

IMPACT OF GST ON INDIAN ECONOMY: A CONCEPTUAL REVIEW

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Abstract

The Goods and Services Tax (GST) is one of India's most major indirect tax reforms, bringing the vision of "One Nation, One Market, One Tax" to reality on July 1, 2017. When the GST was implemented, all state barriers were erased. 17 federal and state legislations have been repealed, and a single GST has been enacted. The GST is a broad concept that aims to simplify a complex tax structure while simultaneously supporting and strengthening a country's economic growth.

Keywords: GST, Goods and Services, Input tax credit

Introduction

The GST is a broad concept that aims to simplify a complex tax structure while simultaneously supporting and strengthening a country's economic growth. The GST (Goods and Services Tax) is a federal tax on the production, sale, and consumption of goods and services [1].

The GST Bill, also known as the Constitution (122nd Amendment) Bill, proposes a tax on goods and services. An indirect tax will be levied at all stages of manufacturing to achieve system homogeneity.

All federal and state taxes will be merged into a single tax payment once GST is established. It would also help India improve its position in both home and foreign markets. GST would reduce customers' total tax burden, which is currently projected to be between 25 and 30%. Although there is a well-organized input tax structure, the customer pays the final tax in this system.

In this system, the client pays the final tax, but an input tax credit mechanism prevents tax cascading—tax on tax paid on inputs used to make goods [2]. GST would unify these taxes and create a unified market across the country, eliminating the need to pay different taxes such as federal excise duty and service tax, as well as state VAT. GST will bring these taxes together and create a level playing field across the country. The integration of multiple taxes into a GST system will result in successful credit cross-utilization. The current system levies an output tax, whereas the GST will levy a consumption tax.

Why no to GST?

However, whether the image is as rosy as it appears is an issue. 'India: Q and A on GST - Growth Impact Could Be Muted,' according to a note headed 'India: Q and A on GST - Growth Impact Could Be Muted.' The Modi government's Goods and Services Tax (GST) model, according to Goldman Sachs, will not promote growth, will increase consumer price inflation, and may not result in improved tax revenue collections [3]. The proposed GST tax system looks to have an escape clause that could make achieving the stated aims challenging. The following are the details: India has chosen for a dual GST rather than a single national GST. As a result, the overall GST framework in India has become rather complex.

The federal government will need to collaborate with 29 states and seven union countries to implement such a tax structure. As we have seen, such a system will wreak havoc on the economy.

The income distribution between the states and the federal government remains a source of contention, with no consensus on a revenue neutral rate reached. On December 4, 2015, Chief Economic Advisor Arvind Subramanian proposed GST rates of 12 percent for concessional products, 17-18 percent for regular goods, and 40 percent for luxury goods.

which is significantly higher than the current maximum service tax rate of 14 percent. This is a great initiative.

The proposed GST structure is likely to succeed only if the country has a strong IT network.

When it comes to internet access, it is commonly known that India is still in its infancy. Furthermore, the proposed legislation appears to ignore the rapidly growing e-commerce industry. Because no trace of the transaction is left outside of the internet, e-commerce is associated with anonymity. As a result, it's practically hard to follow commercial transactions over the internet. to keep track of business-to-business, company-to-customer, and customer-to-customer internet-based commercial interactions In the E-commerce paradigm, there appears to be no consensus on whether a product should be regarded a service or a product.

The WTO Bali Ministerial Conference in 2014 [4] insulated E-commerce from taxes by placing a customs duty moratorium on electronic communications.

Communication is necessary for survival, and it is impossible to function without it. Telecommunication is the most common means of communication in today's globe. The proposed GST system appears to be unfavorable to the telecoms industry: "One of the

primary repercussions of the GST regime might be a direct spike in the service tax rate from 14 percent to 20-22 percent” (GST: Impact on the Telecommunications Sector in the United States). Telecommunications do not appear to be categorized as goods or services under the proposed GST. When India's rural tele density falls below 50%, the whole telecoms sector takes on a significant proportion [5].

Petroleum products, electricity, real estate, and human-use liquor are all exempt from the proposed GST structure. Petroleum goods are well known for contributing significantly to India's inflation. Inflation in India is determined by the government's plans to introduce GST on petroleum products in the future. India's growth and development are dependent on electricity. Electricity will have a negative impact on India's development if it becomes a standard or luxury item in the future. Electricity will have a negative impact on India's development if it becomes a standard or luxury item in the future. The real estate industry is expected to suffer because of the GST. It would raise the cost of new homes by up to 8% and diminish demand by roughly 12%.

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1. Eliminating the CASCADING EFFECT:

The federal government levies excise duty on commodities produced, and the state government applies VAT on the sale of specific items, among other taxes imposed by the federal and state governments. The excise duty component is also subject to VAT, resulting in a compounding effect on the company's overall indirect tax bill.

As a result, the consumer's items become more expensive. The federal and state governments imposed around 17 taxes, each of which had a multiplier effect on the total amount of tax and, ultimately, the cost of a commodity or service. It has gotten highly expensive as a result of the cascading effect. As a result of the GST's removal of these taxes, we now have a better understanding of the various implications of various taxes, allowing us to make more educated decisions.

2. DISTINGUISHING PROBLEM IN SALE AND SERVICE: -

When it was impossible for the supplier to discern whether the transaction was for the sale of products or the provision of services, both VAT and service tax were charged on the same transaction. The problem has been solved by combining VAT and service tax into GST, and consumers would only have to pay for goods and services. GST stands for Goods and Services Tax. By decreasing confusion, GST would bring more clarity and transparency to such transactions. Previously, when we bought software, the merchant would charge the VAT and service tax at the same time, but now we'll be charged GST.

3. EASIEST WAY TO DO BUSINESS:-

Previously, a businessman had to keep a brief record in all applicable acts and track filing of returns, payment of taxes, and assessment proceedings under a variety of acts, in multiple states, and at the federal level, which was exceedingly burdensome and difficult for businessmen. The ease of doing business in Canada will improve now that several legislations have been combined into one. It could be one of the reasons why India improved from 130 to 100 in the Ease of Doing Business Index in 2018.

4. INCREASING THE TAX BASE:

In the former arrangement, excise duty was paid solely by the items' maker; wholesalers and retailers in the subsequent chain were exempt from paying excise duty on the value addition they made. The number of merchants registered with the county's excise department was capped at about 1.5 lacs, resulting in a low tax fee under the GST regulations. Under the new regime, more than 1.3 crore dealers will be expected to pay tax on each and every value addition in the chain of wholesalers and retailers (Economic Times, March 09, 2018). As a result, both the tax base and revenue are increased. **UNIFORMITY OF TAX RATES:** - In the prior system, there were numerous tax rates.

For example, in VAT Research Paper IJRAR- International Journal of Research and Analytical Reviews 525, there were varying rates of taxes on different items in Delhi, Haryana, Uttar Pradesh, and Punjab, making it impossible for a buyer to figure out which state they were purchasing from. However, with an unified tax rate, it is now much easier to comprehend and administer.

5. REDUCED LITIGATION:

The Central Excise and Service Tax Appellate Tribunal is dealing with almost a million cases, while the Finance Ministry is dealing with 50,646. (Financial Exchange December 25, 2017). There are also numerous cases pending before various appellate authorities under various acts for a value ailment, as well as appeals against assessment rulings under all 17 acts that have already been repealed.

6. RELEASE THE ROAD BLOCKAGE:

These were a system in which tax checkpoints generated transportation waste, resulting in longer inventory replenishment periods, larger buffer inventories, and higher warehouse and inventory carrying costs. Under the GST regime, all of their obstacles are removed, resulting in time and cost benefits for the industry.

The Study's Objectives

- 1) Make sure you have a basic understanding of GST.
- 2) To comprehend how the Goods and Services Tax (GST) will operate in the Indian economy.

3) To comprehend the advantages and disadvantages of GST in India.

GST is required.

India's recent economic growth is a result of reforms adopted in the aftermath of the 1991 fiscal crisis, which lifted the country out of years of poor growth under communist rule and allowed it to advance living control across the huge, impoverished country. At the same time, since the 1991 balance of payments crisis, India had achieved great progress. The tone of India's immigration policy has altered to a more positive one. promoting exports and allowing foreign capital to invest in India's growth The phrases "liberalization" and "globalization" have become interchangeable.

Because of their dependency in the transfer of resources for development, all governments were compelled to adopt the globalization policies of the world's top economies. Every country has established an ordered, sensible, and competitive tax policy in order to survive and thrive in this economic climate. India has also changed its direct and indirect taxation to meet the needs.

In terms of economic governance and taxation, the recent implementations of the Direct Taxes Code (DTC) and the Goods and Services Tax (GST) are viewed as groundbreaking.

Conclusion

The GST will undoubtedly contribute to India's economic unity by absorbing a significant number of indirect levies and creating a single indirect tax structure across the country. With improved compliance and revenue resilience, GST will avoid the cascade impact in the indirect tax regime. Every economy should embrace GST or VAT at the national level to make their economy more appealing. investors from throughout the world In the past, several countries have profited from introducing a GST regime. GST implementation will be tremendously advantageous in India. The creation of a unified national market will be aided by removing economic prejudices generated by the current complex tax structure. A developing economy like India can achieve sustainable and balanced development by instituting GST.

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