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Impact of GST on Indian Economy

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Abstract

GST stands for "Goods and Services Tax", and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services. GST implementation is a milestone in Indian tax system. It transforms the country into one unified common market. It will reduce the existing complexity of taxes as it subsumes VAT, Excise duty, service tax and Sales tax. It is a consumption based tax applied

1. Introduction

The President of India approved the Constitution Amendment Bill for Goods and Services Tax (GST) on 8 September 2016, following the bill's passage in the Indian parliament and its ratification by more than 50% of state legislatures. This law will replace all indirect taxes levied on goods and services by the central government and state government and implement GST by July 2017. The implementation of GST will have a far-reaching impact on almost all the aspects of the business operations as well as various Sectors in India. With more than 150 + countries now adopting some form of GST.

GST is a value-added tax levied at all points in the supply chain, with credit allowed for any tax paid on input acquired for use in making the supply. It would apply to both goods and services in a comprehensive manner, with exemptions restricted to a minimum.

The following are the salient features of the GST system:

- The power to make laws in respect of supplies in the course of inter-state trade or commerce will remain with the central government. The states will have the right to levy GST on intrastate transactions, including on services.
- The central government will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services (other than on alcohol for human consumption).
- All Indirect Taxation Structure are removed and comes under the head of GST
- Entertainment tax, imposed by states on movies, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- Stamp duties, typically imposed on legal agreements by states, will continue to be levied.

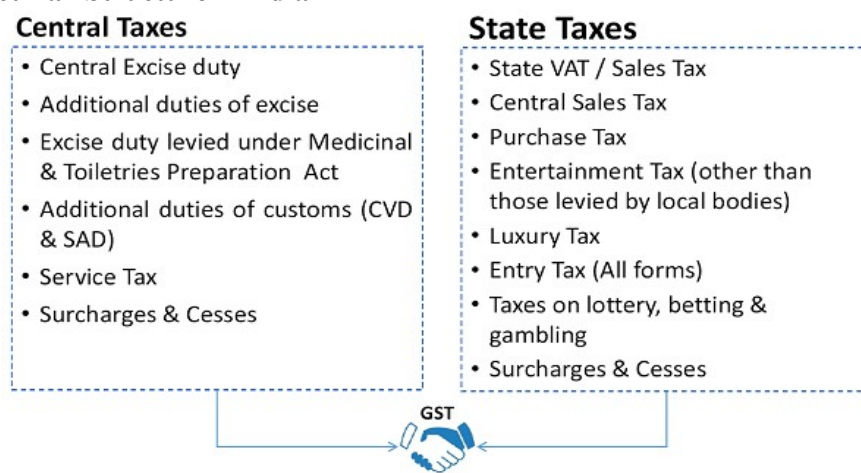
The key benefits associated with GST are:

- Offers a wider tax base, necessary for lowering tax rates and eliminating classification disputes
- Eliminates the multiplicity of taxes and their cascading effects
- Rationalizes the tax structure and simplifies compliance procedures
- Automates compliance procedures to reduce errors and increase efficiency

2. Objectives of Study

- To cognize the concept of GST
- To study the features of GST
- To evaluate the advantages of GST
- To furnish information for further research work on GST

3. Existing Indirect Tax Structure in India



4. Advantages of GST

a. Government:

- Consolidation of multiple Centre & State taxes
- Increased tax collection on wider tax base
- Improved tax GDP ratio —revenue aligned to the economy
- Better and effective administration

b. Business:

- Ease of compliance
- Reduction in effective tax rate on goods & services
- Reduction in cascading effect of tax
- Efficient deployment of resources

c. Consumer:

- Reduction in incidence of tax on goods / services
- Reduce double taxation

It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth. Ultimately it will help in poverty eradication by generating more employment and more financial resources.

GST Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply.

5. After GST Implementation:

GST Law has replaced many indirect tax laws that previously existed in India. In place of VAT, Service Tax etc the Government has Come up with Central GST & State GST (12%+12%). Suppose say the manufacturer after adding his profit sells the product to the Wholesaler at Rs.140. The Wholesaler then sells the product to the retailer at Rs.154 after adding a profit of 10% margin. The retailer then again adds 10% as profit which makes the cost of the product Rs.169.5 and a 12% CGST + 12% SGST is added to this product which the cost of the product stand at Rs.210.18. So, by the implementation of GST the cost of the product can be reduced. Before GST, tax on tax was calculated and tax was paid by every purchaser including the final consumer. The taxation on tax is called the Cascading Effect of Taxes. But GST is payable at the final point of consumption, meaning that the 'taxable event' will be the 'supply of goods' and the 'supply of services'.

6. What are the various slabs of GST in India?

GST slabs are pegged at 5%, 12%, 18% & 28%. The products like Milk, Curd, Lassi, Eggs, Unpacked Food Grains, Fresh Vegetables, Prasad, Salt, Khadi purchased from Khadi and Village Industries stores, Clay idols, brooms, Cotton seed oil cake, Charkha. Hotels and lodges with tariff below Rs 1,000, Educational & Health Services, Grandfathering service has been exempted under GST. Goods like petroleum, alcohol and tobacco are excluded

7. What are the widely used products that have become cheaper after GST?

- FMCG products like Bathing & Washing soaps, Hair oil, Detergent powder, Tissue papers, Napkins, Matchsticks, Kerosene, LPG domestic, Agarbatti, Toothpaste.
- Stationery items like pens, books, pencils School Bags, Printer, Papers.
- Healthcare items like Insulin, X-ray films for medical use, Diagnostic kits Glasses for corrective spectacles, Medicines for diabetes, cancer.
- Apparels like Silk, Woollen fabrics, Khadi yarn, Gandhi topi, Footwear below Rs 500, Apparel up to Rs 1,000

8. What are the widely used products that have become dearer after GST?

- Ghee, Cold drinks, Chocolate, Packaged chicken, Ice cream, Ayurvedic medicines,
- Movie tickets greater than Rs 100, AC restaurants, Electronic Home Appliances, Furniture,
- Cell phone bill, Insurance premiums, Bank services, credit card services, IPL tickets, AC train tickets, Business class air travels,
- Advertising services, Motorbikes with more than 350 cc engine, Telecom, Hotel room more than Rs 5,000, five star hotel restaurants.

9. Conclusion

GST is the new regime as "one nation one tax" and game changing reforms in Indian Economy and reducing cascading effect of tax on the cost Goods and Services. as per above

details we are knowing about that GST should be neither positive nor negative impact on National Economy because of indirect Tax system as replaced the same.

Major impacts of GST are done on automobile sector as well as small business concerns. Similarly GST has eliminated the complex structure of indirect taxation.

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