

Impact of GST on Economic Reform of India

***Dr Meenu Sharma**

Abstract:

GST is a single countrywide uniform tax levied throughout India on all goods and services. In GST, all Indirect taxes together with excise duty, valuable income tax (CST) and price-added tax (VAT) and so on. Might be subsumed underneath a unmarried regime. Introduction of The Goods and Services Tax (GST) expected as a big step in the direction of a comprehensive indirect tax reform within the USA, which might lead India for its financial growth. The Proposed take a look at is designed to recognize the effect on GST on Indian Economy with the Help of Its person impact on distinctive sectors. The Study is Exploratory in nature and Secondary Data has been used for the observe. The facts will be accrued from one-of-a-kind Journals, Periodicals. Newspapers and Internets.

Key words: GST, Economy, cascading effect of taxes Council, Cess, taxation reforms

Introduction

In growth story of India, GST is second biggest reform after, 1991 LPG reform which was held in PV Narsimha Rao government, The Goods & Service Tax or GST is one of the biggest fiscal reforms in India, since Independence. All businesses, small or large, will be impacted by this new indirect tax regime. In present GST is applicable from 1 July 2017. Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level under which no distinction is made between goods and services for levying of tax. It will mostly substitute all indirect taxes levied on goods and services by the Central and State governments in India. GST is a tax on goods and services under which every person is liable to pay tax on his output and is entitled to get input tax credit (ITC) on the tax paid on its inputs (therefore a tax on value addition only) and ultimately the final consumer shall bear the tax".

Impact of GST on Economic Reform of India

Dr. Meenu Sharma

To eliminate cascading impact of taxes and additionally to provide for a common countrywide market for items and services, the Government of India proposed for amendments to introduce the goods and services tax for conferring concurrent taxing powers at the union as well as states which include union territory with legislature to make laws for levying goods and services tax on every transactions. GST is an indirect tax has brought on 1 July 2017 in India and become applicable during India which replaced more than one cascading taxes levied both by means of critical and kingdom governments. The GST is ruled through a GST Council. Under GST, items and services are taxed at the following quotes, 0%, 5%, 12%, 18% and 28% and there may be a special rate of zero.25% on rough treasured and semi-treasured stones and 3% on gold. Further further a Cess of 15% or other costs on top of 28% GST applies on few gadgets like aerated liquids, luxury cars and tobacco merchandise. Expert regarded it as biggest tax reform in India based on the perception of "one nation, one market, one tax". The GST rollout has transformed India into a unified marketplace of 1.3 billion citizens. The rollout has a superb desire of India's fiscal reform program regaining momentum and widening the financial system of the nation. The concept in the back of enforcing GST in the united states in 29 states and 7 Union Territories is that it would offer a win-win scenario for each citizen. The entire taxation base will be shared between the evaluation mechanism of the center and the states who would get to collect tax on the economic sports taking place in Indian territorial waters. At the 9th GST council assembly the center made large concessions to carry states, along with the defiant ones. The administrative decisions may be as follows. The nation will administer ninety percent of the tax players, including service vendors with annual turnover up to rupees 1.5 crore with scrutiny, and audit powers and the balanced 10 Percent might be managed through the Centre. Tax gamers above that threshold turnover, which include those pay incorporated (interstate imports) GST may be equally shared between the center and nation, and this will result in vast moving of the tax players base from middle to country.

Impact of GST on Economic Reform of India

Dr. Meenu Sharma

OBJECTIVES OF GST:

One of the main objectives of Goods & Service Tax (GST) would be to eliminate the doubly taxation i.e. cascading effects of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e., tax on tax till the level of final consumers will significantly improve the competitiveness of original goods and services in market which leads to beneficial impact to the GDP growth of the country. Introduction of a GST to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative. Integration of various taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST, being a destination-based consumption tax based on VAT principle.

GST Advantages

1. Reduces transaction costs and unnecessary wastages papers.
2. A single registration and a single compliance will suffice for both SGST and CGST provided government produces effective IT infrastructure and integration of states level with the union.
3. Eliminates the multiplicity of taxation: The reduction in the number of taxation applicable in a chain of transaction will help to reduce the paper work and clean up the current mess that is brought by existing indirect taxation laws.
4. One Point Single Tax: They would be focus on business rather than worrying about their taxation that may crop at later stages. This will help the business community to decide their supply chain, pricing modalities and in the long run helps the consumers being goods competitive as price will no longer be the function of tax components but function of sheer business intelligence and innovation.
5. Reduces average tax burdens:- The cost of tax that consumers have to bear will be certain and it is expected that GST would reduce the average tax burdens on the consumers.
6. Reduces the corruption:-As the no. of taxes reduces so does the no of visits to multiple department reduces and hence the reduction in corruption
7. GST is a transparent tax and also reduces number of indirect taxes.

Impact of GST on Economic Reform of India

Dr. Meenu Sharma

8. Benefit people as prices will come down which in turn will help companies as consumption will increase
9. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs.
10. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market
11. GDP will increase by 1-1.5 % in 2-3 years

GST Disadvantages

1. Some Economist say that GST in India 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.
2. Some Experts says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
3. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.
4. The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
5. Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.
6. Some item is out of preview of GST like petrol ,diesel which are significantly affect other item

Worldwide GST:

France was the first country to introduce GST in 1954. Worldwide, Almost 150 countries have introduced GST in one or the other form since now. Most of the countries have a unified GST system.

Impact of GST on Economic Reform of India

Dr. Meenu Sharma

Brazil and Canada follow a dual system vis-à-vis India is going to introduce. In China, GST applies only to goods and the provision of repairs, replacement and processing services.

Conclusion

There is no doubt that GST is aimed at increasing the taxpayer base by bringing SMEs and the unorganized sector under its purview. This will make the Indian market more competitive than before and create a level playing field between large & small enterprises. Further, Indian businesses will be able to better compete with foreign countries such as China, Philippines, and Bangladesh. However, all will not be smooth sailing. A policy change of such a huge nature is sure to be faced with teething troubles. Experts have also identified some of the some disadvantage implementation which could be a cause for worry for some industries.

***Department of Business Administration,
University of Rajasthan, Jaipur**

References:

1. Gupta Nishita (2014) CASIRJ Volume 5 Issue 3 ISSN 2319 – 9202, Goods and service tax: it's impact on Indian economy".
2. Goods and Services Tax (GST) - A step forward (2013) available at www.articles.economicstimes.indiatimes.com
3. Dr. Ambrish"International journal of Arts ,Humanities and management studies, Goods and Service Tax and Its Impact on startups 4
4. DrVasanthagopal.R. (2011),International Journal of Trade,EconomicsandFinance,Vol.2,No.2, April 2011 ,GST in India: A Big Leap in the indirect Taxation System
5. CA Sadukia Rajkumar, ' A Study On Proposed Goods And Services Tax [GST] Framework I India" available at www.taxclubindia.com

Impact of GST on Economic Reform of India

Dr. Meenu Sharma