



Study on the Impact of GST on Indian Economy

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ABSTRACT

GST is a concept that took everyone by surprise. There are still debates happening on whether the introduction of GST is doing good or bad for the economy. Commercial activities and transactions have completely transformed after the introduction of the Goods and service tax (GST). This research mainly focuses on the impact of the very Goods and service tax on the Indian economy. This research specializes in studying the preferences, opinions, reviews, and experiences of the people on Goods and service tax (GST). The study has a sample space of 150 and mainly focuses on business people and entrepreneurs who are more likely to better understand commerce as a whole.

Keywords: GST, Goods and service tax, Impact of GST, Indian economy

INTRODUCTION

GST is the biggest tax reform in India founded on the nation of “one nation, one market, one tax” is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens.

Fundamentally, the \$2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST. The rollout has renewed the hope of India’s fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what’s perceived as a rushed transition which may not assist the interests of the country. Will the hopes triumph over uncertainty would be determined by how our government works towards making GST a “good and simple tax”?

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level [1]. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%. India as world’s one the biggest democratic country follows the federal tax system for levy and collection of various taxes. Different types of indirect taxes are levied and collected at different point in the supply chain. The centre and the states are empowered to levy respective taxes as per the constitution of India.

The Value Added Tax (VAT) when introduced was considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level. Now the Goods and Services Tax (GST) will be further significant breakthrough towards a comprehensive indirect tax reform in the country. In 2000, the Vajpayee Government started discussion on GST by setting up an empowered committee. The committee was headed by Asim Dasgupta, Finance Minister in Government of West Bengal. But an announcement to GST for the first time was made by Palaniappan Chidambaram, Union Finance Minister, during budget of 2007-08 that it would introduce from 1 April 2010. The empowered committee of State Finance Ministers, on his request would work with the Central Government to prepare a road map for introduction of GST in India. After this announcement, the Empowered Committee of State Finance Ministers decided to setup a Joint Working Group on 10 May 2007, with the Adviser to the Union Finance Minister and the Member-Secretary of Empowered Committee as co-conveners and the concerned Joint Secretaries of the Department of Revenue of Union Finance Ministry and All Finance Secretaries of the states as its members.

The Joint Working Group, after intensive internal discussions as well as interaction with the experts and representatives of Chambers of Commerce and Industry, submitted its report to the Empowered Committee on 19 November 2007. In April, 2008 the Empowered Committee (EC) submitted a report titled “A Model and Roadmap for Goods and Services tax (GST) in India” containing broad recommendations about the structure and design of GST. In response to the report, the Department of Revenue made some suggestions to be incorporated in the design and structure of proposed GST. Based on

inputs from Government of India and states, the EC released its First Discussion Paper on Goods and Services Tax in India on 10 November 2009 with the objective of generating a debate and obtaining inputs from all stakeholders.

STATEMENT OF PROBLEM

- The bringing in of GST to the Indian economy has been a very controversial one and to understand the impact of this action is the main motive of the project.
- We need to understand the way in which the concept of GST is positively or negatively affecting the Indian economy.
- The new tax regime subsumes various types of indirect tax that prevailed in the country

OBJECTIVES OF THE STUDY

- To understand the concept of goods and service tax.
- To understand people's views on GST.
- To understand the extent to which GST is affecting the Indian economy.
- To understand what kind of impact has GST brought to a common person.

RESEARCH METHODOLOGY

Research methodology is that the precise process or strategies accustomed identify, pick, technique, and examine statistics a couple of topics. in an exceedingly studies paper, the methodology section allows the reader to critically evaluate a take a glance acts overall validity and reliability. Data was collected using both primary and secondary data collection methods. In this research the first data that's been utilized in questionnaire. Structure questionnaire has been framed to gather the info from the respondent. This maybe accustomed collect the mandatory data and records by different website, magazines, annual report, journal, book of facts and newspapers. Convenience sampling technique has been adopted to pick out sample respondents for the study. 150 respondents constituted the study.

- Percentage Analysis

REVIEW OF LITERATURE

¹Mr Tutun Mukherjee, Som Sankar Sen (2018)

This project asks if 'One nation and one tax market', does this statement really holds true in our country? India witnessed one of the historic indirect tax reforms in the name of 'Goods and Services Tax'(GST) on 1st July, 2017. Goods and Services Tax (GST) is consumption based unified tax levied on every supply of goods and services within the nation.

²G Sunitha, P Sathischandra (2017)

This paper says that GST is a broad taxation policy that system that include all indirect taxes of central and state governments. Taxation is a kind of resource to the government for the revenue generation. There are different types of taxes prevailing in India like corporate tax and income tax, custom and excise duty.

³Sanjay R Yadav (2017)

GST means Goods and Service Tax. It is an indirect tax levied on sale of goods and services. The reformists believe that GST is one of the most awaited law which upon introduced will boost the economic growth in the country. This law if passed by the parliament may come into force from April 2016. As everyone is talking about it now, let's get into the basics of the proposed law in this article.in the economy.

⁴Vinita Kanwal, Divya Pandey, Chandan Kumar Rai, Priyanka Lal (2017)

This paper says that Goods and Services Tax is a single and a broad-based tax levied on goods and services consumed in an economy. Agricultural sector has been the root of Indian economy and it contributes to around 17.4 per cent to GDP. About 52 per cent of the total rural livelihood depends on this sector as their primary means of livelihood, so it is important to study the impact of GST on the Agriculture sector. GST will have both positive and negative effect on Agriculture.

⁵G Sunitha, P Sathischandra (2017)

This paper highlights the impact of new taxation system on selected various Industries in India. The Government of India is not satisfied with the present tax system because it has some short comings. It is complex in nature, exclusion of services as well multiples tax burden. The government is going to implement GST from this financial year.

PROFILE OF THE STUDY

BACKGROUND

Goods and Services Tax (GST) is a direct tax (or consumption tax) used in India on the supply of goods and services. It is a comprehensive, multistage, destination-based tax: comprehensive because it has subsumed almost all the indirect taxes except a few state taxes. Multi-staged as it is, the GST is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer and as a destination-based tax, it is collected from point of consumption and not point of origin like previous taxes.

Goods and services are divided into five different tax slabs for collection of tax: 0%, 5%, 12%, 18% and 28%. However, petroleum products, alcoholic drinks, and electricity are not taxed under GST and instead are taxed separately by the individual state governments, as per the previous tax system. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Pre-GST, the statutory tax rate for most goods was about 26.5%, post-GST, most goods are expected to be in the 18% tax range.

FORMATION OF GST

The GST was launched at midnight on 1 July 2017 by the President of India, and the Government of India. The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was bound to lead for the middle- and lower-class Indians. The tax was strongly opposed by the opposing Indian National Congress. It is one of the few midnight sessions that have been held by the parliament - the others being the declaration of India's independence on 15 August 1947, and the silver and golden jubilees of that occasion. After its launch, the GST rates have been modified multiple times, the latest being on 22 December 2018, where a panel of federal and state finance ministers decided to revise GST rates on 28 goods and 53 services.

Members of the Congress boycotted the GST launch altogether. They were joined by members of the Trinamool Congress, Communist Parties of India. The parties reported that they found virtually no difference between the GST and the existing taxation system, claiming that the government was trying to merely rebrand the current taxation system. They also argued that the GST would increase existing rates on common daily goods while reducing rates on luxury items, and affect many Indians adversely, especially the middle, lower middle- and poorer income groups.

GST: THE SHORT-TERM IMPACT

From the viewpoint of the consumer, they would now have paid more tax for most of the goods and services they consume. The majority of everyday consumables now draw the same or a slightly higher rate of tax. Furthermore, the GST implementation has a cost of compliance attached to it. It seems that this cost of compliance will be prohibitive and high for the small-scale manufacturers and traders, who have also protested against the same. They may end up pricing their goods at higher rates.

To remove cascading effect of taxes and also to provide for a common national market for goods and services, the Government of India proposed for amendments to introduce the goods and services tax for conferring concurrent taxing powers on the union as well as states including union territory with legislature to make laws for levying goods and services tax on every transaction. It is an indirect tax has introduced on 1 July 2017 in India and was applicable throughout India which replaced multiple cascading taxes levied both by central and state governments. The GST is governed by a GST Council. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% ,18% and 28% and there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. Further in addition a Cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Expert viewed it as biggest tax reform in India founded on the notion of "one nation, one market, one tax". The GST rollout has converted India into a unified market of 1.3 billion citizens.

The rollout has a positive hope of India's fiscal reform program regaining momentum and widening the economy of the nation. The idea behind implementing GST in the country in 29 states and 7 Union Territories is that it would offer a win-win situation for every citizen. The entire taxation base will be shared between the assessment mechanism of the centre and the states who would get to collect tax on the economic activities taking place in Indian territorial waters. At the ninth GST council meeting the centre made significant concessions to bring states, including the defiant ones. The administrative decisions will be as follows. The state will administer 90 percent of the tax players, including service providers with annual turnover up to rupees 1.5 crore with scrutiny, and audit powers and the balanced 10 Percent will be controlled by the Centre. Tax players above that threshold turnover, including those pay integrated (interstate imports) GST will be equally shared between the center and state, and this will lead to significant shifting of the tax players base from center to state.

DATA ANALYSIS AND INTERPRETATION

FINDINGS, SUGGESTION AND CONCLUSION

Findings through percentage analysis.

- Majority of the respondents are male **(53.3%)**
- Majority of the respondents are of the age group 21-31. **(56.7%)**
- Majority of the respondents are private employee. **(54.2%)**
- Majority of the respondents are post graduates. **(45.8%)**
- Majority of the respondents earn between 20,000-30,000. **(35.8%)**
- Majority of the respondents think that everyone around them has good awareness about GST. **(51.7%)**
- Majority of the respondents think that GST brought positive impact to common people. **(57.5%)**
- Majority of the respondents think that the introduction of GST into FMCG and food products has influenced their daily buying decisions. **(77.9%)**
- Majority of the respondents think that introduction of GST has caused to them in major lifestyle changes. **(51.9%)**
- Majority of the respondents answered they know about goods and service tax, **(66.7%)**
- Majority of the respondents think that GST is applicable for everyone. **(64.2%)**
- Majority of the respondents think that every product and service they purchase will charge GST
- Majority of the respondents think that the introduction of GST brought change to their monthly expenditure
- Majority of the respondents think that GST has increased their monthly expenditure. **(45.8%)**
- Majority of the respondents think that lower class people are most affected due to the introduction of GST
- Majority of the respondents think that lower class people are profitable. **(40%)**
- Majority of the respondents think that the introduction of GST has reduced their tax burden. **(45.8%)**
- Majority of the respondents think that food product line charges more GST. **(39.2%)**
- Majority of the respondents think that the impact of rapid change in petroleum price has increase their monthly expenses. **(50%)**
- Majority of the respondents think that uniformity in taxation is the best benefit of GST. **(47.5%)**
- Majority of the respondents think that increased tax liability on small and midsized business is the major drawback of GST. **(65%)**

SUGGESTIONS

- To provide literacy and awareness about the GST.
- Effective spending on efficient Tax administration staff.
- 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.
- The government should take care about the RNR which should not affect the tax revenue to any government either central or state.

CONCLUSION

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear

consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

It can be concluded from the above discussion that GST will bring one nation and one tax market. Provide relief to producers and consumers by providing wide and comprehensive coverage input tax credit set-off, service tax and the several taxes. Efficient formulation of GST will lead to resource and revenues gain for both centre and state majorly through widening of the tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industries.

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