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## **Impact of GST on Indian Economy**

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### **Abstract:**

There are many taxes in present system few levied by central govt. And some levied by state govt. To avoid this multiplicity of taxes Modi govt. has finally introduced a uniform goods and services tax called GST. "A good and simple tax" Modi said that country was towards a modern taxation system ,much simpler and most transparent than the existing one.GST regime that coverts the country into a single market the biggest tax reforms in independent India .GST is consumption based tax collected at each stage of purchase or sale in the manufacturing process. This essay describes the goods and service Tax concept, GST levied procedure, GST rates and how GST differs from existing tax system, merits and demerits of GST on Indian Economy.

Keywords: Goods and Services Tax, Models of GST, Cascading effects of Tax.

### **Introduction:**

After 17 arduous years of negotiations by successive govt. and the centre and in the state the Narendra Modi govt. has finally introduced a uniform goods and services tax(GST) regime that coverts the country into a single market the biggest tax reforms in independent India, the goods and services tax finally rolled out at the midnight hours on June 30 2017 with president Pranab Mukherjee and Prime minister Narendra Modi pressing a button to mark the occasion in the historic central hall of parliament calling the GST "A good and simple tax Modi " said that country was towards a modern taxation system ,much simpler and most transparent than the existing one.

### **Model of GST**

In the GST model, it would be dual GST with the centre and states simultaneously levying tax on a common tax base. The GST to be levied by the centre on intra-state supply of goods and service would be called the central GST (CGST) and that to be levied by the states would be called the state GST (SGST). Similarly the integrated GST (IGST) will be levied and administrated by the centre on inter-state supply of goods and services. The centre GST will be framed based on the model GST law.

The GST council approved compensation to states for any revenue loss post-GST rollout, and most of central GST and state GST legislations, but once again skipped the controversial issues on who will audit tax payers under the new tax regime. The control of tax payers among the states and the centre is one of the crucial issues holding up the roll-out of GST.

### **CLASSIFICATION OF GST RATES**

GST involves following taxes. It involves Central Excise duty, Service tax, Countervailing Duty, Special countervailing duty, Value Added Tax (VAT) and Central Sales Tax (CST). Others are Octroi, Entertainment tax, entry tax, purchase tax, luxury tax, advertisement tax, and taxes applicable on lotteries. The government is going to remove all the taxes. There will be only GST. As a result, it has no variations across the country.

The government has divided the tax categories into four. These are 5%, 12%, 18%, 28% and some items are nontaxable also.

**5%** items of daily use but not considered necessities such as sugar, tea, coffee, edible oils and packed food, etc. services like non A.C. economy class rail travel. Advertisement published in newspapers. Transport services, cab aggregators.

**12%** items that are non essential used by large numbers of households such as mobile phone, butter, ghee, dry fruits etc. services like Non A.C. Restaurants, fertilizer, business air ticket.

**18%** items used by middle class such as cosmetics, ice creams, vegetable jams, sauces, pasta, cornflakes, cakes, mineral water, notebooks, envelopes, printed circuit, camera- speakers, monitors. Services like AC hotels that serve liquor, IT service, telecom services branded garments, financial services.

**28%** items luxurious goods, chewing gum, chocolate containing cocoa, wafers, shaving cream, shampoo, vacuum cleaner, heater, weighing machine, paint, deodorant, dye, sunscreen, motor cycle. Services include luxurious hotels, gambling Race, club batting, and cinema.

### **GST Levied Procedure**

GST is consumption based tax levied on each stage of purchase or sale of manufacturing goods and services. Manufacturers have to pay the GST and then claim it through tax credit mechanism but at last it will be bear by consumer. Hence it is also called retail tax.

**COMPARISON BETWEEN VALUE ADDED TAX (VAT) SYSTEM AND GOOD AND SERVICES TAX SYSTEM (GST)***Let's take an example to understand this clearly*

<u><i>Before GST Tax sytem</i></u>	<u><i>GST System</i></u>
<u><i>Product sold from Chennai to Banglore</i></u>	<u><i>Product sold from Chennai to Banglore</i></u>
<u><i>Price=Rs 2000</i></u>	<u><i>Price=Rs 2000</i></u>
<u><i>Vat=10%(Rs.200)</i></u>	<u><i>CGST@5%=Rs.100</i></u>
<u><i>Product sold from Ganganagar to Pune:</i></u>	<u><i>SGST@5%=Rs.100</i></u>
<u><i>Cost=Rs.2200</i></u>	<u><i>Product sold from Ganganagar to Pune:</i></u>
<u><i>Profit=Rs.1000</i></u>	<u><i>Cost=Rs.2200</i></u>
<u><i>Sell price=Rs.3200</i></u>	<u><i>Profit=Rs.1000</i></u>
<u><i>CST@10%=Rs.320</i></u>	<u><i>Sell price=Rs.3200</i></u>
<u><i>Total cost of Product=Rs. 3520</i></u>	<u><i>IGST@10%=Rs.320-CGST-SGST</i></u>
	<b>320-100-100=120</b>
	<b>Total cost of product is 3320</b>

In the above example you can see that the tax paid on sale within state can be claim against tax paid on sale outside state in GST system, which is not present in before tax system.

**Advantages of GST**

1. Removing all taxes from the market and implementing one for all tax called GST. It will eliminate the confusion and hectic process of calculating and filling each individual tax
2. Transforming the market by simpler rates of 0%, 5%, 12%, 18% across each state in India makes it easy doing business.
3. Boon for small and medium enterprises it will provide better growth to small and medium enterprises whose annual income does not exceed over 20 lakhs are exempted from paying any tax.
4. No one can evade tax by forging pan cards or using different pan card as government impose the rule to link pan and aadhar card in order to submit tax
5. After first July it is mandatory for every business to merge all taxation system in GST and use new and updated GST system software
6. All personal care products, hotels, air travel(economy class),branded clothes will get cheaper.
7. GST will boost India's GDP rate by 1-2%and generate higher taxes revenue

8. Export of goods/services is not going to be taxed under GST. Hence, it is good for export-oriented businesses and Indian goods can withstand global competition comfortably since their prices will comparatively decrease. This will result in rise in GDP and also favorable BOP.

9. By bringing all the indirect taxes into single basket, government will be able to cover each and every manufacturer, service provider, seller who is not made liable to tax earlier due to different exemptions from various laws. Also, simplified procedure also encourages dealers to comply with tax rules and procedures.

### **DISADVANTAGE OF GST**

- Export of goods/services is not going to be taxed under GST. Hence, It is good for export-oriented businesses and Indian goods can withstand global competition comfortably since their prices will comparatively decrease. This will result in rise in GDP and also favorable BOP.
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### **CONCLUSION**

Now it conclude that the GST replaces 17 central and state taxes including service tax, value added tax, octroi duties and other changes except customs levy across the country except in Jammu and Kashmir. The tax will create a common market in the \$2-trillion economy with 1.3 billion people it is expected to curb “tax terrorism and inspector raj”. GST has positive impact on Indian economy because of simpler and more transparent than the existing one. So the duty of government to conduct training sessions, seminars, workshop, etc. on GST .It surely brings more employment opportunities in near future.

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