

## IMPACT AND IMPLICATIONS OF GOODS AND SERVICES TAX (GST) ON VARIOUS SECTORS IN INDIAN ECONOMY

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### ABSTRACT

*GST stands for 'Goods and Services Tax' implemented by the Government of India since 1<sup>st</sup> July, 2017. Goods and Services tax is a newest taxation system in India. It is a indirect taxation has a huge impact on business both big and small and change the way of economy functions. This tax is combined by the central and state government. The parliament legislation of every state will have the power to make law under the article of 246 Act with respect to goods and services to improve by union government or by the state government. The main purpose of GST is to bring about the single tax system for the manufacture and the sale of goods at the both central and the state level in the country. The GST is mainly implemented to remove all other taxes like VAT (Value-Added Tax), Excise duty and Sales Tax. Through this paper one can be in a position to understand about the concepts, objectives, impact and the implications of the Goods and Service Tax on various sectors in Indian economy.*

**KEYWORDS:** *Indirect Taxation, Good and Services Tax (GST), Marketing, VAT, Economy.*

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### Introduction

The Good and Services Tax (GST) is the biggest and substantial indirect tax reform since 1947. GST is expected to create a business friendly environment, as price levels and hence inflation rates would come down overtime as a uniform tax rate is applied. GST is a single indirect tax which was levied on the product or service which is sold in the market. It replaces multiple taxes such as Central Excise Duty, Central Sales Tax, State Sales Tax, Service Tax, special additional duty on customs, etc. Indirect taxes of State government like State VAT, Purchase Tax, Luxury Tax, Tax on Lottery and Gambling was replaced by SGST. This three type's tax structure is helping in transforming the country into one unified common market. More than 150 countries have implemented GST so far.

### Review of Literature

**Sehrawat and Dhanda, (2017)**, studied, "GST in India: A Key Tax Reform" and concluded that due to dissilent environment of India economy, it is demand of time to implement GST.

**Agogo Mawuli, (2018)**, studied, "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

**Hitesh K. Prajapati, (2018)**, in his paper on Challenges and Implementation of GST in India talked about the challenges in implementation of GST like IT sector is not boomed, threshold limit of turnover for dealers under GST is another bone of contention between the government and the Empowered Committee etc.

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### **Objectives of the Study**

This study is based on the following objectives:

- To study about the need and the Importance of the Goods and Service Tax to the Indian economy.
- To study about the impact of GST on Various sectors in Indian economy.
- To provide suggestions and recommendations regarding GST.
- To analyze and find out the GST impact on various sectors in Indian economy.

### **Research Methodology**

This study is intended to identify the present status of VAT, and the main reasons for switching over to GST. The study is descriptive in nature, based on simple random method. The primary data was collected from the respondents of various sectors (Traders, General public and Experts) through questionnaire about the perception of the present VAT system and their expectations in the GST. The Interview Schedule is also be conduct do to formulated and administered accordingly. The Researchers was used an exploratory research technique based on past literature from respective journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax.

### **Limitation of the Study**

This study was conducted on the basis of Goods and Services Tax (GST) rates are applicable on the basis of 28th GST council meeting was held on 21<sup>st</sup> of July 2018 in New Delhi.

### **Problems in Implementing GST in Indian Economy**

There are certain challenges and problems in implementing the GST in India. Some of them are as follows:

- There is no such clear picture about the GST both to the government and to the general public.
- There is no cooperation between the Central government and the state government in implementing the GST. Even though, if implemented the levy of Tax remains on the part of the state.
- The State government generally refuses to accept it. As the states levy taxes on the Destination principle i.e. (the state in which the product or service is sold or rendered), so in order to lose the revenue they were avoiding it.
- The Revenue Neutral Rate (RNR) is the key factor responsible for the effective implementation of GST.
- It involves massive cost on the training of the staff of the Taxation department.
- Lack of political support. The Bill must be passed in the Rajya Sabha for its successful implementation.
- IT is the backbone of GST which would connect the various stakeholders through the Virtual platform.

### **Impact of GST on Various Sectors in Indian Economy**

The GST is said to have a positive impact on the economy as a whole. But when it comes to sectoral-wise classification, the GST have both positive as well as negative impact on each of the sectors. Here are some sectors given and its GST is given below:

#### **Technology (Information technology and ITeS)**

The GST system of indirect taxation has made the duty on the manufacturing goods from 18%. As a result, the prices of the software products will be at high which will give either a neutral or slightly negative impact on the Technology Sector as a whole. But they will be benefited through the reduction of tax and benefits of other industries and can somewhat mitigate it.

#### **Telecommunications**

The telecommunications sector is presently paying the tax at the rate of 18% which is expected to be increased during the GST regime. And, 18% which is also to be passed over to the customers and this gives a picture that GST will adversely affect this sector.

**Pharmaceuticals**

Presently, the Pharma companies are paying taxes in between 0% to 18%. Since, there is no clear picture of tax treatment for Pharma if it is less than 12% it would be a positive impact on the Sector but if it is above 12% then it will cause some slight negative impact.

**Banking and Financial Services**

The Financial services such as banking, Stock Trading firms are currently paying in between 14.5% as VAT which is increased to 5% to 18% under the GST regime. And the services are likely to be costlier.

**Media and Entertainment**

The GST rate for the Media is 18% as of now and since the authority for the levy of taxes remains to be the right of the local bodies, it is expected that the cinema fares are expected to come down after the GST regime and the cost of DTH and cable television services are likely to become costlier. There is somewhat either neutral or slightly negative impact of GST on the Media and Entertainment Industry.

**Consumer Durables**

The current of tax rate of this industry is around the range between 23% to 25%. And under the GST regime it is considered on 28<sup>th</sup> council of GST in between 0% to 18% which will be positive impact to this industry in Indian economy.

**Hotels and Restaurants**

Hotel industry plays a vital role in the development of services sector. Hospitality plays a major role in this sector. Tourism and Hotel paves the way for development of exchange currency in India. Star hotels in various places connected with tourism places. People from various countries traveling throughout the world want to stay and enjoy the whole day. The Luxurious tax and combined service tax is 6 % fixed by different states. After GST, highest rate is 28%, which is less expensive; and this GST is for star hotels only. Industry sources said that the average combined tax rate is in the range of 0% to 28%. Under the new GST if we stay in dining at five star is more expensive. Thus we can have a negative impact of GST in luxurious hotels.

**Suggestions and Recommendations**

- It is very necessary to provide literacy and awareness about the GST in especially rural areas.
- Well maintenance and frequent follow ups of GSTN (Goods and Service Tax Network) portal for better relationship with various stakeholders.
- In order to avoid the unnecessary loss of revenue to the state government, the central government may think about the considerable percentage of GST which will be helpful for all stakeholders of GST.
- Consent from all states and suggestions from every state for betterment of GST and the source of Tax revenue.
- Effective spending on efficient Tax administration staff.
- The government should take care about the Revenue Natural rates (RNR) which should not affect the tax revenue to any government either central or state.
- The loss of Tax revenue should be managed and compensated properly through proper diversification of funds without burden to anyone.
- Fuel prices have been rising rapidly over the last few months. Petroleum products are as far as possible it should be brought under the Goods and Services Tax (GST) in the near future, so that it's positive impact on common man.

**Conclusion**

The GST is very crucial tax reform since independence of India, so it must be better handled with utmost care and analyzed well before implementing it. And, the governments both central and state have to conduct awareness programmes and various literacy programmes about GST to its various stakeholders. There is political imbalance. At present so for many goods there is reduction of tax, which is already levied. Therefore, we cannot judge how the taxes for the forthcoming years will be. Our policy is one market one tax that is why GST born. It is healthy to service sector like tourism and hotel, industry particularly heritage luxury resort enjoy the GST when compared with the previous tax. Due to political climate changes, this tax system is not welcome by many people in India.

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