ABSTRACT

GST is one of the most crucial tax reforms in India which has been long pending. It was supposed to be implemented from 1 April, 2017. GST is one of the biggest taxation reforms in India the GST is all set to integrate state economic and boost overall growth currently, companies and businesses pay lot of indirect taxes such as VAT, service tax, sales tax, entertainment tax, octopi and luxury tax. Once GST is implemented, all these taxes would case to exit. There would be only one tax, that too at the national level, monitored by the central government. At present, separate tax rates are applied to goods and services. Under GST there would be only one tax rate for both goods and services. The goods and services tax will be indeed be a further significant improvement towards a comprehensive indirect tax reforms in the country. Integration of goods and services taxation would give India a world class tax system and improve tax collections. GST is expected to create a business friendly environment, as price levels and hence inflation rates would come down overtime as a uniform tax rate is applied. This paper presents impact of GST on Indian Economy. The paper is more focused on advantages of GST and Challenges faced by Indian Context.

Keywords: GST, Economic Development, Indian Economy, VAT

INTRODUCTION

The introduction of goods and service tax (GST) would be a significant step in the reform of indirect taxation in India. GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods & services through India, to replace taxes levied by the central and state government .GST would be levied and collected at each stage of sale or purchase of goods or services based on input tax credit (ITC) method. This method allows GST registered businesses to claim tax credit to the value of GST they paid or purchase of goods or services as part of their normal commercial activity.

In India also dual system of GST is proposed including CGST&SGST. CGST is levied by central government & SGST is levied by state government.

Amalgamating several central and state taxes into a single tax would mitigate cascading or double taxation facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view the biggest advantages would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent. The central government has assured states of compensation for any revenue or losses incurred by them from the date of introduction of GST for a period of five years. As India is a federal republic. GST would be implemented concurrently by the central government and by the state government.
At present, the parliament passed the constitution (122\textsuperscript{nd} amendment) GST bill, after it was unanimously passed by the Look Sabah by approving all the amendment made by Raja Shaba earlier.

**TAX RATE UNDER THE PROPOSED GST**

The tax rates would be at four slabs of 5\%, 12\%, 18\% and 28\%. Luxury and demerit goods will be taxed at 28\% plus cess, daily needs will be taxed at 5\%.

**FEATURES OF GST SYSTEM**

1. It will be collected on VAT method i.e. tax at every stage of value addition.
2. It will be imposed at a uniform rate @ 20\% (central state share 12 & 8\% respectively).
3. GST would be levied only at the destination point, and not at various point (from manufacturing to retail outlets) and therefore reduces tax terrorism.
4. The government also cleared changes in the Bill including:
   5. Doing away with the additional 1\% tax by producing states and
   6. Compensating all states for any revenue loss in the first five years post the GST rollout.
   7. As the next step, the centre has to enact two laws, one on the creation of central GST (CGST) & another on integrated GST (IGST). The state government, on their part, have to pass legislation on creation of states GST (subsumes various state taxes).
   8. But customs, stamp duty, petroleum, electricity tax, and alcohol are exempted from GST.

**LITERATURE REVIEW**

Nashotah Gupta (2014) in her study stated that implementation of GST in Indian framework will lead to commercial benefits which were untouched by the VAT system and would essential lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the central and the state government.

Dr. R. Vasanthagopal (2011) studied, “GST in India: A Big Leap in the Indirect Taxation System” and conclude that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 150 countries in world and a new preferred from of indirect tax system in Asia also.

Nit in Kumar (2014) studied, “Goods and Service Tax-A Way Forward” and conclude that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

**OBJECTIVES OF THE STUDY**

1. Impact of GST on Indian Economy.
2. Advantages of GST.
3. Challenges of GST.

**RESEARCH METHODOLOGY**

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, internet, articles, and previous research paper. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.
IMPACT OF GST ON ECONOMIC DEVELOPMENT

The Goods and Services (GST) bill is expected to have wide ranging ramifications for the complicated taxation system in the country. It is likely to improve the country’s tax to GDP ratio and also inhibit inflation. However, the reform is likely to benefit the manufacturing sector but may make things difficult for the services sector.

1. Though there are expectations that the GDP growth is likely to go up by 1 to 2%, the results can only be analysed after the GST implementation.

2. GST council has reached a consensus and finalised four different GST tax slabs of 5%, 12%, 18%, & 28%. GST law are to be finalised in the winter session of Parliament.

3. The rate 18% will prove beneficial for the manufacturing sector, where the tax rate is around 24% at present. The major manufacturing sectors that will benefit the most are FMCG, Auto & Cement. This is because they are reeling under 24 to 38% tax.

4. The sector which is going to be adversely affected in the services sector. Already there has been a hike from 12 to 14% from this year. Another 4% increase will break their backs.

5. Service are most likely to get dearer as the one being taxed at 15 percent is expected to be put under the 18 percent slab.

6. White goods shall be taxed at 28 percent. These include washing machines, refrigerators, and LED TV sets.

7. Demerit and sin goods such as luxury cars, tobacco and aerated drinks will also be taxed at 28 percent. These goods will also attract cess for 5 years on top of 28 percent tax.

8. The cess thus collected along with the clean energy cess would be used to compensate the states for the losses arising out of transitioning to GST.

9. The cess would be charged such that the incidence of tax is not more than the existing 40-65 percent being charged now. (Tobacco is taxed at 65 percent).

10. Tax rate on gold hasn’t been decided as of yet.

Thus GST is implemented: Small cars, FMCG product, consumer durable, electronic items, and readymade garments will become cheaper once GST is rolled out next year, but mobile phone, banking & insurance services, telephone bills as well as air travel will be dearer due to higher tax.

Under the new indirect taxes regime likely to take effect from 1st April, 2017 levy on manufactured goods will come down, while consumers may end up spending more as service tax burden would go up GST is a consumption based tax.
ADVANTAGES OF GST

1. **One country one tax:** uniformity of tax rates across the states.

2. **Input tax credit:** GST provide comprehensive and wider coverage of input tax credit, you can use service tax credit for the payment of tax on sale of goods etc.

3. **No cascading effects:** This will be the major contribution of GST for the business and commerce. At present, there are different state level and centre level indirect tax levies that are compulsory one after another on the supply chain till the time of its utilization.

4. **Growth of revenue in states and union:** it is expected that the introduction of GST will increase the tax base but lower down the tax rates and also removes the multiple point this, will lead to higher amount of revenue to both the states and the union.

5. **Increasing GDP:** it would create business friendly environment thus by increase tax GDP ratio.

6. **Reduction of prices:** It would bring down the prices of goods and services thus by increasing consumption.

7. **Reduces the corruption:** It is expected to help built a transparent and corruption free tax administration.

8. **No double taxation.**

9. **Help to develop make in India.**

10. **Fully online system (DIGITAL INDIA).**

CHALLENGES OF GST

1. Consensus between centre and states on loss of revenue. Thought this is resolved for next five years due to compensation by centre, it is bound to remain a challenge.

2. Loss to manufacturing states as 1% additional tax is also removed in final GST bill.

3. Dual control in every area.

4. Credit will be available with GST network i.e., online only. This will negatively affect small business.

5. The government of Madhya Pradesh, Chhattisgarh and Tamil Nadu say that the “information technology system and the administrative infrastructure may not be ready implement GST”

6. States loss autonomy to change tax rate as this will be decided by GST council. Clause 246A make parliament’s decisions will be overriding and binding on the states.

7. Negative impact on sectors currently enjoying tax benefits such as: textiles, media, dairy, IT/its, pharmacy etc.

8. One of the major challenges in front of the govt. is the classification of different goods under different tax brackets.

9. There is also no clarity whether a nominal GST would be levied on the five petroleum product (i.e. crude oil, natural gas, petrol, diesel and ATF).

10. Similarly, there is no clarity on GST rates for under construction properties or abatement on land.

SUGGESTION

1. Government have to organize a committee to evaluate the impact or implementation of GST.
2. Joint operation between consumer association and non-governmental organisation to ensure worldwide pricing monitoring.

3. Enlist the cooperation of big retailer like hypermarket for benchmark for price of goods.

4. GST also apply in IT system like the tax information network, where the TDS of the VAT credit is recorded in a central database.

5. GST will be charged more of luxurious product and apply tax credit system for life base product.

CONCLUSION

GST is the most logical steps towards the comprehensive indirect tax reforms in our country since independence. GST is leviable on all supply of goods and provision as well combination theory. All sectors of economic weather the industry business including govt. department & service sector shall have to bear impact of GST. All sector of economy viz. medium, small scale units, intermediaries, importers, exporters, traders, professional and consumers shall be directly affected by GST. One of the biggest taxation reforms in India. The GST is all set to integrate state economic and boost overall growth. GST will create a single, unified Indian market to make the economy stranger.

Am says that; the GST is likely to improve tax collection and boost India’s economic development by breaking tax barriers between states and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemption.

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