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## ROLE OF GST IN THE ECONOMIC GROWTH

**K. Sowmya**

*Assistant Professor, Department of Economics, Govindammal Aditanar College for Women Tiruchendur,  
Affiliated to Manonmaniam Sundaranar University Tirunelveli.*

**S. Manikandan**

*Research Scholar, Department of Economics, S.T. Hindu College Nagercoil, Affiliated to Manonmaniam  
Sundaranar University, Tirunelveli.*

### ABSTRACT

*Goods and Services Tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like a value-added tax, excise duty, service tax. It is a simplified tax structure as compared to the earlier taxes. GST is expected to address the cascading effect of the existing tax structure and result on uniting the country economically. GST is termed as biggest tax reform In Indian Tax Structure. The paper highlights the background, Introduction, objectives, benefits, advantages and economic growth of GST.*

**KEYWORDS:** *Goods and Services Tax, cascading effect Indirect Tax, tax reform*

### INTRODUCTION

In India, the tax reform was initiated in the 1990's when the liberalization policy has been started. In 1991 new economic policy has started it reduced the personal income tax rates. In the year 2000, there emerged a new tax; it is the full fledged value-added tax, both at the central and state level. The central government implements the GST tax system after a strong struggle for the past ten years. A unique form of tax known as GST or Goods and services tax will be implemented throughout the country. In GST, all the indirect taxes will be subsumed under a single regime. The GST taxation laws will put an end to multiple taxes which are levied on different products, starting from the source of manufacturing to reaching the end consumer. "One Country One Tax" is the basic principle for GST.

### OBJECTIVES

- (i) To study the benefits and advantages of GST
- (ii) To study the GST and economic growth

### MATERIALS AND METHODS

The study focuses on Secondary data collected from various books, National & International Journals, government reports, publications, Information's from various websites focused on GST.

### BENEFITS OF GST TO THE INDIAN ECONOMY

- ❖ Central Sales Tax (CST) will be removed and need not pay. At present, there is no input tax
- ❖ Credit available for CST. Central Sales Tax (CST) will be removed and need not pay.
- ❖ It would not only widen the tax regime by covering goods and services but also make it transparent.

- ❖ It would bring down the prices of goods and services and thus by, increase consumption.
- ❖ Many indirect taxes in the state and central level included by GST, you need to pay signal GST instead of all.
- ❖ GST will bring one country one tax concept.
- ❖ GST is a boon for the Indian economy and the common man.

#### ADVANTAGES OF GST

- GST eliminates the cascading effect of tax
- Higher threshold for registration
- Composition scheme for small business
- Simple and easy online procedure
- The number of compliances is lesser
- Defined treatment of E-commerce operators
- Improved efficiency of logistics
- Unorganized sector is regulated under GST

#### GST AND ECONOMIC GROWTH

The structure of GST will be based on the destination principle. The tax base will shift from production to consumption whereby imports will be liable to tax and exports will be relieved of the burden of the goods and service tax. International exports should be zero-rated. On the other hand, International imports should be subject to both CGST and SGST at the time of importation irrespective of whether or not the imported goods are produced domestically. Moreover, GST will redistribute the burden of taxation equitably between manufacturing and services bringing about a qualitative change in the tax system. It will lower the tax rate by broadening the tax base and minimizing exemptions. Thirteenth Finance Commission estimates the impact of the introduction of a GST which would eliminate all taxes on production and distribution and rest on final consumption only. It is also expected that the opportunities for employment will be enhanced.

The implementation of a comprehensive GST will lead to efficient allocation of factors of production and will lead to a gain in GDP and exports. It would enhance economic welfare and returns to the factors of production, i.e. land, labor, and capital. The manufacturing sectors would benefit from economies of scale. The output of sectors including textiles and readymade garments; minerals other than coal, petroleum, gas and iron ore; organic heavy chemicals; industrial machinery for food and textiles; beverages; and miscellaneous manufacturing is expected to increase. The sectors in which output is expected to decline to include natural gas and crude petroleum; iron ore; coal tar products; and nonferrous metal industries.

Vijay Kelkar, Chairman of the 13<sup>th</sup> Finance Commission said that the proposed GST would benefit the Indian economy by at least \$15 billion (about Rs. 73,000 crores) per year. A fall in tax incidence on goods and services offered would enable producers to sell their products at a lower

price, leading to increased demand. A more rational tax system would lead to lesser disruptions to the market economy and more efficient distribution of resources within the industry.

#### CONCLUSION

It can be concluded from the above discussion, "A single form of tax known as GST or goods and services tax will be applied throughout the country, replacing a number of other indirect taxes like VAT, services tax etc. It is a simplified tax structure as compared to the earlier taxes. GST will not increase the tax burden drastically, and in many cases, total tax burden will decline due to the removal of cascading effect replacement of gamut of tax systems by one tax systems. The biggest gain shall be from the increase in competitiveness and ease of doing business which GST brings with it. The overall impact is expected to be positive on economy thereby increasing the overall economic growth. Consumers will gain from the same as the tax- burden on goods and services will fall from the current level of 25%-30%. In addition, the new tax regime will be easy to monitor and operate and will relatively increase the competitiveness of Indian products and services in domestic and international markets. This will give a boost to the economic growth.

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