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**on**

**Recent Economics Policies and Its Impact on  
Indian Economy**

**October 2019**

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# CURRENT GLOBAL REVIEWER

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## Implementation of GST and Its Impact on Indian Economy

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### Abstract

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth. The Proposed study is designed to know the impact of GST on various sectors of Indian Economy along with the benefits & challenges of GST. The Study is Descriptive in nature and Secondary Data has been used for the study. The data will be collected from different internet sources.

**Key Words:** GST, Impact of GST, Benefits & Challenges of GST.

### Introduction

GST Stands for Goods and Services Tax (GST). The GST Act was passed in the Lok Sabha on 29th March, 2017 and came into effect from 1st July, 2017. It was termed as One Nation One Tax. GST was introduced as The Constitution (One Hundred and First Amendment) Act 2017 following the passage of Constitution 122nd Amendment Bill. It is Indirect Tax applicable throughout India which replaced multiple taxes (like Service Tax, Vat Tax) levied by Central & State Governments of India. On 1st July 2017 at midnight, the President of India, Sir Pranab Mukherjee and Prime Minister Sir Narendra Modi launched GST all over India including Jammu & Kashmir. However, there have been many changes made to the rates of GST till date.

In a short span of time, all the states approved their State GST (SGST) laws. Union territories with legislatures, i.e., Delhi and Puducherry, have adopted the SGST Act and the other 5 union territories without legislatures have adopted the UTGST Act.

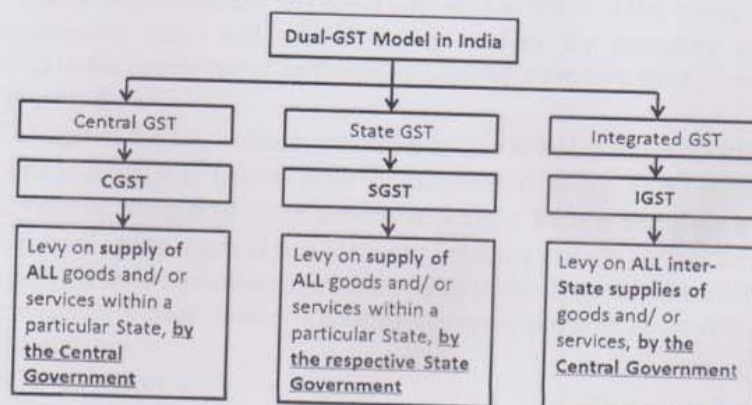
The idea of introducing GST was first proposed by the then Union Finance Minister, P. Chidambaram in his Budget for 2006-07. The discussion on GST took specific decision with the introduction of the Constitutional Bill (122nd Amendment), 2014. The Bill was passed by the Parliament on 8 August 2016. This was followed by the approval of the Bill by more than 15 states. On 12 April 2017, the Central Government enacted four GST bills:

Central GST (CGST) Bill

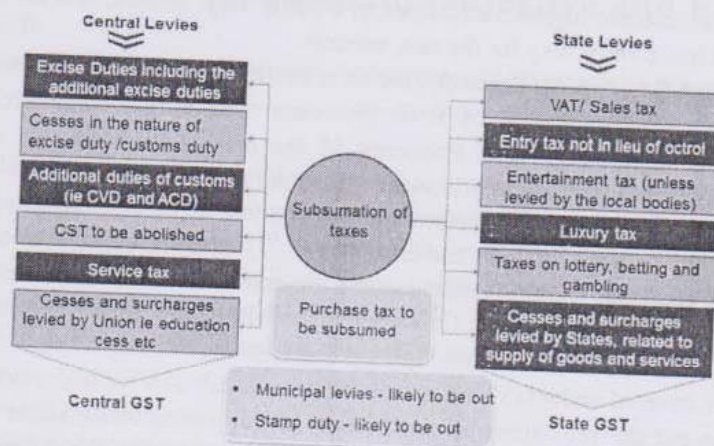
Integrated GST (IGST) Bill

Union Territory GST (UTGST) Bill

The GST (Compensation to States) Bill



## Taxes which GST replaced



## Objectives of Study

- To study about GST & its impact on Indian economy & its sector
- To examine benefits of Goods and Service Tax
- To evaluate the advantages and challenges of GST

## Research Methodology

The required data is collected from various internet sources. The research is purely descriptive & based on Secondary data.

## Benefits

- Removal of Multiple Taxation.
- Removal of cascading tax effect, i.e. tax on tax.
- Increase in the production of goods and services
- Increase in the demand and supply of goods and services.
- Due to lower burden of taxes, there is a reduction in overall costs.
- Burden has been decreased on the final tax payer, i.e. Consumer at the end.

## Challenges

- Impact on pricing of goods and services due to subsumed taxes.
- To keep a check on the rates of GST. If the rates of GST are over 15%, then the goods would be costlier.
- There are still a few states in India which lack IT Infrastructure.
- A separate law must be drafted.
- Transfer of goods from one state to other all over the country. Continuation of specific exemptions on central GST and state GST.
- Constitutional amendments to enable GST to central and state governments.
- Constitutional amendments to enable levy of GST on imports.

## Impact of GST on Indian Economy & its sectors:

**IT sector:** Today, most IT service providers have a multi-locational presence with the preferred mode of service tax compliance being on a centralized basis from a single location and IT service provider also enjoys the input service credits as well as enjoys the refunds. But under GST, service provider may be required to pay State GST or Central GST or Integrated and GST across multiple states, which is not clear yet.

**E-Commerce:** Supply chain decisions are vital for e-commerce industry. With the implementation of GST it will resolve the supply chain issues, as the shipment and returns across the country will be done more efficiently and with lesser paperwork. As the tax standardized across all the state borders,



companies will be able to execute logistics strategies in a better way. In turn, this all will benefit with quicker deliverables and make entry easy for the new entrants.

**Tourism, Hospitality and Restaurant:** Presently, the rates in these industries are higher due to existing multiple taxes. With the implementation of RNR (Revenue Neutrality Rate) which is more than Introducing GST and Its Impact on Indian Economy 55 the present tax rate, this would definitely discourage tourists and users of services and adversely affects the growth of sector.

**Transport sector:** GST is a positive for transportation sector in two ways, as it reduces the logistics cost and increases the efficiency both within India and exports.

**Land, Real Estate and Renting:** Currently, real estate's are taxed in the form of stamp duty and rental transactions are covered under service tax. Construction activities and works contracts are liable to service tax. So this sector is currently under multiple tax burdens. As of now, it is not clear whether real estate/land activities are covered under GST net or not as this is a cash cow for both state and central.

**Tobacco Products:** As per the provisions of constitution (115th amendment), states can impose only VAT and central can impose both VAT and excise duty (States have made a request to impose both Vat and state excise). Tobacco manufacturing companies presently pay VAT of about 25 percent plus excise duty. It is feared that there products may be taxed at about 40 percent in GST regime, which is definitely a huge tax burden.

## Conclusion:

GST is definitely a good move to reform indirect taxation in India and has positive effects on GDP growth, Tax revenue, exports, employment and so many. GST also have a positive impact on Indian Economy & indirectly it is helpful for the development of the all sectors. But even after a decade Government have failed to implement it, due to variety of reasons like, compensation mechanism for the states, GST rates, and issues relating to food products, petroleum, and tobacco and many political issues as well. With lots of flaws in the present tax structure which is affecting the growth of economy, there is a need to implement GST and to increase our growth with global economy. The implementation of GST would give way for a simple and understandable tax structure with reducing the cascading effect of taxes, and also help in avoiding any evasion taking place at any level.

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