



# POSITIVE AND NEGATIVE IMPACT OF GST ON IINDIAN ECONOMY

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**Abstract-** GST is one of the most pivotal assessment changes in India that is probably going to change the entire situation of present wasteful roundabout expense framework. Its execution is deferred on record of political bottleneck in the present monetary circumstance. To accomplish the worldwide seriousness, India needs to push ahead by furnishing itself with compelling financial tools.

Goods and Service Tax (GST) is an adjusted assessment shape which is exactly knows about as circuitous duty. GST is the outcome-based assessment, as it is assembled at the hour of utilization no longer at the factor of an effect on like going before charge. The current investigation intention is to characterize every one of those merchandise and administrations contributions that are excluded from GST and to comprehend the impact of GST in Indian monetary framework and the blast of pay in state and association and to analyse from where India have chosen up this GST thinking. The front-line study is fundamentally founded on optional insights, for example, diaries, webs, paper, magazines and books.

**Keywords:** Goods and Services Tax, Indian Monetary Framework.

## 1. INTRODUCTION

The present Indirect assessment framework in India engages both central and state governments to require charges. Focal government demands charge on production of products and gracefully of administrations like traditions obligations, focal extract, administration charge and so on then again, the state governments engaged to impose charge on merchandise at retail location, for example, state VAT, passage charge, Octroi and so forth There exist an assortment of charges and assessment base has been divided among focus and states. This came about Introducing GST and Its Impact on Indian Economy GST was once dispatch in India on first July 2017 by methods for our new finance Minister Arun Jaitley with the guide of passing the GST transfer by the lok Sabha. GST is characterized as the enormous assessment structure by sponsorship and expanding the financial development of a nation. It would likewise expand the situation of India in both International and Domestic level. It has additionally reduced the government expenditure trouble (1). It is obligatory to have a decent tax assessment framework since it is the main wellspring of income in country. Before Goods and Services Tax (GST), Indian taxation Structure are two types direct and indirect taxation. In Direct taxation structure has no effect on Goods and Services Tax

(GST), it includes only Income tax. But after implement Goods and Services Tax (GST), indirect taxation system totally effected, it includes Central Taxes and States Taxes, Central Taxes such as Central Excise Duty, Services Tax, Additional duties of customs (CVD & SAD), Additional duties of excise, Excise Duty levied under Medicinal & Toiletries Preparation Act. States Taxes includes State VAT/ Sales Tax, Central State Tax, Purchase Sale tax, Entrainment Tax (other than those levied by local bodies), Luxury Tax, Entry Tax (all forms), Tax on lottery, betting & gambling, Surcharges & cesses. Broadly we can say that Goods and Services Tax (GST) was Combination of all Indirect Taxes. Presently buyer makes good on the last expense. France is the initial European to place into impact GST in 1954. GST is a broad expense forces on assembling deal and usage of things and offering at a National level (2). Up to 62 years of its start in excess of 164 nations over the world have taken on GST on the grounds that this expense framework has a limit in expanding the income in the most straightforward and huge grow level (3). Below Table shows GST concept implementation in whole countries. The France country was the first country in the world, who implements the GST in their country.



Country	Standard VAT/GST rate in %	Other rates in %	Introduced in year
France	20	10,5,5,2,1	1954
Germany	19	7	1968
Netherlands	21	6,0	1969
Italy	22	10,5,4	1973
Argentina	21	27,10,5,0	1975
Korea	10	0	1977
Mexico	16	0	1980
Indonesia	10	0	1984
New Zealand	15	0	1986
Japan*	8	0	1989
Russia	18	10,0	1991
South Africa	14	0	1991
Singapore	7	0	1994
China	17	13,11,6,5,3	1994
Australia	10	0	2000
Malaysia	6	0	2015
India	18	5,12,28	2017**

. source: moneycontrol.com

## 2. NEED OF GST:

India's ongoing advancement towards monetary development originates from changes embraced after the 1991 monetary emergency, which lifted India from many years of moderate development under communist standard and offered an occasion to improve living conditions in the enormous, helpless nation. Simultaneously much had changed in India after the equilibrium of instalments emergency of 1991. Indian strategies became more certain about advancing fare and permitting unfamiliar cash-flow to take an interest during the time spent India's growth. Globalization and advancement have become thing to take care of today. The relationship of economies in their move for advancement constrained the Administrations of the multitude of nations to follow the globalization arrangements embraced by the significant economies of the world. To endure and fill in this financial request balanced and serious assessment approaches are being embraced by each nation. India has additionally conformed to the necessity and has been starting alterations in immediate and roundabout duties. The ongoing recommendations of Direct Taxes Code (DTC) and Goods and Services Tax (GST) are considered as way breaking in the monetary rebuilding when all is said in done and in the tax assessment region specifically.

## 3. OBJECTIVES

- To Consider the Effect of GST in Indian Monetary Framework.
- To Study Issues and Challenges in the proposed GST Bill.

## 4. LITERATURE REVIEW

**4.1 Wittwer and Kym (2002)** use a computable general equilibrium model (CGE) to analyse the impact of the GST and wine tax reform on Australia's wine industry introduced in 2000. It is concluded that export-oriented premium segment would gain at the expense of non-premium segment of wine industry.

**4.2 Dani shefali (2016)** Focused in their research paper 'Impact of GST in Indian economy' that the GST administration is an unenthusiastic attempt to justify indirect tax structure. The government of India should first study about it.

**4.3 Kour Milan deep, Chaudhary Kajal, Singh Surjan, Kaur Baljinder (2016)** Focused on the 'Impact of GST after its implementation' and concluded that GST structure will reduce the compliance Burden. GST has given a good result after implementation. The implicit message is that such gains would originate from increased prospects of exports of the premium wine segment.

**4.4 Upashi Ranjana (2017)** Studied in his research paper on 'Effects of Goods and service tax on different sectors in Indian' concluded that Tax assembly is going to enhance. GST impact is Impartial and optimistic on different sector of the wealth and it will also be limiting in dishonesty.

**4.5 Nath Banamali (2017)** analysed in their paper 'Goods & service tax: A milestone in Indian economy' will finish that by composing several indirect tax spills effect will diminish which will provide relief to the producer and the consumer both. It will also increase the employment opportunities and improves GDP of the country.

**4.6 S Rajan Saravana, K Kirubakaran (2018)** Highlighted the 'Impact of GST Automobile Industry in India' and found that GST will going to lower tax crack and stop duplicity in value of products.

**4.7 Sabari Nath T V (2019)** studies, 'Implementation of goods & service tax (GST) in India emerging opportunities & challenges and founded that this tax system will reduce the burden of tax payer and also remove the cascading effect of tax which would help in removing corruption and also help in the economic growth.





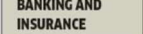


**4.8 P. Govindan (2019)** studies, 'Growth of GST in India a golden opportunity for growth of Indian corporate sectors' and founded that the government of India and ministry have to take same reforms in filling tax, refund, interest the tax payer to help them and to make the process lesser painful for businesses.



## 5. RESEARCH METHODOLOGY

This study is descriptive in nature and it used the exploratory technique. The data for the study were gathered from the secondary sources such as journals, articles published online and offline on various newspapers and websites.

### Products that have become dearer after GST.

EXPENSES	EXAMPLES
 <b>RESTAURANT BILLS</b>	<ul style="list-style-type: none"> <li>▶ A customer visits a restaurant &amp; purchases a meal for ₹1,000 in Delhi</li> <li>▶ Under earlier regime, VAT @ 12.5% and service tax @ 6% was charged. Thus, the customer used to pay ₹185 as tax</li> <li>▶ Under GST, a meal at an air-conditioned restaurant shall attract 18%. Thus, the customer pays ₹180 as tax</li> <li>▶ Effectively, <b>no substantial impact</b> on restaurant bills</li> </ul>
 <b>AIR TRAVEL</b>	<ul style="list-style-type: none"> <li>▶ A customer travels in domestic economy class on a ticket of ₹1,000</li> <li>▶ Under earlier regime, service tax at 6% was levied – amounting to ₹60</li> <li>▶ Under GST, economy class is taxable at 5%. Thus, there would be <b>minor savings in economy class</b></li> <li>▶ In case the customer travelled business class, GST rate has increased to 12% from 9% under service tax.</li> <li>▶ Thus, <b>business class would be expensive.</b></li> </ul>
 <b>HOLIDAYS</b>	<ul style="list-style-type: none"> <li>▶ A customer stays in a hotel which has tariff of ₹8,000 a night</li> <li>▶ In pre-GST regime, the gross indirect tax rates (service tax + luxury tax) ranged from 19% to 25%, depending on rate of luxury tax in a state. Thus, total tax could be between ₹1,520 and ₹2,000</li> <li>▶ Under GST, for tariff above ₹7,500, tax would be applicable at 28%, resulting in tax incidence of ₹2,100. Thus, <b>higher tier hotels are going to be more expensive</b> under GST</li> <li>▶ The <b>lower tier hotels could be cheaper</b> under GST, since tariffs between ₹1,000 and ₹2,500 would have GST of 12%, and between ₹2,500 and ₹7,500 would have GST of 18%</li> </ul>
 <b>CAB EXPENSES</b>	<ul style="list-style-type: none"> <li>▶ A customer takes an Ola or Uber and the ride costs ₹100</li> <li>▶ There is a <b>marginal saving</b> since cab facilities would attract GST at 5% as compared to 6% service tax</li> </ul>
 <b>BANKING AND INSURANCE</b>	<ul style="list-style-type: none"> <li>▶ These services will primarily have a 3% increase in rate (from 15% service tax to 18% GST). Thus, these services will be <b>more expensive</b></li> </ul>
 <b>OTHER HOUSEHOLD EXPENSES</b>	<ul style="list-style-type: none"> <li>▶ Food items have been kept in the range of 0-5% under the GST regime. <b>Food prices are unlikely to go up</b></li> <li>▶ <b>FMCG products</b> like packaged food, shampoos, soaps, tissue papers, toothpaste, pharma products, electronic items like TV and coolers etc. to become <b>cheaper</b></li> <li>▶ <b>Services</b> like salon, dry cleaning and telecommunications to become <b>more expensive</b> due to 3% increase in tax rate</li> </ul>
 <b>REAL ESTATE</b>	<ul style="list-style-type: none"> <li>▶ A customer buys under-construction property for ₹1 crore.</li> <li>▶ Under earlier regime, rate of around 5.5% was levied (both VAT and service tax), but varied from state to state. Under GST, a rate of 12% will be levied resulting in <b>inflation in initial period</b></li> <li>▶ Prices of ready-to-move-in apartments with completion certificates would remain steady as these are out of GST ambit</li> </ul>

## 6. EFFECT OF GST IN INDIAN MONETARY FRAMEWORK

### 6.1 Positive Aspects of GST

The main reason to implement GST is to abolish the cascading effect on tax. A product on which excise duty is paid can also be liable to VAT. Suppose a product A is manufactured in a factory. As soon as it releases from factory, excise duty has to be paid to central government. When the product A is sold in same state then VAT has to be paid to the State Government. Also no credit on excise duty paid can be taken against output VAT. This is termed as

cascading effect since double taxes is levied on same product.

GST will lead to more transparent and neutral manner to raise revenue.

Implementation of GST will help resolve various issues concerning Taxation and logistics with regard to e-commerce business, which has been recording rapid growth in the country, says a study.

- Simplified and cost saving system as procedural cost reduces due to uniform accounting for all types of taxes. Only three type of account; CGST, SGST & IGST have to be maintained.
- GST is structured to simplify the current indirect system. It is a long-term strategy leading to a higher output, more employment opportunities and economy boom.
- It is beneficial for both economy and corporations. The reduced tax burden on companies will reduce production cost making exporters more competitive.
- GST will reduce transaction costs for taxpayers through simplified tax compliance.
- It will result in increased tax collections due to wider tax base and better conformity.
- For the Centre and the States: According to experts, by implementing GST, India will gain \$ 15 Billion a year. This is because it will promote more exports, create more employment opportunities and boost growth.
- For individuals and companies: In the GST system, taxes for both Centre and State will be collected at one point of sale. Both will be charge on manufacturing cost. Individuals will be benefited by this as prices are likely to come down. Lower price means more consumption, more consumption means more production.
- The implementation of GST will make industry more competitive through dismantling of the complex indirect tax structure and boost the tax revenue of states and thereby helping in the growth of the companies.
- **6.2 Negative aspects of GST**
- Majority of dealers are not covered with the central excise but are only paying VAT in the state. Now all the VAT dealers will be required to pay Central Goods and Services Tax (CGST).
- GST is referred as single taxation system in India but in reality, it is a dual tax in which both state and central collects separate tax on single transaction of sale & service. However, GST has some negative aspect but at the end it will boost economy.
- GST would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
- Service tax litigations have risen substantially in recent years and that may be because of the absence of a pan-India Goods and Services Tax (GST) regime



that can potentially remove several ambiguities around indirect taxation, experts maintain.

#### **7. ISSUES AND CHALLENGES IN THE PROPOSED GST BILL.**

- The significant test for getting the Bill passed in the parliament is the contest among Center and State government as to Tax-sharing.
- Disregarding focal government vows to settle the issues by giving pay bundles for a very long time for any sort of income misfortune, States have dread of loss of monetary forces,
- Very high expense paces of 16% contrasted with current 12.5 % VAT
- Since charges are disseminated over the chain, the shopper costs are likely to ascend to keep up the current expense income levels.
- All products and enterprises brought under the GST with just couple of things are excluded and make the average citizens' life hopeless
- Amendment to constitution is an imposing undertaking where state governments assent is required.
- To have a revenue neutral rate (RNR)
- In satisfactory and absence of Robust IT foundation.
- Training of Government authorities/faculty.
- Some issues under the current expense system like indented tax brake system, non-uniform exceptions and impetuses over the aberrant charge resolutions.

#### **8. CONCLUSIONS**

It is obvious from this that the requests and desires for the business people are carefully investigated prior to introducing the new 'tax ware'- the GST-India as a financial device to the public authority to walk towards the worldwide business adequacy. The public authority needs to reconsider the proposals of the high engaged board of trustees just as the suggestions of the advisory group of State Chief clergymen. A thorough GST with lower pace of charges for expanded assessment base will be accomplished with least consistence customs. Merchandise and Service Tax Organization (GSTN) framework will be viably utilized. The word 'gracefully' and 'deal' of products and administration will be plainly characterized. GST as the objective based assessment framework ought to incorporate E-trade business for which the term 'business foundation' will be reclassified. A specialist board involving the individuals from experts' body, delegates of business people, Tax overseers, Tax research gatherings, Legal specialists must be outlined to clean out the proposed GST model to turn out to be more viable monetary instrument. It will be guaranteed that all the roundabout charges without saving any one is subsumed under the GST system.

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