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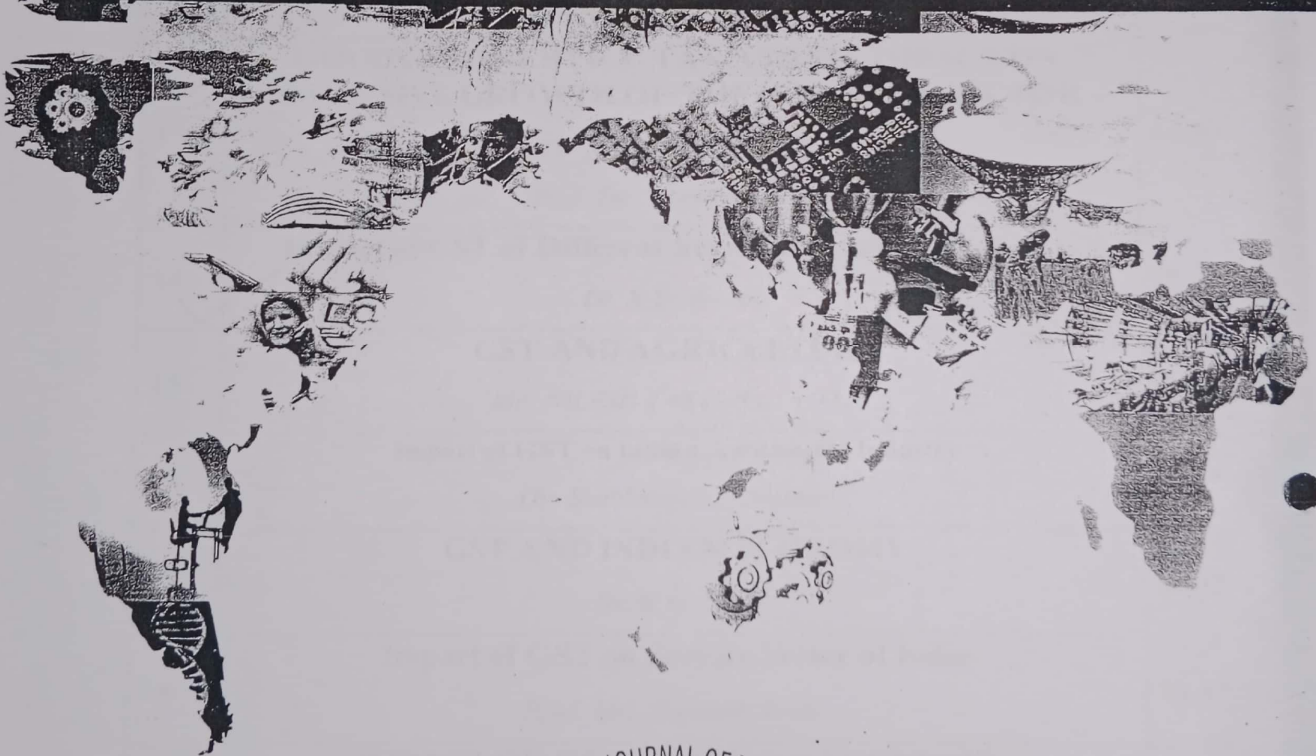
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## SPECIAL ISSUE ON Impact of GST on Economy, Commerce and Indus



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## Impact of GST of Different Sector's on Indian Economy

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### Abstract:

The Goods and Services Tax is considered as a biggest tax reform since 1947. GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far. It seeks to streamline the taxation system so the government wants to implement GST on 1st April, 2017 and for these efforts is made continuously. The main expectation is that this landmark will go a long way in facilitating ease going business and enabling India to compete with World Trade. The GST bill facilitates "Make in India" by bringing India on single tax platform. That there is a single tax paid for supply of goods and services. The bill will replace nearly 15 states and federal taxes which is in line with the government focus on cooperative federalism and a mission for unity of Indian economy. It can be said that the real success of GST depends upon the impact on the common Indian consumer. The essence of GST is that all goods and services be taxed at moderate rate. Single tax for one India proves to be a game changer in a positive way and proves to be beneficial not only to the common man, but to the country as a whole. It is our expectation that impact of GST will be positive and will bring positive effect to Indian economy and convert India into a unified national market with simplified tax position. One of the major benefit to the exporters is that by the incorporation of Central and State taxes in GST with intact set-off on input goods and services and curtailing out of Central Sales Tax (CST) will diminish the cost of locally manufactured goods and services resulting in huge margins to the exporters. As a result, the competitiveness of Indian goods and services in the international market will be increased and Indian exports will be encouraged. This kind of unanimity in tax rates will ultimately bring hassle-free experience across the country which ultimately helps in curtailing the compliance cost. GST bill have a far reaching impact on all almost all the aspects in the business organization in the country for example pricing of products and services, supply chain optimization, IT, accounting and tax compliance system. That's why GST bill has been described as a reform measure of unparalleled importance in independent India.

**Keywords:** Goods and service tax; Indian economy, Special economic zone, central goods and service tax.

### Introduction:

GST bill have a far reaching impact on all almost all the aspects in the business organization in the country for example pricing of products and services, supply chain optimization, IT, accounting and tax compliance system. That's why GST bill has been described as a reform measure of unparalleled importance in independent India. It can be said that the real success of GST depends upon the impact on the common Indian consumer. The essence of GST is that all goods and services be taxed at





moderate rate. Single tax for one India proves to be a game changer in a positive way. It is beneficial not only to the common man, but to the country as a whole. It is our expectation that the impact of GST will be positive and will bring positive effect to Indian economy and create a unified national market with simplified tax position.

#### Research Methodology:

This research is a descriptive study in nature and this research paper is basically depends on secondary data. The secondary data was collected from various journals, magazines, and websites pertaining to research publications and doctorates in Arts, Commerce and Law. Some data also been collected from the annual reports of various departments like foreign trade department, electricity and Power department. This research is based on secondary data.

#### Objectives:

1. To analyse the impact of GST on industrial sector.
2. To understand the sector-wise impact of GST on various sector of India.
3. To analyse the impact of GST on different sector of the economy.

#### Impact on various sectors:

1) **Telecommunication sector:** One of the major drawbacks of the GST regime could be direct spike in the service tax rate from 14% to 20-22% (GST: Impact on the Telecommunication Sector in India). The proposed GST appears to be silent on whether telecommunication is considered under the category of goods or services. The entire issue of telecommunication assumes a serious proportion when India's rural tele density is not even 50%. It is a well-known fact that petroleum products have been a major contributor to inflation in India. Inflation in India depends on how the government intends to include petroleum products under GST in future. Electricity is essential for the growth and development of India. If electricity is included under standard or composite goods in future then it would badly affect the development of India. It is said that GST would have a negative impact on the real estate market. It would add up to 8% to the cost of new homes and reduce demand by about 12%.

2) **E-commerce:** Does not leave signs of the transaction outside the internet and has anonymity associated with it. As a result, it becomes almost impossible to track the business transaction taking place through internet which can be business to business, business to customer or customer to customer. Again, there appears to be no clarity as to whether a product should be considered a service or a product under the concept of E-commerce. New techniques can be developed to track transactions but until such technologies become readily accessible, generation of tax revenue from this sector would continue to be uncertain and much below the expectation. Again E-commerce has been insulated against taxation under custom duty moratorium on electronic transmissions by the WTO Ministerial Conference held in 2014. Communication is considered to be necessity and one cannot





without communication. In modern times, communication has assumed the dimension of telecommunication.

**3) Food Industry:** The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

**4) Rail Sector:** There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter - state transportation of goods can be tracked through the proposed Information technology (IT) network.

**5) Financial Services:** In most of the countries GST is not charged on the financial services. Example, In New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

#### Positive Effect of GST:

There will be positive effects of implementation of GST in India without doubt. Dr. R. Vasaathagopal (2011), "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also. Nitinkumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

#### Some positive effects may be as follows:

- a) At present we pay service tax and VAT both, but after implementation of GST eating out would be cheaper as there will be a single tax.
- b) As the GST reaches its final stages, the historic legislation promises to unify the tax system for the nation and increase the GDP by 2 per cent.
- c) Small cars, FMCG products, etc. may become cheaper.



- d) Television could get cheaper, as part of the Make in India initiative, the GST is expected to be lower. So at present for Rs 40,000 LED TV we pay around 24.5 per cent tax, shelling out Rs 49,800 eventually. Under GST if it is around let say 18 per cent, it will cost Rs 47,200, thereby bringing the cost down for the consumer.
- e) Now days, Goods are typically taxed at 12.5 per cent (excise duty) plus 5-15 per cent of GST which is invariably passed on to the end customer. If the standard rate of GST is capped at 18 per cent, there exists a scenario where prices of goods can significantly reduce for the customer. This is because procurement costs will also go down for a business and some of the profit can be passed on to the end of the chain.
- f) GST is expected to bring down the manufacturing cost and even a 2 per cent reduction in production or distribution cost is believed to add over 20 per cent to profits. If the rate of GST is reduced to the current total tax rate, it will eventually help consumers by making healthcare and medicines more affordable which already is a big goal for the Indian Government.

#### Information Technology enabled services:

To be in sync with the best International practices, domestic supply of software should also be taxed with G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic mode, it should be considered as Intellectual Property.

#### Conclusion:

Conclusion GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well as combination thereof. All sectors of economy whether the industry, business including manufacturing departments and service sector shall have to bear impact of GST. All sections of economy viz. large, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation reforms in India -- the Goods and Services Tax (GST) is all set to integrate State economies and boost overall growth. GST will create a single unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States, integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. Arun Jaitley said that while India aspires to evolve from a developing country to a developed nation and an economy that is making an impact globally with fastest growth rate, "in terms of taxation, a non-complaint society". So GST will be a revolutionary step in the field of indirect taxation reform in India.



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