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**SPECIAL ISSUE ON
GST – CONCEPT ISSUES, OPPORTUNITIES AND CHALLENGES**



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“GST AND ITS IMPACT ON INDIAN ECONOMY”

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Abstract:

GST is the most crucial economic reform since the Liberalization, Privatization and Globalization (LPG) reforms in the year 1991. In India GST is an Indirect Tax which has replaced Many Indirect Taxes that previously existed In India. France was the first country to implement GST in the year 1954, Malaysia 01st April 2015. In India GST Journey began in the year 2000 when a committee was set up to draft GST law by Atal Bihari Vajapayee Government. It took Seventeen years from then for the Law to evolve in 2017 the GST bill was passed in the Lok Sabha and Rajya Sabha and GST comes in to Force from 01st July, 2017. GST is a path breaking indirect Tax Reform which will create a common National Market by dismantling Domestic State Trade barriers. The main objectives of GST are “one Nation, One Tax and One Market”. This paper presents an overview of GST, Concept Its Features and Its Impact on Indian Economy.

Keyword: Indirect Tax, Goods and service tax, Market, Rate of GST, Benefits and Need of GST, Impact of GST on the Indian Economy

Introduction:

Now a day's GST is the buzz word of today's generation. Goods and service tax is the India's biggest Tax reform since Independence. GST is one indirect Tax for the whole India, which will make India One Unified Common Market. GST make our products competitive in the domestic / local and International market. Studies show that this would instantly spur economic growth. There may also be revenue gain for the centre and the states due to widening of tax base, increase in trade volume and improved Tax compliance.

The Kelkar Task Force on the implementation of Fiscal Responsibility and Budget Management (FRBM) Act, 2003, had pointed out that the existing system of Taxation on Goods & Services suffers from many problems and, therefore, suggested is comprehensive Goods and service tax (GST). GST be levied and collected at each stage of sale or purchase of goods or services based on input tax credit method. Under this system, GST-registered commercial houses shall be entitled to claim credit of the tax they paid on purchase of goods and services as a part of their day to day businesses. The new Reformed tax system was launched at a function in Central Hall of Parliament on 1st July, 2017 (Friday midnight). GST is the Biggest Indian Tax Reform founded on the nation of “One Nation, One Market, and One Tax” is finally here. Will the Hopes triumph over uncertainty would be determined by how our Government works towards making GST a “Good & Simple Tax”. The main reason behind introducing GST is to improve the economy of the nation.

Definition of GST:

The concept of goods and service tax popularly known as GST he is a ‘dual’ structure, which means it will have two components- the central GST and State GST AND IT IS simplify tax administration, ensure Ease of doing Business and promote ‘Make in India’.



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“Goods and Service Tax is a comprehensive tax levy on manufacture, sale & consumption of goods and service at a national level.”

“Goods and Service Tax is a Complete imposed on Manufacture sale and expenditure of goods and service. It is Mostly a Proxy of all indirect taxes which imposed on goods and services by the C & G of India. GST would be lived collected at each phase of sale OR purchase of goods & services based on the input tax Credit Process.”

Objectives of the study:

The following are the objectives of the study:

1. The First objective of the paper is to study the concepts of Goods and Services Tax (GST).
2. The Second objective of the paper is to highlight the impact of GST on Indian Economy.

Research Methodology:

This paper is prepared through done with help of the information from secondary data sources that are from various websites, journals, Research articles, newspapers and magazines, Books related to Goods and Service Tax.

Components of GST:

There are three taxes applicable under GST - *CGST*, *SGST* & *IGST*.

- **CGST:** Collected by the Central Government on an intra-state sale (E.g.: Within Maharashtra)
- **SGST:** Collected by the State Government on an intra-state sale (E.g.: Within Maharashtra)
- **IGST:** Collected by the Central Government for inter-state sale (E.g.: Maharashtra to Uttar Pradesh)

Features of GST:

1. GST is one indirect tax for the entire nation, which will make India “one unified common market”.
2. It will replace multiple taxes like VAT, CST, Excise Duty, Entry Tax, LBT, and Luxury Tax ect.

Rates after GST in India:

Rate	Various GST Tax Slabs in India
Exempted	<ul style="list-style-type: none"> ➤ Goods - No taxes will be levied on goods like milk, fruits, vegetables, bread, salt, bindi, curd, sindoor, natural honey, bangles, handloom, besan, flour, eggs, stamps, printed books, judicial papers, and newspapers. ➤ Services - All hotels and lodges who carry a tariff below ₹ 1,000 are exempted from taxes under GST.
5%	<ul style="list-style-type: none"> ➤ Goods - The goods which will attract a taxation of 5% under GST include skimmed milk powder, fish fillet, frozen vegetables, coffee, coal, fertilizers, tea, spices, pizza bread, kerosene, ayurvedic medicines, agarbatti, sliced dry mango, insulin, cashew nuts, unbranded namkeen, lifeboats etc, ➤ Services - Small restaurants along with transport services like railways and airways, Standalone ACs non-ACs Restaurants and those which serve liquor, Takeaway Food, Restaurants in hotels with a room tariff less than ₹7,500 (no input credit for these restaurants), will come under this category.
12%	<ul style="list-style-type: none"> ➤ Goods - Items coming are the tax slab of 12% include frozen meat products, butter, cheese, ghee, pickles, sausage, fruit juices, namkeen, tooth powder, medicine, umbrella, instant food mix, cell phones, sewing machine, man-made yarn, etc. ➤ Services - Business class air tickets will attract a tax of 12% under GST.



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18%	<ul style="list-style-type: none"> ➤ Goods - As mentioned above, most of the items are part of this tax slab. Some of the items are flavored refined sugar, cornflakes, pasta, pastries and cakes, detergents, washing and cleaning preparations, safety glass, mirror, glassware, sheets, pumps, compressors, fans, light fitting, chocolate, preserved vegetables, tractors, ice cream, sauces, soups, mineral water, deodorants, suitcase, brief case, vanity case, oil powder, chewing gum, hair shampoo, preparation for facial make-up, shaving and after-shave items, washing powder, detergent, stones used in flooring, marble & granite, sanitary ware, leather clothing, wrist watches, cookers, stoves, cutlery, telescope, goggles, binoculars, oil powder, cocoa butter, fat, artificial fruits, artificial flowers, foliage, physical exercise equipment, musical instruments and their parts, stationery items like clips, some diesel engine parts, some parts of pumps, electrical boards, panels, wires, razor and razor blades, furniture, mattress, cartridges, multi-functional printers, door, windows, aluminum frames, . ➤ Services - Restaurants located inside hotels with tariffs of ₹7,500 and above, outdoor catering (input tax credit to be available), IT and Telecom services and financial services along with branded garments will be part of this tax slab.
28%	<ul style="list-style-type: none"> ➤ Goods - Over 200 goods will be taxed at a rate of 28%. The goods which will be part of this category under GST are sunscreen, pan masala, dishwasher, weighing machine, paint, cement, vacuum cleaner. Other items include automobiles, hair clippers, motorcycles. ➤ Services - As mentioned above, five-star hotels, racing, movie tickets and betting on casinos and racing will come under this category.

Source: - Secondary Data (www.wishfin.com)

Impact of GST in Indian Economy:

Goods & Service Tax is expected to have a significant impact on every industry and every consumer, apart from filling the loopholes of the current system; it is also aimed at the indirect Taxes for all state through India.

A. Positive Impact of GST :

1. Reduce the number of Indirect Taxes:-

GST is a single taxation system that will reduce the number of indirect taxes. From now, a single taxation term would cover all of those indirect taxes.

2. Uniform Prices throughout the India:-

The prices of products and services would reduce, thus this system would prove to be beneficial for the people who are fed up of paying high prices and Uniform Prices throughout the India.

3. Corruption-free taxation system:-

Now a day's corruption is bad habit to economy so new Tax system is Goods & Service Tax would introduce corruption-free taxation system. This is the Positive Impact of GST.

4. Tax compliance :-

GST is expected to increase tax compliance as it is nearly impossible for a business to clear goods from a factory without paying taxes and keep the goods entirely out of the legitimate supply chain till they reach the final consumer. To claim input tax credit, each dealer has an incentive to request documentation from the dealer behind him in the tax chain which will ensure tax compliance.



5. Reduces average tax burdens:-

Under GST mechanism, the cost of tax that consumers have to bear will be certain, and GST would reduce the average tax burdens on the consumers.

6. India's International Trade:-

India's international trade has increased rapidly during the last two decades. Differential indirect tax rates in the economy without apt setoffs have led to tax cascading which distorts production efficiency as well as consumption pattern basket. Such taxes had an impact on comparative advantage of exports in sectors in which taxes paid on various inputs were not fully set off. This had a result on implicit taxation of such exports. Further, in the absence of efficient input tax setoffs, productive resources moved towards less taxed sectors and away from high taxed sectors.

7. GDP:-

The GST will bring about a qualitative change in the tax system by redistributing the burden of taxation equitably between manufacturing and service. Impact on growth due to reduction in direct cost and cost reduction on capital inputs pegged the improvement in growth rates between 1.5 and 2%.

8. Increase in exports and Employment:-

GST could also result in increased employment, promotion of exports and consequently a significant boost to overall economic growth and factors of production – land labour and capital.

9. Benefits to small Taxpayers

10. Self-Regulating Tax System

11. Decrease in 'Black' Transactions

12. Make in India.

It can be concluded from the above discussion that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off.

B. Negative Impact of GST :

1. Proposed GST Rate is High:-

Currently GST rate is higher than the VAT rate in India. GST Rate in Singapore 7%, Malaysia 6%, Japan 8%, America 7.5% and India 18% to 28%. Comparatively developed countries Indian GST rate is high.

2. Increase in Operational Costs:-

Commonly, in earlier tax system the most of the small business in India had traditional way of tax file returns on their own. But, according to GST system they will have to require professionals and new digital system. So the small businessman will have to bear the additional cost of hiring experts. So far they had ERPs or accounting software's for indirect taxes. But now they have to upgrade of old software or purchase new software. All these are increases the GST operating costs.

3. Higher tax burden on Small and Medium Enterprises (SME):-

The turnover on Small and Medium Enterprises (SME) is 20 lakhs. However SME with a turnover of 75 lakh can opt for the composition scheme and pay only 1% tax. But they have no provision to claim ITC.



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4. Increase in Tax rate:-

Air travel, Hotels, will become costlier. Economy class tickers are taxed 6% and non-economy class 9%. After the GST these tickets will be taxed 18% to 20%. Insurance premium, investments, branded clothes, branded jewellery, cigarettes, will become costlier.

5. Impact on Agriculture sector :-

Agricultural sector is the largest contributing sector the overall Indian GDP. It covers around 16% of Indian GDP. One of the major issues faced by the agricultural sector is transportation of Agri. products across state lines all over India

6. Technological burdens:-

Traders, Manufacturers, Retailers confusing how to use GST technology implementations process and filings mandated at multiple stages, this will mean added **technological burdens**.

7. Now a days So many changes GST Rate Slabs that's why there is no such a clear picture about the GST both to the government and to the Traders, Manufacturers, Retailers and Consumer public.

8. Some retail products have only 4 % tax on them. After GST garments and cloths become more expensive.

Suggestions and Recommendations:

1. The government should take inactivate awareness about the GST.
2. About GST Rate Awareness by Advertise in news papers, news channels, radio etc.
3. Changing syllabi of C.A. / B.COM/ M.COM Faculty.
4. Appoint to Effective and efficient Tax administration staff.
5. The Central and the State government should be in proper understanding and cooperative with each other for the successful implementation of GST.

Conclusion:

GST is one of the biggest taxation reforms in India. Implementation of GST Impact an Economy both ways, positively & negatively. Ignoring negative aspects, Positive aspects can be taken into consideration in order to improve the Economy of our country. GST will create a single, unified Indian market to make the economy stronger. Employment opportunities for tax consultants and other allied services increase. It is expected that a good system should control income distribution and at the same time it will also endeavour to generate tax revenue which will support government expenditure on public services and development of infrastructure. GST will have positive impact on Indian economy.

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