

A study of Growth Implications, Impacts and Challenges of Goods and Service Tax in Indian Economy

Dr.WINSTON DUNN

Associate Professor

Department of Management Studies,
Visvesvaraya Technological University, Belagavi.

Dr.CHEN CHOU

Research Scholar

Department of Management Studies,
Visvesvaraya Technological University, Belagavi.

Abstract:

GST is a consumption based tax which is the primary concept is to tax the value addition at every step of the business, in other words it is comprehensive, multistage, and destination based consumption tax on levied at every stage of value addition in the life -cycle of a product. GST (Goods and Service tax) is one nation, one Market, One Tax which has been levied across India on all the Goods & services. Most of the Indirect Taxes are subsumed within the GST such as central excise Duty, VAT (Value added Tax), Luxury Tax, taxes on lotteries etc. GST is the one which inform the economy to expand in an systematic and effective way by ameliorating the tax duty as it disrupts all the hurdle of tax in middle of centre & state by one tax. The proposed study is designed to understand the implications of GST in Indian economy in different sectors where the economy is generated, the paper also includes the challenges, opportunities and benefits of this indirect tax, and the paper is purely conceptual.

Keywords:

GST, indirect Tax, Impact, Implications, India.

Introduction:

The dictionary definition of the word 'tax' is toil or demand, a stressful or it can be said as a burden of obligation. The dictionary meaning of 'TAX' means an account call. As I see it Indians, especially the people who are prospering in life, still they don't understand the basic principle of the capacity of taxation. Potentiality used to design consonance and uniformity in community. This unites and unites many economically diverse people. The power of taxation really requires those in the highest paid groups to account for the needs of those who have less to eat and who may not be as safe as the poorest sections of society. Tax which is nothing but the money that people have to pay to the government, which in turn uses it to provide the public services, which is a mandatory contribution of the state income which is levied upon the income of employees or profits in business and even at the price of particular products, Assistance or even transactions. This article deals with the post independence economy and the growth implication of GST as we got Independence on 15 August 1947, which was a landmark event that marked the end of British colonialism which are due to the tax on Salt and how that revolution from Dandi March/ salt march would help in revolt and at the same time marked the end of our captive country with all its power, propriety, faults and folly. As it happens event was the result of more than a hundred years of successful struggle and its extraordinary failure, which ultimately culminated in Freedom. While we appropriately celebrate the joys of the thing, as it is occasionally unremembered how tax-like theme take action as a cause for abolish the foreign ability.

The indirect tax when overlooked from the past over this past 75 years major indirect taxes which we have come across VAT, Service Tax , Sales tax , Custom duty, Excise, cesses and surcharges in until now they link to supply.

Post independence at the forefront was industrial growth and at simultaneously there was a great need to necessitate for the agricultural and agricultural industries. In the last 40 years linking the liberation and the beginning up of the Indian economy, indirect tax laws have been very flexible. (Dharmadhikari, The Course Traversed By Indirect Tax Law Post Independence, August, 2021)

GST as a new Indirect Tax:

GST was introduced on 1st July 2017 in India which replaced many of the taxes levied both in state and central government. It has different set of tax rates that is zero percent, five percent, twelve percent, eighteen percent and twenty eight percent ,there

is even 0.25% for uncut precious/ semi-precious stones, 3% rate on gold, 15% cess additionally. “One nation, one Market, one tax” was the slogan which is the biggest tax reform in India throughout the country in 29 states and 7 union Territories which gives a win-win situation to the entire 1.4 Billion citizen.

Literature Review:

- (Dharmadhikari, 2021)has described indirect tax from the time of independence to mentioning the effective implications of the law and powers by the government and the reforms done in indirect tax more over an understanding of old and new indirect taxes.
- (Dr. Manisha Shinde, 2019)In her study describes how the GST has impacted on numerous areas of financial resource which are different types of industries, technological sectors, enterprises, telecom etc.
- (Sharma, 2017) Studied, that implicates that GST has helped in removing the old indirect taxation to the new unbiased tax structure throughout the country and what all the implications caused by the new taxation.
- (mishra, 2018) Describes the overview of GST and its impact on different sectors and the analysis on GST with Indian Economy. The researcher has also described about the implications applied at the time for all states lack of policy barrier will remove and the friendly business tax structure is been promoted.
- (Dr.R.Vasanthagopal)discusses over the implementations of GST in the Indirect tax has been taken place and how it has replaced the VAT, CENVAT, Duties etc , and it also mentions how the GST has made the market get into international competitive globally.

Objectives of the study:

- To understand the research model of the concept GST in relation to India economy.
- To study the implications and take issue with Indian economy by GST.
- To understand the compute to deal with unfavourable influence on several stakeholders.

Research Methodology:

The research paper is focused on exploratory research with extensive study of secondary data which is collected from various journals, blogs, write ups, Books, government Reports, and different papers from different websites which is extensively focused on goods and Service Tax.

An overview of GST and Its implications and impact on different growing economic Sectors:

The GST in India is a significant steps in the area of indirect tax reform, by consolidating the huge number of central taxes and state taxes into a one tax, it can reduce taxation or multiple taxation in a broad and open way for a normal national merchandise. GST is making the Indian made products to get into competitive market not just the local or domestic market but also in the international markets. It has been increasingly impacting the growth of the economy. This tax due to the transparency and self-regulating character it has been much easy to administer it or monitor the tax.

Objectives of GST:

- i. To implement consumption based taxation.
- ii. To eliminate the cascading effect of tax on tax.
- iii. To reduce tax evasion and corruption.
- iv. To improve the GDP ratio.
- v. To bring one simple tax structure all over the country.

The GST regime covers all the goods and services except the hard liquor which is for the human consumption and petroleum goods. Tobacco products are subjected to impose of GST and Central government will also charge excise duty. GST council has not yet made the decision on prevalence the imposing of GST on some of the products which are :

- Petroleum products like crude oil or petrol(Motor spirit), diesel(HSD), natural gas, Aviation Turbine fuel etc.
- Alcohol which is used for human Consumption.
- Electricity (India, 2017)

Implications:

- GST may increase the Foreign direct investment (FDI).
- Revenue will be increased in long term aspect through GST.
- GST will reduce the different types of tax which will help in lowering the selling Price for the end consumer.
- GST will make easy for implementing the business throughout India.
- This Tax will reduce the transaction and compliance cost.
- It will create a vast employment opportunities.
- It will increase the revenue of the government by broader tax base.
- Due to the consistency in the Tax law it will lead one point taxation for all the goods and services throughout India.
- It will minimize the litigation and wastage of Judiciary time and the person due to the shallow proceeding at various level of adjudication.
- It will help in reducing the tax burden on producers.
- GST will help in making the system more transparency as the customer will be known to the charges as Tax which will be placed and on what bases.
- This Tax will help the government remove the custom duties on the imports and exports and this will help up in-turn in competitiveness in foreign Markets which will increase as there are low cost transactions.

Impact on FMGC:

FMGC(fast moving consumer goods) companies would really change by the implementation of GST, when we look at this companies this have 50% for the food and beverage sector and the other 30% in housing and personal care .it can get benefit from GST in form of saving a considerable amount of expenses on logistics which is costing 2-7% and my implications of GST its dropped to 1.5%.

Impact on Technological Services:

As GST will remove multiple levies, due to which GST rate has been increased to 18% from 14-15%, but also IT industry will be benefited by the immense boost in the sale of the software and they will be profited by the sales due to which the electronic products and gadgets would be expensive.

Impact on Telecom Industry:

The handsets may get pricey throughout India, and manufacturing sector may get much benefit as the benefits will earn from consolidating their store house and managing inventory efficiency. The tax rate has been increased to 18% from 15% which will result in load over the telecom sector which causes financial burden.

Impact on Automobiles:

When considered to Automobile sector, GST is more probably to be impartial as regards to hybrid cars. Previously when the 2 taxes were charged to the consumer for the cars or bikes which included VAT or Excise which when combined it would be around 26.50%-44% which when compared to GST it is quite a high rate which is 18%-28% , due to the implementation of GST the consumer will be relieved for higher tax.

Impact on media and entertainment Industry:

GST has different effect depending on the states for the entertainment industry and due to which the price to the end consumer will be reduced. GST will beguile the crucial point and dreariness in business. This will make the tax go down by 2-4% the GST carries a lot of weight of benefit to cinema producers and all the studio that conclude service tax , but the input credit on creative services cannot be changed.

Impact on Cement Industry:

With reference to angel Broking, we can see that GST implements are it was assumed to be impartial for cement industries. Which will attract 28% of Tax which is higher rate of tax which increased the cost for the entire infrastructure sector but due to GST it will bring down to the rate to 18-19%, which reduces logistics costs.

Impact on Airlines:

The airline travel may become a bit more expensive, with GST implications in this industry, the economy class rate is 5% and for business class is 12% rate, which will increase the burden of 3% in business class on all the flight tickets which will affect the overall growth of Airline industry.

Challenges of GST in Indian Context:

GST may be one of the simplified Tax and the implications are more over successful, but even after this % years of implementation of GST, it is much debated Tax regime which is suggested by the progress in revenue number.

- GST-GDP ratio has remained quite volatile over the last 5years it is estimated to have come down to 5.58% during 2022-2023.
- Compensation to the states are still been debated.
- Conflicting orders by AAR (State level Authorities for Advance Rulings).
- The distributions of state's own Tax Revenue are not having a clear picture.
- Revenues are raised due to Inflation.
- Technical glitches are still the major problems which has been faced when applying GST in Business.

Suggestions:

- In the overall study it is suggested to opt plans or policies by the government which will give Positive implementation and best results.
- Four Tire taxes by GST council must be implementation to prevent raising of tax rates by states.
- The main purpose of digitalization of GST system must have more effective and proper network system.
- Still most people are not familiar to the concept of GST, some special Programs may be implemented to make a clear picture of GST and how it is functioning.

Conclusion:

Tax playing an important role in Indian economy for the revenue sources, GST can be treated as remarkable pace in field of Indirect Tax revolution which has happened in India. GST has not only made Taxation easy for society/industries but also have made the customer relaying on it as it has reduced some amount of Tax burden when compared to global markets, as it implements in the taxation system in a proposed way, there is a great path for system in a proposed way, there is a great path for the term sustaining growth for the economy of India.

References:

Dharmadhikari, S. C. (2021). The Course Traversed By Indirect Tax Law Post Independence. AIFTP Journal , 14-19.

Dharmadhikari, S. C. (August, 2021). The Course Traversed By Indirect Tax Law Post Independence. AIFTP Journal , 14.

Dr. Manisha Shinde. (2019). A Study of impact and Challenges of GST on various constituents of indian economy. IJRAR INTERNATIONAL JOURNAL OF RESEARCH AND ANALYTICAL REVIEWS (IJRAR) , 6 (1).

Dr.R.Vasanthagopal. (n.d.). GST in india: a big leap in the indirect taxation system.

India, t. o. (2017, August 23). The Times of india. Retrieved april 21, 2020, from <https://timesofindia.indiatimes.com/business/faqs/gst-faqs/list-of-items-kept-outside-the-purview-of-gst/articleshow/60191839.cms>

kamleshkumar, s. v. (2018). taxation strategies of selected indian companies pre and post GST.

mishra, D. n. (2018). Impact of GST on indian Economy. international journal of basic and applied research , 385.

Mukherjee, S. (2021). Revenue Implications of GST Rates Restructuring in India: An Analysis. National Institute of Public Finance and Policy .

Sharma, B. (2017). impact of GST on Indian Economy. research Gate .

Zuwu Zou, M. H. (2013, april). Mid market focus: GST implications on properties. Retrieved from informit: <https://search.informit.org/doi/abs/10.3316/ielapa.836678863956169>