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A Study of **Consequences of Goods and Service (Gst) In India Economy**

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ABSTRACT: *GST that is Goods and Service Tax is the latest kind of Indirect Tax which is proposed to be in force from 1st July, 2017 which is already in force on many countries around the world and they all were considering it as their sales Tax system. The GST will be the levied on the manufacture, sale and the consumption of goods and services in India. It is said to be the biggest form of reform in the indirect taxation aspect ever since 1947. The council of the GST will be headed by the Union Finance Minister that is currently Arun Jaitley. The main purpose of GST is to bring about the single tax system for the manufacture and the sale of goods at the both central and the state level in the country. The GST is mainly implemented to remove all other taxes like VAT (Value-Added Tax), Excise duty and Sales Tax. The Tax will be very much useful for the consumers in the aspects of payment of Taxes that is, we all have to pay separate tax at state level and at central level for the goods and services purchased and after the GST there will be only one tax to be paid for the goods and services consumed which is the Goods and Services Tax (GST). This paper brings out about the overview of the concepts of GST and its consequences on the various Industries in the Indian Economy. Through this paper we can be in a position to understand about the consequences of the Goods and Service Tax in India.*

KEYWORDS: GST, consequence, Goods and Service Tax, countries, sale, consumption, indirect tax, Finance, India.

INTRODUCTION: The GST is expected to change the whole scenario of current Indirect Tax. GST will merge all Indirect Taxes under an umbrella and will help in creation of smooth market. Experts say that GST will help in economic growth of the country. It is estimated that GST will help in creation of single, uniform market that will benefit both corporate sector and the Indian economy. Both the State and the Central Government will levy GST on almost all goods and services produced in India or imported into the country. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will make Indian's tax structure, elaborate and create a similar market across states. GST will replace different Indirect Tax levies i.e. Sales Tax, Service Tax, VAT, Excise Duty, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entry Tax, Tax and Duties on electricity, Tax on Goods and Passengers and compliance cost will fall which will lead in getting life simpler. This process will help to increase India's tax to-gross domestic product ratio. According to experts GST is regarded to increase economic growth by between 0.9% and 1.7%. Exports are expected to increase economic growth by between 3.2% and 6.3%, were as imports will likely raise 2.4% – 4.7%. GST is a Value Added Tax (VAT) to be implemented in India, from April 01; 2017. Government has promised that GST will reduce the compliance burdens at present. One of the aims of introducing GST is to reduce the cascading effects of taxes which are primary focus of VAT, but VAT system is not comprehensive enough to do so. It would be applicable to all transactions of goods and service. It is to be paid to the accounts of the Centre and the States separately. The rules for taking and utilization of credit for the central GST and the State GST would be aligned. Cross utilization of input tax credit between the Central GST (CGST) and the State GST (SGST) would not be allowed except in case of inter-state supply of goods.

India is the hub of taxes where people pay many taxes which create confusion for them. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Tax paid directly to the government by the taxpayer i.e. Income Tax, Wealth Tax, and Corporation Tax. Indirect Tax is a tax levied on goods and services rather than on income or profits. It is not directly paid to government but collected from intermediaries (such as retail stores) from the person who bears the ultimate economic burden of the tax (such as consumers). The intermediary later files a tax return and forwards the tax proceeds to government with the return for example Sales Tax, VAT, Excise Duty, and Custom Duty and so on.

GST is a blanket of Indirect Tax that will subsume several indirect state and federal taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more. GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations. Now, India is also going to adopt it. After its implementation in India, India will become 166th nation to adopt it In India before 16 years, in 2000 Shri Atal Bihari Vajpy brought this system but no one paid attention on it and due to some reasons it was not passed. On 28th February 2006, the finance minister P. Chidambaram, had announced the target date for implementation of GST on 1 April, 2010. The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha by Finance Minister Arun Jaitely, on 19th December 2014, and passed by the house on 6th May 2015. The bill was passed by Lok Sabha on August 2016. The bill, after ratification by the States, received assent from President Pranab Mukherjee on 8th September 2016. GST bill is brought for the reason that the different taxes paid by us on different rates would be brought under one roof so that all the taxes may get cancelled and only one tax is paid which is GST. Goods and Services Tax (GST) will include one tax one nation; this statement was given by the honorable Prime Minister Mr. Narandra Modi of India. In today's scenario we pay 30% to 35% tax on different things but with GST it will be only 18%, which shows it will be beneficial and one main thing that GST will remain similar in all nation.

The Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the states and the Centre. The taxpayer would need to submit common format for periodical returns, to both the central and to the concerned State GST authorities. Each taxpayer would be allotted a PAN-linked Taxpayer Identification Number (TIN) with a total of 13/15 digits. Till know 22 States ratify GST, which are as follows: Bihar (16 August), Jharkhand (17 August), Himachal Pradesh (22 August), Delhi (24 August), Nagaland (26 August), Maharashtra (29 August), Haryana (29 August), Telangana (30 August), Sikkim (30 August), Mizoram (30 August), Goa (31 August), Odisha (1 September), Pondicherry (2 September), Rajasthan (2 September), Andhra Pradesh (8 September), Arunachal Pradesh (8 September), Meghalaya (9 September), Punjab (12 September) thus it seems that GST will lead to growth in country. Know the question arises why do we need GST? Well while conducting study we concluded that in Indian economy the service sector contributes over 55%, Separate taxation of goods and services is neither viable nor desirable, value added in manufacture and sales of goods require inputs of both – goods and services and vice versa which is often not separable. What is expected to happen next is that with the passage of the GST Bill, the government will have to put up a mad scramble to put together all the mechanism and state approvals in place to implement the GST by its rollout date of April 1, 2017. Additionally, companies and tax collectors will have to be prepared on the necessary changes. Some companies may even have to overhaul their business processes to make way for the new tax change. We all will pay GST on every product or service we buy. Since all Indirect Taxes levied by the states and the centre will be merged into one GST then we would exactly know how much tax we pay which at present is difficult to understand. No distinction would be made between imported and Indian goods and they would be taxed at the same rate. The sellers or service providers collect the tax from their customers. The success of GST would rest upon efficiency, equity and simplicity.

Table 1: Taxes proposed to be subsumed in GST: State and Central Taxes

STATE TAXES	CENTRAL TAXES
Value Added Tax (VAT)	Excise Duty
Entertainment Tax levied by states	Additional Excise Duty
Luxury Tax	Excise Duty under Medicinal and Toilet Preparation Act.
Tax on Lottery, Betting and Gambling	Service Tax
Entry Tax other than for local bodies	Additional Custom Duty commonly known as Countervailing Duty (CVD), Special Additional Duty(SAD)
	Surcharge
	CENVAT

REVIEW OF LITERATURE: Sehrawat and Dhanda (2015) studied, "GST in India: A Key Tax Reform" and concluded that due to dissilent environment of India economy, it is demand of time to implement GST.

Anushuya and Narwal (2014) studied, "Application of CGE Modals In GST" and concluded that both GST & CGE are very popular all over the world but GST is a powerful concept in the field of indirect taxes.

Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

Pinki et al. (2014) studied, "Goods and Service Tax Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Kumar (2014) studied, "Goods and Service Tax - A way forward" and concluded that after implementation of GST in India many indirect tax system will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

Need and Importance for GST:

• To bring about the uniformity in the System of Indirect taxation.

• To remove the cascading effects of Tax.

• To bring about the economic integration.

• Generally, the Taxes are imposed at various rates among various states in India.

So, there is a huge loss of revenue to the central as well as state government. Through GST a uniform tax rate is followed all over the country and so that there will no such loss of revenue.

• Reduces complexities and increases more number of economic transactions.

• The GST brings about a competitive pricing. As all the products are taxed uniformly across the country, the various forms of indirect taxes will remove and which in turn will reduce the tax burden of the consumers. This will reduce the prices of the products and increases the consumption which in turn will be more beneficial for the companies.

• Generally, the main aim of GST is to bring about the single tax system which will reduce the cost of production for the manufacturers, So that it will be a big boost for those producers who made their products at lower cost and involves in international trade that is exports.

• As it is the Single Tax system, the tax burden for starting industrial units will be reduced; As a result when more industries were created it will ultimately result on more employment.

• Through GST the government receives more amount of Tax revenue which will be utilised for the services to the public

• As there is more transparency in the system of GST and since it is a system of single taxation, the chances of corruption will be very low.

• The Country is said to have one market economy, as through GST the number of numerous markets divided by various tax will be avoided.

• To avoid the Tax burden of the common consumers and the public by making it into a single tax system.

Consequences of GST on Various Sectors: The GST is said to have a positive Consequence on the economy as a whole. But when it comes to sectoral-wise classification, the GST have both positive as well as negative Consequence on each of the sectors. Here are some sectors given and its GST is given below:

Technology (Information technology and ITeS): The GST system of indirect taxation has made the duty on the manufacturing goods from 14% to 18-20%. As a result, the prices of the software products will be at high which will give either a neutral or slightly negative Consequence on the Technology Sector as a whole. But they will be benefited through the reduction of tax and benefits of other industries and can somewhat mitigate it.

Telecommunications: The telecommunications sector is presently paying the tax at the rate of 14% which is expected to be increased during the GST regime. And, it is assumed to be around 18% which will be expected to be passed over to the customers and this gives a picture that GST will adversely affect this sector.

Media and Entertainment: The tax rate for the Media is around 22% as of now and since the authority for the levy of taxes remains to be the right of the local bodies, it is expected that the cinema fares are expected to come down after the GST regime and the cost of DTH and cable television services are likely to become costlier. There is somewhat either neutral or slightly negative Consequence of GST on the Media and Entertainment Industry.

Consumer durables: The current of tax rate of this industry is around the range between 23-25%. And under the GST regime it is considered to be lower around 15- 18% which will be positive Consequence to this industry.

Cement: The cement industry currently pays the tax at the rate of 25% currently. And, after the GST regime, it is expected to be fixed at the rate of 18 to 20%. This will be a major relief for the companies of that industry. And the logistics tax also is to be reduced; it would be a double benefit for all the industries involved in manufacturing.

Real estate: Real estate contributes about nearly 7.3% of India’s GDP and it is the largest generator of employment immediately after IT. Real estate is said to get a positive Consequence under the GST regime immediately after its implementation. It is expected that since there is a single system of Taxation under GST, all other forms of indirect taxation will be removed which results on reduction of property prices and the cost of construction. Thus, we can have a positive Consequence of GST on the Real estate sector.

Pharmaceuticals: Presently, the Pharma companies are paying taxes around 15- 20%. Since, there is no clear picture of tax treatment for Pharma if it is less than 15% it would be a positive Consequence on the Sector but if it is above 15% then it will cause some slight negative Consequence.

Automobiles: The Automobile industry is currently paying a tax rate of a range between 30-45%. And it is expected that after GST the rate will be around 18% which will be a huge positive for the automobile industry and which will be profitable to both the Manufacturers/ dealers and the ultimate consumers. The standard and the social status of the consumers get uplifted. There will be a huge boom in the Automobile Industry as a result of implementation of Goods and Services Tax.

Financial Services: The Financial services such as banking, Stock Trading firms are currently paying 14.5% as VAT which is likely to be increased to 18 to 22% in the near future under the GST regime. And the services are likely to be costlier.

Textiles: Currently, the Textile industry is paying the tax at the rate of nearly 12.5% plus surcharges and which varies upon the MRP of the products. Since there is no clear idea about the tax rate of this industry under the regime of GST it is expected at the rates of 15% which will be having a moderate Consequence on the industry. This moderate Consequence may either be neutral or slightly negative when compared to the other present system of taxation. But they will be benefited through the reduction of cost in transportation, savings etc.

Problems in Implementing GST: There are certain challenges and problems in implementing the GST in India. Some of them are as follows.

1. There is no such clear picture about the GST both to the government and to the general public.
2. There is no cooperation between the Central government and the state government in implementing the GST. Even though, if implemented the levy of Tax remains on the part of the state.
3. The State government generally refuses to accept it. As the states levy taxes on the Destination principle i.e. (the state in which the product or service is sold or rendered), so in order to lose the revenue they were avoiding it.
4. The Revenue Neutral Rate (RNR) is the key factor responsible for the effective implementation of GST. But under GST, we could not say that the revenue remains same as that of the current system of taxation.
5. Loss of revenue to the state. If we buy any product the VAT @ 14.5% is included towards it, after the GST regime, there will be no VAT then it results on the loss of revenue to the state.
6. Even though the government said that they will pay the loss of revenue to the state government, it will be again imposed on the general people in some other forms.
7. It involves massive cost on the training of the staff of the Taxation department.
8. Lack of political support. The Bill must be passed in the Rajya Sabha for its successful implementation.
9. IT is the backbone of GST which would connect the various stakeholders through the Virtual platform. So, government must show keen interest on the development of portal for GST and successfully achieves it.
10. There is a large debatable question in implementing the GST such as whether the small entrepreneurs and small firms will be helpful through the GST regime? , whether the government and the Public ready for such a change? Are some of the questions which are highly in confused dilemma?

CONCLUSION: The GST is very crucial tax reform since independence of India, so it must be better handled with utmost care and analysed well before implementing it. And, the governments both central and state have to conduct awareness programmes and various literacy programmes about GST to its various stakeholders. The GST System is basically structured to simplify current Indirect Tax system in India. A well designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation also government has promised that GST will reduce the compliance burden at present there will be no distinction between imported and Indian goods & they would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT etc., will be finished because there will be one tax system i.e. GST, that will reduce compliance present burden. GST will face many challenges after its implementation and will result to give many benefits. In overall through this study we conclude that GST play a dynamic role in the growth and development of our country.

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