

AN EMPIRICAL STUDY OF GST EFFECT ON INDIAN ECONOMY

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ABSTRACT:

Goods & service tax is also called GST. Goods & Service Tax is an sales tax which has included many sales Taxes in India. All indirect taxes such as central sales tax (CST), excise duty, and value added tax (VAT) etc. will be included in a single regime. GST as changed the Indian economy. GST is expected as an important step by including sales tax reform in the country. The future study is designed to find out the impact of GST on Indian budget with individual impact on various sectors. The GST was established in the year 2004 by the "Task Force on Application of Monetary Liability and Budget Management Act, 2003", under Kelkar Committee in India. Under GST every person should be responsible to pay tax on output and enjoy credit on input tax paid and tax shall be only on the VAT. The past GST has become reality. The Goods Service Tax was announced at midnight on 1st July, 2017 by the President of India, and the Government of India. It aims to fill the gaps in the existing system and boost the Indian economy. This is done by shortening and consolidating indirect taxes to all the states across India.

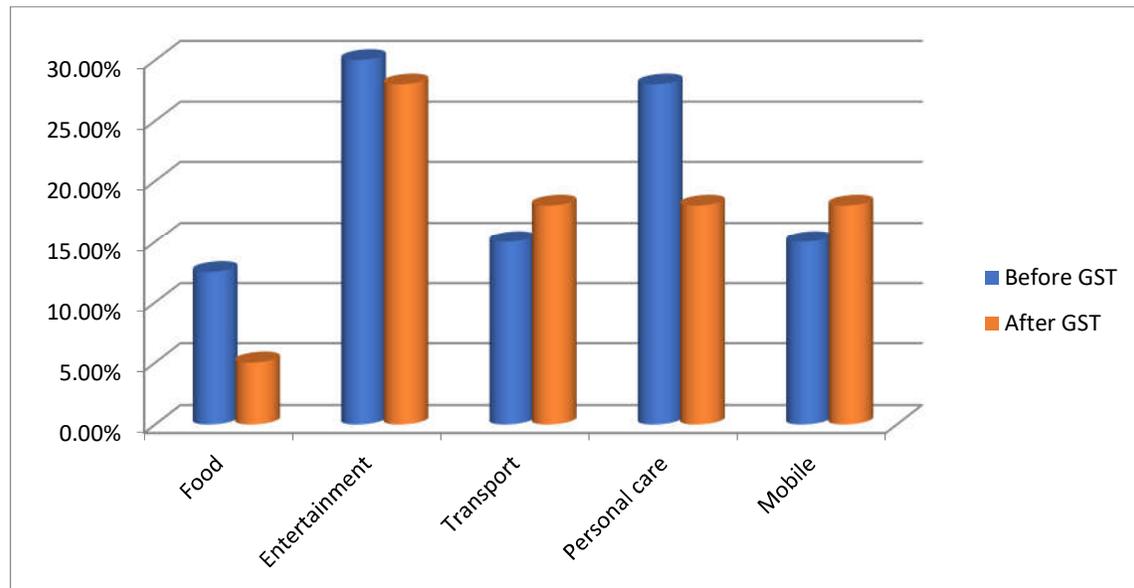
Key words: GST, Regime, Indirect tax.

INTRODUCTION:

GST means the Goods and Services Tax imposed by the management in the process of replacing everything indirect taxes. In India, the task force implemented the GST idea in 2004 Kelkar Committee on Financial Accountability and Budget Management Act, 2003. Kelkar Committee the dual GST system is believed to be taxable for almost all “Goods & Services” and for Indians. The economy encompasses a wide market of tax base, enhances revenue collection by collecting and a more practical approach to indirect tax collection and efficient resource allocation. Under objects and Service tax, each person is responsible for paying the tax on the output and is entitled to enjoy credit the input tax is paid and the tax is only on the added value. The main goal of GST is eradication the cascading effect is the tax on tax and this principals to the cost competitiveness of the products and amenities in the national and international market.

The GST system is built on the consolidation of various taxes and has the potential to give full credit to input taxes. GST is a comprehensive model of collection and indirect tax collection in India and replaces the taxes levied by the central and state governments. The GST imposes and covers every stage of the sale or purchase of goods or services using the Input Tax Credit method. This system entitles GST-registered commercial houses to receive credit of the tax they paid purchase of goods & services as part of their daily business.

The tax on historical Goods and services has become a realism. New tax system a function in the Central Hall of Parliament on the 1st July, 2017 (Friday midnight). GST, it contains the formula “One country, one tax, one market” aims to unify the country’s \$ 2 tons economy and \$ 1.3 billion persons into a general market. Under GST, goods & services fall into five tax categories: 0%, 5%, 12%, 18%, and 28%. For corporations, the removal of many taxes improves it’s easy to do business. And for customers, the major benefit in terms of overall discount tax problem on goods. “Inflation will fall, tax evasion will be difficult, and India’s GDP will benefit Goods and Services Tax” and its Effect on the Indian Economy and additional incomes will be used for the welfare of the poor and underprivileged, said “Finance Minister Arun Jaitley GST introduction occasion in Parliament. The Lok Sabha has lastly approved the Goods and Services Tax Bill, which will have a important impact on each industry and each consumer.” This study helps to understand how GST has a positive power on leading economic growth.

SIGNIFICANT IMPACT ON GST**OBJECTIVES:**

1. To study about conclusion of GST on Indian economy.
2. To understand the short-term result of GST on economy.
3. Knowing the work policy of GST in India.
4. To examine benefits of GST.
5. To create a common market across the country.
6. To minimize cascading effect on taxation.
7. To minimize tax slab rates and increase tax base.
8. Development of Harmonized National market.

Review of literature:

Nishita Gupta in her study “GST: This Impact on the Indian Economy”, the Goods and Services Tax provides a significant improvement over complete indirect tax modification in India and gives India a world class tax scheme and tax collection. This will end the differential sectoral distortions. They believe that this would lead to repeal of central sales tax, state level sales tax, octroy, entry tax, stamp duty, telecom license fee and taxon consumption. Goods and Service Tax is expected to create a business-friendly environment in India, resulting in the application of a uniform tax rate that will reduce price levels and inflation rates overtime. This will improve the financial health of the government as tax avoidance becomes more transparent as tax collection becomes more transparent.

Nitin Kumar writes in his paper “Goods and Service Tax in India: Goods and Service Tax is one of the major tax modifications in India”. The central idea behind this form of taxes is to change present taxes such as VAT, service tax, excise duty and sales tax by imposing a complete tax on the production and use of goods & services in the country. The GST is expected to unite the country as it eliminates the various forms of taxation currently being imposed.

Dr. Ambrishstates notes in his study that “The impact of Goods and Services Tax and start-ups” is that the GST will unite the country, thus eliminating the various forms of taxation currently being imposed. Based on the 2015 NASSCOM (National Association of Software and Services companies) report, this paper analyses how GST impacts on the country’s start-ups and how it impacts GDP.

Dr. Vasanthagopal considered “GST in India: A major bound in the indirect tax system” and found that the design of GST is rational and that the positive effects depend on balancing the conflicting interests of various stakeholders. He said GST would be a big leaf ion indirect tax system and would give India a new catalyst for economic change. The operation of the GST is considered one of the major game-changing reforms of the Government of India, helping it to become a financially integrated economy and decrease business costs and simplify seamless movement of goods and services that eliminate local charges.

Overview of GST and its Effect on Various Sectors:

If we talk about the effect of GST on manufacturers, distributors and retailers, it is expected that GST will increase the competitiveness and performance of the Indian manufacturer due to tax structure. High infrastructure costs and decreased exports are some of the concerns of the sector. Single tax policy reduces administrative costs for manufacturers and distributors and this sector will grow even stronger. Once looking at the effect of GST on service providers, it can be seen that the tax burden is heavily burdened by domains such as telecommunication services, insurance industry, business support services, financial services, banking services and IT services.

The overview of GST will decrease become the support of the logistic industry economy. We can be very assured that the well-organized and matured logistics industry is likely to advance the Indian government's “Make in India” creativity and make a positive effect on the economy. At the same time, GST helps the growth of the e-com sector but the long-term effects are mainly interesting because the “Model GST Act” specifically advocates tax collection at the source (TCS) mechanism, which is expected to advantage GST by talking about the pharma industry and the pharma and health care industries. This will increase medical tourism with a simplified tax structure. The telecommunications sector charges are expected to decline after GST. Manufacturers save costs by managing inventory efficiently. GST rejects the need for state-of-the-art handset manufacturers and saves logistics costs because it is easier for handset manufacturers to sell their devices. A large number of skilled and unskilled workers are employed in the textile industry. The textile industry employs a large number of skilled and unskilled workers. This contributes to 10% of total annual exports and this value is likely to rise below the GST. GST has a positive impact on the cotton value chain of the textile industry leading to economic growth.

The sector sees significant benefits from the implementation of GST. The agriculture sector contributes greatly to GDP. This covers 16% of GDP. The main problems facing the agriculture sector are the transport of agricultural products along state lines. The Goods and Service Tax is expected to solve the transport problem. Since the GST removes the need for various sales depots, the FMCG (Fast Moving Consumer Goods) sector can

generate significant savings in logistics and distribution costs. The GST rate for this sector is estimated to be around 17%, which is lower than the 24-25% tax rate currently paid by FMCG companies. Under the current tax system, the automobile sector is subject to many taxes including excise, VAT, motor vehicle tax, road tax, sales tax and registration duty will be included by GST.

The analysis of GST and its effect on the Indian economy

The application of GST along with the digitized economy of goods and services tax, make India's economy look very clean and bigger, union Finance Minister Arun Jaitley said at a powerful Gujarat Global Summit. This is going to be a big step towards the consolidation of the informal economy and it is going to increase transactions, which are within the scope of banking system transactions and can lead to higher returns in the future. He said, "New India has emerged". As the level of demand rises, it is inevitable that the level of supply will respond as well. The GST wants the Ministry of Commerce to keep planters, leather and cement exporters away from its frame and impose a lower tax on them to increase production and increase employment. With this, producers will increase production and perform improved in the global market, retaining the proposed definition of agricultural experts to allow the land to be individually cultivated by individuals and family members of HUF and exempt under the GST. Manufacturers and merchants benefit from lower tax particles, transparent instructions and overall sound bookkeeping system. Consumers have to pay less for goods and services and principal to change in their spending patterns and livelihoods.

Positive Effect of GST on India:

1. GST is a solo tax system which reduces the number of indirect taxes. From now on, a single the term tax covers all of those indirect taxes.
2. The prices of products and services will fall, thus proving that the system is beneficial people who are tired of paying high prices.
3. It reduces the problem from the State and Central Government. All indirect taxes will come under GST.
4. As with other indirect taxes, GST is not charged at every stage of the sale. Should be developed.
5. Non-corrupt tax system. GST will introduce a corruption free tax system.
6. Low tax compliance.
7. Removes the cascading effect of taxes.
8. Manufacturing costs decrease so consumer goods prices are likely to fall.
9. Some products such as cars and FMCG become cheaper due to lower costs.
10. The consolidated tax regime leads to less corruption, which indirectly affects the common man.

Negative Effect of GST on India:

1. The overview of GST in the nation will have an impact on the real estate market. It grows new home purchasing price by 8% and the reduce buyer's market by 12%.
2. Most dealers do not pay the central excise tax and defraud the government by simply giving VAT. But all those dealers now have to pay GST.
3. Objects can also see an increasing trend.
4. The short-term effect of GST is anticipated to be neutral-negative for the wider economy.
5. Manufacturing processes take some period to become companies with the innovative framework adjust the input tax credit system and improved manage working principal requirements.
6. For consumers, this is a mixed bag, as some items become cheaper, while others are more expensive.
7. Services can be expensive. Example: Telecom, Banking, Airlines, etc.
8. It is easy to said than done. There are always some difficulties attached. This is consumption Tax based, so it is necessary to determine the place of service provided in the case of services.
9. If the real benefit is not given to the customer and the seller increases its profit margin, prices.
10. However, the GST's long-term strategy and positive impact will only be seen in the lengthy run. Let's GST proves to be positively game-changing and beneficial to the general public.

Conclusion:

A single tax system encourages new industries and businesspersons to engage in the service and manufacturing sector. GST is imposed only on the consumption of goods or services. Due to GST, prices go down and the price drop increases consumption and directly increases GDP. This will remove the GST implementation policy barrier that applies to all states at one time. From an analysis of the effect of recent changes in income tax. It is evident that the regulations on the total tax income are reforms. The measures have certainly brought significant improvement in Income collection. "Taxation on goods & services in India is called cascading and exploitation of production, resulting in resource misuse and low productivity and economic growth."

It also prevents voluntary compliance. It is well documented that this problem can be addressed effectively by instable the tax load from manufacture and trade to last consumption. Thus, a well-designed destination-based value-added tax on all goods & services is the greatest beautiful way to eliminate distortions and consume tax. In addition, there is similarly a demand for reform measures. Correct structural imbalances to make the tax structure more elastic, simple, rational and comprehensive to ensure better compliance. Tax reform in recent years and which has helped raise the Indian tax GDP ratio closer to the international level. Therefore, it can be concluded that directly increasing investment in GST FDI's, boosts the country's foreign treasury and indirectly increases employment opportunities. It also promotes new start-ups in India for business-friendly tax structure.

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