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AN ANALYSIS STUDY OF IMPACT OF GOODS AND SERVICE TAX ON INDIAN ECONOMY

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ABSTRACT

Goods and Services Tax (GST) is an indirect tax (or consumption tax) used in India on the supply of goods and services. Comprehensive, multi-category, area-based tax: broad because it uses almost all indirect taxes with the exception of a few state taxes. As it is multi-stage, GST is mandatory at every stage of the production process, but is intended to reimburse all involved in the various stages of production except the final buyer and as a local based tax, it is collected. From the place of use and not the traditional place as the previous taxes. This tax came into effect on 1 July 2017 through a bill for the amendment of the Indian Republic of India. GST has replaced many existing taxes levied by central and provincial governments. Tax rates, laws and regulations are regulated by the GST Council which includes the finance ministers of the central government and all provinces. The GST is intended to replace joint taxes on a non-compliant tax slide and as a result may restructure the country's $ 2.4 trillion economy, but its performance has met with criticism. GST's encouraging results include travel time in the international community, which has dropped by 20 percent, due to the dissolution of inter-regional checks. India has adopted a dual GST model, which is important for taxes to be administered by the Union and the provincial government. Services performed within a single region are funded by the Central GST (CGST) by the Central Government and the State GST (SGST) by the Provincial Government. For transactions between provinces and imported goods or services, Integrated GST (IGST) is levied by Central Government. In this paper we will examine the effect of the VAT on the Indian economy after the implementation of the GST whether the Indian economy has really grown or not.

Keywords: *Indian Economy, Indirect Tax, Goods and Service Tax, VAT, Area-Based Tax.*

Introduction

GST is a tax based on local use / tax, therefore, taxes are levied on the province where the goods or services are used and not on the state in which they are produced. who owe directly to the Central Government. Under the previous plan, the state would face only one government to collect tax revenue.GST is the most coveted and most notable tax change in India's post-independence history. Its purpose is to impose the same national tax throughout India on all goods and services. GST has replaced many Central and provincial taxes, made India an integrated national market, and brought more producers into the tax system. By improving efficiency, it can add significantly to growth and government spending. Applying the new tax, which includes both goods and services, by the Institute and countries in a large and complex government system, perhaps unprecedented in the modern history of global taxation. GST is a tax on goods and services with a wide and continuous range of setup benefits up to the seller level. In fact the tax on value added in each category, and the supplier in each category is allowed to deduct, using the tax credit method, GST paid for the purchase of goods and services. Finally, GST responsibility is borne by the end user (i.e. the end consumer) of the goods / service. With the introduction of GST, a continuous chain from the real manufacturer's location and the service provider's

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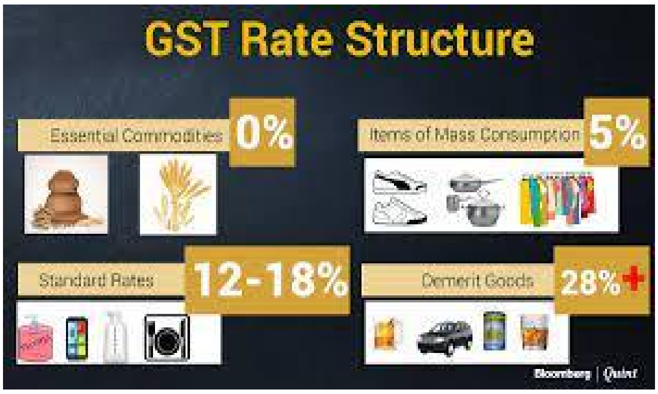
point to the seller level has been established, relieving the burden of all the sad or pyramiding effects of the indirect tax system. This is the essence of GST. GST taxes for end buyer only. Taxes (tax-on-tax) are therefore avoided and production costs are reduced. As noted, prior to the launch of the GST, India's indirect tax system had various limitations. There has been a tax burden on the pre-GST tax system in the middle of the international sales tax system. GST has taken under its wing the indirect tax rates of the Center and the States. It has integrated taxes on goods and services. In addition, it also took some value additions to the distribution trade. There is now an ongoing series of regressions that can alleviate the burden of all the decline results. At present, the service sector in India is building a tax base with greater unprecedented power than ever before. It is in this context that GST qualifies as it has used almost all services for tax purposes. With major indirect taxes in the Central and Provincial provinces under the GST, tax cuts have been significantly reduced, which will reduce the operating costs of the national tax system. The uniformity of tax rates and procedures across the country will go a long way in reducing compliance costs. In short, GST is an indirect tax that covers everything that is produced, sold and used for goods and services at the national level. GST is the indirect tax for all of India to make it one unified market. GST is designed to provide India with a world-class tax system and improve tax collection. It will eliminate the long-term distortion of different management in the manufacturing sector and the service sector. GST will transfer unconditional debt to the entire supply chain and to all countries under the same tax basis.

Tax Rules before GST Application

- The institution and the government were collecting taxes separately. Depending on the state, tax procedures were different.
- Although import duties were levied by one person, the liability was levied by another person. In the case of direct tax, the taxpayer must pay the tax.
- Prior to the introduction of the GST, direct and indirect taxes were in place in India.

GST Rate Structure

Goods and services are divided into five different tax boards: 0%, 5%, 12%, 18% and 28%. However, petroleum products, alcoholic beverages, and electricity are tax-exempt under the GST and instead are taxed separately from each provincial government, according to the previous tax system] There is a special price of 0.25% for gemstones and gemstones and 3% for gold. In addition a 22% discount or other value over 28% of GST applies to a number of items such as air-conditioned beverages, luxury cars and tobacco products. Pre-GST, the official tax rate for most goods was estimated at 26.5%, Post-GST; most assets are expected to be 18%.



Types of GST and its Definition

As per the freshly implemented tax system, there are 4 different types of GST:

- Integrated Goods and Services Tax (IGST)
- State Goods and Services Tax (SGST)
- Central Goods and Services Tax (CGST)
- Union Territory Goods and Services Tax (UTGST)

In addition, the government has set different tariffs for each subject, which will apply to the payment of taxes on goods and / or services provided.

- **Integrated Goods and Services Tax or IGST**

Integrated Goods and Services Tax or IGST is taxed under the GST regime which is used for the supply of goods and / or services as well as for export and export (within 2 regions). IGST is governed by the IGST Act. Under IGST, the body responsible for tax collection is the Central Government. After taxes were collected, it was further divided between the provinces by the Central Government. For example, if a retailer from West Bengal sells goods to Rs.5,000 in Karnataka to a customer in Karnataka, IGST will operate as the service is an international service. If the GST rate charged on goods is 18%, the trader will charge Rs.5,900 for goods. IGST collected Rs.900, which will go to Central Government.

- **State Property and Services Tax or SGST**

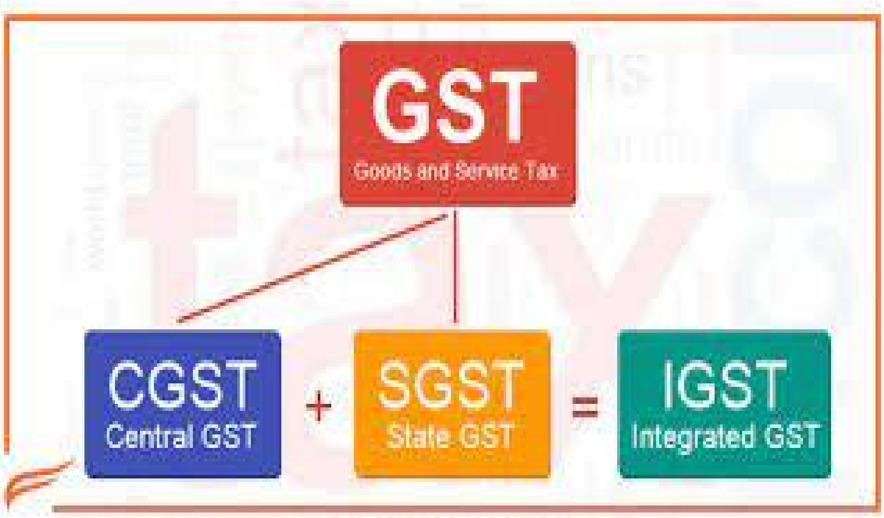
Public Property Tax or SGST is a tax under the GST state applicable to intrastate operations (within the same region). In the case of a supply of goods and / or services, both State GST and Central GST are charged. However, the State GST or SGST charges the state for goods and / or services purchased or sold by the state. It is governed by the SGST Act. Revenue received through SGST is required only by the relevant provincial government. For example, if a seller from West Bengal sells goods to Rs.5,000 in West Bengal to a customer, then the active GST at work will be part of CGST and part of SGST. If the GST rate charged is 18%, it will be equally divided into 9% CGST and 9% SGST. The total amount to be charged by the seller, in this case, will be Rs.5,900. The revenue earned from GST under the head of the SGST, i.e. Rs.450, will go to the Western Bengal regional government through the SGST.

- **Central Goods and Services Tax or CGST**

Like the State GST, the CGST Central Goods and Services Tax is taxable under the GST state operating on intrastate (within the same region) jobs. The CGST is governed by the CGST Act. Revenue from CGST is collected by Central Government. As mentioned in the example above, if a trader from West Bengal sells goods to a customer in West Bengal for Rs.5,000, then the GST working class will be part of CGST and part of SGST. If the GST rate charged is 18%, it will be equally divided into 9% CGST and 9% SGST. The total amount to be charged by the seller, in this case, will be Rs.5,900. Revenue received from GST under the head of the CGST, namely Rs.450, will go to Central Government in the form of CGST.

- **Union Property or Services Tax for the Union or UTGST**

The Union Territory Goods and Services Tax or UTGST complies with the State Property and Services Tax (SGST) levied on the supply of goods and / or services of Union Territories (UTs) of India. UTGST is active in the supply of goods and / or services to Andaman and the Nicobar Islands, Chandigarh, Daman Diu, Dadra, and Nagar Haveli, and Lakshadweep. UTGST is governed by the UTGST Act. UTGST revenue is collected by the Local Government. UTGST replaces SGST in State Locations. Therefore, UTGST will be charged more than CGST in Union Territories.



Review of Literature

The introduction of the Goods and Services Tax (GST) was expected to bring, among other things, better tax compliance leading to increased tax efficiency, faster and as a result, higher revenue. As the tax reform enters its fifth year, there have been strong voices and complaints among a few regions that suggest that GST lead to their finances having a negative impact. Provinces have not yet commented on the loss of certain tax revenue.

A story that distorted meaningful conversations into compensation. It is worthwhile to put the matter in perspective. Compensation is guaranteed by the Agency for a period of 5 years, which will be calculated on the 2015-16 base benefit estimated to grow at a rate of 14 percent. only five provinces had it in terms of tax deductions, growing by more than 14% before GST. The study continues to find that the average growth rate for all provinces used for the period 2012-13 to 2015-16, varied between 7.59 percent to 7.67 percent - a significant difference of 6.33% to 6.41% between real growth. . and perceived growth for the purpose of compensation. The gap between actual income and guaranteed value should be reflected in this. Or to put it another way, 'loss' is the result of this mathematical gymnastic and is a theory.This should be combined with the fact that there will be a significant negative impact in 2019-20 due to the economic downturn. Compared to the 12 percent budget estimate, real GDP grew by 7.2 percent. 2020-21 was very bad. Epidemics, layoffs and a negative impact on the economy have pushed GDP by 7.3 percent. All of this meant a significant reduction in revenue — both for the Center and for the provinces. Expenses have been increased to meet health and economic problems. The recession also meant that the collection of GST compensation leave also had a negative impact. In 2019-20 against the requirement of Rs 1.65 lakh crore there was a collection of Rs 95,444 crore leaving a gap of approximately Rs 70,000 crore. Demand for 2020-21 increased to about Rs 3 lakh crore - and the deficit was Rs 2.3 lakh crore. This has led to a major proposal by the Center for two options, both for lending. There was a lot of heat as the Center sought to distinguish between shortages due to the implementation of GST and because of this epidemic. The issue was resolved - however, the basic trust of state relations was greatly expanded. The shortfall would be remedied by allowing the provinces to borrow on the issue of debt under a special window. Loans allowed by the Agency to increase from 3% to 4% of GSDP and up to 5%, subject to policies. The 42nd GST Council recommended that the compensation tax be extended beyond the 5-year transition period-i.e. beyond June 2022 'of time that we may need to meet the income gap'. Therefore, a study of the impact of GST on national income could be useful at a time when the economy has not experienced unprecedented storms. In this regard, the RBI's annual report on State finances based on the State Budget Survey for the period 2019-2020 makes for interesting reading. Revenue for States includes revenue and expenditure taxes, property taxes and levies on goods and services averaged 44.7percentage of total revenue. Non-tax revenue including interest receipts, dividends and profits as well as general, social and economic services made up another 7.8 percent. The remaining 47.5 percent comes from medium-sized transfers. Although without a doubt most of the state's revenue was placed under the GST (approximately 50 percent of the districts and 37 percent of the Institute) the fact remains that post-GST, collections under the SGST have consistently surpassed the CGST for this very reason. system of things; The CGST adjustment is compared to the IGST and the input tax credit method. One must also keep in mind the fact that the average effective GST average decreased from 14.4 percent at the time of implementation (which was less than the average pre-GST active dose) to 11.6 percent in just two years. All of this meant less interest, less revenue and more pressure for the Center to 'compensate' - even the money raised for this purpose was insufficient.

The RBI report contains intelligent tax revenue data from the government from 2004-05 to 2019-20. With the exception of 8 countries (Arunachal Pradesh, Himachal, J & K, Manipur, Mizoram, Nagaland, and Odisha) that showed a decline in revenue in 2018-19 compared to 2017-18, all other regions have an increase in revenue collection. . . Tamil Nadu for example from Rs 96,472 crore in 2017-18 to Rs 1,10,178 crore the following year; and at the same time, West Bengal from Rs 57,701 crore to Rs. 61 617 million; Punjab ranges from Rs 31,496 to Rs 33,073 crore; NCT Delhi ranges from Rs 35,717 crore to Rs 38,400 crore. Loss if any in respect of all provinces only where the projected growth of 14 percent is calculated from 2015-16 revenue. All provinces therefore became the beneficiaries of the compensation agreement. But to blame this loss on GST per-se would be wrong. Going forward it is important that the tax base is expanded by including fuel products. Both the Institute and countries that collect large sums of money from petroleum products and may be reluctant to do so. Taxes, both Institutional and State, make up about 60 percent of the cost of fuel and taxes are a big part of it. Cess hurts the States as much as it can be shared. The Finance Commission has reported total expenditure and additional payments as the percentage of total revenue increased from 12.2 per cent in 2016-17 to 20.2% in 2019-20.

Impact of GST on Revenue of States

After many years of war the GST finally launched on July 1, 2017. The GST Bill focuses on removing tax barriers between regions and creating a single market namely 'One Country Tax'. In the pre-GST Government, many indirect taxes were levied on the institution and the provincial governments. Now, all these taxes (CST, VAT, Excise, Entertainment etc.) are included in the GST which makes tax compliance easier and less expensive. All taxes will be collected where applicable; consumers will not end up paying 'taxes' which is what happened before the state. More than 150 plus countries have used GST and none of them have turned it back as inefficient or economically weak.

Month	**2021-22 Collections**	**2020-21 Collections**	**2019-20 Collections**	**2018-19 Collections**	**2017-18 Collections**
	in crore	in crore	in crore	in crore	in crore
April	141,384.00	32,294.00	113,865.00	103,459.00	NA
May	102,709.00	62,009.00	100,289.00	94,016.00	NA
June	92,849.00	90,917.00	99,938.00	95,610.00	NA
July	116,393.00	87,422.00	102,083.00	96,483.00	21,572.00
August	112,020.00	86,449.00	98,203.00	93,960.00	95,633.00
September	117,010.00	95,480.00	91,917.00	94,442.00	94,064.00
October	130,127.00	105,155.00	95,380.00	100,710.00	93,333.00
Month	**2021-22 Collections**	**2020-21 Collections**	**2019-20 Collections**	**2018-19 Collections**	**2017-18 Collections**
November		104,963.00	103,491.00	97,637.00	83,780.00
December		115,174.00	103,184.00	94,726.00	84,314.00
January		119,875.00	110,818.00	102,503.00	89,825.00
Feburary		113,143.00	105,366.00	97,247.00	85,962.00
March		123,902.00	97,597.00	106,577.00	92,167.00
Annual Collection	**812,492.00**	**1,136,783.00**	**1,222,131.00**	**1,177,370.00**	**740,650.00**
Average Collection	**116,070.29**	**94,731.92**	**101,844.25**	**98,114.17**	**82,294.44**

Situation Concerned with Post-GST

As GST is a region-based tax in the event of export exports the revenue will accumulate in the consumer provinces. However, in the case of Pre-GST Intermediate sales tax and VAT are also levied on the delivery of goods, CST is the actual tax replaced by a locally based tax. As a result the productive country will lose part of its revenue from regional sales. International independence has also been reduced due to the use of GST. The roll-out of GST by regions is very challenging; on the one hand it should take care of its own revenue and on the other hand the country should maintain an equal level of goods and services.

Impact of GST on State Revenues after 5 Years

It is very difficult to determine the impact of GST on provincial revenue after 5 years but according to various government reports and a well-known national economist GST will probably have a positive impact and a negative impact on state finances.

GST is good over the long term. Even in the short term the impact of GST in each region varies across states.

The positive and negative impact of GST on provincial revenue after five years

Good GST Impact

- **Increased Foreign Investment:** With GST, India is now a unified market and foreign investment has increased in India. Products manufactured within India due to their reduced costs are now highly competitive in international markets leading to export growth. The introduction of the Goods and Services Tax puts India on the line of international tax standards, making it easier for Indian businesses to trade in the world market.
- **Minimum Tax:** GST has two components: Central GST and Regional GST. GST Central will replace - Service Tax, Central Excise Duty, and Custom Work etc. State GST will replace - Regional VAT, Medium Sales Tax, Advertising Tax, Luxury Tax, Purchase Tax, Entertainment

Tax etc. Before GST, there were too many taxes and now they have replaced all these taxes and duties with Central GST and State GST.

- **Reduce business costs:** GST changes VAT throughout India. Now there is no need to pay different taxes in different provinces. It is a single tax system for all the provinces of India so we have already eliminated various taxes and duties from our businesses.
- **Transparency:** Tax authorities have started working without corruption. And enabling sales invoices to reflect the taxes spent has led to enlightenment.

GST Bad Impact

- **Dual Control:** GST is called a single tax system but is actually a dual tax because both the country and the institution will collect different taxes for the same commercial and service activity.
- **Increased cost of other goods:** The tax rate has been increased on many products, thereby increasing its cost.
- **Other industries lose:** Sectors such as Textile, Media, Pharma, Dairy Products, IT and Telecom are heavily burdened with high taxes. And prices have skyrocketed, such as jewelry, cell phones, and credit cards.
- **Real Estate Market Affected:** Economists speculate that India's GST is already having a negative impact on the real estate market. It added 8 percent to the cost of new homes and reduced demand by about 12 percent.

There are about 140 countries where GST is already used by Australia, Germany, Japan, and Pakistan. India is one of the most stable economies in the world and we have shown that we have the potential to bring about major economic changes. Since coin has two sides, the same implementation of GST has an impact on the nation in both ways, good and bad. If we ignore the negative aspects and consider the positive outcome, then it is a way to reduce black money. GST has a few initial problems, but over time, we will be able to see the bigger picture and it will certainly result in economic integration.

Conclusion

The government has introduced the GST system to streamline tax processes and bring businesses into the legal economy. As a compliant with GST, businesses can qualify for an integrated tax system with simple input credits. When it comes to long-term gains, it is expected that GST will mean not only lower tax rates, but also lower tax rates. Countries where the Goods and Services Tax has helped transform the economy use only two or three values - one is the minimum, the lowest value for important goods, and the highest tax rate on luxury goods. Currently, in India, we have 5 slabs, with up to 3 dimensions - integrated scale, intermediate scale, and state level. In addition to this, cess is also charged. Fear of losing revenue has prevented the government from gambling at fewer or lower prices. This is very unlikely to see a change anytime soon; although the government said prices could be reconsidered once the RNR (neutral revenue report) was reached. GST's impact on macroeconomic indicators is likely to be positive over the medium term. Inflation will be reduced as the effect of declining tax (tax revenues) will be eliminated. Revenue from government taxes will likely increase with the increase in tax rates, and shortfall is expected to remain below check. In addition, exports will increase, while FDI (Foreign Direct Investment) will also grow. Industrial leaders believe the country will climb a few steps to facilitate business by initiating the most important tax reform in the country's history.

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