

Rayat Shikshan Sanstha's



CHANDRAROOP DAKALE JAIN COLLEGE OF COMMERCE

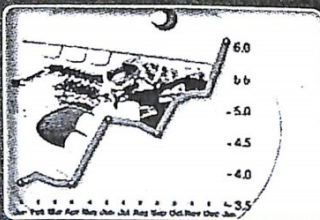
www.cdjcollege.com, www.cdjlibrary.co.nr

(Re-accredited by NAAC with 'A' Grade under the new scheme)
(ISO Certification 9001:2008)



NATIONAL LEVEL SEMINAR ON

ENVIRONMENTAL PROTECTION AND ECONOMIC DEVELOPMENT



Sponsored by : U. G. C - University Grant Commission, New Delhi

ISBN-978-81-930865-5-1

Publisher

Principal, C. D. Jain College of Commerce, Shrirampur, Dist. Ahmednagar.

ISBN : 978-81-930865-5-1

"Education Through Self - Help is our motto" - Karmaveer



Rayat Shikshan Sanstha's

**CHANDRAROOP DAKALE JAIN
COLLEGE OF COMMERCE**

Shrirampur - 413709, Dist - Ahmednagar

www.cdjcollege.com, www.cdjlibrary.co.nr

(Re-accredited by NAAC with 'A' Grade under the new scheme)

(ISO Certification 9001 : 2008)

PROCEEDING

NATIONAL LEVEL SEMINAR

ON

INFLATIONARY PRESSURE ON INDIAN ECONOMY

29th & 30th Aug 2016

Sponsored by

University Grants Commission, New Delhi

PUSLISHER

Principal, C. D. Jain College of Commerce, Shrirampur

Dist. - Ahmednagar

21	Inflation – Impact on Indian Economy & Agriculture Prof. Khandagale Deelip P.	78
22	Inflation In Recent Years (2014-2015) Prof. Shaikh Shaukat Dadamia Prof. Pradip S. Yadav	81
23	Inflation – Problems and Remedies in Indian Economy Prof. Mengal S.G.	84
24	Inflation in India, Dr. Anupama Deepak Gandhi	89
25	Food Inflation in India - causes and Trends Khandre Swapnali Ramesh, Dr. Bhosale R.D.	91
26	Inflation and Its Impact on Indian Economy Prof. Sayyed Sadik Bashir, Dr. Sanjay Vaidya	94
27	Food Inflation in India Prof. Chandratre Y. V., Dr. Bhor L. D.	97
28	Inflation in India: Causes and Impact Jadhav Mangesh Dagadu, Dr. S. N. Gawali	100
29	Inflation: Service Sector Dr. S. R. Bakhale	104
30	Impact of GST on Indian Economy Prof. Mrs. Gujar Pornima Sachin	107
31	Inflation Impact on Agricultural Sector Dr. S. N. Gawali	110
32	Inflation in India: Role of Monetary Policy Dr. Naresh Madhavi	115
33	A View on Indian Inflation Dr. Tajane Umesh A., More Yogita Subhash	119
34	A Study of Impact of RBI policy rates on inflation Prof. Zalake A.S	122
35	Inflation and Role of RBI in Next 5 Years Dr. S.N. Gawali, Prof. Yuvaraj M. Waghere	126
36	A Research on Inflation in India-Causes and its Impacts Prof. Bhausahab S. Waghmare	128
37	Agricultural Price Policy in India Prof. Garule G.L., Prof. Sherkar S.A.	133
38	Inflationary Trend Boost to Gold Demand Gaikwad Yogita Suresh, Dr. Adik B. R.	136
39	Inflationary Trend in India- Food Inflation Dr. Mahejabin D. Sayyad	140
40	Inflation- Causes and Remedies Dr. Shinde Suresh Sukdeo	146
41	Inflation and Economic Recovery : External Trade and Investment Dr. Vikhe Archana Anil	150
42	Understanding Inflation and Controlling It Prof. Dr. B.B. Nighot, Prof. Pradip S. Yadav	154
43	Inflation: Causes and Impact Dr. Kadam Pramodini, Miss. Jagtap Mangal B.	157

Impact of GST on Indian Economy

Prof. Mrs. Gujar Pornima Sachin
Assistant Professor
pornima.gujar@gmail.com
C.D.Jain College Of Commerce,
Shrirampur

- **Abstract:**

“Goods and Services Tax” would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the Central and State Governments. Goods and services tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST – registered business to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. This paper attempts to cover the basic concepts of GST and its general impact on various economic factors in the society.

Key-words: GST – Goods and Service Taxes.

- **Objectives:**

1. To understand the concept of GST.
2. To study the objectives behind implementing GST.
3. To study the impact of GST on various factors in Society.
4. To study the changes in cost factor before and after introducing GST.

VAT – Value Added Tax.

MODVAT - Modified Value Added Tax.

- **Introduction:**

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate double taxation facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated at 25% - 30%.

“Goods and Services Tax” would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the Central and State Governments. Goods and services tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST – registered business to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be

levied the same taxes as domestic goods and services adhering to the destination principle.

- **Concept of GST:**

GST would subsume other forms of indirect taxation, making it easier for business to comply with the tax regime. Being a multi-stage tax, GST provides for an input tax credit mechanism, which is expected to encourage better invoicing. The efforts for getting GST in India initiated in the year 1986-87, when The Then Hon Finance Minister, V. P. Singh introduces the MODVAT, and set a stage for VAT, which is the first step towards GST. When India started its journey on the path of GST, 34 countries had already implemented the GST. And at present when India is on the stage of actual implementation of GST; there are 165 countries using it.

It is a broad-based and comprehensive tax on manufacture, sale and consumption of goods and services at a national level. The main objective of GST is to remove multiplicity of taxes across states to create a single national taxation system, as well as a single common market. GST is envisaged as a consumption tax, and hence the tax is passed on until the last stage, where the customer of the goods and services bears the tax. The current tax system of CENVAT (Central Vat) and (SVAT) State Vat suffers from multiple layers and a heavy burden of taxes. The State VAT provides for tax credit for intrastate transactions (within a state) but the present system is unable to provide tax credit for interstate transactions. GST would subsume other forms of indirect taxation, making it easier for business to comply with the tax regime. Being a multi-stage task, GST provides for an input tax credit mechanism, which is expected to encourage better invoicing and voluntary compliance. The easier tax structure along with broader tax base would help to increase revenue collections for the Government. Companies' decisions to set up production operations would be influenced not by tax benefits but based on core business efficiency. Also with the destination-based principle and provision to claim input tax credit, tax rate applicable on exports is likely to be zero, increasing the competitiveness of Indian firms. The nature of GST to be implemented is widely expected to be the Dual GST model with concurrent powers to both center and state to tax both goods and services over a common and identical base. The Chief Economic Advisor-led panel report has recommended the standard GST rate to be 17-18%.

Implementation of the GST in the near term could bring some uptick in inflation, but growth and public finances to be affected positively. Moreover, inflationary impact, if any, should be transitory. Consumption, logistics, house building materials and industrial manufacturing would likely experience a positive impact. Oil and gas could see a negative impact, while cigarettes could see a negative impact only if overall tax incidence goes up, which may be a low-probability event. The remaining sectors would likely see a neutral impact.

• **Example of change in cost factor before and after introducing GST:**

MATH of GST: An Example of a Car - Maruti Swift LXI	Current – Before GST	Expected – After GST @ 18%
Manufacturer's Price	2,72,375	2,72,375
Total Taxes at manufacturer stage	1,28,657*	49,028 (18% GST)
Cost to dealer	4,01,032	3,21,403
Margin @ 10%	40,103	32,140
Sale Price for dealer	4,41,135	3,53,543
VAT / GST	55,142 (12.5%)	63,638 (18%)
Net VAT / GST (after claiming credit)	12,502	14,610
Price to Customer	4,96,277	4,17,180
*includes excise duty, infrastructure cess, VAT and Octroi. Example uses Maruti Swift LXI with retail price of Rs. 4,96,277.		16% LOWER
Source: Times Of India, dated August 04, 2016.		

From the above example, it is observed that if GST would be implemented upto 18%, it would show the positive impact on the Indian Economy. But it's too early to count its benefits as GST tax rates are not yet fixed, they will be decided by the GST council. The council will have to be set up in the next 60 days. A finance ministry panel has suggested the standard GST rate of 18%, with a 12% lower and a 40% higher rate.

• **Conclusions:**

1. The GST creates one national tax to replace a slew of complex ones that differ from state to state.
2. The rate of tax will decide the actual impact on the society.
3. GST will lower the prices of some goods like electronic items and two-wheelers. But services-eating out or using a beauty salon or plane tickets, for example, will become more expensive.