



GST In India: Its Effect On The Indian Economy

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ABSTRACT :

This study examines how the GST has affected the Indian economy. On July 1, 2017, the Goods and Services Tax (GST) was implemented in a historic ceremony in a prominent area of the Parliament. The GST Bill, which was approved by the Lok Sabha, is anticipated to have a big impact on consumers and companies. The GST has already been introduced in more than 160 nations. Its implementation is supervised by the GST Council, which was presided over at the time by Arun Jaitley, the Union Finance Minister. In India, the tax is imposed on the production, distribution, and use of products and services. The purpose of this essay is to describe the goals, tenets, and consequences of the GST in India.

The Goods and Services Tax, or GST, is a consumption tax that customers must pay when they buy goods and services like food, clothes, technology, everyday necessities, travel, and more. As a "indirect tax," the GST is imposed on manufacturers or service providers rather than being paid directly by customers to the government. The GST is included in the price that customers pay because sellers usually include the tax expense in their rates. Because of this, even if they are not income taxpayers, consumers frequently pay the tax.

Keywords: Goods and Service Tax, India, Economy, Tax rates

Introduction :

In India, the Goods and Services Tax, or GST, has supplanted a number of earlier indirect taxes, including service tax, VAT, and excise duty. On March 29, 2017, Parliament passed the Goods and Services Tax Act, which became operative on July 1st of the same year. In essence, the provision of goods and services is subject to GST. Every value addition is subject to this comprehensive, multi-stage, destination-based tax. For the whole nation, GST acts as a single, cohesive indirect tax system.

Value Added Tax (VAT), Central Excise Duty, Service Tax, and other indirect taxes are all replaced by the Goods and Services Tax (GST), which unifies them under a single tax. Each step of the production or distribution process should have its value added taxed under the GST, with the final tax burden falling on the final consumer. It will be easier to find tax defaulters in businesses like real estate and precious metals, including gold, if these sectors are included under GST. In order to stop the evasion of input taxes or services used in the provision of goods or services, the GST network is made to record transaction details all the way up to the invoice level. All taxpayer returns will be submitted online through the GST system, doing away with paper records. Online handling of orders, refunds, and other procedures will also lessen the interaction between taxpayers and government representatives, perhaps lowering corruption.

Review of Literature :

- The essay "Impact of Demonetization and GST on the Life Insurance Sector" by Dr. N. L. Balasudarsun and Melvin Paul Antony (2018) explores how these two policies have affected the life insurance market. Using a random sampling technique, the study gathered information from 130 life insurance workers in the Cochin region. ANOVA tests and descriptive statistics were employed in the analysis. According to the study's findings, the life insurance industry has been greatly damaged by both demonetization and the GST.
- The article "GST: Impact on Indian Economy" by Pallavi Kapila (2018) examines how the GST can simplify India's intricate tax system by combining sales tax, excise duty, VAT, and service tax. According to the study, the introduction of the GST has been essential to the expansion of the Indian economy. It is anticipated that a more cohesive and logical tax structure in India will lead to fewer market disruptions and a more effective allocation of resources among industries. Additionally, the study pointed out that GST will boost GDP and exports, improving economic welfare and returns on capital, labor, and land, which are production variables.
- The article "Impact of GST on the Indian Economy" by Jadhav Bhika Lala (2017) examines the characteristics of the GST and how it affects the costs of products and services. According to the report, the purpose of the GST system was to streamline India's intricate indirect tax system. Additionally, it came to the conclusion that a well-designed GST system may lessen the difficulty of compliance and assist remove the distortions caused by the current various tax procedures.

- "GST: An Economic Overview – Challenges and Impact Ahead" by Professors Pooja S. Kawle and Yogesh L. Aher (2017) focuses on comprehending the idea of the Goods and Services Tax and how it affects the Indian economy. According to the report, by offering a uniform framework, GST has the ability to help trade, industries, and agriculture. The study also came to the conclusion that the Indian economy will benefit from the GST.

Objective of study :

- To investigate how the GST has affected the economy.
- To examine the GST's classification and goals.

Research Methodology :

The primary focus of the study is a thorough examination of secondary data collected from a variety of sources, including books, government studies, international & national magazines, and publications from numerous websites, all of which address different facets of the Goods and Services Tax.

Objectives of GST

- In order to implement the idea of "**One Nation, One Tax**," the GST has taken the place of a number of indirect levies that were part of the old tax structure. A single tax has the benefit of applying the same rate for a given good or service in every state. With rates and regulations set by the central government, tax administration is made simpler.
- By making tax reporting easier and lowering the burden of compliance, GST seeks to make doing business easier. Businesses may operate and grow across the nation more easily because to the implementation of a single tax system, the use of technology, and the removal of interstate barriers.
- By bringing more goods and services, particularly those in the unorganized sector, under the GST, the tax base will grow. This aids in raising the total amount of taxes received by the government, which may then be utilized to enhance public services and finance development initiatives.
- Eliminating the cascading effect of taxes was one of the main goals of the GST. In the past, taxpayers could not deduct the tax paid at one point in time from the tax owed at another because of disparate indirect tax legislation. For instance, the VAT due at the time of sale could not be offset by excise taxes paid during manufacturing.
- Compared to earlier indirect tax rules, the GST regulations in India are far more stringent in order to prevent tax cheating. The possibility of claiming credits on false invoices is greatly decreased by the fact that under GST, taxpayers may only claim input tax credits on invoices uploaded by their individual suppliers. This endeavour has been reinforced by the implementation of electronic invoicing.
- Encouraging companies, particularly small and medium-sized firms (SMEs), to enter the formal economy is one of the goals of the GST. Businesses are encouraged to abandon cash transactions and switch to formal accounting and reporting procedures by the GST, which makes tax compliance simpler and offers tax rebates.

Classification of GST

The CGST, SGST, and IGST are the three tax kinds included in this system:-

1. The Central Government's tax on intra-state sales, such as those that take place within Rajasthan, is known as the CGST.
2. The tax that the state government imposes on an intra-state sale, such as one that takes place within Rajasthan, is known as the SGST.
3. The tax that the Central Government imposes on an interstate sale, such as one between Rajasthan and Haryana, is known as the IGST.

The Goods and Services Tax (GST) system in India does not apply to all commodities and services. Followings are:-

- Alcohol for Human Consumption
- Petroleum Products
- Export of Goods and Services
- Services Provided by Government
- Public Transportation
- Agricultural Products
- Funeral, Burial, and Cremation Services

Items subject to 18% GST:

- Computers, Laptops, and Computer Accessories.
- Mobile Phones and accessories.
- Cosmetic products.
- Fabric, textiles, and garments.

Items subject to 28% GST:

- Luxury Cars and Sports Cars.
- Motorcycles (high-end motorcycles like Harley Davidson, and other luxury models).
- Tobacco products.

- Air-conditioners and coolers (specifically higher-end models).
- Fragrances, perfumes, and deodorants (luxury brands).
- Cigars, cigarettes, and tobacco products.

Positive Impact of GST:-

The GST has had a significant positive influence on the Indian economy, especially in terms of streamlining the tax code, lowering the cascading tax effect, promoting company formalization, increasing economic efficiency, and increasing exports. The long-term advantages of GST, such as increased tax compliance, economic growth, and enhanced competitiveness, offer enormous potential for the Indian economy, despite certain obstacles, such as the initial transition period and sector-specific problems. India's 2.5 trillion dollar economy and 1.4 billion people will have a single market thanks to the national GST, which would also simplify the country's complicated indirect tax system. It is anticipated that the GST will have a very positive medium-term effect on macroeconomic indices.

Negative Effects of GST:-

In the long run, GST has increased economic growth and streamlined the tax system, but it has also had a number of detrimental effects on the Indian economy. India's economic growth has been hampered by the disruption of corporate operations, higher compliance costs, higher consumer prices, and negative effects on SMEs and the informal economy. It is essential to address these problems in order to make sure that the advantages of GST outweigh its drawbacks in the future, especially through improved support for small firms, more effective GST refund procedures, and more transparent laws.

The Impact of GST on Different Economic Sectors

The following are some of the ways that GST has affected various sectors:

GST's Effect on the Education Sector and the Export-Import Sector.

GST's Effect on the Real Estate Industry.

GST's effects on the IT industry.

GST's effects on the banking industry

GST's effects on the hotel and tourism sector

Effects of GST on the Energy Sector and the Iron and Steel Sector

GST's effects on the manufacturing, distribution, and retail industries.

GST's effects on the agriculture industry.

GST's Effect on the Textile Industry.

GST's effects on the entertainment sector and the automotive industry.

Contributions of Various Business Types to GST Revenue

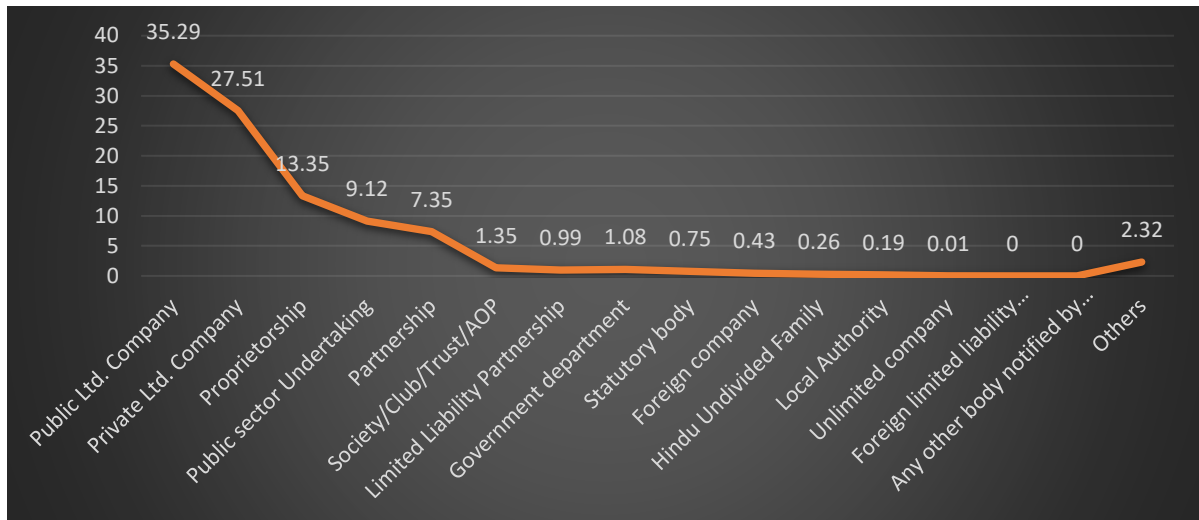
Although the full GST collection data has not yet been made available by the government, the revenue breakdown by business category is shown below.

Table 1

Business type	Percentage of GST Collection
Public Ltd. Company	35.29%
Private Ltd. Company	27.51%
Proprietorship	13.35%
Public Sector Undertaking	9.12%
Partnership	7.35%
Society/ Club/ Trust/ AOP	1.35%
Limited Liability Partnership	0.99%
Government Department	1.08%
Statutory Body	0.75%
Foreign Company	0.43%
Hindu Undivided Family	0.26%
Local Authority	0.19%
Unlimited Company	0.01%
Foreign Limited Liability Partnership	0%
Any other body notified by committee	0%
Others	2.32%
Total	100%

Source: gstcouncil.gov.in/gst-revenue

Percentage of GST collection
Chart 1



According to the aforementioned figures, public limited company provide the largest contribution (35.29%), followed by private limited companies (27.51%). Foreign limited liability firms, unlimited companies, and other government-notified entities contribute the least. It follows that public limited enterprises contribute the most to the economy, followed by private companies and other organizations.

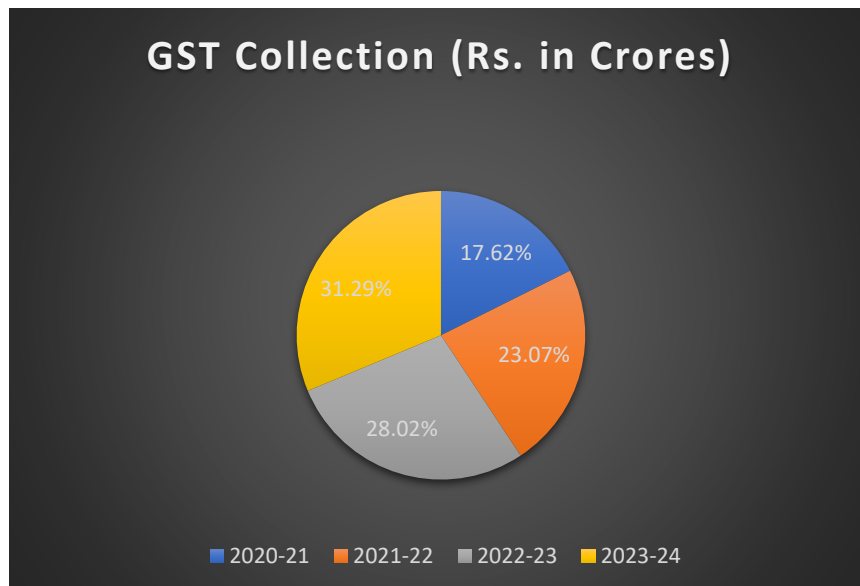
GST Collections in Previous Years (2020 to 2024)

Table 2

Year	GST Collection (Rs. In Crores)
2020-21	11,36,801
2021-22	14,88,227
2022-23	18,07,680
2023-24	20,18,249

Source: gstcouncil.gov.in/gst-revenue

Chart 2



Details on GST collections from 2020-21 to 2023-24 are shown in the statistics above. The greatest collection, ₹20,18,249 crore, was made in 2023-24, and the lowest, ₹11,36,801 crore, was made in 2020-21. The Government of India received ₹14,88,227 crore in 2021-22 and ₹18,07,680 crore in 2022-23.

Conclusion :

A major turning point in India's indirect tax structure, the Goods & Services Tax (GST) addresses several issues at once. It is a destination-based tax that is imposed at the moment of consumption and has simplified the structure to avoid duplicate taxing. The long-term benefits of the GST implementation are universal, even though it may have had short-term benefits for some industries.

Australia, Canada, Germany, Japan, and Pakistan are just a few of the 140 countries that have previously enacted the GST. There are two ways that GST affects a country: positively and negatively. The nation's economy can be strengthened by emphasizing its advantages. Time is required to completely assess the effects of GST, and the government must keep informing the public about the system. Building on the efforts of the Indian government after the demonetization in 2016, it might also be a useful instrument for lowering black money.

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