



Impact of General and Service Tax in Indian Economy

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Abstract:

The implementation of Goods & Service Tax is a historic move in India. It has replaced the earlier Indirect tax regime and subsumed all the central and state level taxes. GST is a unified destination based tax that intends to overcome all the limitations of earlier tax regime with the involvement of both Centre and state using Dual GST model. It is implemented with the object of creating a common national market. This paper seeks to study the contribution made by the GST and evaluate its impact on various sectors of Indian economy.

Keywords: Goods and service tax; Indian economy

1. Introduction

The word tax is derived from the Latin word “tax rare”. It means to estimate. A tax is not a voluntary payment or donation but an enforced contribution imposed by government under the name of toll, tribute, custom, excise, subsidy, aid etc. Broadly there are two types of taxes such as direct tax and indirect tax. These taxes are levied by the central and state government in India. Some other taxes are also levied by the authorities such as Municipal Corporation or local council. Goods and Service tax is also one of the indirect tax which affects directly to the various sectors of economy in India. (Dr. Megha Bhatt 2017)

2. What is the GST?

GST would be a comprehensive indirect tax on manufacturing, sale and consumption of goods and services throughout India. To replace taxes levied by the central by the central and state government it is one of the tax bill know as the constitution biggest tax reform in India which all set to integrate state economies and boost overall growth. (Dr. Megha Bhatt 2017)

3. OBJECTIVE OF STUDY:

The study has following objectives:

1. To concept and meaning of GST.
3. To study the positive and negative impact of GST in Indian Economy.

4. Research Methodology:

The study is based upon secondary data collected through various sources like websites, newspapers, articles and magazines. Here, we consider GST as a factor introduced into an economic system and its impact is being studied based upon latest news and views.

5. Existing Indirect Tax Structure in India

A. Central Taxes

1. Central Excise duty.
2. Additional duties of excise.
3. Excise duty levied under Medicinal & Toiletries Preparation Act.
4. Additional duties of customs (CVD & SAD) Service Tax.
5. Surcharges & Cesses.

B. State Taxes

1. State VAT / Sales Tax.
2. Central Sales Tax.
3. Purchase Tax.
4. Entertainment Tax (other than those levied by local bodies).
5. Luxury Tax.
6. Entry Tax (All forms).
7. Taxes on lottery, betting & gambling.
8. Surcharges & Cesses.

5. GST in various sectors of Indian Economy

GST has brought uniformity in tax system across all the states. However, its impact on every industry is not favorable. Apart from being favorable or adverse, quantum of effect is also a significant factor while evaluating contribution of GST in the Indian economy. Here we have

Evaluate the impact of GST in certain sectors of the economy. (Leena and Sameena 2017)

Manufacturing and Service Industries:

Earlier due to multiplicity of taxes cost of production was unduly high for the manufacturers. With the introduction of GST, burden of compliances and multiple taxes is reduced and the sector is growing. (Leena and Sameena 2017)

Sector-wise Impact Analysis

1. Logistics

Logistic sector is one of the pillars of economy. A well-developed logistics sector will place India on its destination at a very fast pace.

2. E-commerce:

E-commerce sector is rapidly spreading its roots in every corner of all other sectors of the economy. It provides a platform to many industries to grow. GST has built its roots within a setup provided by e-commerce. GST will foster the growth of this sector by promoting cash less and electronic transactions nationwide.

3. Pharmacy:

GST is creating an environment where healthcare industries will grow. There might be a concern with respect to pricing structure. The Pharmacy sector is hoping for a tax respite that will make affordable healthcare easier to access by all.

4. Telecommunications:

As GST negates to set up state-specific entities and transfer stocks, the logistics cost of handset manufacturers is reduced and thereby prices will face a downward trend.

5. FMCG:

GST rate for products like hair oil, soaps and toothpaste is lowered by 500-600 bps and the market for such products is large. So the share of this sector will grow.

6. Airlines:

GST on economy class fare is reduced but travelling in business class has become expensive as compared to earlier tax regime.

7. Financial Services:

There is no significant impact on Long term investors due to higher tax rate but short term investors will have adverse impact.

8. Cement:

The cement industry has neutral impact as the tax rate earlier and current tax rate work out to be of insignificant difference.

9. Automobile:

Impact of GST in this sector is neutral except for hybrid cars that are taxed higher. Tractor companies are also negatively impacted.

10. Freelancers:

Freelancers work as service providers. With the introduction of GST, it has become convenient file taxes online and maintains accountability.

11. Startups:

GST model supports startups with the single registration for all type of transactions rather than registering separately with every authority under chaotic and unclear tax structure.

The idea behind implementing GST across the country is that it would offer a win-win situation for everyone. Manufacturers and traders would gain in terms of fewer tax filings, transparent rules, and simplified accounting requirements. Consumers would be enjoying reduced prices of goods and services, and the government would generate more revenues with the least tax evasion.

7. Conclusion:

GST is implemented at a stage when the country does not have a broad base to accept and bring into practice. There has been a huge protest by small traders. IT infrastructure is not well developed to bring GST to a reality. At the current stage,

it is essential to develop an efficient IT base and lower compliance cost and support to small manufacturers and traders. GST is going to be a milestone to the growth of Indian economy if whole nation unites and work together with the Government.

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