

GST and Indian Economy

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Abstract

GST also known as Goods and services tax. Goods & Services Tax law in India is a comprehensive, multistage, destination-based tax that will be levied on every value addition. More than 150 country implemented GST so far. It will include many state and central level indirect taxes. SBT will bring uniform taxation across the country and allow full tax credit from the procurement of inputs and capital good which can later be set off against GST output liability. this reform gives equal footing to the big enterprises as well as SMEs. The aim of GST is thus to simplify tax hurdles for the entire economy

Keywords: GST, Mechanism of GST, Common man

Introduction

Most countries have a unified GST system. However, India is opted for a dual GST system prevalent in Brazil and Canada. GST will bring uniform taxation across the countries and allow full tax credit from the procurement of input and capital good which can later be set off against GST output liability. GST was first 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 become 166th nation to adopt it. In India many attempts have made by several government to implement GST during 2000 & 2010, but it is possible only during the present government. Goods and Services Tax (GST) will include one tax one nation; this statement was given by the honourable Prime Minister Mr. Narendra Modi on 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. GST law in India is comprehensive, multi-state, destination – based tax that will be levied on every value addition. More than 150 country implemented GST so far. With the role of GST expected from 2017 all the taxes would be subsumed in to the single tax consumer. The aim on GST is to simplify tax burden for the entire economy.

There will be three types of GST:

- CGST – Collected by Centre
- SGST – Collected by State
- IGST – Applicable on inter-state. It will help in smooth transfer between state and centre.

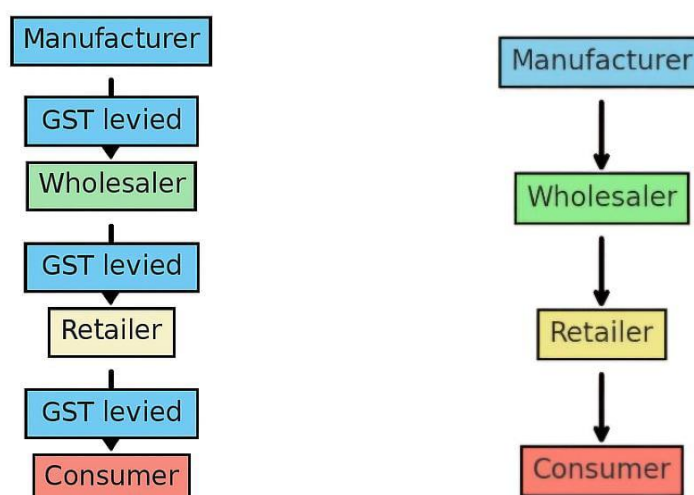
GST Calculator:

- Total price= ₹ 11000
- Total Tax / IGST amount= ₹ 1980
- CGST amount= ₹ 990
- SGST/UTGST amount= ₹ 990

Why GST Needed

GST will break the complicated structure of separate central and state taxes which often overlap with each other to create a uniform taxation system which will be applicable across the country. Taxes will be implemented more effectively since a net work of indirect taxes like excise duty, services tax, central sales tax value added tax (VAT) and octroi will be replaced by one single tax. the state will still have a say in taxation as the number of taxes will be reduced to three with central GST state GST and integrated GST for interstate dealings.

GST Workflow in India



What is the Impact of GST?

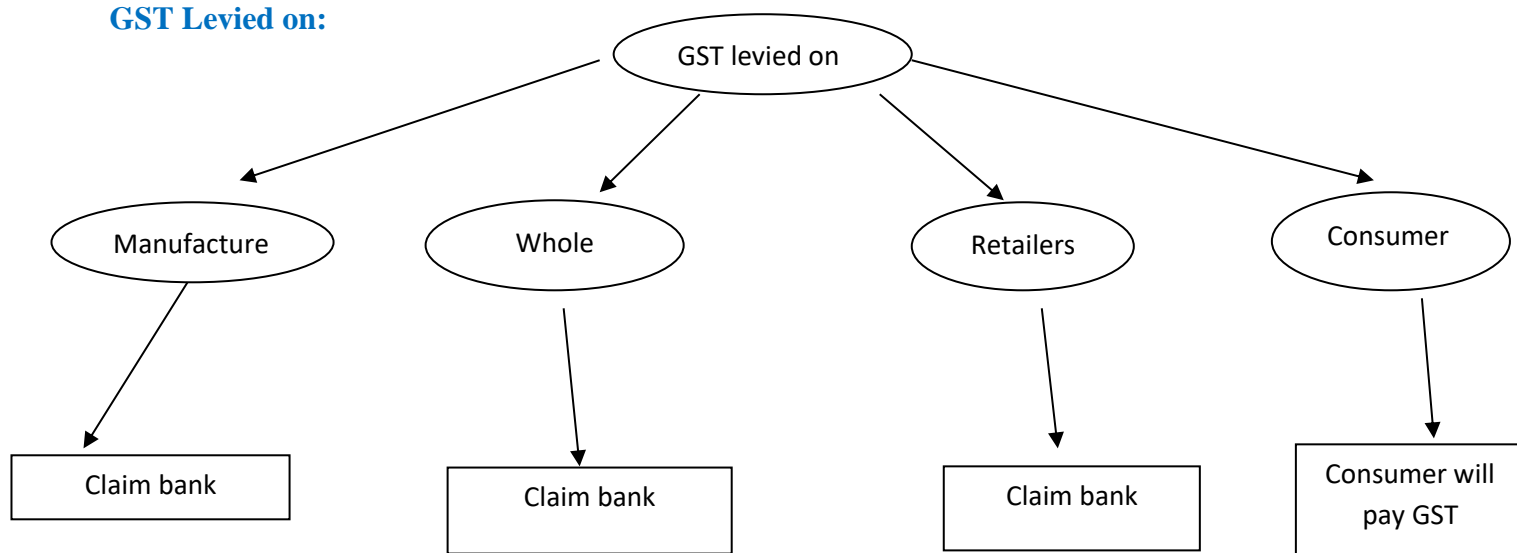
The implementation of GST has brought several benefits, including the following:

1. Streamlined tax system: GST has streamlined the taxation system in India, reducing the complexity of the tax structure and making compliance easier for taxpayers.
2. Improved efficiency: GST has reduced the cascading effect of taxes and has eliminated multiple taxes, resulting in improved efficiency.
3. Reduced tax liability: GST has reduced tax liability, benefiting both businesses and consumers.
4. Improved competitiveness: GST has made goods and services more competitive by reducing the overall tax burden.
5. Boost to the economy: GST has been a major economic reform, with the potential to boost India's GDP by 2% to 2.5%.

Objectives of GST

- GST will subsume central indirect taxes like excise duty, services tax etc and also state levies like VAT, Octroi, entry tax, luxury tax etc.,
- It will have two components, central GST levied by centre and State GST levied by the states.
- A two rate structure will be adopted. It means lower rate for necessary item and goods of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items.
- Only Centre may levy and collect GST on supplies in case of inter-state trade and collection of tax will be divided between centre and state.
- Over-lapping of tax, tax on tax will be eliminated with GST.
- Both Goods and Services taxed in same manner in span of supply till they are reached to consumer. They are not distinguished under GST.

GST Levied on:



As today sum taxes are levied by the state government and some are levied by the central government

How GST is levied?

GST will be levied on the places of consumption of good and services. It can be levied on following states.

- Intra –state supply and consumption of goods and services
- Inter-state movement goods
- Imports of goods and services

GST – How it benefits to Common Man:

- ❖ GST will lead to the elimination of multiple exercise, CST, VAT, Service tax calculations.
- ❖ For both goods and services and less confusion in determining what constitutes a good or what is a service.
- ❖ Currently hidden taxes actually push up the taxes on a majority of goods to anywhere in the 27% to 32% range. But with the GST coming in, the % tax number is proposed to be much lesser- however the number has not been finalized yet.
- ❖ Black money will get stifled and this may lead to more income for the government exchequer. This will then percolate to public spends and better quality of life.
- ❖ It is aiding the GDP growth rate.
- ❖ To stop the negative externality of petroleum products which is used for consumption must be checked.
- ❖ GST will help to reduce the cost of power projects and similarly the generation and distribution, which will lead to increase the profitability for the country. GST is very important in power sector.

There will be less tax compliance and a simplified tax policy as compared to earlier tax structure, GST will reduce the cascading effect of taxes ie., tax on tax system. It will help in removing the manufacturing cost which will bring price of consumer goods down, the lower price will further lead to an increase in demand/consumption of goods, increased demand will lead to increase supply hence this will ultimately lead to rise in production of goods. The increased production will lead to more job opportunities. GST will curb the circulation of black money.

Positive Impact of GST on the Common Man:

- Reduced costs means some produced like cars, FMCG etc. will cheaper.
- A unified tax system removing a bundle of indirect taxes
- Removes cascading effect of taxes
- Manufacturing cost will be reduced hence , prices of consumer goods likely to come down
- Lower prices will increase demand and consumption
- Increased demand will lead to increase supply. Hence rise in production of goods.

Negative Impact of GST on the Common Man:

- Services will become expensive. e.g., telecom, banking, airline etc.,
- It shall take considerable time to understand its implication.

However, GST is a long-term strategy and the real impact can be seen in the long run only.

Exemption under GST

Under GST, the government has fixed GST rates on 1211 goods and 500 services in the range of five to 28 per cent. Certain items such alcohol, petrol, diesel and natural gas will be exempt under the GST. In addition to these, the GST council has also classified certain items under the 0 per cent tax rate, implying that GST will not be levied on them. Services will become expensive. e.g., Telecom, banking, airline etc.,

Conclusion

The movement of goods will now become much simpler across the country and cheaper as the new regime replaces the old system, where a product was taxed multiple times and at different rates. Currently, tax rates differ from state to state. GST will ensure a comprehensive tax base with minimum exemption, will help industry, which will be able to reap benefits of common producers and claim credit for taxes paid. GST as per government estimate will boost India 's GDP by around 2 percent

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