

Positive And Negative Collision Of GST On Indian Economy

Jannu Anusha

Department of Economics, Kakatiya University

Abstract- Goods and Services Tax popularly known as GST a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. This research paper highlights the positive and negative impact of the GST in the Indian Tax System.

Index Terms- GST in India, Impact of GST, Tax system in India, India, Mechanism of GST, feature, impact, prices, Indian Economy.

INTRODUCTION

Goods & Services Tax is a comprehensive, multistage, destination-based tax that will be levied on every value addition. Goods and Service Tax (GST) implemented in India to bring in the 'one nation one tax' system, but its effect on various industries will be slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service. GST the biggest tax reform in India founded on the notion of "one nation, one market, one tax" is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the \$2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST. The rollout has renewed the hope of India's fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what's perceived as a rushed transition which may not assist the interests of the country.

OBJECTIVE OF STUDY

The study has following objectives:

- To cognize the concept of GST.
- To study the features of GST.
- To evaluate the advantages and challenges of GST.
- To furnish information for further research work on GST.

It is a single indirect tax for the whole nation, one which will make India a unified common market. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The GST Bill was introduced in Lokh Saba in 2009 by UPA government but they failed to get it passed. The NDA government introduced a 'slightly modified' version of the GST Bill in the Parliament and both the Houses passed it. Through GST, the government aims to create a single comprehensive tax structure that will subsume all the other smaller indirect taxes on consumption like service tax, etc. Touted to be a major game changer, in the words of Union Finance Minister Arun Jaitley 'it will lead to the financial integration of India'. Currently, tax rates differ from state to state. GST will ensure a comprehensive tax base with minimum exemptions, will help industry, which will be able to reap benefits of common procedures and claim credit for taxes paid.

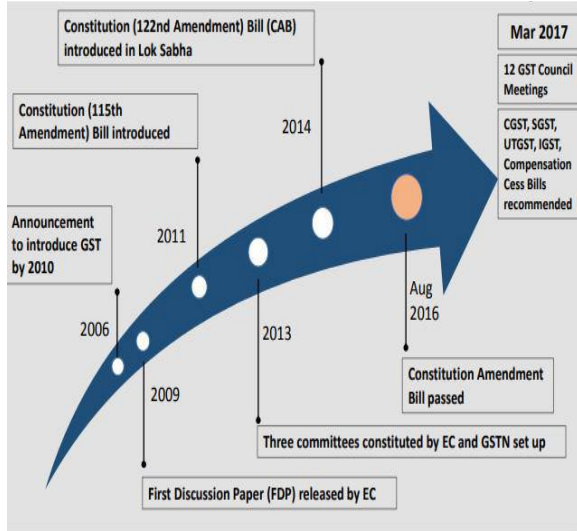
EXISTING INDIRECT TAX STRUCTURE IN INDIA

A. Central Taxes

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toiletries Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax • Surcharges & Cesses

B. State Taxes

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses



BENEFITS OF GST

- Overall reduction in Prices for Consumers
- Reduction in Multiplicity of Taxes, Cascading and Double Taxation
- Uniform Rate of Tax and Common National Market
- Broader Tax Base and decrease in “Black” transactions
- Free Flow of Goods and Services – No Checkpoints
- Non-Intrusive Electronic Tax Compliance System

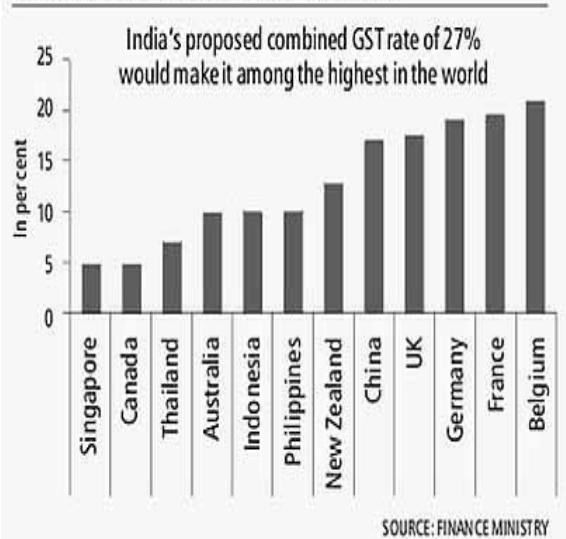
It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth. Ultimately it will help in poverty eradication by generating more employment and more financial resources. GST Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;

GST'S 5 TAX SLABS

 5% Domestic LPG, PDS kerosene, sugar, tea, coffee, edible oil, spices, fabric, agarbatti, medicines	 12% Butter, ghee, processed foods, mobiles, fruit juice, almonds, packed coconut water, umbrellas; food served at non-AC restaurants	 18% (general rate) Hair oil, toothpaste, soap, ice-cream, toiletries, pasta, computers, printers, food served at AC restaurants, film tickets costing less than Rs 100	
 28% AC, fridge, washing machine, small cars (+ 3 % cess), high-end motorbikes (+15% cess), luxury and sin items like BMWs, cigarettes, aerated drinks (+15 % cess); film tickets costing over Rs 100			

Source: Times of India

COUNTRY-WISE GST RATES



GOODS AND SERVICES TAX NETWORK:

Goods and Services Tax Network (GSTN) has been set up by the Government as a private company under erstwhile Section 25 of the Companies Act, 1956. GSTN would provide three front end services, namely registration, payment and return to taxpayers. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 25 States who have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue departments of both Centre and States are pursuing the presently

registered taxpayers to complete the necessary formalities on the IT system operated by Goods and Services Tax Network (GSTN) for successful migration. About 60 percent of existing registrants have already migrated to the GST systems. GSTN has already appointed M/s Infosys as Managed Service Provider (MSP) at a total project cost of around Rs 1380 crores for a period of five years.

Example of GST Calculation:

Let us assume that the GST is set at 5% Suppose that the manufacturing cost of a Product A is 100 and assuming a GST of 5% the total amount is Rs. 105 The next step of taxation would be when the Product is sold to consumers, let's say at a price of 150. So the GST will charge another 5% on just the difference of Rs. 150 and Rs. 105 i.e. only 5% on Rs. 45 which is equal to Rs. 2.25. So the final price is Rs. 150 + Rs. 2.25. Unlike the case of petrol pricing there is no tax on a tax now. This eliminates the cascading effect of taxes which is very prevalent in our economy and has been simplified to an elemental level in the example. Since the GST will be applied at every step of value creation it will be very difficult for black money owners to participate anywhere in the value chain with the GST without accounting for all other transactions.

Positive Impact of GST:

All most every industry body are "fully prepared" for implementation of the new indirect tax regime, while commending the government's efforts towards its rollout. The nationwide GST will overhaul India's convoluted indirect taxation system and unify the over \$2 trillion economy with 1.3 billion people into a single market. The medium-term impact of GST on macroeconomic indicators is expected to be extremely positive. Inflation will be reduced as cascading of taxes will be eliminated. ASSOCHAM president Sandeep Jajodia said India would move many notches up the global ease of doing ladder by this single, but the most important tax reform in the country.

Negative Impact of GST:

India has adopted dual GST instead of national GST. It has made the entire structure of GST fairly complicated in India. The centre will have to coordinate with 29 states and 7 union territories to

implement such tax regime. Such regime is likely to create economic as well as political issues. The states are likely to lose the say in determining rates once GST is implemented. The sharing of revenues between the states and the centre is still a matter of contention with no consensus arrived regarding revenue neutral rate. Pre GST service tax of 15%, which would increase to 18-20% in post GST. Hence, although prices of goods and products can come down, service industry will bear the brunt of higher taxes. Air travel, hotels would become more expensive. Currently, economy class tickets are taxed 6% and non- economy class tickets are charged 9%. Once GST is implemented, it would increase to 18%, thereby leading to direct increase of 9-12% tax on the tickets. Unless the airlines absorb this increase, the additional tax has to be paid by the consumer.

A. Proposed GST Rate is higher than VAT:

The rate of GST is proposed to be higher than the current VAT rate in India, which although reducing the price in the longer run, will be of no help in cutting down prices of commodities.

B. Dual Control:

A business will be indirectly controlled by both the Centre and the State in all tax related matters. The State will lose autonomy to change the tax rate which will be regulated by the GST Council.

C. Loss Incurred By the Manufacturing States:

Since GST is mostly related to the manufacturing segment, most manufacturing states may incur losses. But the government has proposed to compensate for those losses for a period of 5 years.

CONCLUSION

There are approx. 140 countries where GST has already been implemented. Some of the popular countries being Australia, Canada, Germany, Japan, and Pakistan, to name a few. Implementation of GST impacts a nation both ways, positively and negatively. Ignoring negative aspects, positive aspects can be taken into consideration, in order to improve the economy of the country. In order to measure the Impact the GST we need to wait for the time and the Government needs to communicate more and more about the systems. It could be a good

way to reduce the black money and good effort by the Government of India after the Demonetization of the money in 2016.

REFERENCES

- [1] Dani S (2016) A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy. *Bus Eco J* 7: 264. doi: 10.4172/2151-6219.1000264
- [2] Jaspreet Kaur, (2016) “Goods and service tax (GST) and its impact “*International Journal of Applied Research* 2(8): pp. 385-387
- [3] A Dash, (2017) “A Study on Socio Economic Effect of Demonetization in India”, *International Journal of Management and Applied Science (IJMAS)*, pp. 13-15,
- [4] The Economic Times (2009) Featured Articles from The Economic Times
- [5] “How GST will impact sectors”, <http://economictimes.indiatimes.com>
- [6] “GST-Analysis and Opinions” cleartax.in
- [7] “GST impact on economy: Five things to watch out for” hindustantimes.com