

## GST AND INDIAN ECONOMY

---

Dr. Sharda Gangwar\*  
Nimisha Maheshwari\*\*

### ABSTRACT

*Goods and Service Tax (GST) was implemented in India in July 2017, with main tax slabs of 0%, 0.25%, 3%, 5%, 12%, 18% and 28%. GST is a single national uniform tax levied across India, it is considered as a biggest tax reform of our Country. Many indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. were merged and subsumed under a single regime, Introduction of GST expected as a significant and historic step which would develop the country's economy as the fastest growing economy in the world. It is implemented to benefit the government by providing better control and facilitating the monitoring and to reduce tax evasion, from tax payers point of view to reduce overall tax burden on goods and services by providing free movement of goods and it also eliminated the payment of state tax and also reduce the paper work. GST affects many factors of economy in positive or negative manner. This paper will discuss about benefits, Issues and impact of GST on Indian economy and research is Exploratory in nature. Secondary data is used for the study. The data is collected from different Journals, articles, magazines and internet.*

**Keywords:** GST, VAT, CST, Excise Duty, Tax Evasion, State Tax, Factors of Economy.

### Introduction

GST is an indirect value added tax levied on goods and services sold for domestic consumption. The business or manufactures include it in selling price and consumer pays the amount inclusive of the GST. The GST portion is collected by the business or manufactures and forwarded to the government. Most countries where GST is applicable have a single unified GST system, that means a single tax rate is applied throughout the country, all kind of indirect taxes whether they are central taxes such as sales tax, excise duty tax, and service tax or state-level taxes such as entertainment tax, entry tax, transfer tax, sin tax, and luxury tax are merged into central tax, and collected as one single tax. The GST was first implemented in France in 1954, since then, approx. 160 countries like Canada, Australia, United Kingdom, Singapore, Italy, Brazil, South Korea, and India have adopted this tax system in one or another way. The idea of moving towards GST was first mooted by the then Union Finance Minister in his Budget speech for 2006-07 first Discussion Paper (FDP) on the GST in November, 2009. In June 2016 the draft model law on GST released to the public, by The Ministry of Finance expecting suggestions and views and in September 2016 Amendment Bill to become an Act, the Honorable President of India gives his consent for the Constitution and the Government declares that the GST Bill will be applicable from 1 July 2017 on the GST rates and GST rules finalized by GST Council. In the year 2017 Central GST Bill, Integrated GST Bill, Union Territory GST Bill, GST (Compensation to States) Bill these four bills related to GST also become Act.

### The Salient Features of GST are as under:

- Applicable on the manufacture of goods or on sale of goods or on provision of services.
- GST is based on present principle of origin-based taxation
- It has a dual system CGST i.e Central GST to be levied by the Centre and SGST i.e State GST to be levied by the States.
- IGST Integrated GST Import of goods or services would be treated as inter-state supplies this shall be levied and collected by the Government of India.
- CGST, SGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States. The rates have notified on the recommendation of the GST Council.

---

\* Professor, Institute for Excellence in Higher Education, Bhopal M.P., India.

\*\* Assistant Professor, Commerce, Pt. Deendayal Upadhyay Government College Begumganj & Research Scholar, Barkatullah university, Bhopal, M.P., India.

- To facilitate tax payment and return pan card based identification number is allotted to the taxpayer.
- The GST slabs have been set at 0%, 5%, 12%, 18% and 28% for different goods and services

#### **Challenges of GST**

- Software Purchase increases the cost.
- Confusing for Small traders they are confused with the GST tax rate application and increasing cost of operations.
- It also increases the operational cost, because firms have to hire subject experts to file the return
- SME has to pay higher tax
- Confusing for the wholesaler they required to deposit the CGST into a central government account and the SGST into the account of the state government.
- Many Small traders are unable to afford the cost of computer and accounting staff for maintenance of record and filling of returns under GST.
- Man power with updated GST subject knowledge are not easily available, this had created an additional work load on professionals across industry.
- As GST is quite different from existing system so it requires extensive training to tax administration staff regarding the legislation procedure.
- The telecommunication sector assumes a serious problem as on the one hand the government is initiating digital India and on the other hand telecom services is getting costlier
- The GST administration intends to keep petroleum products out of the ambit of GST, being petroleum products have been a major contributor of inflation in India.

#### **Impact of GST on Indian Economy**

In the following ways the implementation of GST has significant impact on Indian economy:

- **Simplification of the Tax Structure**

The taxation system of our country has simplified due to GST. GST is a single tax, ensuring easier calculation of taxes at multiple stages of the supply chain has become easier. Due to GST both buyers and sellers get a clear idea of the amount of tax they are charged and its basis.

- **Fostering Production**

GST effect on the Indian economy has been the reduction in the total taxable amount. The reduced burden of taxes has enhanced the growth and production of industries. These encourage manufacturers to buy raw material from different registered traders and is hoped to bring in more traders, suppliers and vendors under taxation purview.

- **Support for Small and Medium Enterprises**

Under the Composition Scheme introduced by GST Small and medium enterprises can be registered. Based on the size of your organization and their annual turnover, they can pay taxes through this scheme.

- **Enhanced Pan India Operations**

A single taxation will eliminate different tax barriers, such as check posts and toll plazas. Wastage of unpreserved goods while transportation due to this overhead costs increased which hampered their profit. A unified taxation system has reduced these problems, transporting goods across India now become easy. This has resulted in the enhancement of their pan India operations.

- **Increase In Exports**

With the implementation of GST the custom duties on exporting goods has reduced due to this the cost of production also decreased which enhance the rate of exports in the country. Therefore GST will aid Indian enterprise to establish themselves within the global markets.

#### **The Impact of GST on Different Sectors of the Economy**

- **Impact of GST on Manufacturing Sector**

GST boost the competitiveness and performance of retailers, distributors and manufacturing sectors in India. With the Make in India project India is on its way to become a major manufacturing hub for the world, but if the Tax system is not simplified the dream will not be fulfilled. Major concerns of manufacturing sector are Declining exports and high expenses. Earlier multiple indirect taxes increased expenses for manufacturers. But with the implementation GST the compliance burden has eased and this sector will develop more strongly.

- **Impact of GST on Agricultural Sector**

By eliminating a host of indirect taxes the impact of GST on the agricultural sector is positive. The agriculture sector is among one of the most important contributors to the Indian economy. It contributes around 16% of Indian GDP. The transportation of agricultural items across states all over India was the main issue but due GST this issue has been resolved.

- **Impact of GST on Textile Sector**

The impact of the GST on textile sector is positive. Textile industry benefitted the most with GST implication. Benefits of GST for textile industry are input credit on capital goods, reduced manufacturing costs and all readymade garments under the range RS.1000 are also exempted under the Goods and Services Tax (GST) scheme.

- **Impact of GST on Automobile Sector**

With Goods & Services Tax implementation leading to a massive boost in automobiles sales because a wide range of taxes like Excise Duties, VAT, Sales Tax, and Road Tax cleared a path for a unified Goods & Services Tax. On road price of vehicles could drop by eight percent due to which numerous automobile brands experienced record growth in the year 2018 and 2019.

- **Impact of GST on Banking Sector**

With the implementation of GST, the banking sector became more costly. Before the implementation of GST the tax rate of the banking services was 15 %. However after the implementation of GST the tax rate of banking services was increased to 18% like cost for loan processing, credit card charges and other services charges.

### **Conclusion**

The GST is a milestone amendment in the indirect tax system in India that attempts to kill multiple birds with one stone. Its main objective is to promote "One Nation One Tax" system. GST implements smoother tax structure which mainly avoids the cascading of taxes. There are many sectoral impacts of Goods and Services Tax (GST). The impact of GST on some sector was positive while the impact of GST on others was negative. In the short term GST benefits some sectors but in long term there is a less immediate positive impact on Indian economy. However there is an expectation of the growth of the Indian Gross Domestic Product (GDP). Uplifting the country's economy the only thing is required to have patience and continuous following of rules and regulations.

### **References**

1. Anand Nayyar \*\* Inderpal Singh. February 2018.A Comprehensive Analysis of Goods and Services Tax (GST) in India. Indian Journal of Finance.
2. Sharma, Bhavna. (2017). Impact of GST on Indian Economy.
3. Subhamoy Banik. December 2017. GST in India: Impact and challenges Article.
4. <https://www.gst.gov.in/about/gst/history>
5. [https://www.researchgate.net/publication/343685534\\_IMPACT\\_OF\\_GST\\_ON\\_INDIAN\\_ECONOMY/link/5f3954a292851cd302fb000a/download](https://www.researchgate.net/publication/343685534_IMPACT_OF_GST_ON_INDIAN_ECONOMY/link/5f3954a292851cd302fb000a/download)
6. <https://www.bankbazaar.com/tax/history-of-gst.html>
7. <https://www.bajajfinserv.in/insights/what-are-the-top-advantages-and-disadvantages-of-gst-in-india>
8. <https://cleartax.in/s/gst-analysis-and-opinions>
9. [https://blog.ipleaders.in/sectoral-impact-gst/#Impact\\_of\\_GST\\_on\\_Real\\_Estate](https://blog.ipleaders.in/sectoral-impact-gst/#Impact_of_GST_on_Real_Estate)
10. <https://cleartax.in/s/benefits-of-gst-advantages-disadvantages>
11. <https://www.fincash.com/l/gst/benefits-of-gst>
12. <https://www.karvy.com/growth-hub/gst/impact-of-gst-on-indian-economy>
13. <https://www1.deskera.com/in/gst-benefits-and-impact-on-indian-economy>
14. <https://www.godigit.com/gst/impact-of-gst-in-india>
15. <https://khatabook.com/blog/impact-of-gst-on-different-sectors/>
16. <https://www.adityabirlacapital.com/abc-of-money/impact-of-gst-on-different-sectors>
17. <https://okcredit.in/blog/impact-of-gst-on-different-sectors/>
18. <https://www1.deskera.com/in/gst-impact-across-sectors>.

