ISSN 2277-2685
IJESR/March.2020/Vol-10/Issue-1/1-10

IMPACT OF GST ON INDIAN ECONOMY

1. P. SUDHA

M.Com.

Faculty, Department of Commerce.

Siva Sivani Degree College, NH-44 Kompally, Secunderabad-500100, Telangana, India.

2. M. RAJU

M.Com.

Faculty, Department of Commerce.

Siva Sivani Degree College, NH-44 Kompally, Secunderabad-500100, Telangana, India.

3. D. ANJANA

M.Com., MBA.

HOD, Dept. of Management

Siva Sivani Degree College, NH-44 Kompally, Secunderabad-500100, Telangana, India.

ABSTRACT

Goods and Services Tax (GST) was launched on 1st of July 2017. It is an indirect tax applicable throughout India. Now single tax would be levied on all goods and services.Around 160 countries have implemented GST. GST will ensure a comprehensive tax base with minimum exemptions, which will help the industry.GST will help the economy to grow in more efficient manner by ameliorating the tax accumulation as it will disrupt all the tax barriers between states and integrate country via single tax rate. It will benefit the Indian economy in many ways- help in reducing the price for consumers, rate of tax will be uniform, reduce multiple taxes .GST will affect many sectors in positive or negative manner. GST, as per government estimates, will boost India's GDP by around 2 per cent.Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. (https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India), 2017). After GST implementation certain products prices will reduce like branded goods, hotels, personal hair products, soap etc. Few products price will increase like mobile bills, aerated drinks, internet, air tickets. Goods and Services Taxes would be collected in three

ways:CGST: where the revenue will be collected by the central government, SGST: where the revenue will be collected by the state governments for intra-state sales, IGST: where the revenue will be collected by the central government for inter-state sales. This paper focuses on the benefits, challenges and impact of GST on Indian economy.

Keywords: GST, tax, Products, India.

INTRODUCTION

GST was first introduced during 2007-08 budget session. On 17th December 2014, the ahead of its time Union Cabinet ministry approved the proposal for inauguration of GST Constitutional Amendment Bill. On 19th of December 2014, the bill was presented on GST in Lok Sabha. . The Bill was absorbed for discussion far and wide for the coming Budget session. The President of India canonical the Constitution Amendment Bill for Goods and Services Tax (GST) on 8 September 2016, consequently the bill's article in the Indian chamber and its ratification by greater than 50% of the size of it legislatures(President gives assent to GST Bill, 2016). GST has replaced the current indirect taxes. The implementation of GST will have a far-reaching strength on at the point of all the aspects of the engagement in activity application operations in India. With greater than 140 countries soon adopting some comprise of GST, India has daydream been a stand-out exception.

Features of GST:

Registration of taxpayers: Every person with a turnover exceeding Rs 20 lakh will have to register in every state in which he conducts business. This threshold will be Rs 10 lakh for special category states (i.e. Himalayan and North-Eastern states).

Returns: Every taxpayer is required to file tax returns on a monthly basis by submitting: (i) details of supplies provided, (ii) details of supplies received, and (iii) payment of tax. In addition to the monthly returns, an annual return will have to be filed by each taxpayer.

Exemptions from GST: There are certain goods and services which are exempted from GST.

Taxable amount (value of supply): The GST would be applicable on the supply of goods and services, whose value will include: (i) price paid on the supply, (ii) taxes and duties levied under other tax laws, (iii) interest, late fee, penalties for delayed payments, among others.

Payment of GST: The CGST and SGST needs to be paid in the accounts of the central and states government.

Goods and Services Tax Network (GSTN): It is anon -profit, Non-Government Company called Goods and Services Tax Network (GSTN). It will manage the entire IT system of GST portal.

Input Tax Credit (ITC) Set Off : ITC for CGST & SGST will be taken for taxes allowed against central and state respectively**.**

GST on Imports : Centre will levy IGST on inter-State supply of goods and services.

Maintenance of Records : An exporter needsto maintain separate details of utilization or refund of Input Tax Credit of CGST, SGST and IGST. (https://gst.caknowledge.in/key-features-gst-benefits-gst/, 2017)

LITERATURE REVIEW

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" that implementing GST in India would help in removing current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.NishithaGuptha (2014) in her study stated that by implementing GST would give many benefits to our country which is not given by current tax structure and will benefit theeconomy. Hence GST would benefit the industry, trade, consumersand Government.Dr. R. Vasanthagopal (2011) studied,"GST in India: A Big Leap in the Indirect Taxation System" and concluded that GST is a broad based, single, comprehensive tax levied on goods and services in which, the seller may claim the input credit of tax which he has paid while purchasing the goods, the final consumer will bear only the GST charged by the last dealer in the supply chain.

OBJECTIVES OF THE STUDY

To understand the concept of GST

To know the benefits and challenges of GST

To study the impact of GST on different sectors in India

RESEARCH METHODOLOGY

The study is based on exploratory research and based on secondary data of journals, articles, newspapers and magazines.Secondary data was extensively used for the study.

ISSN 2277-2685
IJESR/March.2020/Vol-10/Issue-1/1-10

BENEFITS OF GST :

It will help in lowering the cost of goods and services.

Uniformity of tax rates.

It will help in economic development.

It will help in making the products and services competitive.

It may Improve liquidity of the businesses.

It will reduce the human efforts and will lead to expeditious decisions.

It will also help boosting Indian exports in the international market, improving the balance of payments position.

Categories of GST:

Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. Certain items such as alcohol, petrol, diesel and natural gas will be exempt under the GST.

0 percent

Wheat, rice, milk, eggs, fresh vegetables, meat, fish, sindoor, bindi, stamps, judicial papers, printed books, newspapers, bangles, handloom, children's' picture, , hotels and lodges below Rs.1000.

5 percent

Sugar, tea, roasted coffee beans, edible oils, cream, skimmed milk powder, milk food for babies, cashew nuts, spices, packaged food items, railway freight, life saving drugs, footwear up to Rs 500.

12 percent

Ayurvedic and homeopathic medicines, readymade garments, mobile phone, non AC hotels, business class air ticket, fertilisers, Butter, preparations of vegetables, fruits, nuts or other parts of plants.

18 percent

Footwear above Rs 500, hair oil, soap, toothpaste, LPG stove, military weapons, ice cream, AC hotel that serve liquor, branded garments, financial services, room tariffs between Rs 2500 and Rs 7500, biscuits (all categories).

28 percent

Chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate. (http://www.indiatvnews.com/business/india-goods-and-services-tax-complete-list-of-items-and-their-gst-rates-388359, 2017)

Challenges of GST-

Robust IT Network: Government has already incorporated Goods and service tax network (GSTN). It has to develop the entire IT system of GST portal which will ensure technology support for GST Registration, GST return filing, tax paymentsetc.

Extensive Training to Tax Administration Staff: As GST is quite different from existing system so it requires extensive training to tax administration staff regarding the legislation procedure.

Understanding GST intricacies is not easy: The wholesaler would be required to deposit the CGST into a central government account and the SGST into the account of the state government. Every docket from buyers and sellers intend be comprise the GST system suitably to ensure that benefits accrue the full chain. (https://gst.caknowledge.in/gst-india-challenges-success-india/, 2017)

Impact of GST on Indian Economy

- It may increase the flow of FDI.
- GST will increase the government's revenue in the long.
- A single tax would help in lowering the final selling price for the consumer.
- GST will facilitate ease of doing business in India.
- It will reduce the cost of tax compliance and transaction cost.
- It will create more employment opportunities.
- GST would append to government revenues by widening the tax base.

- Uniformity in tax laws will lead to single point taxation for supply of goods or services all over India.
- It will also reduce litigation and waste of time of the judiciary and the assessee due to frivolous proceedings at various levels of adjudication and appellate authorities.
- Reduce tax burden on producers and build a fire under growth at the hand of more production.This replicate taxation prevents manufacturers from producing to their optimum capacity and retards growth.
- There will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.
- GST would also help in removing the custom duties on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.

GST impact across sectors-

TECH

GST will eliminate multiple levies. It will also allow deeper penetration of digital services. Duty on manufactured goods will increase from 14-15% to 18%, so electronic products would be expensive.

FMCG

Companies could stir substantial savings in logistics and distribution costs as requirement for countless sales depots will be eliminated.. FMCG companies have to pay around 24-25% tax and GST would help in reduction of tax. Reduction of overall tax rates, is expected to generate saving

ECOMMERCE

GST will help create a single unified market across India and allow free movement and supply of goods in every part of the country. It will also eliminate the cascading effect of taxes on customers which will bring efficiency in product costs. It may increase the workload for ecommerce firms and push up costs.

TELECOM

Handset prices likely to come down/even out across states. Manufacturers are further likely to come through with flying colours on to consumers charge benefits they will earn from

consolidating their warehouses and efficiently managing inventory. For handset makers, GST will require ease of doing job as they take care of no longer require to strengthen state adamant entities and relinquish stocks to them and invest heavily into logistics of creating warehouses in each state across the country.
Call charges, data rates will go up if tax rate in the GST regime exceeds 15%. Tower firms won't be able to set off their input duty liabilities if petro-products continue to stay outside GSTframework.

AUTOMOBILES

On road price of vehicles could drop by 8%. Lower price can be construed as indirect stimulus to boost the volume.The demand for commercial vehicles may increase. GST will help in reducing the time at check-posts, and will ease logistics hurdles. With fleet productivity increasing, operators may not feel the need to expand the midterm.

MEDIA

Service tax and entertainment tax are levied on DTH, film producers and multiplex players.GST will captivate major critical point and dreariness in businesses. Taxes could go down by 2-4%.
Multiplex chains will amass on revenues as there will be in a superior way uniform load, unlike current high outlay of entertainment thorn in one side levied by different states. It may lower the average ticket price and increase the footfalls in multiplex.GST will be a carrying a lot of weight boon to silver screen producers and studios that currently conclude service tax on most of their charge, but cannot charge input credit on creative services as they fall under the negative list. Under GST, they will be able to claim credit of these services also, which will help is lowering the overall cost.

INSURANCE

Insurance policies: life, health and motor will begin to cost more from April 2017 as taxes willincrease..

AIRLINES

Airlines may become expensive, as service tax will be replaced by GST. Earlier service tax on air tickets were 5.6% on economy class and 8.4% on business class . Now rate of GST on economy class would be 5% and 12% on business class.

CEMENT

Currently tax rates on cement are 27% - 32% but GST will bring down the rate to 18-20%. It will help in reduction in logistics costs. India is second largest producer of cement in the world.

CONCLUSION

GST will be a very noteworthy step in the field of indirect tax reforms in India. Multiple taxes are eliminated and there is only a single tax. GST will make taxation easy for the industries. Customer will also be benefitted asthe overall tax burden on goods and services are reduced. GST will also make Indian products competitive in the global markets. GST will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

REFERENCES

1. Dr. R. Vasanthagopal (2011), “GST in India: A Big Leap in the Indirect Taxation System”, International Journal of Trade, Economics and Finance, Vol. 2, No. 2, April 2011.

2. Kumar, Nitin (2014). Goods and Services Tax in India: A Way Forward. Global Journal of Multidisciplinary Studies, 3(6), 216-225

http://economictimes.indiatimes.com/news/economy/policy/a-quick-guide-to-india-gst-rates-in-2017/articleshow/58743715.cms

https://cleartax.in/s/gst-law-goods-and-services-tax

http://www.gstindia.com/about/

http://retail.economictimes.indiatimes.com/re-tales/impact-of-gst-on-indian-economy/1525

https://gst.caknowledge.in/impact-of-gst-in-indian-economy/

http://economictimes.indiatimes.com/news/economy/policy/gst-impact-across-sectors-take-a-look-at-the-winners-and-losers/articleshow/53532907.cms

Table1: GST Rates Around The World

India	5-28%
France	20%
New Zealand	15%

Australia	10%
Canada	13-15%
Malaysia	6%
Singapore	7%
UK	20%
Ukraine	20%
Vietnam	10%
Thailand	7%
Indonesia	10%
Germany	19%
Denmark	25%

Source: Times now

Table2 :GST Business Impact

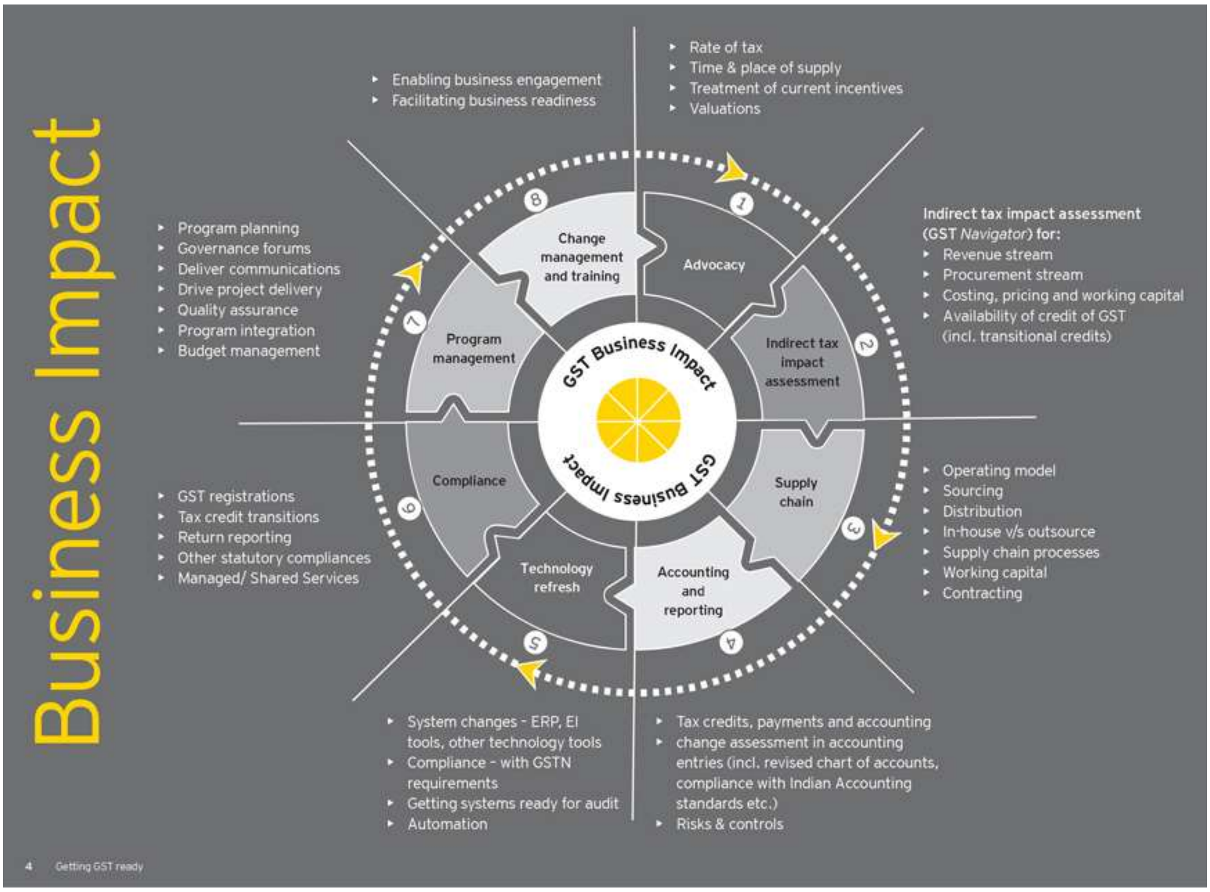

Table3: How GST Affects The Customers

HOW GST AFFECTS YOU

The guiding principle for the GST Council in deciding tax rates was that the GST rate should be close to the current effective tax burden on various items so that the transition to the new indirect tax system is revenue-neutral. Although there are four different slabs—5%, 12%, 18% and 28%—most of the commodities fall in the 12% and 18% slabs.

Products on which tax burden comes down (in %)

Product	Current effective tax rate*	GST rate
Mobile phone	20.02	12
Footwear (below Rs500)	14.41	5
Ready-made garments	18.16	12
Cars for the handicapped	20-22	18
Medicines	11	5
Renewable energy devices	17-18	5
Iron ore	17-18	5
Music instruments (handmade)	0-12.5	0
Contact lenses	18	12
Processed food	14	12

Products on which tax burden goes up (in %)

Product	Current effective tax rate*	GST rate
Butter	5.66	12
Television	24.39	28
Footwear (above Rs500)	14.41	18
Biscuits (Above Rs100/kg)	16.09	18
Corn flakes	9.86	18
Wristwatch	20.64	28
Jam	5.66	18
Baby food (sold in unit containers)	7.06	18
Small cars (<4m <1200cc petrol)	25-27	28+1**
Small cars (<4m <1500cc diesel)	25-27	28+3**
Mid segment (<1500cc)	36-40	28+15**

*Current effective tax rate includes central excise duty, value-added tax (VAT) and various local levies.

**GST compensation cess

GST impact on services

Although the proposed GST rate on many services is higher than the current applicable service tax—15% on specified fraction of the service value—GST eases the tax burden on them. That is because in addition to service tax, these services currently also bear VAT levied by states which make the combined tax burden higher than the GST rate proposed. Examples include supply of food/drinks in outside catering and services of non-AC restaurants without liquor licence.

Services on which tax burden goes up (in %)

Services	Effective service tax rate*	GST rate
Renting of motor cab (when fuel cost borne by customer)	6	18
Tour operators' services	1.5	5
Supply of food/drinks in AC restaurants in 5-star or above rated hotel	6	18
Hotel stay where room tariff is between Rs1,000-Rs2,500	9	12
Hotel stay where room tariff is between Rs2,500-Rs7,500	9	18
Hotel stay where room tariff is above Rs7,500	9	28

*Takes into account the portion of service value on which tax is applicable

The comparison of rates are only approximations

Products at zero GST rate

- Meat other than frozen and in unit containers
- Fish, fresh or chilled
- Milk and dairy products
- Eggs and salt
- Human blood and components
- Contraceptives
- Fresh fruits and vegetables
- Non-branded cereals, flour, and jaggery
- Unbranded organic manure
- Judicial, non-judicial stamp papers; inland letters, post cards
- Non-precious metal bangles, agriculture implements and hand tools

Source: EY, GST Council