

IMPACT OF GST ON INDIAN ECONOMY

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ABSTRACT

Indian economy is growing at a fast pace now a days. Due to the structural transformation, share of primary sector in G.D.P. is continuously decreasing while the share of industrial and service sector in G.V.A. and G.D.P. is increasing rapidly. Due to globalization many new sectors like I.T., Yoga, Electronic, Leather, etc has been emerged. Due to the huge revenue earned in these sectors, government tries to get income from them. Therefore various types of taxes have been introduced in Indian economy.

KEYWORDS: *Indian economy, GDP, GVA, Globalization, Structural Transformation.*

Introduction

Indian tax system is divided into two parts, Direct and Indirect tax. Direct tax includes income and corporate while custom duty, central excise tax, service tax etc. are indirect tax. One of the main drawbacks of indirect tax is that it is finally bearded by the consumers. Therefore government tried to replace these indirect taxes by G.S.T. to remove the cascading affect. In order to achieve this V.A.T. was introduced in the country. At first many state denies to adopt V.A.T. but finally they accept it. Due to V.A.T. their income has been increased. But still there was some problem in Indian tax system that there are so many indirect taxes so it become very difficult for a common man to calculate and pay while it caused huge expense to collect all these taxes. In order to replace all indirect taxes with single one that is G.S.T. (Goods & Service Tax) has been introduced in the country.

Background

Goods and Service Tax was launched on 1 July, 2017. Its main aim was to replace all indirect taxes with a single tax. All major indirect taxes of central and state government were consolidating after introduction of G.S.T. It makes taxpaying system very easy. G.S.T. is charged on manufacturing and selling of goods as well as on services throughout India. It is charged on all the states of manufacturing. It is levied on producer and consumers both. It is collected when the consumer purchases a good or service. At every stage of value addition, G.S.T. is charge and collected.

There are three types of G.S.T. prevailing in the country. First CGST which is collected by Indian government, second SGST which is collected by the state government and third one is IGST which is levied on the supply of goods and services among two or more states. Due to G.S.T., Indian economy gets affected and every sector of the economy is showing some effects. Present study tries to find out the impact of G.S.T. on Indian economy.

Review of Literature

Meenakshi, Dinesh Gupta, Mohammed Unais, Kavya, Shankar, Manoj Songara, Shefali Deni and others researcher studies the impact of G.S.T. on the performance of economy of the country. They concluded that due to G.S.T. collection of the tax revenue has been increased on the country. Tax system has been simplified and those people who were not under tax also paying taxes which increased the revenue of the government. Almost all the sectors of the economy have been affected by goods and services tax. Almost all the studies show the impact of G.S.T. on the revenue collection of government. Present study tries to find out the impact of G.S.T. on various sector of the economy.

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Objectives of Study

- To analyse the impact of G.S.T. on various sector of the economy.
- To gives suggestion to remove the problems of G.S.T.

Research Methods

Exploratory and descriptive analysis has been done to trace out the impact of G.S.T. on various sectors of the economy. It is based on the secondary data awaited from various magazines, journals, newspaper, etc.

Results and Discussion

We have summarized the impacts of G.S.T. on different sectors of Indian economy. There are presented as follows:

- **Impact on Tax System**

Due to G.S.T. tax system of the country has become simplified because it is a single tax and it is easy to calculate it. It makes people clear, about the amount to be paid in the form of tax so the expense on filling return has been decreased.

- **Increase in Production**

In retail market and industry of the country total paid tax is almost thirty percent of the cost of production after implementation of G.S.T. Taxes reduced so the customers have to pay fewer taxes so their burden decreases and their demand increases. It gives use to the production in retail industry.

- **Support to Micro and Small Enterprises**

Due to the new provisions of G.S.T., businessman who turn over is about Rs. 1.5 Crore have to pay 1 percent while other have to pay six percent as G.S.T. Therefore it supports micro and small enterprises of the country.

- **Boost to the Export Sector**

Due to G.S.T. custom duties have been reduced to a great extent. In the same manner cost of production also decreases so the exports from various sectors of the economy have been increased.

- **Promotion of Retail Sector**

G.S.T. has gives boost to the retail sector of Indian economy. G.S.T. has decreased the collect cost of the government of indirect taxes. Due to G.S.T. some business person who was not in tax system fall under the system therefore, tax revenue has been increased.

- **Impact on Service Sector**

Due to G.S.T. tax revenue from service sector has increased upto a great extent. More revenue has been generated from information technology sector, communication sector, insurance, banking and other sectors of service industry.

- **Logistic Industry**

As we know that logistic industry is the backbone of the economy so due to G.S.T., this sector also got affected. Many activities of logistic industry fall under G.S.T. Which was not under any tax earlier? It increases government revenue. It also helps in the Make in India programme of government of India.

- **E-Commerce**

This sector is growing fastly in the country. G.S.T. will help these companies in many ways because rate of taxes are low for these sectors. These effects will be left in long run. TCS (Tax Collection at Source) is also to be introduced for this sector therefore e-commerce companies are not happy with it.

- **Pharmaceutical Sector**

G.S.T. is beneficial for this sector. It is very beneficial for generic drug framing companies. It will stimulate medical tourism in the country by making the tax system simple and easy to understand.

- **Communication Sector**

Due to G.S.T., prices in this sector fall down. Due to the better management about inventory and warehouses, Logistics costs will be saved on the telephone handsets so it is very easy to sell communicative equipments in the country.

- **Textile Sector**

Textile sector is an important sector of the economy as it provides employment to large population whether it is skilled or not. About ten percent of total exports of the country is contributed by this sector. It may be increased by G.S.T. Value of cotton can be raised because it is highly demanded by micro and small companies.

- **Sector of Real Estate**

It is one of the main sectors of the economy. It also gives employment to the people. Impact of G.S.T. on real estate sector can be felt through tax rates. G.S.T. makes this industry accountable and transparent therefore people start believing this sector.

- **Agricultural Sector**

Agricultural sector contributes a large in G.D.P. of the country. The transportation of agricultural goods from one place to another is an important issue. G.S.T. can resolve this and revenue from agricultural can be increased.

- **Automobile Sector**

It is main sector of the country which is producing. It produces a large number of cars, two wheelers and other big automobiles in economy. Many types of taxes were imposed on this sector before the introduction of G.S.T. So, G.S.T. replaced all the indirect taxes imposed on this sector so it is very beneficial for this sector.

- **Banking Sector**

Banking sector has felt positive and negative both types of impact from G.S.T. Due to G.S.T. increase in credit facilities has been felt by the banking sector while on the other side tax rates have been raised in GST so the cost of loan processing has been increased so it gives harmful impact on banking sector.

- **Manufacturing Sector**

After implementation of G.S.T. this sector gains a lot. Due to the removal of cascading affects the prices of goods to get affected and it is reduced. On another side tax rates on many manufacturing products so it caused damaged to this sector.

- **Aviation Sector**

Charges of the flying by many airlines have been reduced because the tax rates under G.S.T. have been reduced therefore the number of people doing air travel has been increasing. This shows positive impact of G.S.T. on aviation sector.

- **Entertainment Sector**

G.S.T. led negative impact on entertainment sector because the tax rate is twenty eight percent on this sector which is very high so G.S.T. brings adverse impact on entertainment sector.

Conclusion

It can be concluded from the overall calculations of G.S.T. that G.S.T. is a major breakthrough in the history of tax system. It replaced all the indirect taxes prevailing in the tax system therefore the cascading affects has been abolished. Government revenue has been increased for G.S.T. and expense on the tax collection has been reduced to a great extent. All tax payer shows positive attitude towards the acceptance of G.S.T. because it makes them clear about the amount which is to be paid in the form of taxes. Thus G.S.T. shows positive impacts. On the other side, tax rates on some products are high therefore these sectors are suffering from G.S.T. like entertainment sector. As a whole we can say that G.S.T. has led mixed impacts on various sectors of the economy.

Policy Measures

- Government should provide literacy and awareness about G.S.T. to the people so they can understand it easily.
- Administrative staff of tax collection should good and with smart communicative skills government should enhance spending on the staff.
- Portal of G.S.T. should be updated regularly so people can see all the updates at a glance.
- Government can setup an advisory council of state to make G.S.T. better.
- There is a need of proper coordination among state and central government to make G.S.T. effective.
- These should be some provisions of compensation in the case of loss of revenue to the state by central governments.

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