

IMPACT OF GST AND ECONOMIC GROWTH IN INDIA

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ABSTRACT

The objective of the study is to highlight the impact of GST on economic growth of India which is said to be one of major to taxation reform Post independence. The study adopted expository research model based on Past literature using information from research journals , news Proper and magazine covering wide Collections of academic literature on India's growth story Post GST introduced as a 'good and simple tax' on 1 July 2017 by the Modi Government is the boldest measure of tax remorose So for India. The major aim of this Paper is to evaluate the major and macro impact of the goods and Services taxes (GST) using a dynamic Computable general equilibrium model of the India economy GST reforms will improve Specialization in Production of Goods and Service among the major economic Sectors of India by removing distribution of the goods and services, transparency it bring in the tax system will help to maintain above Seven Percent Continuous growth rate eat pat, investment and Physical Capital , it also Promoters expansion in human capital and the Financial system.

KEYWORDS: *GST, India, Dynamic, Growth, Economic, Increase in Reveal Development.*

Introduction

Goods and services tax is levied on the menu factoring and Sales of Goods and Services across the country. The tax is charged at every Stage of the manufacturing Process. GST is applicable for both the customer and the manufacture. It is a destination - based tax this means that GST is to be collected that Point of consumption, so, if a Product is manufactured in Bihar and Sold in Bhopal. The tax will be levied in Bhopal, moreover, at every Stage of the manufacturing Process where value is added to the Product, GST is Collected.

The types of GST are as follow: GST (central Goods and Services Tax) The tax is collected by the central government on the intrastate sale of Goods and services. SGST (State Goods and service tax) The State Government collects this tax based an the intrastate Supply of Services and Product . GST (Integrated Goods and Services tax) The tax is charged on the Supply of Product and Services between two States.

Objectives of the Study

- To explore the impact of GST on different Sectors of Indian economy.
- To find out relation between GST and economic revival.

The tax are Shared between the central and state governments.

Effect of GST on the Indian Economy

The implementation of GST has Significantly affected the indian economic in the following ways.

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Simplification of the tax Structure: GST has Simplified the taxation stem of the country . As GST is a single tax , calculating taxes at the multiple stages of the Supply chain has become easier . Though this, both customers and manufactures get a clear idea of the amount of tax they are charged and its basis . Further, basis of handing tax officials and authorities can also avoided. **Fostering Production:** As Per the Indian retail industry, the total tax component is around 30% of the Product cost due to the impact of GST

- **SME Support:** and medium enter poses can now register under the Composition Scheme introduced by GST. Through this Scheme they pay taxes according to their annual turnover. Therefore business having an annual turnover. Other enters prices having a turnover of Rs 50 lakh are required to pay 6% as GST.
- **Enhanced Pan India Operation:** Companies can now avoid taxation road blocks, such as tall Plazas and check posts Earlier, these created Problems , Including damage to unpreserved Products while transporting them, So manufactures had o keep buffer Stock to make up the damages. These overhead costs of storing and ware housing hampered their Profit. A Single taxation system has reduced these Problems. They can now transport their goods easily across India. This has resulted in the improvement of their Pan India operations.
- **Income in Export:** GST has reduced the customs duty on exporting goods. The cost Production in the local markets has also decreased due to GST. All these factors have increased the rate of export in the rate of export in the country. Competitive when it comes to expanding their business globally. Recent times, India has been a buzz with criticism on its archaic taxation structure that will Potentially do away with the complicated. Tax Policies play an important role on the economy through their impact on both efficiency & equity and its high time India braced its self for a relook at the current Status.

Historically, India has relied too much on indirect taxation because of Political compulsion, an agrarian economy, low income levels and lock of infrastructure to Frock Personal income. In order to simplify and rationalize indirect tax Structures, government of India attempted various tax Policy reforms at different Points of time. While VAT was a welcome change during 2005, over the years, people have identified Shortcomings in the structure while levying VAT both at central level and state level. Also, CENVAT has the limitation of non inclusion of several taxes such as VAT, ACD Surcharge etc. In the present state level VAT scheme, there is a cascading effect on account of CENVAT element. Simple tax structure By merging all level Goods and services in to one, GST acquires a very simple and transparent Character with less Paperwork and reduction in accounting Complexities, A simple taxation regime can make the manufacturing Sector more Competitive and Save both money and time Greater tax revenues: A simple tax structure can bring about greater compliances thus increasing the number of tax Payers and in turn tax revenues for the government by removing cascading effect, layers of taxes and simplifying structures, the GST would encourage compliance, which is also expected to widen the tax base.

- **Competitive Pricing:** A Cursory look at the retail Price of any Product manufactured in Indian reveals 25-30% of the cost of the product GST will effectively mean that the tax Paid by the Pinal consumer will come down in most cases and will help in boosting consumption which is again beneficial to companies

Research Methodology

This is can capital article based on secondary data. The tax rate for the research purpose collected form various government website and research articles related to GST with help of secondary data. The attempt has been made to find out the impact of GST on the major sectors of Indian economy. In this study, I have taken service sector, hospitality sectors, food item and durable goods. These are the major contributing sectors of our economy and influenced most due to the implementation of GST to an the impact of GST on the above mentioned sectors of our economy. the data for of effective tax rate of each after the implementation of GST.

Impact of GST an Major Sectors of Our Economy

- **Hospitality Sector**

This is also a very emerging sector there are lot of changes that have taken place on tax rate in this sector. Now People have to pay more taxes on stay in luxurious hotel. The Government has deducted tax rate to 0 percent for stay in low rental hotels (below 2 1000 per day) Five star hotel became costlier Post- GST.

Investment has Given Relief low and middle income groups by tax rate on hotel booking of less than 25000 and low turnover restaurant This in tax rate is off set by government by in crewing tax rate for luxury hotel and Five star hotel. A lot of changes. have taken place on tax rate in this sector (as per Figure)

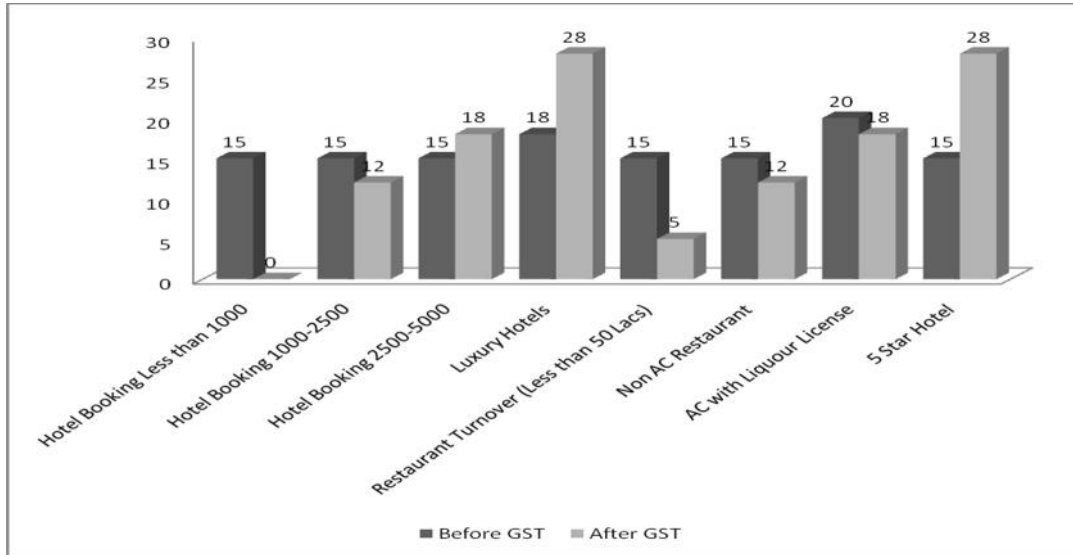


Figure1: Impact of GST on Hospitality sector

Figure 1, Impact of GST on Hospitality source: Data collected from <https://cleartax.in/s/sac-codes-get-rate-service>

Service Sector

This Sector has largest share in our gross domestic product (GDP) it is contributing around 56 percent of out GDP-GST except for such as movie ticket, health care and insurance most of the service like banking charges, Insurance Premium, rail ways, air travel and telephone charger will be costlier after GST health care sector got reduced too percent and will affect more medical tourist in India.

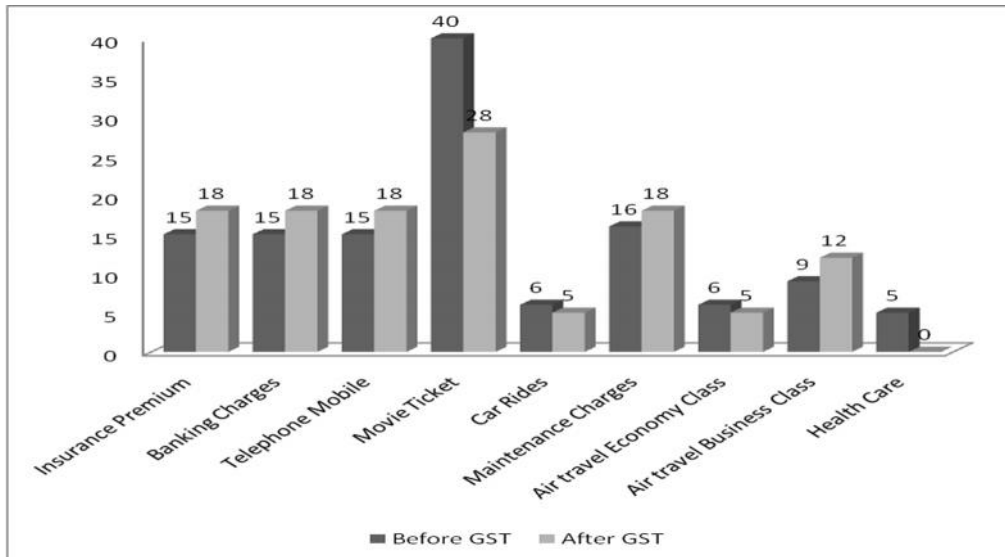


Figure 2: Impact of GST on Service Sector

Source: Data collected from <http://cleartax.in/s/saccodes-get-rates-for-services>

In this way % GST will give lot of impetus to hospital growth in India. This will lead to employment generation and revenue growth in medical sector. Taxes on movies ticket got reduced to 28 percent from existing 40 percent. This will give boost to entertainment sector. People will visit movies more Frequency than earlier.

In India there is a trend of saving in Bank Account among masses. There is an increase in banking and insurance charger from 15 percent to 18 percent. This will improve Government revenue from indirect taxes. In the same way through deep Penetration of mobile and telephone among masses, extra imposed on it will improve government revenue. Government wants to increase revenue by increasing taxes on investment and telecom. service and on the other hand promoting of other service among common people such as restaurants movie ticket and air travel by decreasing tax rate. Somehow government wants to promote entertainment among people

Food Item

There is slight change in tax structure of food items under GST, only some Food items become cheaper due tax reduction. The deduction of taxes in essential item will reduce some burden on common There is a slight Change in tax structure of food items under GST (as per Figure 3)

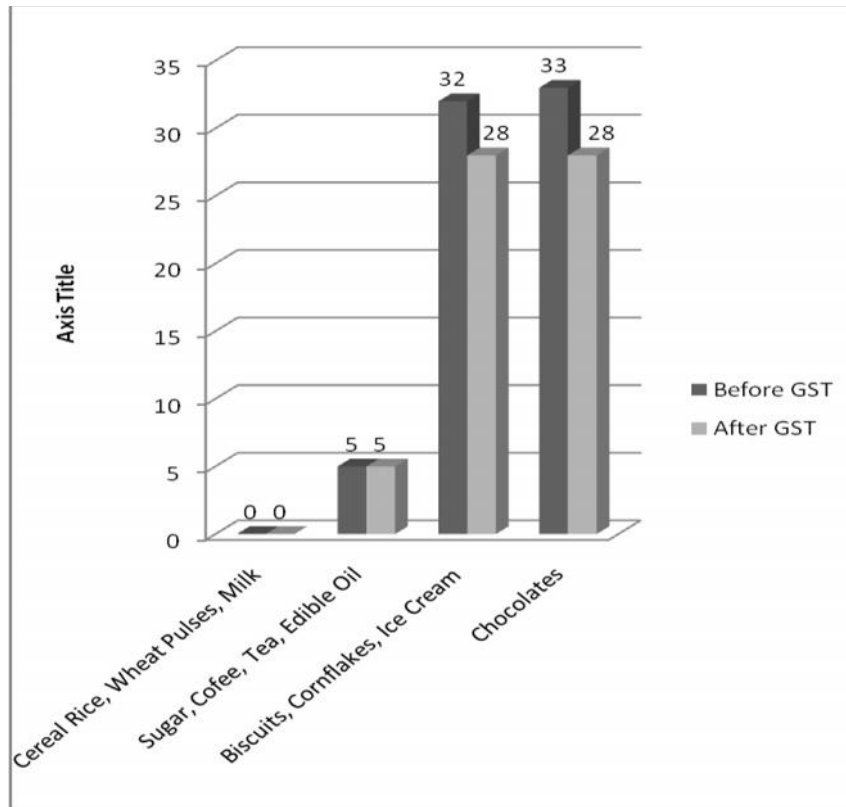


Figure 3: Impact of GST on Food Items

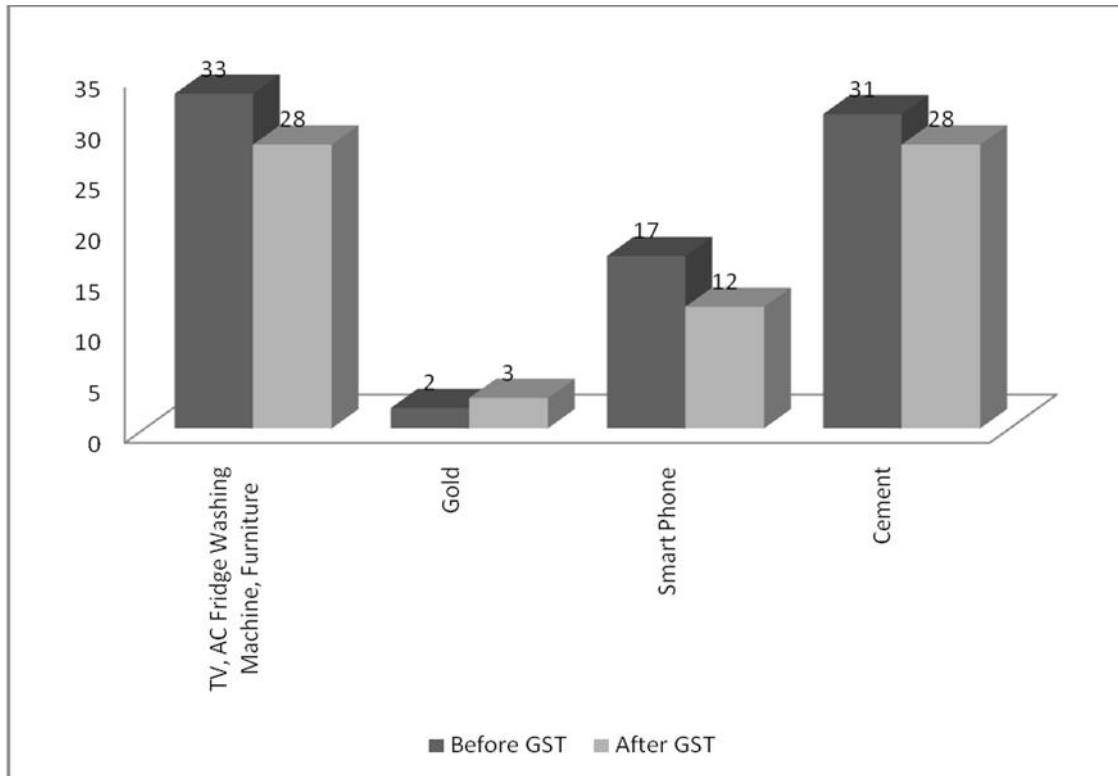
Source: Data collected form <http://cleartax.in/gst-rates>:<http://economictimes.in/indiatimies,com/news/economy/juick-guid-to-india-gst-rates-2017/article-show/58743715> cms

Durable Items

There is an increase in the price of gold post GST. This will lead to of yellow metal. A part from this TV, Fridge, AC, washing machine and Furniture will become cheaper post GST it can be seen form the above mentioned facts and figures that a lot of changes in different sector of our economy have taken place due to GST, Government has taken this step to promote business and trade. Due to abolishment of custom and exercise duties the cross border trade will improve (GOI, 2016) our economy. There is slash in the tax rate in entertainment and hospitality service, it will large common public to enjoy them. While there is an increase in tax rate for luxurious service, this will Increase government revenue.

In case of manufacturing sector by abolishment of so many indirect taxes, there is an opportunity to produce low-cost and high - quality goods. This will increase the demands for Indian goods in nation and international market. This is the time to take lead in global market by providing good Quality and low-cost Product. GST will bring lot of transparency in indirect tax collection system. This will help to trace tax avoidance and tax evasion. It will improve in revenue collection of central and state Government form indirect taxes. The Government cans this revenue in development project in our country.

Figure: 4 impact of GST on Durable items



Source: Data collected from <https://economictimes.indiatimes.com/industry/cons-Products/durables/gst-rate-on-consumer-durables-shoud-18-ceama/articale-show/55292150.cms>
[https:// cleartax .in/s/Pera/s-diamonds- gold-platinum-gsst-rate-hsn-code](https://cleartax.in/s/Pera/s-diamonds-gold-platinum-gsst-rate-hsn-code)

GST has affected all the three major sector of our economy, by the above mentioned detailed discussion about the changes in the tax structure, we can say manufacturing sector got maximum benefit due to GST in GST tax structure, there is a deduction in tax rate on manufactured goods, This will reduce the Price of Goods.

Service sector is another major rector of our economy and due to increase in tax rate of some service such as banking, insurance and maintenance sector. This sector suffered some loss post -GST though service got affected by increase in tax rate in some service, still people will use these service because these are essential services.

Agriculture sector has very minute charges post GST. There is only some deduction in tax rate of some food items and others are some post- implementation of new tax structure.

In this way there are some changes in all the sector of our economy Post implementation of new indirect tax structure.

Conclusion

GST is a big leap in the history of indirect tax structure in India. This will give a boost to our economy by enhancing our GDP growth. The one nation one tax concept will remove the price disparity of products in different Parts of our country.

This will also attract foreign companies to start their operation in India. In this way it will lead to employment generation and increase in national Income. Flow of foreign currency will improve our current account balance and foreign exchange reserve. GST will not only give impetus to major sector economy but it will also give a boost to our equity market. In this way, it will improve our economic growth and make our economy competitive in the globalized world.

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