

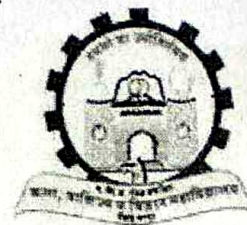


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GST and It's Implications on Various Sectors of Indian Economy

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Abstract

A single taxation system has encouraged new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will bring transparency in collection of indirect taxes benefiting both the Government and the people of India.

Keyword : Economy, GST

INTRODUCTION

GST is the important form of Indirect Taxation which is major indirect taxation reform ever since our Independence. The Goods and Services Tax (GST) is such venture which is expected to provide a powerful force for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services.

The Goods and Services Tax was implemented in India on 1 July 2017. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. GST, is launched as 'one nation, one tax' by the government, aims to provide a simplified, single tax regime in line with the tax framework applicable in several major economies across the world.

OBJECTIVES OF THE STUDY

1. To study the concept of GST and its current scenario in India.
2. To examine the benefits of GST on Indian economy.
3. To highlight the implications of GST on various sectors of Indian economy.

RESEARCH METHODOLOGY

The researcher used an exploratory research technique based on past literature from respective journals, annual reports, newspapers, magazines and websites covering wide

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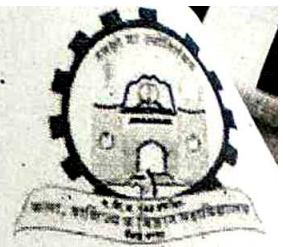


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collection of academic literature on Goods and Service Tax. As per the objectives of the study, the research design is descriptive in nature. Secondary data is also used extensively.

REVIEW LITERATURE

1. **Empowered Committee on Good and Services Tax** (2007) Sri. P. Chidambaram, the then Union Finance Minister, declared during Central Budget 2007-08 to the effect that GST would be introduced from April 1, 2010 and an empowered committee of State Finance Minister was constituted. The committee worked to prepare road map for introduction of GST in India.
2. **Nitin Kumar** mentioned in his research paper "Goods and Services Tax in India: A way forward that The Goods and Service Tax (GST) is one of the biggest taxation reforms in India The central idea behind this form of taxation is to replace existing levies like VAT, service tax, excise duty and sales tax by levying a comprehensive tax on the manufacture and consumption of goods and services in the country.
3. **Dr. Ambrish** wrote in his study "Goods and Service Tax and Its Impact on startups" that GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different stages. This paper also analyzed how the GST has impact on startup of the country as well on GDP.
4. **Dr. R. Vasanthagopal**, Studied "GST in India: A Big Leap in the Indirect Taxation System", and found that the positive impacts are dependent if design of the GST is rational and if balance the conflicting interests of various stakeholders.

TYPES OF GST

There are four types of GST are based on the kind of transaction, viz. Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST), and Union Territory Goods and Services Tax (UTGST).



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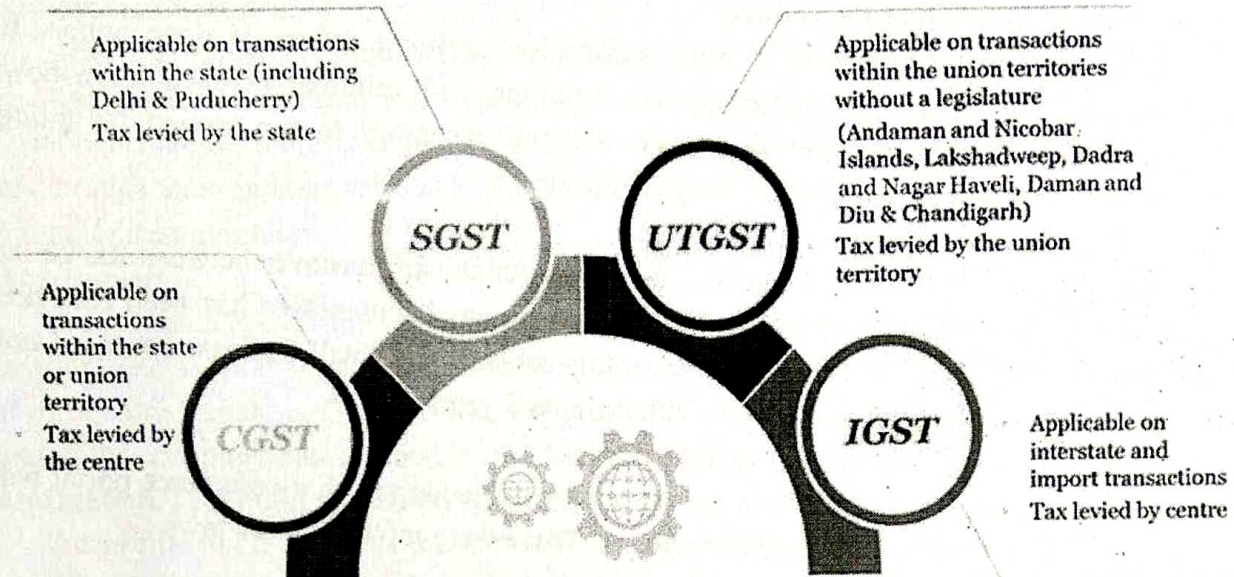


DIAGRAM: TYPES OF GOODS AND SERVICES TAX

GST RATES IN INDIA

The GST Council has assigned GST rates to different goods and services. While some products can be purchased without any GST, there are others that come at 5% GST, 12% GST, 18% GST, and 28% GST. GST rates for goods and services have been changed a few times since the new tax regime was implemented in July 2017.

BENEFITS OF GST TO INDIAN ECONOMY

- **Removal of cascading effect of taxes i.e. removes tax on tax.**

By implementing the Goods and Services Tax, all the taxes have been brought under a single umbrella. It means the cascading tax effect has been eliminated. GST has effectively replaced all the previous Central taxes such as Central Excise Duty, Customs Duty, Service Tax, SAD, CST, etc.

- **Higher Baseline**

In the previous tax structure, when VAT was applicable, the businesses whose turnover is more than Rs. 5 lakh were eligible to pay VAT. And the service providers who generated a turnover of upto Rs. 10 lakhs were exempted from service tax. But, the baseline for registration under GST is Rs. 20 lakhs, which means that many small service providers and traders need not register under GST.



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▪ Less Complicated Procedure

The complete GST procedure from registration to filing returns is done online. It is simple process and can be completed by any individual with minimal technical know-how. It is a simple and single registration process and not necessary to run around for multiple registrations like service tax, Excise Duty, VAT, etc.

▪ Composition Scheme

In Composition Scheme, the small businesses which earn turnover between Rs. 20 lakhs to Rs. 1.5 cores lakhs are benefited. The burden on small businesses has been remarkably reduced due to this new tax regime. Due to this scheme, the small businessmen need not to maintain every input credit and keep it with for next 8 years.

▪ Beneficial for E-Commerce operators

There was no proper definition for the supply of goods via an e-commerce portal before implementation of the Goods and Services Tax. There were multiple VAT laws.

▪ Organization and Regulation of the Unorganized sector

Before GST was implemented, some of the industries such as textile and construction were highly unorganized and unregulated. The implementation of GST has seen the inclusion of provisions for online payments and compliances.

- Increased demand and consumption of goods.
- Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.
- Lower the burden on the common man i.e. public will have to shed less money to buy the same products that were costly earlier.
- Less tax compliance and a simplified tax policy compared to current tax structure.
- Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down.
- Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check.
- Boost to the Indian economy in the long run.

IMPLICATIONS OF GST ON VARIOUS SECTORS OF INDIAN ECONOMY

1. Manufacturing sector

The manufacturing sector of Indian Economy has complex tax structure in nature and it deals only 16% share in GDP. India is able to shift its agricultural economy to a manufacturing and service economy. The GST in India brought positive change by eliminating cascading effect of current taxation system. GST helps by reducing cost of production that create incremental value for customers and remain a challenge for every business.



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2. Employment Sector

After the implementation of GST, it is observed that international corporate houses feel more comfortable in investing and expanding their business in the particular country. Due to GST implementation, there is reduction in tax horror. The flow of investment of corporate houses through starting their various business definitely increase the job opportunities and hence reduction in unemployment.

3. Food Industry

Production and distribution of food is largely unorganized in India. On global front, most of the countries tax food at a lower rate keeping in view the considerations of fairness and equity. Even in countries such as Canada, UK and Australia where food constitute a relatively small portion of the consumer basket, food is taxed at zero rates.

4. Information Technology enabled Services

According to GST if software is transferred through electronic form it would be regarded as service and if it is transferred through media or any other tangible property then it should be treated as goods. Introduction of GST helped in uniform simplified and single point taxation and ultimately reduced its price.

5. Impact on Textiles

For ease handling of taxation, the textile Industry has been divided into some broad categories like: cotton, Silk, Woolen, Khadi and Handloom, Synthetic fiber, carpet weaving, artificial silk, Jute, Hemp and Mesta textiles, readymade garments and miscellaneous textile products etc. The current taxation system of GST is consumption based tax, after its implementation it has eradicated the block input taxes for its uniform role of tax.

6. Impact on small enterprises

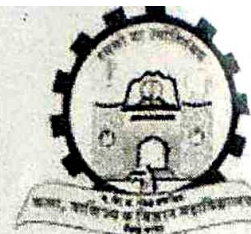
In GST tax regime, the small scale enterprises are categories in three ways:

- Below Threshold: need not to register for GST
- Between threshold and composition turnovers: will have the option to pay a turnover based tax or opt to join the GST regime
- Above threshold limit: will need to be within framework of GST.

With the implementation of GST will help the manufacturers and traders by reducing payable taxes. It is expected to encourage compliance as well as widen tax base adding up to 2% GDP.

7. Fast moving consumer goods (FMCG) sector

FMCG sector is the major taxation contributor in the economy of a country. It consists 50% Food and Beverage sector and 30% is Household and Personal Care. The implementation of GST has positively affected on FMCG sector and ultimately it created a positive impact on the Indian economy.



8. Infrastructure sector

The Indian infrastructure sector largely comprises power, road, port, railways and mining. Although this sector enjoys different exemptions and concessions as it is important on national front. With the implication of GST the multiplicity of taxes are removed and it increased the tax base with continuation of exemptions and concessions for national interest and growth.

CONCLUSION

The introduction of the Goods and Services Tax is a very remarkable step in the field of indirect tax reforms in India by merging a large number of Central and State taxes into a single tax. It is beneficial for corporate, businessmen and service providers in long run. GST has a positive impact on different sectors like manufacturing sector, employment sector, FMCG sector, I.T sector. Introduction of GST has also made Indian products competitive in the domestic and international markets.

A single taxation system has encouraged new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will bring transparency in collection of indirect taxes benefiting both the Government and the people of India.

It is also beneficial to individuals as the prices go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP. GST has increased the investment in FDIs which increase the foreign exchange of the country and indirectly increase the employment opportunities in our country. It will promote new startups in India for its business-friendly tax structure. GST is easier to administer as it has the transparent features. This taxation system will provide the sustaining growth for the Indian economy.

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