

Impact and Benefits of GST on Indian Economy

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ABSTRACT:

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure, designed to support and enhance the economic growth of the country. Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise. 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. More than 150 countries have implemented GST, so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015, but is yet to be ratified by the Rajyasabha.

Amidst economic crisis across the globe, India has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make in India and Digital India campaigns. The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come. The expectation of GST being introduced is high not only within the country, but also within neighbouring countries and developed economies of the world.

The key announcements included the further extension of the due date of filing of the GST annual return (GSTR-9) and reconciliation statement (GSTR-9C), rationalization of rates, higher registration thresholds and clarifications regarding refund related issues that are being faced by the taxpayers.

The Indian government introduced the new indirect tax system that is goods and services tax, constitution amendment 101 implemented on 1st July, 2017, after implementation of Goods and Service Tax that benefits and impact to the Indian Economy, also impact on manufacturer, Wholesaler, Retailer and Consumer. This paper consists, benefits, how impact of goods and services tax on Indian economy for new futures of tax services value to provide best growth of national economic environment for smooth, speed of national income growth in the country.

Keywords: Indirect Tax, GST Benefits, Indian economy, Growth and National Income.

I. INTRODUCTION:

The introduction of the Goods and Services Tax will be a very noteworthy 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 is expected to significantly ease double taxation and make 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 will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax

burden, which is currently estimated at 25-30%. Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods. In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of credits. The current system taxes production, whereas the GST will aim to tax consumption. The year 2017 will forever be etched in Indian history as the year that saw the implementation of the biggest and most important economic reform since Independence the Goods and Services Tax (GST). The reform that took more than a decade of intense debate was finally implemented with effect from 1 July 2017, subsuming almost all indirect taxes at the Central and State levels. It got overwhelming support from industry, with a few exceptions, such as from the textile sector and small businesses at certain places. Publicised as the 'one nation one tax', the GST brought with it expectations of free-flowing credits, resulting in an overall reduction in the prices of goods and services as well as barrier-free movement of goods across India.

II. REVIEW OF LITERATURE:

The review of the existing literature has revealed the fact that research works either in the form of major and minor pertaining to How Benefits and Impact of Goods and Service Tax (GST) on Indian Economy. In view of this researcher has selected the work on GST tax services to product and services in the country for economic growth of national income.

Key Themes in Literature Review of GST on Economy:

- Economic Impact and Growth:** GST is widely regarded as a major structural reform, with potential to boost GDP by creating a common market and streamlining tax compliance. It is expected to lower production costs and increase consumption, benefiting the economy in the long run.
- Reduced Cascading Effect:** A major finding is that GST effectively eliminates the "tax on tax" effect, which reduces the overall tax burden on goods and services, leading to competitive pricing.
- Tax Compliance and Revenue:** The digital nature of GST (using IT networks like GSTN) has improved transparency, reduced tax evasion, and increased the tax base by bringing more businesses into the formal sector.
- Challenges and Implementation Hurdles:** Literature highlights significant challenges, particularly for small and medium-sized enterprises (SMEs), including complex filing requirements and high compliance costs. Initial implementation was plagued by technical glitches and a need for better IT infrastructure.
- Sector-Specific Effects:** While the manufacturing sector largely benefits from streamlined input tax credits, some industries faced short-term disruptions, pricing uncertainties, and increased compliance costs.

In the consensus in the reviewed literature is that while GST brings, administrative and compliance, challenges, initially, it is a superior, transparent tax structure that will ultimately lead to economic growth and stabilization. Future studies suggest that simplifying compliance procedures and improving digital infrastructure are key to maximizing its benefits.

What is GST? :

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India. GST is one indirect tax for the entire country. Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. Inter-state sales are chargeable to Integrated GST.

Definition:

- **Goods and Service Tax** - "GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition."
- **Multi-Stage** - There are multiple change-of-hands an item goes through along its supply chain: from manufacture to final sale to the consumer.

Let us consider GST stage Process in the following case:

- Purchase of raw materials
- Production or manufacture
- Warehousing of finished goods
- Sale to wholesaler or Agent
- Sale of the product to the retailer
- Sale to the end consumer

Goods and Services Tax is levied on each of these stages which make it a multi-stage tax.

III. IMPACT OF GST ON INDIAN ECONOMY: They are as follows.**Key Impacts of GST on the Indian Economy:**

- **Removal of Cascading Taxes:** By allowing input tax credit across the supply chain, GST eliminates the "tax on tax" effect, reducing overall production costs.
- **Unified Market and Logistical Efficiency:** The elimination of state-level check posts and the introduction of e-way bills have streamlined inter-state trade, reduced transit delays, and consolidated warehouses.
- **Increased Tax Compliance and Formalization:** The digitized system (GSTN) has encouraged, to a large extent, the formalization of the economy, bringing more businesses into the tax net.
- **Boost to Government Revenue:** Enhanced compliance has led to consistent growth in monthly GST collections.
- **Positive Impact on Specific Sectors:** Sectors like logistics, automobiles, and consumer goods have seen improvements in operational efficiency.
- **Improved Competitiveness:** A simplified tax structure boosts export competitiveness, making Indian goods and services more competitive globally.
- Impact of GST in the country make for national income and economic growth and create job opportunities, benefits, offers, conditions to consumers, retailers, wholesalers, agents and wholesalers replacing through indirect taxes to simplicity online business.
- GST Removal of Different types of indirect tax modes to change to new indirect tax process to make easy way business to reach to unreachd consumers areas, village people in market.
- There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
- GST cost charges through services the paperless transaction receipts fees and payments fees of e-payment transaction through Internet Banking, Online Banking, and Mobile Banking, Bank's Apps, UPI Apps, Bhim App, Paytm, Airtel Account in Smart Phone for shopping through Mobile that debit and payment to credit.
- Now, Government manage GST through goods and services tax receipts recorded transaction without vouchers in global business.
- Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
- Reduces tax burden on producers and fosters growth through more production. The current taxation structured pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers.
- GST will add to the government revenues by extending the tax base.

- GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected 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 will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.
- **Ease of starting business:** A business having operations across different state needs VAT registration. Different tax rules in different states only add to the complications and incur high procedural fees. GST enables a centralized registration that will make starting a business easier and the consequent expansion an added advantage for SMEs.
- **Reduction of tax burden on new business:** As per the current tax structure, businesses with a turnover of more than rupees 5 lakh need to pay a VAT registration fee. The government mulls the exemption limit under GST to twenty five lakh giving relief to over 60% of small dealers and traders.
- **Improved logistics and faster delivery of services:** Under the GST bill, no entry tax will be charged for goods manufactured or sold in any part of India. As a result, delivery of goods at interstate points and toll check posts will be expedited. According to an estimate by CRISIL, the logistics cost for manufacturers of bulk goods will get reduced significantly - by about 20%. This is expected to boost ecommerce across the nation.
- GST Exempt, concession on health sector products, services and also in educational sector product and services.

IV. BENEFITS OF GST:

Key Benefits of GST in the Indian Economy:

- **Elimination of Cascading Tax Effect:** GST allows input tax credit (ITC) on taxes paid for purchases, removing the "tax-on-tax" burden, which reduces the overall cost of goods and services.
- **Unified National Market ("One Nation, One Tax"):** By replacing various central and state taxes (VAT, Excise, Service Tax, etc.), it simplifies the tax structure and encourages interstate trade.
- **Increased Tax Compliance & Formalization:** The technology-driven system (online registration, e-filing, e-way bills) brings more businesses into the formal economy, reducing tax evasion and widening the tax base.
- **Improved Logistics and Efficiency:** The removal of interstate checkpoints and reduced regulatory hurdles have accelerated the movement of goods and enhanced supply chain efficiency.
- **Benefits for Small Businesses:** A higher threshold for registration (usually ₹20-40 lakhs) and the Composition Scheme exempt or reduce the compliance burden for small traders and manufacturers.
- **Boost to Economic Growth:** The simplified tax regime increases efficiency, improves competitiveness of Indian goods globally, and supports long-term GDP growth.
- GST is Removing cascading effect of taxes
- Higher threshold for registration
- Registration and Filing Returns Under GST Made Simple, Easy as Everything is Done Online
- Business will become easier as all the other indirect taxes like Octroi, central sales tax, entry tax, state sales tax, license fees, turnover tax will clubbed in single GST tax.
- Control inflation from one major tax
- Increased Exemption Limit for Small traders or Service Providers
- Small Businesses Benefit from the Composition Scheme
- Reduced Tax Compliances as Number of Tax Returns to be Filed Under GST Has Come Down
- Defined treatment for e-commerce operators
- Regulating the unorganized business sector under GST
- Upcoming of Common National Market
- GST will reduce numbers of indirect taxes. With GST the customer will be able to find out exactly how much tax is being paid on a product or service.

- Under GST the obligation of tax will be divided equally between the manufacturers and services providers.
- Improved efficiency of logistics
- In GST there will be no hidden taxes and costs involve in doing Business. Hence, GST will bring transparency in all taxes.
- It will promote exports of the country that will not only boost economic growth but also generate employment.
- It is predicted that GST will also indirectly increase the country's GDP.
- In GST system prices of some manufactured goods and services will go down which in turn will bring down the inflation and benefit the middle class.

V. CONCLUSION:

Goods and Services Tax is defined as the giant indirect tax structure, designed to support and enhance the economic growth of the country. As per the Indian retail industry, the total tax component is around 30% of the product cost. Due to the impact of GST, the taxes have gone down. So, the end consumer has to pay lesser taxes. The reduced burden of taxes has enhanced the production and growth of the retail and other industries. Now, Government can observe to manage and change the policy and rules structure of GST for country development. GST is a main arms tool of national income, economic growth and public welfare satisfaction, so, Government can take necessary action of country development. Goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. It is expected that the benefits, impact of tax theft will go away under Goods and Service Tax regime in order to benefit both governments as well as the consumer.

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