

## IMPACT OF MODERN TAXATION POLICY ON GST

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### ABSTRACT

*The Indian economy is a testament to the rapid growth in a very short period of time. Direct and indirect taxes are a major source of Earning for the government. The chairman of the 13th Financial Commission, Dr. Vijay Kelkar, has proposed a reasonable, scientific and modern tax system in line with developed countries that laid the foundation for the introduction of Goods and Service Tax (GST) in India. Tax planning is planned and implemented in a way that leads to the development of the country. A Tax structure that makes it easier to do business and free of tax evasion brings prosperity to the country's economy. The Goods and Services Tax (GST) has been a major and comprehensive indirect reform since 1947. Tax exemptions such as value added tax, excise duty, service tax and sales tax are a key concept of GST. It will be placed in the construction of the sale and use of goods and services. The GST is expected to take advantage of the existing tax structure and lead to economic integration. This paper has highlighted the background, objectives of the proposed GST and the impact of GST on various areas of the Indian economy. This paper continued to focus on the various benefits and opportunities of GST. Finally, the paper examines and draws a certain conclusion.*

**KEYWORDS:** GST, Indirect Tax, Fiscal Federalism, Tax Reform.

### Introduction

The word tax "is derived from the Latin word 'taxare' which means to measure the mandatory contribution of state revenue, paid by the state to workers' income and business profits or added to the cost of other goods, services, and transactions. Taxes include entries, received in accordance with the law enforcement officer. The Indian Taxation System contains both direct and indirect taxes. Property Tax (GST) is one of the most significant changes in the Indirect Tax. The only way to finance is to tax public property because it cannot be set at fair prices in the market. They can only be provided by the government, taxed. The concept of GST goods and services is a Canadian value-added tax that is heavily charged for domestic use. Taxes are called to provide money for the government. GST assists consumers, but is charged and sent to the government through businesses that sell goods and services.

Globally India is one of 123 countries following the VAT mode introduced at both local and provincial levels. At the national level the GST fully integrates the indirect tax on the manufacture, sale and use of goods and services. All indirect taxes will be levied on goods and services by the Central Government and the Government of India under the GST. It is intended to be comprehensive in a wide range of goods and services. France was the first country in 1954 to use GST in the world

Indirect tax travel and Indian destinations, which change the tax system until the day before Launch of GST tax system in India.

**1974:** A report by the LK Jha Committee proposes the introduction of the VAT system.

**1986:** Introduction of limited VAT called "MODVAT".

**1991:** Chelliah's Committee Report recommends "VAT / GST" and the recommendations adopted by the Government.

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- 1994:** Introduction to Service Tax.
- 1999:** Establishment of State VAT Executive Committee.
- 2000:** Introduction of Common State Tax Rates and the abolition of State-related tax incentives Governments.
- 2003:** Implementation of the VAT system in Haryana.
- 2004:** Strong progress in the implementation of CENVAT.
- 2005-06:** Implementation of VAT-based tax system in 26+ regions of India.
- 2007:** First GST Stuff released by Mr. P. Shome in January; The Minister of Finance's speech concludes with the launch of GST in the budget; CST exit starts in April 2007; a combined working group has been created and reports have been submitted.
- 2008:** EC releases GST roll-out of the April 2008 Tax Scheme.
- 2009:** Proposed date of commencement April 1, 2010.
- 2010:** Treasury comments on GST discussion paper and Finance Minister suggested possible GST rating.
- 2011:** Team formed to map GST road map and GST 115th Constitutional Amendment Bill into Laid down by Parliament.
- 2012:** State of the worst service tax list was created.
- 2013:** Parliament's Executive Committee submits its report on the Bill.
- 2014:** 115th Amendment Bill expired and was reinstated in Constitutional Amendment Bill 122.

#### **Introduction to The Goods and services Tax (GST)**

New Section 366 (12A) of the Constitution of India (GST) defines the excise duty on goods and services (GST) to mean any tax on the supply of goods or services or both excluding the tax on the supply of alcohol for human consumption. New Article 366 (26A) defines the service as It means anything other than goods. The current section 366 (12) prescribes goods to include all items, goods, and articles.

Depending on the government, the goods and services tax (GST) is considered a 'Reform' instead of an amendment An existing Indian tax system to filter all backgrounds and disadvantages of the indirect tax system. India was one of the 123 countries in the world that follow the VAT system. VAT was designed and launched in January 17, 2005 at Council and Government levels by Finance Minister P.Chidambaram. VAT replaces Central Excise Duty Taxes at the national level and the Sales Tax System at the state level, which brings about a major change in the tax system. Goods and services Tax (GST) was proposed in 2014 to be implemented from in June 2016. GST implementation is "dual" by nature - one item used by the Center (CGST) and another Part is Government (SGST). The tax base will be similar to the Institutional Government and the State. GST logged in Operating in India on July 1, 2017. With some major changes, GST will now have three main types:

- **Central GST:** GST will be charged by the Agency.
- **State GST:** GST will be charged by nations.
- **Dual GST:** GST will be charged to the centre and States at the same time.

GST is regarded as a complete and alternative tax system for the manufacture, sale and use of goods and Jobs at the national level. As GST applies, all other taxes are suspended. Now there is oneTax, which is also at the national level, strictly under the control of the Central Government. Under GST, there is one tax in both goods and services, which is a clear tax policy and this will improve tax collection. It will lead againof a clear plan to eliminate tax-based theft and corruption at the national level. GST is tax friendly

- The corporate sector plan will provide tax policy relaxation, lower inflation, and do everything
- The system is more transparent.

#### **Literature Review**

In the GST study studied in India: The Big Leap in the Indirect Taxation System interviewed by Vasantha gopal (2011), this article focused on the impact of GST on various economic sectors. The document further stated that the GST is a major leap and a new impetus for economic transformation in India. This paper concluded that the positive impacts in the various sectors depend on the neutral and general structure of the GST.

In Pinky's article, Supriya Kamma and Richa Verma (June 2017) read, "Study on Impact of goods and services tax taxes in India" focuses on the introduction of goods and services in India which need to be understood as a system and process. They concluded that organizations as well as consumers, by adopting a new tax reform, could help the government accelerate India's economic growth

Jaiprakash (2014) spoke of GST at Central and State level which is expected to provide greater freedom to industry, trade, agriculture and consumers through full and comprehensive disclosure of tax inclusion and tax refund, multi-tax GST and CST exemptions. The best option we are offered by GST is to increase our tax base and we should use these opportunities to introduce ourselves when the situation is not good and the economy prefers stable growth with only a small inflation.

#### **Objective of the Study**

- To study the GST conceptual framework in the Indian context
- To study the impact and challenges of GST in various areas of the Indian economy.
- Suggest ways to address the negative impact on various stakeholders

#### **Research Methodology**

The study focuses on a comprehensive analysis of the second data collected in various books, journals, government reports published on various websites focusing on Goods and services Taxes.

#### **IMPACT of GST on Various areas of Economy**

The GST has a positive impact on the economy and in various sectors:

- **Impact on Consumer Goods Sector**

With the introduction of goods and service tax, the FMCG sector will really change. The Food Production Sector contains 50% food and beverage sector and 30% for Family and People Care. The FMCG sector, also known as the consumer of packaged goods, is an important direct or indirect taxpayer in the economy. The amount of tax has an impact on a company's decision to create and distribute assets. Their companies place their production units and warehouses where they can get tax benefits. They have to pay taxes in order to transfer the stock from the archives between the provinces. The FMCG sector will inevitably have an impact on GST as taxes affect costs to the company.

- **Impact on Brokers and Equity Investments**

With service taxes levied on GST, the GST rate on financial services has changed from 15 percent to 18 percent. From the perspective of long-term investors, this may not be the most significant as the total transformation is only three basic points. These 3 short-term traders will change the economics of mixing their investments in the financial markets. It remains to be seen whether this will really affect the queues and the cash in the market

- **Impact on the Food Industry**

Since food is a major component of consumer spending on low-income households, any tax on food will naturally decrease. The food processing sector will take away the burden of increasing GST because food production and distribution is very unstable in India, in many countries food tax rates remain low in terms of fairness and equity in land tenure. Countries such as Canada, the UK and Australia where food makes up a very small portion of the consumer basket and food is taxed at zero prices. Even in some countries, food taxes are as low as 3% in Singapore and Japan at the beginning of GST. At the level of international authorities, there is no tired divergence in the level of food processing. Therefore, the availability of low or zero tax prices should also be increased in all food items in India regardless of how it is processed

- **Impact on Automobile and Auto Ancillaries**

In terms of the Auto sector GST prices are expected to be neutral except for hybrid vehicles taxable at 28% GST. No significant changes will be made to the current tax structure with other car segments. Tractor companies will face a 12% percent tax incidence compared to the current 6-7 per cent in the tractor categories.

- **Impact on Telecom**

The industry is under tremendous pressure in the form of intense competition from Reliance Jio. Under the GST regime, telecommunications services will be taxed at 18 percent compared to the previous 15 percent.

- **Impact on Scale Small Businesses**

For small businesses there are three categories, those below which do not require GST registration. Those who are in the middle of the threshold and the restitution of construction will have the option to pay taxes based on restitution or choose to join the GST regime. Those limits beyond the limit will need to be within the context of the GST. With regard to the central GST this situation is a bit tense and is expected to promote compliance and which is expected to increase the tax base by adding 2% to GDP. Small GST impact tax will have to be paid by manufacturers, retailers.

- **Impact on the Infrastructure Sector**

India's infrastructure sector mainly consists of electricity, roads, harbors, railways and mines. Each of them indirect taxation is different and unique, and this is a natural combination. While the industry enjoys diversity and unique concerns as it is important nationally. According to the GST, the duplication of taxes will be eliminated and will increase the tax base by continuing to differentiate and worry about national interest and growth.

- **Impact on Information Technology Services**

The proposed GST level under the IT sector has not been determined. The combined GST rate of the product is 27%. According to the predicted GST when the electronic form software to which it is transmitted will be treated as a service (intellectual property) and if it is transmitted through the media or other affected material it should be treated as assets. Price will be reduced through the use of GST with the same simplified and single tax.

- **Impact on the Cement Industry**

According to Angel Broking, the implementation of GST is expected to be neutral in the cement industry. Previously, cement was taxed at 12.5 percent tax and VAT at between 12.5-15.5%. Under the GST, cement will be taxed at 28 percent, which is almost the same as the current tax structure.

### **Challenges of GST in Indian Context**

The GST is a generally excellent kind of assessment, the effective usage of the equivalent, there are not many difficulties which need to face to execute GST In India. Following are a portion of the determinants that should be remembered about GST.

- The comprehension of GST by with respect to its arrangements and its effect on their business is still at arising stage, and still many are discoveries the areas and spots they should be enrolled in.
- Various arrangements of GST are as yet questionable. Characterization of merchandise and ventures in different cases is as yet not satisfactory. Arrangements for hostile to exploitative, just as the now conceded e-way charge, which tracks transfers across states, are indistinct.
- various organizations are not yet map the bookkeeping programming and IT frameworks in worry with the new duty arrangements, to make a solicitations of GST, and unique required reports.
- Staff with ideal required ability with productive GST information and their preparation subject are not effectively accessible. This has found that a Businesses will needs to document complex returns, at least 37 much of the time for surveys, and this can increment multifold with plans of action.

### **Findings**

- A separate indirect tax will be deducted by GST as there will be no hidden tax that brings transparency.
- Due to one type of tax namely GST will eliminate economic distortion and contribute to the creation of a similar national market.
- It is a major step in supporting the understanding of Make in India and digital India initiative

### **Suggestions**

- It is suggested that government should opt plans and policies in this regard for positive implementation and their result.
- GST Council should introduce four tires under the net to prevent countries from raising tariffs.
- For the purpose digitization of GST system a proper and efficient network system has to be established and maintained to manage.
- Special programs may be implemented to familiarize businesses and consumers with the functioning of GST.

**Conclusion**

Tax policies play an important role on the economy as it is the revenue source, it has a positive impact on both efficiency and equity. In view issues of income distribution a good tax system should keep pace with it and at the same time it should also endeavor to generate tax revenues to support government outflows on public services and infrastructure development.

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