IMPACT OF GOODS AND SERVICES TAX ON INDIAN ECONOMY

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Abstract: Goods and Service Tax (GST) is a Value Added Tax (VAT), which supposedly to be put into effect from April 2010, but because of disputatious interest of stakeholders and various partisan debates it has been accepted in both Houses of Parliament on Aug. 3, 2016. It alone indirect tax which provocation the whole economy directly. It is ambitious as iron out crumples of current indirect taxes and has a far-reaching effect on GDP. India is a national constitutional economy. GST is applicable on all States and Union grounds, known as CGST (Central Goods & Services Tax) and SGST (State Goods & Services Tax). The ill effects of spilling can be allayed after tie up the central and states taxes in solitary tax. The economy is projected to pave the way of conjoint national market as it will provide benefits to consumer by falling overall tax burden of goods, which is currently estimated at 25% to 30%. Thus, introduction of Goods and Service Tax (GST) is a gargantuan tax transform in contemporary ancient times. Ignorance of edict is no explanation but is liable to panel provisions, hence why not start learning GST and avoid the cost of ignorance. We all need to know, whether GST is willingly or imposed. This paper expresses a brief starter of impacts of GST in India. What are electrifying factor in GST and its impacts.

Key words: GST, Impact, Tax, CGST, SGST.

Introduction

The word tax is derived from the Latin word “tax are” which earns to estimate. Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution Act 2017, following the passage of Constitutions 12nd Amendment Bill. The GST is governed by a GST council and
its chairman is the Finance Minister of India. It is estimated to bring about 2% incremental GDP is the need of the hour.

In 2000, Vajpayee Government began groupthink on GST in India. But due to incompatible stakeholder’s safeties and civil differences, its journey passes through numerous ups and downs. At the last, the day come and written in golden words in Indian taxation history. In December, 2014 the Constitution 122th bill was passed in Lok Sabha which make possible finishing of GST from April, 2017. But in the interest of politicians, it was passed on Aug. 3, 2016 in Rajya Sabha.

The following are the final slab rates being agreed upon are 5%, 12%, 18% and 28%. The final GST slab rates are:

- **Zero Rated Items:** Food grains used by common people.
- **5% Rate:** Items of mass ingestion including essential commodities will have low tax incidence.
- **12% and 18% Rate:** Two standard rates have been finalized as 12% and 18%.
- **28% Rate:** White goods like air conditioners, washing machines, refrigerators, soaps and shampoos etc. were taxed at 30 - 31% shall be now taxed at 28%.

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**GST rates of some countries are given below**

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate of GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>10%</td>
</tr>
<tr>
<td>France</td>
<td>19.6%</td>
</tr>
<tr>
<td>Canada</td>
<td>5%</td>
</tr>
<tr>
<td>Germany</td>
<td>19%</td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>7%</td>
</tr>
<tr>
<td>Sweden</td>
<td>25%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Objectives of study:**

- To decrease the unhealthy competition among the states due to taxes and revenues.
- To ensure the cascading effect of tax on tax elimination.
- To reduce the complications in tax administration and compliance.
- To improve the competitiveness of the original goods and services, thereby improving the GDP rate too.

**Tax Structure from 16th Century to 19th Century:**

In India, Islamic rulers were first ruler who announces per capita yearly tax, known as Jizya, which was imposed on non-Muslim community. After sometime, it was
uninterruptedly stamp out by Akbar. In 1679, Aurangzeb, the last Mughal Emperor, charge Jizya from Hindu’s. The main inferences were financial harshness and special biases. The era of British rule was eyewitness of weighty changes in taxation system of India. In spite of the fact, it was extremely advancing the British government but it provides a base to modernized and systematic taxation system. The Britishers divide Indian taxation system in Direct and Indirect taxes. With the passage of time various modifications has been done for key Indian taxation system. Presently, resulting taxation system is applicable in India.

**Concept:**

GST is an indirect tax which will embrace almost all the indirect taxes of central government and state governments into a undeviating or whole tax. As the name commend it will be levied on both goods abs services at all the stages of value calculation. It has dual model including central goods and service tax (CGST) and state goods and service tax (SGST). CGST will incorporate indirect taxes like central excise duty, central sales tax, service tax, special supplementary duty on customs; counter valuing duties whereas indirect taxes of stat governments like state vat, purchase tax, luxury tax, Octroi, tax on lottery and gambling will be switched by SGST. Integrated goods and service tax (IGST) also called interstate goods and services tax is also a component of GST. It is not an further tax but it is system to examine the interstate transactions of goods and services and to further reassure that the tax should be received by the distributer state as GST is a distion based tax.

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**Diagram:**

```
TAX
   / \    / \    / \    / \  
 Direct tax Indirect tax
       / \    / \    / \  
  Income tax Wealth tax Central tax State tax
      / \    / \  
     Custom Service tax Excise duty VAT
       / \ 
      Entry tax, Lottery, etc.,
```

**Table showing state and central tax:**

<table>
<thead>
<tr>
<th>STATE TAX</th>
<th>CENTRAL TAX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Added Tax</td>
<td>Excise Duty</td>
</tr>
<tr>
<td>Entertainment tax levied by states</td>
<td>Additional excise duty</td>
</tr>
<tr>
<td>Luxury Tax</td>
<td>Excise duty under medicinal and toilet preparation Act</td>
</tr>
<tr>
<td>Tax on lottery, betting &amp; gambling</td>
<td>Service Tax</td>
</tr>
<tr>
<td>Entry tax other than for local bodies</td>
<td>Additional custom duty commonly known as Counter Valing Duty(CVD), Special Additional Duty(SAD)</td>
</tr>
<tr>
<td></td>
<td>Surcharge</td>
</tr>
<tr>
<td></td>
<td>CENVAT</td>
</tr>
</tbody>
</table>
GST Structure:
i. The GST will substitute the following taxes currently levied and collected by the Centre:
   a) Central Excise duty
   b) Duties of Excise (Medicinal and Toilet Preparations)
   c) Additional Duties of Excise (Goods of Special Importance)
   d) Additional Duties of Excise (Textiles and Textile Products)
   e) Additional Duties of Customs (commonly known as CVD)
   f) Special Additional Duty of Customs (SAD)
   g) Service Tax

ii. The GST will incorporate following State Taxes:
   a) State VAT
   b) Central Sales Tax
   c) Taxes on advertisements
   d) Purchase Tax
   e) Entry Tax in lieu of octroi
   f) Entertainment Tax (not levied by the local bodies)
   g) Taxes on lotteries, betting and gambling
   h) State cesses and surcharges insofar as they relate to supply of goods and services.

Threats of GST in India
   - Inter-States supply of goods and services are particular as import and IGST will be applied (1%) in addition to custom duties.
   - The Central government promised for reparation to loss construction States for a period of 5 years. The reimbursement will be as: 100% for first 3 years, 75% for 4th year and 50% for 5th year. So, it is possible that all States does not instrument it in current manner to get compensation.
   - GST is not friendly with banking sector. Because the cost of goods become cheaper after GST and it will reassure export. Presently, 14% service tax is being levied on baking transactions. GST will make these industries more expensive. Over and above, in most of countries banking sector is barred from GST.
• GSTC (Goods and Service Tax Council) will set the benchmark for undertaking the disagreement on consents of GSTC. It means GSTC motivation lay down the criteria for GSTC itself. It is against the principle of ordinary justice.
• GST is not a agreement in itself that it would not be susceptible by political parties and politicians will not use it as a win-loss game.

**Tax on Goods:**

- Services are estimated to be taxed with 3 slabs 5%, 12% and 18% and GST council is yet to arrive at a final decision.
- Oil Companies like ONGC are estimated to face higher tax burden. Because when GST is employed, due to clipping of standing tax breaks and higher tax rate, they have to suffer this heavy tax.
- Five hydrocarbons are disqualified from GST which will have an impact on the downstream industries and economy as a whole. Because these, hydrocarbons are critical workings of various industries, it will lead to cost escalation economy.
- Operational cost of oil companies will be improved after GST. This will have a dropping effect across the supply chain.
- There will be “compliance cost increment”, means factories using crude oil on which they pay excise duty VAT and Cesses, will have to keep separate books of accounts. Petrol, diesel and Jet fuel that will stay to attract these taxes while towards LPG, Kerosene and other Petrochemicals GST is applicable.
- The offshore works conventions will come under GST. Service tax levied by the Centre, which currently
- Logistics are highly benefited. Studies evaluations that the average logistics cost in India to be 13-14% of GDP.
- Structural re-engineering of logistic network will happen after GST.
- Under current regime, business have the option to file manual Chelan, new law requires them to comply complete online mode. Registered person is expected to report through GSTN-1, 2 &3 forms.
- GST council has approved 4 tier tax slab 5, 12, 18 and 28% within overall cap of 40%, in addition cases will be levied on deficiency goods like luxury, car, aerated drinks and tobacco products.
- State income will come down for a time period and that will upset its growth rate.

**GST Cycle:**
Tax rate before and after:

<table>
<thead>
<tr>
<th>GOODS</th>
<th>BEFORE</th>
<th>AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package products</td>
<td>4-5%</td>
<td>18%</td>
</tr>
<tr>
<td>Readymade garments</td>
<td>4-5%</td>
<td>18%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>3%</td>
<td>18%</td>
</tr>
<tr>
<td>Mobile and credit cards</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Cars</td>
<td>30-44%</td>
<td>18%</td>
</tr>
<tr>
<td>Home appliances</td>
<td>12.5&amp;14.5% (Excise and VAT)</td>
<td>18%</td>
</tr>
</tbody>
</table>

Impacts on Goods and Services:

GST the largest tax reform in India founded on the belief of “One nation, One Market, One Tax” is finally here. The single biggest direct tax regime has flexed into force, disassembling all the inter-state barriers with respect to trade. The GST rolled out into a unified market of 1.3 billion citizens. The GST implementation has a cost of submission attached goods. This cost of compliance will be expensive and high for the small scale manufactures and traders. They may end up pricing their goods at higher rates.

Positive Impact of GST:

- A unified tax system eradicating a bundle of indirect taxes like VAT, CST, Service tax, CAD, Excise etc.
- Tax evasion will become problematic.
- Removes cascading effect of taxes (i.e.) removes tax on tax. The low prices will further lead to a growth in the demand of goods.
- Increased demand will lead to increase in supply. Hence, this will eventually lead to increase in the production of goods.
- The increased production will lead to more job opportunities in the long run.
- Increase in Foreign Direct Investment and development in international investors’ confidence.
- Companies which are under unorganized sector will come under tax rule.
- The entire Indian market will be a unified market which may translate into lower business costs. It can assist seamless movement of goods across states and reduce the transaction costs of businesses.
- It is good for export concerned with businesses.
- Less developed states such as Bihar, Odisha will benefit as the present 2 per cent inter-state tax will be dispersed.
- GST is expected to boost Indian economy by nearly 2 per cent as movement of goods will be quicker, simpler and cheaper. The following are some products costed under GST:

1. **Footwear and Apparels/Garments:**
   Footwear costing more than INR 500 will have a GST rate of 18%. Footwear costing below INR 500 will have an GST rate of 5%.

2. **Cab and taxi rides:**
   The tax rate of cab and taxi rides has come down to 5% from an earlier 6% for cab booking made online.
3. **Airlines tickets:**
   Tax rate for economic class for flight tickets have a higher rate of 12%.

4. **Train Fare:**
   The tax rate has increased from 4.5% to 5% in GST.

5. **Movie tickets:**
   The prices above INR 100 will have a higher tax rate of 28%. The prices costing below INR 100 will be charged a GST rate of 18%.

6. **Life Insurance Premium:**
   The policy rate has been increased under GST across life, health and general insurance.

7. **Mutual Funds Returns:**
   The return what you get as an investor will be condensed to that level unless the respective mutual fund company.

8. **Jewellery:**
   The gold investment will become slightly expensive because there will on gold was around 2% in most of the states and the GST is increased from the standing rate to around 2% to 3%.

9. **Buying a Property:**
   The GST rate for an under construction property is 18% but the effective rate on this kind of property will be around 12% due to input tax credit.

10. **Education and Medical facilities:**
    The increase in the rate of taxes for certain goods and services has procured by these Organisations, the may pass on the additional burden to thee consumes.

11. **Hotel Stay:**
    If the room tariff is less than Rs.1000 then there will be 5000 will attract 28% tax.

12. **Buying a car:**
    The GST rate will be 28% tax on all the vehicles irrespective of their make, engine capacity or model.

13. **Amusement Parks:**
    The earlier service tax of 15% will become 28% under the GST.

14. **Cement:**
    In cement the tax ranges from 27-32%

15. **IT & ITes:**
    The IT industry is subject to an effective tax rate of 14%.

**Goods on Tax:**

<table>
<thead>
<tr>
<th>Decrease</th>
<th>No GST</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>Bread, white &amp; whole meal</td>
<td>Mobile phone</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>Cooking oil(palm oil, coconut oil &amp; groundnut oil)</td>
<td>Computer</td>
</tr>
<tr>
<td>Air-conditioner</td>
<td>Beef, mutton, lamb, chicken &amp; pork</td>
<td>Eye-pad&amp; tablet</td>
</tr>
<tr>
<td>Spark plug, brake pad &amp; car battery</td>
<td>Local fruits</td>
<td>Photocopy machine</td>
</tr>
<tr>
<td>Home theater system</td>
<td>Diesel</td>
<td>Digital photo printing</td>
</tr>
</tbody>
</table>
### Impacts of GST in Present:

<table>
<thead>
<tr>
<th></th>
<th>With Invoice</th>
<th>Without Invoice</th>
<th>With Invoice</th>
<th>Without Invoice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacture to</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>distributor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales price on phone</td>
<td>10000</td>
<td>11000</td>
<td>10000</td>
<td>11000</td>
</tr>
<tr>
<td><strong>Add:</strong> Excise duty @12%</td>
<td>1200</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Add:</strong> VAT@4%</td>
<td>448</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Add:</strong> GST @16%</td>
<td>-</td>
<td>-</td>
<td>1600</td>
<td>-</td>
</tr>
<tr>
<td><strong>Final payment</strong></td>
<td><strong>11648</strong></td>
<td><strong>11000</strong></td>
<td><strong>11600</strong></td>
<td><strong>11000</strong></td>
</tr>
<tr>
<td><strong>Distributor to</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wholesaler</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale price of phone</td>
<td>15000</td>
<td>15000</td>
<td>15000</td>
<td>15000</td>
</tr>
<tr>
<td><strong>Add:</strong> VAT@4%</td>
<td>600</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Conclusion**

Implementation of GST will generate various doubts and misunderstandings among the people. To overcome this some intentions were listed here:

- Small retailers should get appreciation classes concerning the benefits of GST.
- They should be trained and helped to register in GSTN.
- Educational institutions should make planning to conduct classes in GST.
• Tax assembling generals should train and tested to know whether they are capable new positions.
• Government would place online/telephonic help disks or helping hands for rural areas.
• Goods and services tax is a new merger change towards taxation system in India.

After implementing GST prices of products will come down at the same time revenue from the tax will amplification. But now also there are some mistake about some aspects of its verdict and success of implementations.

References:

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