

IMPACT OF GST ON RURAL ECONOMY

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ABSTRACT

Goods Service Tax (GST) is biggest tax ever in India is levied from July 1st 2017. The present paper deals with the impact of (GST) on rural economy, change in sources of revenue generation, increase in employment opportunities impact in rural India. GST is going to be a game changer not only for the Indian industry and business sector but also will be a messiah for the rural economy in terms of increased demand for durables and better understanding of the taxation. The indirect benefits of GST include the increase in the rural demand, greater revenue collection from taxation from the rural economy, overall boost in activities in the rural areas and an overall inclusiveness of India's rural side in the overall growth of the country.

KEYWORDS: GST, Rural Economy, Rural Demand, Turnover Tax.

Introduction

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. The goods and services Tax (GST) will indeed be a further significant improvement towards a comprehensive indirect tax reforms in the country. Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end distortions of differential treatments of manufacturing and service sector. It will lead to the abolition of taxes such as octroi, central sales tax, state level sales tax, entry tax, stamp duty, telecom license fees, turnover tax, tax on consumption or sale of electricity, etc.

Objectives of the Study

- To understand the concept of goods and service tax
- To learn about shortcomings of current taxation system in India
- To understand how GST will work in India
- To understand the benefits of GST over the current taxation system in India

Research Methodology

The study focuses on extensive study of Secondary data collected from various books, National & international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service tax.

Study

The 70 percent of the population is in the rural segments, the Goods and Service Tax (GST) will become a catalyst for common rural market in India with the removal of state level barriers. Rural India has undergone rapid transition in the past few years; the degree of change varies from use of technology to realising the importance of education. The United Nations regards rural development as a process of

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change among rural communities from the traditional way of living to a more progressive way thus being regarded as the moment of progress. In rural India, traditionally the gram panchayats are given the constitutional legitimacy to improve local public service delivery and governance. The finances came predominantly from the two sources:

Funds devolved by State governments under the guidance of State Finance Commissions (SFCs) and; 'Own' revenues generated locally from levies of house tax, professional tax and water charges. In 2016-17, Rs 19.78 lakh crore budget with a focus on the rural economy and infrastructure along with a minor rebate for small taxpayers and more money for health, literacy and roads. An amount, of Rs 87,765 crores, was allocated for the rural sector while Rs 2,000 crore was earmarked to give concessional LPG connections to BPL families. Further, as much as Rs 2.87 lakh crore was allocated as grants in aid to panchayats and municipalities, while the allocation for the social sector - including for education and healthcare - had been pegged at Rs 1.51 lakh crores. Thus the governments focus on the rural economy in terms of expenditure has gained momentum in the last few years, causing certain direct and indirect benefits to the rural India.

However, over the past few decades, rural India's livelihoods have become increasingly nonfarm based; one of the major reasons for this non dependency is due to the prolonged agrarian distress. The implementation of GST is expected to facilitate the implementation of National Agricultural Market on account of subsuming all kinds of taxes/ cess on marketing of agricultural produce as well as it would ease interstate movement of agricultural commodities which would improve marketing efficiency, facilitate development of virtual markets through warehouses and reduce overhead marketing cost. The present system many times, makes it difficult to implement tax support provided by the centre for an agricommodity due to heterogeneous policies adopted by the states. Thus, the implementation of GST is expected to bring uniformity across the states and centre as well which would make tax support policy of a particular commodity effective. The ease of availing tax credit under GST regime is expected to boost inter-state trade leading to achieving the objectives of National Agricultural Market.

It is essential to implement a tax system that brings about a friendly environment with minimal hindrances in the business for the tax payer. Such a system would further lead to satisfied tax payers and will further motivate them in fulfilling their obligations willfully. This further leads to less delays and faster economic growth of the economy. Hence, there is a need to move from an adversarial mindset to a facilitative mindset by introducing a vibrant and non adversarial tax policy, which would help in enhancing the speed of the economic growth. Poverty reduction has been a central aim of major economic policies. GST is also being regarded as propoor and not regressive policy initiative since expenditure on food constitutes a large proportion of the total consumption expenditure of the poor. In any case, the poor will continue to have accessibility to these items at subsidized prices through public distribution system.

On the other hand the indirect benefits of GST include the increase in the rural demand, greater revenue collection from taxation from the rural economy, overall boost in activities in the rural areas and an overall inclusiveness of India's rural side in the overall growth of the country. Implementation of GST will thus, enable the farmers to generate a better understanding of tax system and will also remove the middle men dealing, which presently holds a dominant position in all dealings done by the rural farmers, enabling them to deal directly and be the direct beneficiaries.

Thus GST will promote ease of doing businesses, help in reduction of transactions costs to businesses, boost manufacturing of goods and supply of services, increase pricecost margins of manufacturers, generate employment opportunities for the vast pool of young population with enhanced production possibility frontiers and push overall GDP growth of the economy in much higher trajectory. The need of the hour is to spread awareness at a larger scale about the implementation procedure and advantages of GST to every citizen of the country.

Conclusion

The impact of GST would be a major game changer for the economy for accelerating the economic growth and generating more and more employment opportunities and thus we appreciate the pre emptive measures taken by the government to keep inflation under check as essential items including food, which presently constitute roughly half of the consumer inflation basket, to be taxed at zero rate. In the coming financial year, economic growth will depend on two major economic developments -- the rural economy and the GST; recovery of rural economy from the disruption in liquidity and implementation of GST. Improvement in tax efficiency with a broadening tax base would help rural economy to recover faster and boost the demand with increased manufacturing activity.

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