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Recent Economics Policies and Its Impact on Indian Economy

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Goods And Services Tax And It's Impacton Indian Economy

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GST or Goods and Services Tax is considered to be a powerful stimulant in Indian Economy. 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 benefits and impact of implementing GST on Indian Economy. The Study is Exploratory in nature and Secondary Data has been used for the study. The data will be collected from different Journals, Newspapers and Internets.

Key Words: GST, Indian Economy, Types, GST Rates, Benefits, Impact of GST

INTRODUCTION

The Goods and Services Tax (GST) is another 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. GST is has been eliminating the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come.

The Goods and Services Tax was implemented in India on 1 July 2017. However, the process of implementing the new tax regime commenced a long time ago. In 2000, Atal Bihari Vajpayee, then Prime Minister of India, set up a committee to draft the GST law. In 2004, a task force came to the conclusion that the new tax structure should be implemented to enhance the tax regime at the time. In 2006, P. Chidambaram, then Finance Minister of India, proposed the introduction of GST on 1 April 2010, and the Constitution Amendment Bill was passed in 2011 to enable the introduction of the GST law. In 2012, the Standing Committee started discussions regarding GST, and tabled its report on GST a year later. In 2014, the new Finance Minister at the time, Arun Jaitley, reintroduced the GST Bill in Parliament, and the bill was passed in Lok Sabha in 2015. However, the implementation of the law was delayed as it was not passed in Rajya Sabha.

GSTN went live in 2016, and the amended model GST law was passed in both the Lok Sabha as well as the Rajya Sabha. The President of India also gave assent to the law in 2016. 2017 saw the passing of 4 supplementary GST Bills in Lok Sabha as well as the approval of the same by the Cabinet. Rajya Sabha then passed 4 supplementary GST Bills and the new tax regime was implemented on 1 July, 2017.

Additionally, while the GST Amendment Act in 2018 took initial steps in liberalizing credit eligibility. Certain key inputs for businesses such as rent-a-cab, motor vehicles and construction of immovable property continue to be restricted, to the detriment of assesses. In addition, decisions passed by the Authority for Advance Rulings ('AAR') based on existing restrictions, cause further uncertainty in this sphere.

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 Globe.

OBJECTIVES OF THE STUDY

1. To understand the concept and current scenario of GST in India.
2. To explain the benefits of GST on Indian economy.
3. To highlight the impact of GST on Indian economy.

RESEARCH METHODOLOGY

The researcher used an exploratory research technique based on past literature from respective

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journals, annual reports, newspapers and magazines covering wide 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 would work with the assistance with the Central Government to prepare road map for introduction of GST in India.
2. Nishita Gupta in her study "Goods and Service Tax: It's Impact on Indian Economy" stated that the Goods and Services Tax (GST) will indeed be a significant improvement towards a comprehensive indirect tax reforms in India. It would lead to the abolition of taxes such as central sales tax, state level sales tax, octroi, entry tax, stamp duty, telecom license fees, and tax on consumption. GST is expected to create a business friendly environment in India. It will also improve government's fiscal health as the tax collection system would become more transparent, making tax evasion difficult.
3. Om Prakash and A.S. Sidhu (2011) in their study stated that in developing economy like India, tax occupies a vital position in the overall development of the country. The study analyse the impact of direct tax reforms on Indian economy in term of various economic indicators and compares it with pre reform period. The researchers state that there is a strong need to review the tax reform policies being followed in the post liberalisation period.
4. 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. GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different points.
5. 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.
6. 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. Further he said GST would be a big jump on the indirect tax system and also give a new impetus to India's economic change.

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).

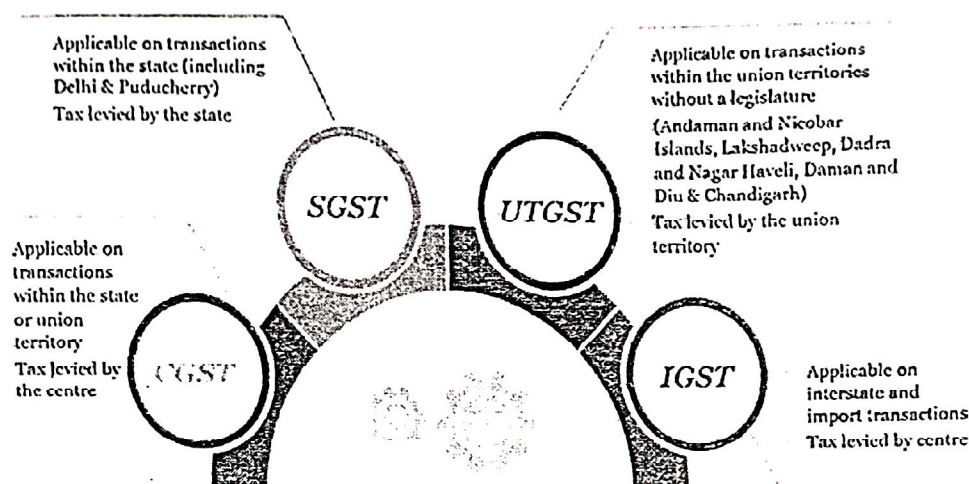


DIAGRAM: TYPES OF GOODS AND SERVICES TAX

- **Central Goods and Services Tax**

CGST is charged on the intra state supply of products and services. The Central Government levies CGST and it is governed by the Central Goods and Services Tax Act. **State Goods and Services Tax** SGST, like CGST, is charged on the sale of products or services within a state. The State Government is responsible for the levy of SGST. This tax replaces all the previous taxes such as Entry Tax, Value Added Tax, Entertainment Tax, State Sales Tax, cesses, and surcharges.

- **Integrated Goods and Services Tax**

IGST is charged on inter-state transactions of products and services. It is also levied on imports. The Central Government collects IGST and distributes it among states. IGST is levied when goods or services are transferred from one state to another.

- **Union Territory Goods and Services Tax**

UTGST is levied on the supply of products and services in any of the Union Territories in the country.

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.

- **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 mutipe 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. For instance, deliveries through online portals such as Amazon and Snapdeal to states like Madhya Pradesh required the filing of a VAT declaration. The registration number of the vehicle that was delivering the product would also have to be mentioned, and tax authorities had the power to seize products in case proper documents were not produced.

GST has eradicated such confusing compliance procedures and differential treatments than other traders. The e-commerce sector now has clearly defined provisions that make it easier to engage in the supply of products across states.

▪ 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. Even the availing of input credit has been clearly defined to avoid confusion, thus bringing in regulation and accountability to these sectors.

- 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.

These are possible only if the actual benefit of GST is passed on to the final consumer. But there are some other factors also such as the seller's profit margin which determines the final price of goods.

IMPACT OF GST THE INDIAN ECONOMY

GST has been implemented by more than 150 nations in the world. In India, GST 2.0 is working currently is considered as improved version as compared to the first one. The government has come out with new return filing process. There has been multiple reduction in tax rate for various goods. The government has also introduced the E-way bill system across India, to track movement of goods for reducing the tax evasion.

GST has reduced the tax burden on producers and fosters growth through more production. GST is providing tax credit to the manufacturers. A single taxation system eliminated this roadblock. There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what basis. GST adds to the government revenues by extending the tax base. GST provides credit for the taxes paid by producers in the goods or services chain. This is favourable to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation. GST removes the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

Recently, the Indian economy is going through the financial crisis and slow down process, it showed the result in its collection also. GST collection is below Rs 1 lakh crore which is actually Rs

91,916 crore in September 2019.

The total gross GST revenue collected in the month of September, 2019 was Rs 91,916 crore of which Central GST (CGST) was Rs 16,630 crore, State GST (SGST) was Rs 22,598 crore, Integrated GST (IGST) was Rs 45,069 crore (including Rs 22,097 crore collected on imports) and Cess is Rs 7,620 crore (including Rs 728 crore collected on imports).

The revenue during September, 2019 has declined by 2.67% in comparison to the revenue during September, 2018. During April-September, 2019 vis-à-vis 2018, the domestic component has grown by 7.82% while the GST on imports has shown negative growth and the total collection has grown.

The government needs over Rs 1 lakh crore GST in order to meet its fiscal target and also to not compensate states for losses. It compensates states once in every two months for the losses they incur in the first five years of the implementation of GST. The government has already transferred Rs 27,955 crore to the states in the form of compensation in June-July 2019 and Rs 17,789 crore in April-May 2019.

CONCLUSION

GST is at the infant stage in Indian economy. It will take some time to experience its effects on Indian economy. GST tax regime is designed in such a way that it is expected to generate good amount of revenue for both central and state government. It is also beneficial for corporate, businessmen and service providers in long run.

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. GST has made easy the double taxation and made taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. 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 will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP. As GST implementation applied at a time for all states lack of policy barrier will be removed. GST has increased the investment in FDIs which increase the foreign exchange of the country and indirectly increase the employment opportunities on 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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