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Impact of GST on Indian Economy

Rupalee Jaiswal

Research Scholar (PG 2nd Year)

Master of Commerce

Indira Gandhi Open University Delhi

ABSTRACT

GST, i.e. Goods and Service Tax is a major milestone in Indirect tax reforms in independent India. It replaced all the Indirect Taxes that was there in India before the introduction of GST like VAT, SERVICE TAX, EXCISE DUTY, CUSTOM DUTY etc. It came into effect on 1ST July,2017 and is known as the unified and common tax for both the Goods and Services. GST is the solution to get over many defects in present structure of indirect taxes.

The implementation of GST has helped many Indian Citizens of India to file their taxes easily without any problems that was faced earlier by them. GST has helped not only the India Citizens but the Government as well as it has stopped the people from evading taxes which was earlier possible before the adoption of GST in Indian Economy.

KEYWORD: India GST, IGST, CGST, SGST, UTGST.

INTRODUCTION

GST is the win-win Situation for the entire country. It is advantageous and fruitful to all the stakeholders of Industry ,Government and the Consumers. Adoption of GST is likely to have an enduring impact on **business and industry** by : Firstly reducing the multiplicity of taxes as GST is one indirect tax for whole nation which ensure that the indirect tax rates, rules and regulations are common and unified across the country. The rules and the regulation of the GST is Governed by the GST Council ,which consist of the Finance Minister of the centre and all the states.

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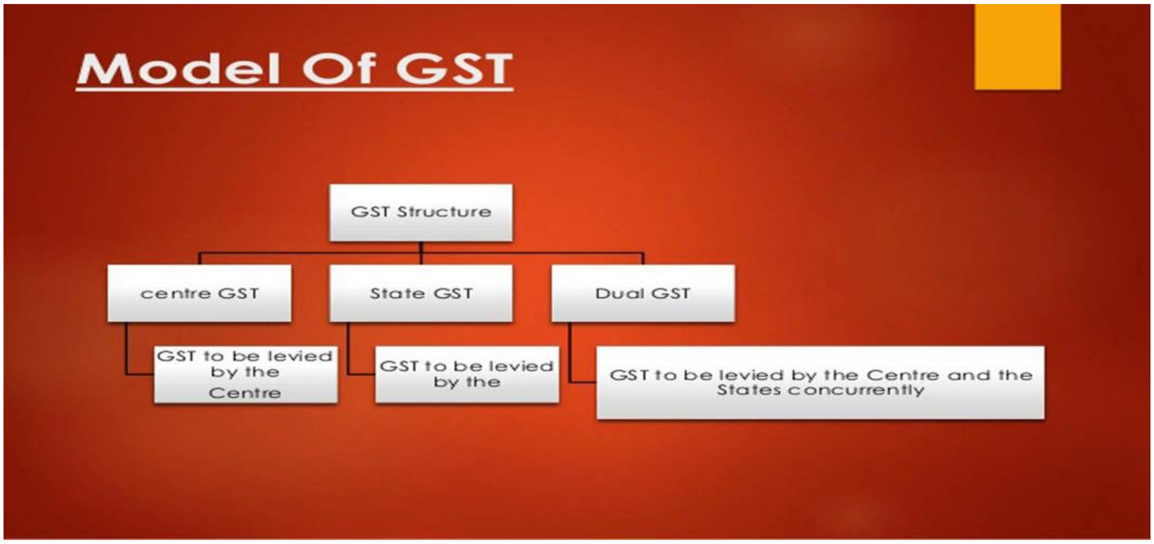
Secondly by the removing the cascading effect of the taxes . It will help in providing the set off of all input tax from the output tax there by reducing the double taxation .GST is likely to bring the buoyancy to the Government revenue by widening the tax base and improving the tax payer compliance.

GST is applicable for both the customer and the manufacturer. It is a destination-based tax. Under this system goods will be taxed at the place where their consumption takes place rather than the point where the origin takes place .The introduction of the GST is likely to have an enduring impact on state finances over the medium term for several reasons. To eliminate classification dispute between Goods and Services. To ensure the availability of input tax credit across the nation to reduce the cascading effect. To ensure the uniformity of tax rates and automated compliance. To simplify the process of registration ,filing of returns and tax administration. To make free movement of goods across the country without any additional tax .

Models of GST in India:

India has adopted a dual GST which will be imposed concurrently by Centre (CGST) and States (SGST)



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Every Transaction of supply of goods or services shall suffer Central GST (CGST) and State GST (SGST), when the transaction is within the State..However ,when the transaction us between states ,there will be Integrated GST (CGST+IGST), which will be collected by the central Government and then the SGST component paid to the State Government where the goods or services has been consumed.

Benefits of Dual GST :

The Dual GST is expected to be a simple and transparent tax with one or two CGST and SGST rates. The dual GST is expected to result in :

- Reduction in the number of taxes at the Central and the State Level.
- Decrease in effective tax rates for many goods.
- Removal of the current cascading effect of taxes.
- Increased tax collection due to wider tax base and better compliance

Types of GST

- **SGST –**State GST, collected by The State Government on intra State Supply of Goods and Services.
- **CGST-** Central GST, collected by The Central Government on intra state supply of Goods and Services.
- **UTGST-** Union territory GST, collected by the Union Territory on Intra territory supply of goods and Services
- **IGST-** Integrated GST, collected by the Central Government on inter State supply of Goods and Services.

Differences between CGST, SGST, IGST and UTGST

Types of Differences	CGST	SGST	IGST	UGST/ UTGST
Applicable transactions (Goods & Services)	Intrastate (Within one state)	Intrastate (Within one state)	Inter-state (between two states or one state and one UT) and imports	Within one Union Territory (UT)
Collected by	Central Govt.	State Govt.	Central Govt.	UT Govt.
Benefitting Authority	Central Govt.	State Govt.	Central Govt. & State Govt.	UT Govt.
Tax Credit Use Priority	First - CGST			
Second – IGST	First - SGST			
Second - IGST	First - IGST			

The integrated goods and services tax (IGST) Act, 2017 applies to movements of goods and services from one state to another. It is not a separate tax but a sum of CGST and SGST. IGST Act shall apply to whole of India . The major advantages of IGST model are (i) maintenance of uninterrupted input tax credit (ITC) chain on

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inter-state transactions; (ii) no upfront payment of tax or substantial blockage of funds for the inter-state seller or buyer; and (iii) no refund claim in exporting state as ITC is used up while paying the tax. It will facilitate the seamless flow of ITC across states as it is a destination based tax, i.e., the IGST amount will be apportioned between the Centre and states although the power to levy and collect IGST lies with the Centre to ensure that a single coordinating agency administers it.

Effect of GST on Indian Economy:

The implementation of GST has significantly affected the Indian economy in the following ways:

- **Simplified tax Structure:** GST has simplified the Tax Structure in India that is for sure. 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. Due to the simplified tax Structure and with the support and help of the high-end IT System, GST would be simplier and east to administer.

- **Removal of Cascading effect of taxes /Double taxation:** This had been a major issue for all the businesses as they were earlier charged taxes twice . Under the previous Tax regime , the transfer of goods came under the service contract. Under GST Tax are unified under the supply of services and the taxation system is unified as well. Making the Economy the Integrated one . GST will result in better tax compliance due to IT System.

- **Boost to "Make in India" Initiative:** GST will give a major boost to "Make In India" initiative of the Government of India by making goods and services produces in India competitive in the National and as well as the International Market.

- **Increase in Exports:** GST has reduced the custom duty on exporting goods. The cost of production in the local markets has also been decreased due to the implementation of GST. All these factors have increased the rate of export in the country. Companies have become more competitive when it comes to expanding their business globally.

- **Higher Revenue Efficient**: GST is expected to decrease the cost of collection of tax revenues of the Government and will lead to higher revenue efficiency.

- **Enhanced Pan India Operations:** Companies can now avoid taxation roadblocks, such as toll plazas and check posts. Under previous tax regime these created problems, including damage to unpreserved products while transporting them. So, manufactures had to keep buffer stock to make up for the damages. These extra cost of storing and warehousing hampered their profit. The implementation of GST has resolved and reduced these problems. They can now transport their goods easily across India. This i=has thus resulted in the improvement of their pan India operation

CONCLUSION

The introduction of Goods and Services Tax on the 1st of July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which was estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic

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growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. With heterogeneous state Laws on sales tax, the debate on the necessity for Goods and Service Tax (GST) has risen. GST will bring about a change on the tax system by redistributing the burden of taxation equitably between manufacturing and services. It will lower the tax rate by broadening the tax base and minimizing exemptions. It will reduce distortions by completely switching to the destination principle. The service tax in India is progressing faster in terms of revenue growth, assessed base growth and even growth in service tax collection per assessed and per service. However, the service tax failed to meet the growth of revenue generation from the service sector. Hence, it is suggested that the Government should consider implementing the proposed broad-based Goods and Service Tax
(GST) uniformly in the coming years.