in addition to CGST.

### Benefits of GST: -

#### 1) Simplified Tax Structure:

The country's tax structure has been streamlined with the GST. GST is a single tax, making it easier to calculate the tax at various points in the supply chain. Therefore, his GST impact on India can be seen as positive. Customers and manufacturers can see how much tax is being charged and how it is being charged.

## 2) SME Support:

Small businesses can now register under the GST composition system. They pay taxes based on their annual income under this agreement.

## 3) Additional Funds for Production:

A reduction in total taxes is another impact of his GST on the Indian economy. This saved money can be reinvested in the manufacturing process to increase production.

## 4) Eliminate Tax Cascading Effects:

State taxes and central government taxes have been consolidated under the GST. This eliminated tax cascading effects and eased the burden on both buyers and sellers. So while it may seem like you pay a lot of tax, you pay very little hidden tax.

## 5) Improving Operations Across India:

One can now avoid tax obstacles such as toll booths and checkpoints. This has previously caused problems such as unsaved items being damaged in transit. As a result, manufacturers have had to hold buffer stocks to cover losses. They can now easily transport their goods across India. As a result, their activities across India have improved.

## 6) Improved performance:

According to the Indian retail industry, the total tax amount is around 30% of the product cost. Taxes in India are lower due to GST. As a result, the final customer pays less tax. The reduced tax burden has encouraged retail and other businesses to produce and grow. Increase in exports. Tariffs on export goods have been reduced.

## Consequences of GST on various sectors in India: -

### 1) Startup:

The GST has brought significant benefits to Indian entrepreneurs with features such as a do-it-yourself compliance approach, higher registration limits, free movement of products and services, and tax credits on purchases. It has also made tax calculation easier for all India-based businesses, especially in the e-commerce sector.

### 2) Textile Department:

Textile is he one of the leading employers of skilled and unskilled workers in India. With the elimination of tariffs, India's textile sector, which accounts for 10% of total exports, is expected to grow. Cotton, a commodity on which most small textile companies rely, will be positively impacted by GST. These are some of his GST impacts on small businesses.

### 3) E-commerce:

E-commerce has plenty of room for expansion as it benefits the supply chain process of producing goods by lowering tax rates. On the other hand, an e-commerce business will have to deal with his GST tax being withheld.

### 4) Telecommunications Sector:

Telecommunications sector prices are expected to fall as warehousing; transportation and other costs fall.

### 5) Pharma:

With a streamlined tax structure, the pharmaceutical and healthcare industries will benefit from his GST impact in India. We also get tax cuts in return for making health care more affordable and accessible to individuals of all economic classes.

### 6) Logistics:

Logistics plays an important role in the economy of a large country like ours. A well-organized and structured logistics business, especially with the motto 'Make in India', has great development potential.

### 7. (FMCG) Fast-Moving Consumer Goods:

As GST eliminates multiple retail warehouses, FMCG companies save a lot of money on logistics and distribution.

### 8. Car:

Several taxes were levied under the old tax system, such as excise tax, value added tax, sales tax, road tax, road tax and registration tax, but now he has been replaced by GST. Automobile costs are expected to decrease, leading to increased sales and profits.

### 9. Farming:

Agriculture is the largest contributor to India's GDP, accounting for over 18%. If logistics becomes more efficient, the cost of transporting agricultural products will also decrease. As a result, it can be observed that GST has a positive impact on wholesale trade.

### Impact of GST on Customer: -

1. Looking at the short-term impact, customers will have to pay more taxes on the goods and services they purchase. Most essential consumer goods are subject to an equal or greater tax amount. The GST benefits for the common man are plentiful.
2. Small businesses also have to bear the cost of compliance, which can increase the price of their products and impact consumers.
3. Nevertheless, GST also promises some benefits in the long run. With lower taxes owed by manufacturers of FMCG and other consumer goods, the automotive industry will have to lower the prices of its goods. This allows consumers to pay less when trying to use these services.
4. Falling prices indicate an immediate increase in demand, speeding up the production cycle and bringing in more profits.
5. Increased production also paves the way for expansion, leading to increased employment and income. This not only creates more possibilities for the common man, but also strengthens the economy.
6. Implementing GST also means creating invoices for the purchase of goods and services. A good accounting system should also reduce the potential for black money and corruption. These were disturbing aspects to the Indian public.

In the end, both buyers and sellers will save a lot of money, and the economy should also be boosted.

### Positive and Negative Impact of GST: -

#### A) Positive impact of GST:

##### 1. Tax Relief:

GST has two components. Central GST and State GST. Central GST will be replaced by service tax, central excise tax, customs duty, etc. State GST replaces state value added tax, central sales tax, advertising tax, luxury tax, purchase tax, entertainment tax, etc. Before GST there were so many taxes, but now all those taxes and duties have been replaced with centralized GST and state VAT.

##### 2. Transparency:

Tax authorities began to function without corruption. Being able to view applicable taxes on sales invoices also provided transparency.

##### 3. Increased foreign investment:

GST has made India a single market and increased foreign investment into India. Due to cost savings, goods manufactured in India are becoming more competitive in international markets, leading to growth in exports. The introduction of Goods and Services Tax will bring India into compliance with international tax standards and make it easier for Indian companies to sell in the global market.

##### 4. Reduce cost of doing business:

GST has changed VAT across India. You no longer have to pay different tax amounts for each state. We have already abolished various taxes and duties in our company as this is the tax system in all states of India.

## B) Negative Impact of GST:

### 1. Existing Rise in Costs of Some Goods:

Tax rates have been increased on many goods, increasing costs.

### 2. Property Market Affected:

Economists believe the GST has already had a negative impact on India's property market.

### 3. Some sectors are at a loss:

Sectors such as textiles, media, pharmaceuticals, dairy, IT and telecoms are bearing the brunt of higher taxes. Durable goods such as jewellery, mobile phones and credit cards have also increased in price.

### 4. Double Check:

GST is billed as a one-size-fits-all tax regime, but in reality, it is double taxation as both states and centers impose different taxes on a single transaction of sales and services.

## Conclusion: -

GST is one of the biggest tax reforms in India's history. GST has several advantages and disadvantages that affect both consumers and merchants. This will make it easier to do business in India, reduce inflation and increase foreign direct investment in India. The impact of GST on GDP is negative because the tax rate has increased the cost of some products and services such as medicines, telecommunications and dairy, thus increasing inflation. These aspects should also be taken into consideration. On the one hand, tax simplification is increasing compliance costs. Therefore, the impact of GST on the Indian economy should be carefully analyzed. Both positive and negative aspects should be considered when assessing his GST impact in India.

The introduction of GST has facilitated the consolidation of state and federal taxes. This reduced the cascading effect of numerous taxes. This has reduced the tax burden on businesses and consumers. The number of taxpayers has also increased, and tax revenues have increased significantly. The entire tax system is easier to manage. It also allows small and medium enterprises to expand their activities. The positive effects of GST are believed to help more Indian companies to enter overseas markets.

Since there are two sides to the coin, the implementation of GST will affect the country equally, positively or negatively. Ignoring the negatives and focusing on the positive effects is a way to reduce black money.

## References:

1. <https://www1.deskera.com/in/gst-benefits-and-impact-on-indian-economy>
2. <https://madhavuniversity.edu.in/impact-of-gst-on-indian-economy.html>
3. [https://en.wikipedia.org/wiki/Goods\\_and\\_Services\\_Tax\\_\(India\)](https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India))
4. <https://cleartax.in/s/impact-of-gst-on-indian-economy>