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An overview on Goods and Services Tax and its impact on Indian economy

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Introduction

GST also known as the Goods and Services Tax is defined as the massive indirect tax structure designed to support and enhances the economic growth of a country. The idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajya sabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country. Goods and Services Tax is levied on the manufacturing and sales of goods and services across the country. The tax is charged at every stage of the manufacturing process. GST is applicable for both the customer and the manufacturer. It is a destination-based tax. This means that GST is to be collected at the point of consumption. So, if a product is manufactured in Bihar and is sold in Bhopal, the tax will be levied in Bhopal. Moreover, at every stage of the manufacturing process where value is added to the product, GST is collected. Therefore I choose this topic for my research paper.

Objectives of research

1) To overview on importance and benefits of GST in India.
2) To study of objectives of GST in India.
3) To study of Impact of GST on the Indian economy.

Research Methodology:

For the purpose of this study used Social science research methodology to study the research topic Used scientifically analysis. In this method used secondary data tools. In this secondary data tool used reference books. Research articles, newspapers, journals, published and unpublished materials and also taken help of internet facilities.

Types of GST

1. Central Goods and Services Tax (CGST)

CGST is a tax collected by the Central Government on the transactions of goods and services which are moved within the state i.e., intrastate. The tax collected under CGST is payable to the central government treasury.

2. State Goods and Services Tax (SGST)

SGST tax is collected by the state government and is levied on the transactions of interstate sales of goods and services, i.e., where the sale is made within the state. Under SGST, the tax revenue goes to the State Government Treasury or tp the eligible union territory.

3. Integrated Goods and Services Tax (IGST)

IGST is a tax collected by the Central Government on inter-State supply of goods and services,i.e., where the sale is made outside the state. It applies both to a supply made outside the state and those made outside the country.

Current (Before GST) tax structure in India

There are two types of tax in India- direct tax and indirect tax. A direct tax is a tax that is directly levied on a person and collected from the same person, for example income tax. On the other hand, indirect tax is a tax that is indirectly collected. Indirect tax is levied on one person and collected from another person, for example sales tax. We can also classify the tax structure in India on the basis of imposition. Some taxes are imposed by the central government and in some cases, states have sole power to levy and collect the tax. For example, service tax, customs duty, and excise duty are levied and collected by the central government, while value added tax, stamp duties, land revenues, and state excise taxes are levied and collected by the state government. People hire professionals to file taxes on their behalf. A lot of tax-filing firms are present in the market, but after the digitisation of all the filing processes, it has become easier to get your work done.

Goods and services tax (gst) bill

The Constitution (122nd) Amendment Bill comes up in RS, on the back of a broad political consensus and boosted by the 'good wishes' of the Congress, which holds the crucial cards on its passage. Here's how GST differs from the current regimes, how it will work, and what will happen if Parliament clears the Bill.GST, the biggest reform in India's indirect tax structure since the economy began to be opened up 25 years ago, at last looks set to become reality.

The Goods and Services Tax (GST), the biggest reform in India's indirect tax structure since the economy began to be opened up 25 years ago, at last looks set to become reality. The Constitution (122nd) Amendment Bill comes up in Rajya Sabha today, on the back of a broad political consensus and boosted by the 'good wishes' of the Congress, which holds the crucial cards on its passage. Here's how GST differs from the current regimes, how it will work, and Imagine a manufacturer of, say, shirts. H buys raw material or inputs cloth, thread, buttons, tailoring equipment worth Rs 100, a sum that includes a tax of Rs 10. With these raw materials, he manufactures a shirt. In the process of creating the shirt, the manufacturer adds value to the materials he started out with. Let us take this value added by him to be Rs 30. The gross value of his good would, then, be Rs 100 + 30, or Rs 130. At a tax rate of 10%, the tax on output will then be Rs 13. But under GST, he can set off this tax against the tax he has already paid on raw material/inputs. Therefore, the effective GST incidence on the manufacturer is only Rs 3. Thus The Goods and Services Tax is valuable for peoples.

Impact of GST on the Indian economy

Tax regime has become convenient reducing duplication and multiplicity of tax filings creating ease of doing business. From a macro-economic perspective, the government and industry expected that the GST would be instrumental in reducing economic distortions, which in turn, would provide necessary impetus to economic growth.The Ministry of Statistics and Programme Implementation has declared India's GDP growth to be 7.7% in 2017-18 compared to 7.1% in 2016-17. After the initial phase of GST implementation, marginal improvement was expected given the scale of changes in business and tax administration that it got along. However, this increase is expected to be temporary and GDP is projected to settle back in the range of 7% to 7.5% in 2018-19 due to reduction in initial ambiguities. The implementation of GST has significantly affected the Indian economy in the following ways:

Simplification of the tax structure:

GST has simplified the taxation system of the country. As GST is a single tax, calculating taxes at the multiple stages of the supply chain has become easier. Through this, both customers and manufacturers get a clear idea of the amount of tax they are charged and its basis. Further, hassles of handling tax officials and authorities can also be avoided.

Fostering production:

As per the Indian retail industry, the total tax component is around 30% of the product cost. Due to the impact of GST, the taxes have gone down. So, the end consumer has to pay lesser taxes. The reduced burden of taxes has enhanced the production and growth of the retail and other industries.

SME support:

Small and medium enterprises can now register under the Composition Scheme introduced by GST. Through this scheme, they pay taxes according to their annual turnover. Therefore, businesses

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having an annual turnover of Rs. 1.5 crores only have to pay 1% GST. Moreover, other enterprises having a turnover of Rs. 50 lakh are required to pay 6% as GST.

Enhanced pan India operations:

Earlier, these created problems, including damage to unpreserved products while transporting them. So, manufacturers had to keep buffer stock to make up for the damages. These overhead costs of storing and warehousing hampered their profit. A single taxation system has reduced these problems. They can now transport their goods easily across India. This has resulted in the improvement of their pan India operations.

Increase in exports:

GST has reduced the customs duty on exporting goods. The cost of production in the local markets has also decreased due to GST. All these factors have increased the rate of exports in the country. Companies have become more competitive when it comes to expanding their businesses globally.

Benefits of GST to the Indian Economy

1. Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise
2. Less tax compliance and a simplified tax policy compared to the current tax structure
3. Removal of cascading effect of taxes i.e. removes tax on tax
4. Reduction of manufacturing costs due to the lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down
5. Increased demand and consumption of goods
6. Boost to the Indian economy in the long run

These are possible only if the actual benefit of GST is passed on to the final consumer. Other factors, such as the seller's profit margin, determine the final price of goods. GST alone does not determine the final price of goods.

Conclusion

GST the biggest tax reform in India founded on the notion 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. 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 revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb several ladders in the case of doing business with the implementation of the most important tax reform ever in the history of the country.

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