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Special Issue on "Tax Reform for Developing Viable and Sustainable Tax System in India"



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Impact of Goods and Service Tax (GST) Indian on Economy and various sectors in India

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Abstract

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth. The Study is Exploratory in nature and Secondary Data has been used for the study. The data will be collected from different Journals, Periodicals, Newspapers and internets. GST is an indirect tax has introduced on 1 July 2017 in India and was applicable throughout India which replaced multiple cascading taxes levied both by central and GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. The Proposed study is designed to know the impact on GST on Indian Economy with the Help of Its individual effect on different sectors.

Keywords- *Goods and service tax, Indian economy, Economic growth.*

Introduction:

The GST is governed by a GST Council. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, and 18%. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%. and 28% and there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. Further in addition a Cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Expert viewed it as biggest tax reform in India founded on the notion of "one nation, one market, and one tax". The GST rollout has converted India into a unified market of 1.3 billion citizens. The rollout has a positive hope of India's fiscal reform program regaining momentum and widening the economy of the nation. The idea behind implementing GST in the country in 29 states and 7 Union Territories is that it would offer a win-win situation for every citizen. The entire taxation base will be shared between the assessment mechanism of the center and the states that would get to collect tax on the economic activities taking place in Indian territorial waters. At the ninth GST council



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meeting the center made significant concessions to bring states, including the defiant ones. The administrative decisions will be as follows.

Objectives:-

- 1) To understand the concept of goods and service tax.
- 2) To find out the Impact of GST in future.
- 3) To study about features and benefits of GST.
- 4) To study about the impact of GST on Various sectors in Indian economy.

Research Methodology:

All the data use for the study will be collected through from secondary data sources.

Data Collection:

This study is depending on the secondary data. For the purpose of secondary data will collections by the sources from; books, journals, Internet, articles, previous research paper, and parliament library and reference research will also help. Like; internet website etc. are facilitated to finding the secondary data.

Review of Literature:

Nishita Gupta, in her study, "Goods and service tax: it's impact on Indian Economy" stated that The goods and services Tax (GST) will indeed be a significant improvement towards a comprehensive indirect tax reforms in India and it would give India a world class tax system and improve tax collections. It would end distortions of differential sectors .Further viewed that it would lead to the abolition of taxes such as central sales tax, state level sales tax, octroi, entry tax, stamp duty, telecom license fees, and tax on consumption. GST is expected to create a business friendly environment in India, as a result price levels and inflation rates would come down overtime because of application of uniform tax rate. Moreover It will also improve government's fiscal health as the tax collection system would become more transparent, making tax evasion difficult.

Nitin Kumar, wrote in his research paper, "Goods and Services tax in India: A way forward that The Goods and Service Tax (GST) is one of the biggest taxation reforms in India The central idea behind this form of taxation is to replace existing levies like VAT, service tax, excise duty and sales tax by levying a comprehensive tax on the manufacture and consumption of goods and services in the country. GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different points.

An analysis on GST and its impact on Indian Economy:

The implementation of goods and service Tax (GST) coupled with a digitized economy ushered in by demonstration, will make India's "economy" look much cleaner and bigger "said union finance minister Arun Jaitely at the vibrant Gujarat global Summit. Further he said, it is going to be a major step towards the integration of informal economy and this it is going to increase the transactions, which are covered within the Banking system transactions and may lead to higher revenue in the future. He said "A new India Has Emerged". It is inevitable that with the increase in level of demand, the level of supply would respond likewise.

The GST council is being asked by the ministry of Commerce to keep exporters of the plantation, leather and cement out of its framework and suggested to impose lower tax on them to boost output and increase employment generation. With this the producers increase productivity and perform better in global markets council retained its proposed definition of Agriculturist to allow a land to have been personally cultivated only if it's farmed by individuals and family members of HUF and it's exempted



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under GST. Manufacturers and traders would benefit from fewer tax filings, transparent rules and overall a sound book keeping system. Consumers would be paying less for the goods and services and lead to change their expenditure pattern and livelihood, the government would generate more revenues as revenue leaks would be plugged by GST implementation.

How has GST really impacted India in current economy situation and in future? Firstly: from the viewpoint of the consumer, the consumers have paid more tax for most of the goods and services they consume. The GST implementation has a cost of compliance and tax on most of the goods attached to it. It examine that this cost of compliance will be prohibitive and slightly high for the small scale manufacturers and traders. Resulted to this pricing of goods will go high and has direct impact on cost of living of the society. Secondly: If long term effect of GST analyses it is expected that GST would not just mean a lower rate of taxes, but also minimum tax slabs imposed on .In many Countries where the Goods and Service Tax has helped in reforming the economy, apply only 2 or 3 rates. GST is designed to minimize the rate with a lower rate for essential commodities, and a higher tax rate for the luxurious commodities. Currently, in India, there are 5slabs, but there will be a shift soon. Thirdly; Impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated in the country and at the same time revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks and GST would be a change maker on this.

Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The experts believes that the country would grow economically in the ease of doing business with the implementation of the most important tax refer.

Impact of GST on Various sectors in India:-

Automobiles: The automobile industry was paying a tax rate in a range between 30-45% and it is expected that after the GST the rate is around 18% which will be very high positive and profitable for the automotive industry the manufacturers / distributors and the end users. The standard and the social status of consumers is strengthened .Now there is a big boom in Automobile industry as a result of the introduction of Goods and Service tax.

Pharmaceuticals: The largest producer of generic drugs and India is the third largest producer of medicines. Implementation of GST will have a constructive impact on the healthcare industry, especially drug products. This will help industries by eliminating taxes In the pharmaceutical industry, eight different types of taxes are applied. Fusion of all taxes on a tax will make it easier to do business. GST will also develop transportation and supply chain in pharmaceutical products.

Textiles Industry: It is said that the tax rate in GST will be higher in the textile industry than that present tax rate. Cotton and wool fibers that are currently being exempt from tax would be in GST but the textile industry can be benefited in GST since manufacturing costs can be reduced due to Subsidization of several taxes such as Octroi, Entry Taxes, Luxury Taxes, etc. There will also be some disadvantages, but GST will help in supporting the industry in the long term and is seen to be supporting in the present scenario.

Food industry: A large proportion of the consumer expenditure of low-income families is spent on food, so if any food can affect most of the population or it can be of an adverse nature then it would be ideal if GST rates are zero or they will be Very little, because it will affect people significantly.

Service sector In India, 60% of GDP is included in the service sector. The GST rate for services is expected to be 18% to 20%, which is more than the current tax rate which is 15% which has led to an increase in the cost of services like banking, telecommunications and insurance.



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Agriculture Sector: Agricultural sector GST has the positive effect in the agricultural sector as all taxes will be reimbursed under a tax rate. Then the sales movement of the states between the states will be easy and hassle free, which is never in the history of the country.

Conclusion:

A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will also be beneficial to individuals as the prices will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP. As GST implementation applied at a time for all states lack of policy barrier will be removed. Directly GST will increase the investment in FDIs which increase the foreign exchange of the country and indirectly increase the employment.

Though the GST impact has made a various change in taxation system, it may find difficult for Indian economy to cope up with the change but has definitely a good future for the economy in the later years. GST is said to increase the standard of living of people reducing the cost of living that indirectly improves the financial system of nation thereby improving the Indian economy.

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