



AN IMPACT OF GOODS AND SERVICE TAX (G.S.T.) ON INDIAN ECONOMY

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ABSTRACT

GST also known as Goods and Services Tax is defined as a comprehensive Indirect Tax Structure designed to support and enhances the economic growth of a country. Till now more than 175 countries have implemented GST. The idea of GST in India was first mooted in the year 2000, the first discussion paper in 2009 and the Constitution Amendment Bill was passed by the Lok Sabha in May, 2015. With some amendments, the bill was finally passed in the Rajya Sabha and then in the Lok Sabha in August, 2016. However, there was a huge uproar against its implementation. It would be interesting to understand what contribution this GST regime can make to the growth and development of the country.

KEYWORD- amendment, Tax,

INTRODUCTION

Goods and Services Tax (GST) is a composite tax which simplifies the vast tax structure of a country by supporting and enhancing its economic growth. GST is a combined tax levied on manufacturing, sale and consumption of goods and services at the national level. The Goods and Services tax bill, which was brought in 2014 by the 122nd amendment to the constitution. It marks the beginning of the Value Added Tax implemented at the national level in India. GST was introduced as an indirect tax on all stages of production to bring uniformity in the system.

With the implementation of GST, there has been an amalgamation of central and state taxes into a single tax payment. This has also improved India's position in the domestic and international markets.

To avoid payment of multiple taxes like excise duty and service tax at the central level and VAT at the state level, GST unifies these taxes and creates a uniform market across the country. Integration of various taxes in the GST system is leading to effective cross-utilization of credits. The system before GST was taxed on production, while GST aims to tax consumption.

Experts have listed the benefits of GST as follows:

Features of GST

- **Registration of taxpayers:** Every person with a turnover exceeding Rs 20 lakh will have to register in every state in which he conducts business. This threshold will be Rs 10 lakh for special category states (i.e. Himalayan and North-Eastern states).
- **Returns:** Every taxpayer is required to file tax returns on a monthly basis by submitting: (i) details of supplies provided, (ii) details of supplies received, and (iii) payment of tax. In addition to the monthly returns, an annual return will have to be filed by each taxpayer.
- **Exemptions from GST:** There are certain goods and services which are exempted from GST.
- **Taxable amount (value of supply):** The GST would be applicable on the supply of goods and services, whose value will include: (i) price paid on the supply, (ii) taxes and duties levied under other tax laws, (iii) interest, late fee, penalties for delayed payments, among others.
- **Payment of GST:** The CGST and SGST needs to be paid in the accounts of the central and states government.
- **Goods and Services Tax Network (GSTN):** It is an non-profit, Non-Government Company called Goods and Services Tax Network (GSTN). It will manage the entire IT system of GST portal.



- **Input Tax Credit (ITC) Set Off** : ITC for CGST & SGST will be taken for taxes allowed against central and state respectively.
- **GST on Imports** : Centre will levy IGST on inter-State supply of goods and services.
- **Maintenance of Records** : An exporter needs to maintain separate details of utilization or refund of Input Tax Credit of CGST, SGST and IGST. (<https://gst.caknowledge.in/key-features-gst-benefits-gst/>, 2017)

LITERATURE REVIEW

Dr. R. Rupa (2017) “GST In India: An Overview” In this article, the author has discovered that some states were afraid that their earnings are more than other states and after the implementation of patrolling, their revenue should not be passed on to any other state or it may happen that what they have earned may not be transferred to them. They got less.

Shefali Dani (2016) find in her research paper “A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy” More than 150 countries have implemented GST. The Government of India should study the GST regime established by various countries and their consequences before implementing it. Also, the government should try to protect India's vast poor population from possible inflation due to the implementation of GST. Until a consensus is reached, the government should refrain from implementing such a system.

Nitin Kumar (2014) studied, “Goods and Service Tax- A Way Forward” that implementing GST in India would help in removing current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Dr. R. Vasanthagopal (2011) studied, “GST in India: A Big Leap in the Indirect Taxation System” and concluded that GST is a broad based, single, comprehensive tax levied on goods and services in which, the seller may claim the input credit of tax which he has paid while purchasing the goods, the final consumer will bear only the GST charged by the last dealer in the supply chain.

OBJECTIVES OF THE STUDY

- To understand the concept of GST
- To know the benefits and challenges of GST
- To study the impact of GST on Indian economy

RESEARCH METHODOLOGY

The study is based on secondary data of journals, articles, newspapers and magazines, GST portal and different websites. Secondary data was extensively used for the study.

Rate of GST

Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. Certain items such as alcohol, petrol, diesel and natural gas will be exempt under the GST. And only gold is 3%

Revision of GST rates announced in the 50th GST council meeting on 11th July 2023 by the finance Minister.

Goods and Service tax rate slabs July 2023

List of items	Old GST Slab	New GST Slab
Food and Beverages in Cinema Hall	18%	5%
Uncooked Unfried, and Extruded snack Palettes	18%	5%
Imitation Zari Thread or Yarn	12%	5%
Fish Soluble Paste	18%	5%
LD slag	18%	5%
Casinos, Online Gaming and horse racing	18%	28%

Benefits of GST

- It introduces a two-tier one-country-one-tax system.
- It includes all indirect taxes at the Central and State level.
- It not only broadens the tax regime by covering goods and services but also makes it transparent.
- It frees the manufacturing sector from the cascading effect of taxes, thereby improving cost-competitiveness of goods and services.



- This has led to reduction in prices of goods and services and thus, increase in consumption.
- It creates a business-friendly environment, thereby increasing the tax-GDP ratio.
- It enhances the ease of doing business in India.

Challenges of GST

Strong IT Network:- Government has already added GST portal it is very strong. GST requires a strong IT network, especially in rural areas. Its software will have to be made stronger so that no one can evade tax in it.

GST Experts:- Their number was there when GST was implemented, currently it is increasing but now it is less, we will have to prepare more GST experts.

Complexities of GST:-

GST not easy task is different from old tax system. The wholesaler has to deposit CGST into the account of the Central Government and SGST into the account of the State Government. Each docket of buyers and sellers should be appropriately included in the GST system to ensure that benefits accrue to the entire chain.

Impact of GST on Indian Economy

- This is increasing the flow of FDI.
- GST will increase the government's revenue after a long time.
- GST will make it easier for anyone to do business in India.
- GST will reduce tax compliance costs and transaction costs.
- GST will create more employment opportunities.
- Uniformity in tax laws would lead to a single taxation regime for the supply of goods or services across India.
- It has also reduced litigation and wastage of time of judiciary and tax payer due to futile proceedings at various levels of adjudicating and appellate authorities.
- There is more transparency in the system as customers get to know how much tax is being taken from them and on what basis.
- GST also helps in removing customs duty on exports. Lowering transaction costs will increase our competitiveness in foreign markets.

CONCLUSION

GST is a very noteworthy step in the field of indirect tax reforms in India. Many taxes have been abolished and only one tax remains. GST has made taxation easier for the industries. Consumers are also benefiting from the reduction in total tax burden on goods and services. GST will also make Indian products competitive in global markets, which will increase foreign exchange reserves. It was not easy to implement GST, there were many flaws in it which were implemented after removing them. It has a positive effect on the Indian economy, but it needs further improvement so that it can meet the challenges of the future economy.

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