



A Study on GST and Its Impacts on Indian Economy

K. Sulochana

Sacred Heart Arts and Science College for Women, Perani, Tamil Nadu, India.

Corresponding Author Email: ksulochana1426@gmail.com

Abstract. GST (Goods and Services Tax) is a single indirect tax aimed at making the country a unified common market. It is imposed on the supply of goods and/or services within India. Multiple indirect taxes that the Central Government or State Governments impose on suppliers and consumers are subsumed by GST. 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, the latest being on 18th January 2018. This study has been analysed the three objectives these are positive and negative impacts of GST on Indian economy, Difference between GST and VAT, and rate changes on goods and its compared with old GST rates.

Keywords: GST Goods and Services tax, VAT Value Added Tax.

1. INTRODUCTION

GST (Goods and Services Tax) is a single indirect tax aimed at making the country a unified common market. It is imposed on the supply of goods and/or services within India. Multiple indirect taxes that the Central Government or State Governments impose on suppliers and consumers are subsumed by GST. The taxes levied and collected by the Centre until 1 July, 2017, that are subsumed by GST include Central Excise duty, Duties of Excise (medicinal and toilet preparations), Additional Duties of Excise (goods of special importance), Additional Duties of Excise (textile and textile products), Additional Duties of Customs, Special Additional Duties of Customs, Service Tax, and Central surcharges and cesses. The State taxes subsumed under GST include State VAT, Entry Tax, Central Sales Tax, Entertainment and Amusement Tax, Luxury Tax, Purchase Tax, Taxes on advertisements, Taxes on gambling, betting and lotteries, and State surcharges and cesses relating to the supply of commodities and services.

GST Launched In 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, the latest being on 18th January 2018. 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.

2. REVIEW OF LITERATURE

Subhamoy Banik and Advocate Arundhatidas 2017 they have analyzed GST in India impact and challenges. The motive of the study is to grasp the concept of GST features of GST and to assess the advantages and implementation of GST and their conclude government demand for a positive charge in the economy with a GDP growth rate of 6.3%. Shilpa Rani 2017 she has studied a research paper on goods and service tax and its impact on Indian economy. The main objective of this study is complete list of GST rates at all items, impact of GST on food item and health/ aids, and benefits of the GST to business consumer and industry. Lourdu Nathan F and Xavier P 2017 Their studied prospective and challenges the study mainly focused on in explicit opinions among the

manufacturers, traders and society about the GST, challenges of introduction of GST in India, and prospects in implementation of GST in India.

3. OBJECTIVES OF THE STUDY

To know the positive and negative impacts of GST on Indian economy, To compare VAT and GST, To analyse rate changes on goods and its compared with old GST rates.

4. DATA COLLECTION

Secondary data has been used for the study. The data has been collected from library, text books, journals and articles from new paper and from relevant websites available on internet.

5. IMPACT OF GST ON INDIAN ECONOMY

Increase Competitiveness: The retail price of the manufactured goods and services in India reveals that the total tax component is around 25-30% of the cost of the product. After implementation of GST, the prices have gone down, as the burden of paying taxes has been reduced to the final consumer of such goods and services. There is a scope to increase production, hence, competition increases.

Simple Tax Structure: Calculation of taxes under GST is simpler. Instead of multiple taxation under different stages of supply chain, GST is a one single tax. This saves money and time.

Economic Union Of India: There is freedom of transportation of goods and services from one state to another after GST. Goods can be easily transported all over the country, which is a benefit to all businesses. This encourages increase in production and for businesses to focus on PAN-India operations

Uniform Tax Regime: GST being a single tax, it has made it easier for the taxpayer to pay taxes uniformly. Previously, there used to be multiple taxes at every stage of supply chain, where the taxpayer would get confused, which is a disadvantage.

Greater Tax Revenues: A simpler tax structure can bring about greater compliance, this increases the number of tax payers and in turn the tax revenues collected for the government. By simplifying structures, GST would encourage compliance, which is also expected to widen the tax base.

Increase in Exports: There has been a fall in the cost of production in the domestic market after the introduction of GST, which is a positive influence to increase the competitiveness towards the international market

6. BENEFITS OF GST

Removal of multiple taxation. GST is one common man to one 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. Control over the circulation of black money as the system normally followed by traders and shopkeepers will be put to a mandatory check. Revenue of the government increased by extended tax base.

7. VALUE ADDED TAX AND GOODS AND SERVICES TAX

Meaning of VAT: Value Added Tax is the charge levied by the government of a particular country, on each production or distribution stage of goods. This tax system is charged within multiple points.

It is a consumption tax form, where the total value addition a firm creates equals the difference between the proceeds and the total spent on purchases.

Meaning of GST: Goods and Services tax is quite similar to VAT. It is a destination based value addition tax levied on production process, sales and the final consumption of the goods and services. The GST eliminates the cascading effect as it only applies to the value addition within every stage, where no other taxes will be applied. Cascading effect refers to the double payment of tax, where previous tax payments on a particular good or service is not accounted for.

8. COMPARISON OF VAT AND GST

TABLE 1. Difference between GST And VAT

BASIS	VAT	GST
Meaning	VAT is a consumption tax, that is levied on the value addition, at each stage of production/distribution of goods.	GST is a destination based tax, charged on the manufacture, sale and consumption of goods and services.
Taxation	Sale of goods	Supply of goods and services
Payment mode	Offline	Online
Registration	Compulsory if turnover is more than 10,00,000.	Compulsory if turnover is more than 20,00,000.
Basis of Taxation	Based on summary	Based on Transactions
Revenue collection	Seller state collects revenue	Consumer state collects revenue
Excise Duty	It is levied on the manufacture excisable goods	It is not levied
Inter State Sales	Input credit is not possible in case of interstate sales	Input credit is possible in case of interstate sales.

9. CHANGES ON GOODS AND SERVICE TAX AND ITS COMPARED WITH OLD GST RATES

TABLE 2. New Goods and Service Tax And Its Compared With Old GST Rates SLAB 28%

ITEMS	Old tax rate	New tax rate
refrigerators, lithium batteries, vacuum cleaners, grinders, mixers, food processors, water heaters, hair dryers, water coolers, ice cream freezers, scents, perfumes, powder puffs, cosmetics, and electric ironing machines	28%	18%
All leather items	28%	18%
Second-hand medium and large cars and SUVs	28%	18%
Bio Fuels Powered buses	28%	18%
The admission to Theme parks, water parks etc.	28%	18%
Poster Color	28%	18%
Modelling Paste for children amusement	28%	18%
Hard Rubber Waste	28%	5%
Floor Tiles	28%	18%
Fittings for loose leaf binders, or files, letter clips, letter corners, paper clips, staple in strips,	28%	18%
Plain shaft bearing 8483	28%	18%
parts suitable for use solely or principally with fixed speed diesel engine of power not exceeding 15HP	28%	18%
parts for Pumps	28%	18%

TABLE 3. SLAB 18%

ITEMS	Old tax rate	Newtax rate
Bamboo flooring Hand-operated rubber rollers Zip fasteners	18%	12%
LPG supply for household domestic consumers by private LPG distributors	18%	5%
Sugar boiled confectionery	18%	12%
Drinking water packed in 20 litre bottle	18%	12%
Drip irrigation system	18%	12%
Tailoring Service	18%	5%
Packaged Food	18%	5%
Plastic Waste, Pairing & Scraps	18%	5%
Rubber Waste, Paring & Scrap	18%	5%

Sewing thread of manmade filaments	18%	12%
All synthetic filament yarn, such as nylon, polyester, acrylic	18%	12%
All artificial filament yarn, such as viscose rayon	18%	12%
Sewing thread for manmade staple fibres	18%	12%
Yarn of manmade staple fibres	18%	12%
Cullet or other waste of glass	18%	5%
Biomass briquettes	18%	5%

TABLE 4. SLAB 12%

Items	Old tax rate	New tax rate
Cigarette filter rods	12%	18%
Mangoes sliced dried	12%	5%
Khakra& plain chapati / roti	12%	5%
Namkeens	12%	5%
Ayurvedic, Unani, Siddha, Homeopathy medicines	12%	5%
Paper Waste & Scrap	12%	5%
Real Zari	12%	5%

TABLE 5. SLAB 5%

Items	Old tax rate	New tax rate
Sanitary napkins, Stone, marble and wooden deities, Rakhis without precious stones, brooms and commemorative coins , Fortified milk	5%	NIL
Duty Credit scrips	5%	Nil

10. CONSUMPTION OF GOODS AND SERVICES COMPARED ON BEFORE GST AND AFTER GST

TABLE 6. comparison of consumption before GST and after GST

CATEGORY	BEFORE GST	AFTER GST
Food	12.5%	5.00%
Entertainment	30.00%	28.00%
Transportation	15.00%	18.00%
Household – Personal Care	28.00%	18.00%
Mobile Phone	15.00%	18.00%
Insurance Premium	15.00%	18.00%
Credit Card Bills	15.00%	18.00%

11. CONCLUSION

From the above we have analysed the impact of GST on Indian economy it helps to know the negative and positive impact of GST and also can be seen difference between GST and VAT and it's reported the rate changes of goods and services tax are updated. This study GST rates changes (5% to NIL, 12% to 5%, 18% to 12% , 5%, 28% to 18%) are clearly explained and also helps to known consumption of essential goods and services are varied from before amendment of GST and after the amendment of GST should be mentioned above.

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