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GST as a boon for Indian Economy

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Abstract:

GST is a revolutionary step taken by The Government of India to make Indian economy stronger. At the simplest level, GST reduces the number of instances where taxes need to be paid thus reducing the possibility of manipulation on the part of tax authorities and is assumed to be a much transparent mode of administering taxes. It will alleviate the burden of cascading taxes for individuals. It is also expected to boost revenue collection in certain states and to reduce the prices of goods. Many economists and experts have predicted that GST bill will boost up the economy in long run. GST will bring uniformity and also deplete the cascading consequence of these taxes by giving input tax credit, having a comprehensive tax inclusion with minimum exceptions which will in turn help the Industry to benefit from the proposed common procedures and claim credit for the tax paid. Successful implementation of GST would give a strong signal to the foreign investors about India's increased creditworthiness, lesser compliance and procedural costs in the taxation sphere

Key Words: *Indirect Tax, Cascading, tax evasion, Common national market, More transparency, Economic growth*

Introduction:

India offers a well-structured tax system for its population. Taxes are the largest source of income for the government. This money is deployed for various purposes and projects for the development of the nation. Indirect taxes are not directly paid by the assessee to the government authorities. These are levied on goods and services and collected by intermediaries (those who sell goods or offer services).

As a significant step towards the reform of indirect taxation in India, the Central Government has introduced the Goods and Service Tax (GST). GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India and will subsume many indirect taxes levied by the Central and State Governments. GST will be implemented through Central GST (CGST), Integrated GST (IGST) and State GST (SGST).

According to Indian PM Modi, "GST is great step of transformation". It will eliminate the cascading effect of taxes, where the tax paid at one stage gets added on to the price of a good on which tax is levied at the next stage. So it will reduce the tax burden on goods and

services for the final consumer. It will improve indirect tax collections by broadening the tax base, making evasion less attractive. Above all, it will create a common market in India, since the rate will be uniform across the country and taxes paid in one state can be offset for transactions done in another.

OBJECTIVES OF STUDY

The study has following objectives:

- 1) To understand the concept of GST
- 2) To evaluate the advantages of GST
- 3) To study the positive impact of GST on Indian Economy.

Previous Indirect Tax Structure In India

A. Central Taxes

Central Excise duty, Additional duties of excise, Excise duty levied under Medicinal & Toiletries Preparation Act, Additional duties of customs (CVD & SAD), Service Tax, Surcharges & Cesses

B. State Taxes

State VAT / Sales Tax, Central Sales Tax, Purchase Tax, Entertainment Tax (other than those levied by local bodies), Luxury Tax, Entry Tax (All forms), Taxes on lottery, betting & gambling

Surcharges & Cesses

Indian tax structure has various loopholes like Complex procedures, cascading effects of tax, tax evasion. GST is a biggest reform ever in context to India to remove all these problems. It will impact the tax incidence, tax payment, compliance. The GST structure would follow the destination principle. Accordingly, imports would be subject to GST, while exports would be zero-rated. In the case of inter-state transactions within India, State tax would apply in the state of destination as opposed to that of origin.

GST:

GST is simply very similar to VAT. It can be termed as National level VAT on goods and services. It is a domestic trade tax that will be levied in the form of a value added tax on all goods and services -in practice with some exemptions.

Positive Impact of GST on Indian Economy:

Positive Impact of GST All most every industry body are "fully prepared" for implementation of the new indirect tax regime, while commending the government's efforts towards its rollout. The nationwide GST will overhaul India's convoluted indirect taxation system and unify the over \$2 trillion economy with 1.3 billion people into a single market. The medium-term impact of GST on macroeconomic indicators is expected to be extremely positive. Inflation will be reduced as cascading of taxes will be eliminated. ASSOCHAM president Sandeep Jajodia said India would move many notches up the global ease of doing ladder by this single, but the most important tax reform in the country.

GST is Boon to Indian Economy:

- The scenario of differing tax rates in different states obstructs cooperative federalism.
GST will bring uniformity and also deplete the cascading consequence of these taxes by giving input tax credit, having a comprehensive tax inclusion with minimum exceptions which will in turn help the Industry to benefit from the proposed common procedures and claim credit for the tax paid.
- GST is expected to increase the mobilization of resources available for property alleviation and development of the country as pointed out by the Prime Minister, Narendra Modi.
- The common base and common rates across goods and services and very similar rates across Centre and States will result in effective administration and increase compliance while also ensuring the better management of taxes collected in the State.
- The complicated tax-levy system categorized by distortions between States and Centre divides the country into separate economic zones, with the help of GST this will get transformed into one common national market.
- Tax Governance will get a positive boost through this regime, mainly, through the feature of input tax credit.
- Successful implementation of GST would give a strong signal to the foreign investors about India's increased creditworthiness, lesser compliance and procedural costs in the taxation sphere and remove the complexities faced by the foreign investors who were reluctant to invest in consonance with the existence of virtual economic zones throughout the country.

Conclusions:

- GST is a simple tax system. Now, the taxpayer won't be confused about what type of taxes he/she should pay.
- There will be only one tax, which is GST. The agenda of the government behind introducing GST itself is "One Nation, One Tax".
- GST Act is going to ease the stress of taxes from Indian businesses and manufacturers. They now have to pay lower taxes, and it will surely increase the scope of a better business environment and flexibility.
- India is economically growing with a lightning speed. Developed countries like Sweden, Denmark, Germany, Switzerland, and Japan – have moved to a common GST (Goods and Service Tax) to provide one common window for tax collection.
- So now GST has become a standard tax for global business and India being progressing towards the development had to embrace a uniform, sophisticated tax system which is GST.
- GST will surely increase the number of taxpayers, which will in turn help to reduce the tax rates as more people are paying taxes and in turn it will boost the Indian Economy.

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