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IMPACT OF GST ON INDIAN ECONOMY

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ABSTRACT

On July 1st, 2017, the Goods and Services Tax (GST) went into effect. It is an indirect tax that is imposed over all of India. Now, all commodities and services would be subject to a single tax. Approximately 160 nations have introduced GST. GST will guarantee a broad tax base with reasonable exemptions, which will benefit the sector. By removing all tax barriers between states and integrating the nation through a single tax rate, GST will promote economic growth by reducing tax accumulation. It will aid the Indian economy in numerous ways, including lowering consumer prices, making tax rates uniform, and reducing the number of levies. Many sectors will be impacted by the GST, either favourably or unfavourably. According to government projections, GST will increase India's GDP by about 2%. According to the products and Services Tax (India), 2017 (GST), products and services are taxed at the following rates: 0%, 5%, 12%, and 18%. Following the implementation of the GST, the cost of some products, including branded goods, lodging, personal care products, soap, etc., would decrease. A few products' prices will go up, including flying tickets, aerated drinks, mobile bills, and internet costs. Three methods would be used to collect the goods and services tax: For intra-state sales, the state governments will collect money through the SGST, CGST, and IGST systems, respectively. For inter-state sales, the central government would collect money using the IGST system. This essay focuses on the advantages, difficulties, and effects of GST on the Indian economy.

Keywords: GST, tax, Products, India.

INTRODUCTION

During the 2007–2008 budgetary session, GST was first introduced. The proposal for the introduction of the GST Constitutional Amendment Bill was authorised by the early-acting Union Cabinet ministry on December 17. The GST bill was presented to Lok Sabha on December 19th, 2014. The Bill was taken in for extensive consideration during the upcoming Budget session. On September 8, 2016, the President of India formally approved the Goods and Services Tax (GST) Constitution Amendment Bill, which led to its introduction in the Indian chamber and its acceptance by more than half of its legislatures. (President gives assent to GST Bill, 2016). GST has taken the place of the existing indirect taxes. In India, the introduction of GST will have a significant impact on all facets of activity engagement and application operations. India has stood out as an anomaly, despite more than 140 countries shortly adopting some kind of GST.

Features of GST:

Registration of taxpayers: - Everybody whose annual revenue exceeds Rs 20 lakh will need to register in each state in which they do business. The threshold for states in the special category will be Rs. 10 lakhs. (i.e., Himalayan and North-Eastern states).
Returns: - Every taxpayer is obliged to submit monthly tax returns that include (i) information about supplies delivered, (ii) information about supplies received, and (iii) tax payment. Each taxpayer will be required to submit a yearly return in addition to the monthly returns.

- Exemptions from GST: There are certain goods and services which are exempted from GST.
- Taxable amount (value of supply): The GST would be applicable on the supply of goods and services, whose value will include: (i) price paid on the supply, (ii) taxes and duties levied under other tax laws, (iii) interest, late fee, penalties for delayed payments, among others.
- Payment of GST: The CGST and SGST needs to be paid in the accounts of the central and states government.
- Goods and Services Tax Network (GSTN): It is a non -profit, Non-Government Company called Goods and Services Tax Network (GSTN). It will manage the entire IT system of GST portal.
- Input Tax Credit (ITC) Set Off: ITC for CGST & SGST will be taken for taxes allowed against central and state respectively.
- GST on Imports: Centre will levy IGST on inter-State supply of goods and services.
- Maintenance of Records: An exporter needs to maintain separate details of utilization or refund of Input Tax Credit of CGST, SGST and IGST.

LITERATURE REVIEW

According to Nitin Kumar's (2014) study, "Goods and Service Tax- A Way Forward," enacting GST in India would aid in the elimination of the country's current indirect tax system and be expected to promote a fair tax system that disregards geographic location. In her study, Nishitha Guptha (2014) said that the introduction of the GST would provide our nation with numerous advantages not provided by the current tax system and would boost the economy. GST would therefore be advantageous to business, commerce, consumers, and the government. R. Vasanthagopal, M.D. (2011) According to research on "GST in India: A Big Leap in the Indirect Taxation System," GST is a broad-based, single, comprehensive tax levied on goods and services. The seller may claim the input credit of tax he has paid while purchasing the goods; the final consumer will only be responsible for paying the GST charged by the last dealer in the supply chain.

OBJECTIVES OF THE STUDY

- To understand the concept of GST
- To know the benefits and challenges of GST
- To study the impact of GST on different sectors in India

RESEARCH METHODOLOGY

The study is based on exploratory research and based on secondary data of journals, articles, newspapers and magazines. Secondary data was extensively used for the study.

BENEFITS OF GST:

- It will help in lowering the cost of goods and services.
- Uniformity of tax rates.
- It will help in economic development.
- It will help in making the products and services competitive.
- It may Improve liquidity of the businesses.
- It will reduce the human efforts and will lead to expeditious decisions.
- It will also help boosting Indian exports in the international market, improving the balance of payments position.

Categories of GST:

The GST levies taxes on products and services at the following rates: 0%, 5%, 12%, and 18%. The GST will not apply to a few commodities, including alcohol, fuel, diesel and natural gas.

0 percent
Wheat, rice, milk, eggs, fresh vegetables, meat, fish, sindoor, bindi, stamps, judicial papers, printed books, newspapers, bangles, handloom, children's' picture, , hotels and lodges below Rs.1000.
5 percent
Sugar, tea, roasted coffee beans, edible oils, cream, skimmed milk powder, milk food for babies, cashew nuts, spices, packaged food items, railway freight, life saving drugs, footwear up to Rs 500.
12 percent
Ayurvedic and homeopathic medicines, readymade garments, mobile phone, non AC hotels, business class air ticket, fertilisers, Butter, preparations of vegetables, fruits, nuts or other parts of plants.
18 percent
Footwear above Rs 500, hair oil, soap, toothpaste, LPG stove, military weapons, ice cream, AC hotel that serve liquor, branded garments, financial services, room tariffs between Rs 2500 and Rs 7500, biscuits (all categories)
28 percent
Chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate.

Challenges of GST-

Robust IT Network: - The Goods and Service Tax Network has already been established by the government. (GSTN). The full IT infrastructure for the GST site must be developed in order to guarantee technical support for GST Registration, GST return filing, tax payments, etc.

Extensive Training to Tax Administration Staff: As GST is quite different from existing system so it requires extensive training to tax administration staff regarding the legislation procedure.
Understanding GST intricacies is not easy: The wholesaler would have to deposit the CGST into an account with the federal government and the SGST into an account with the state government. Each order from buyers and sellers will be included in the GST system appropriately to guarantee that the whole supply chain benefits.

Impact of GST on Indian Economy

- It may increase the flow of FDI.
- GST will increase the government's revenue in the long.
- A single tax would help in lowering the final selling price for the consumer.
- GST will facilitate ease of doing business in India.
- It will reduce the cost of tax compliance and transaction cost.
- It will create more employment opportunities.
- GST would append to government revenues by widening the tax base.
- Uniformity in tax laws will lead to single point taxation for supply of goods or services all over India.
- It will also reduce litigation and waste of time of the judiciary and the assessee due to frivolous proceedings at various levels of adjudication and appellate authorities.
- Reduce tax burden on producers and build a fire under growth at the hand of more production. This replicate taxation prevents manufacturers from producing to their optimum capacity and retards growth.
- There will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.
- GST would also help in removing the custom duties on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.

GST impact across sectors-

TECH: - The GST will do away with several taxes. Additionally, it will enable greater penetration of digital services.
Electronic devices will be costlier since the duty on manufactured goods will rise from 14–15% to 18%.

FMCG

Due to the elimination of the need for numerous sales depots, businesses might significantly reduce their logistics and distribution expenses. FMCG companies must pay between 24 and 25 percent in taxes, thus the GST will help to lower the tax. Reducing the overall tax rate is anticipated to produce savings.

ECOMMERCE

GST will allow for the free flow of commodities throughout the entire nation and the creation of a single, united market. Additionally, it will stop the cascading effect of taxes on consumers, which will reduce goods costs. It could add to the workload for online retailers and drive up prices.

TELECOM

Prices for mobile devices are projected to decrease or even off among states. Manufacturers are also likely to succeed in passing muster when it comes to the benefits of lower consumer charges that they will receive from combining their warehouses and effectively managing inventories. With less need to support state adamant entities, give them stock, and invest extensively in logistics to build warehouses in every state throughout the nation, the GST will make it easier for handset manufacturers to fulfil their jobs.
If the GST regime's tax rate exceeds 15%, call and data rates will increase. If petro-products continue to be exempt from the GST system, tower manufacturers won't be able to offset their input duty responsibilities.

AUTOMOBILES

Vehicle on-road costs may decrease by 8%. Reduced pricing may be viewed as an indirect stimulus to increase volume. There may be a rise in the demand for commercial cars. The GST will simplify logistical challenges and shorten wait times at checkpoints. In the short run, operators might not feel the need to expand due to rising fleet productivity.

MEDIA

DTH, movie makers, and multiplex operators must pay service tax and entertainment tax. GST will cause firms to experience big critical moment and gloom. Taxes may decrease by 2-4 %.

In contrast to the current high expense of entertainment thorn in one side levied by different states, multiplex chains will amass on revenues since there will be in a superior method uniform burden. It might cut the average ticket price and boost multiplex attendance. Silver screen producers and studios will benefit greatly from the GST because they are now required to charge service tax on the majority of their expenses but are unable to do so because creative services are included on the negative list. Under GST, they will be able to claim credit of these services also, which will help is lowering the overall cost.

INSURANCE

Insurance policies: life, health and motor will begin to cost more from April 2017 as taxes will increase.

AIRLINES

Airlines may become expensive, as service tax will be replaced by GST. Earlier service tax on air tickets were 5.6% on economy class and 8.4% on business class. Now rate of GST on economy class would be 5% and 12% on business class.

CEMENT

Currently tax rates on cement are 27% - 32% but GST will bring down the rate to 18-20%. It will help in reduction in logistics costs. India is second largest producer of cement in the world.

CONCLUSION

GST will be a significant development in India's indirect tax policies. There is a reduction in the number of taxes to only one. GST will simplify taxation for businesses. As the overall tax burden on products and services is lowered, customers will also gain. GST will also increase the competitiveness of Indian goods in international markets. GST will be simpler to manage. The proposed taxing structure has a lot of potential to keep the Indian economy growing if it is put into place.

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