

# The Impact of Goods and Service Tax: A Comprehensive Guide

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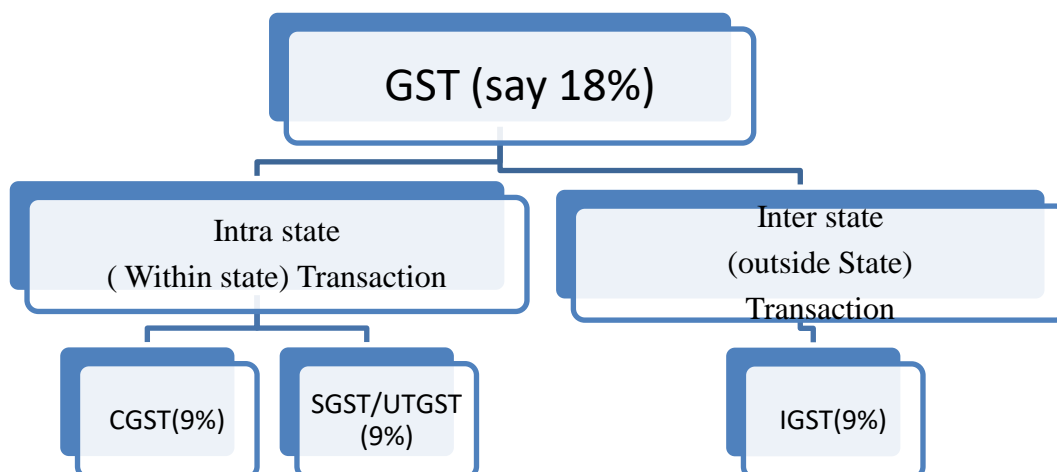
## ABSTRACT

GST has both positive as well as negative impacts on the economy. The Goods and Services Tax (GST) is an indirect tax on goods and services that was introduced in 2017 to simplify the tax system. It replaced several indirect taxes with one tax, which made things a lot easier for businesses. The tax system has since been streamlined, leading to increased tax compliance and formalization of the economy. In this paper we studied the impact of goods and service tax.

**Keywords:-** Tax, GST, Economy, Rates, Impact.

## INTRODUCTION

GST is a multi stage tax system which is comprehensive in nature and applied on the sale of goods and services .the main aim of this taxation system is to curb the cascading effects of other indirect taxes and it is applicable throughout india. Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country. Before the Goods and Services Tax could be introduced, the structure of indirect tax levy in India was as follows: GST pattern of tax levy was Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. All the inter-state sales are chargeable to the Integrated GST.



## LITERATURE REVIEW

**Pawan Kumar, Dilip Kumar, 2020-;** Taxation system is as old as the human civilisation. This has evolved over the ages and Chanakya's Arthashastra is the famous treatise on the subject of the ancient times. However, with the regular evolution of the economic activities combined with adoption of different forms of administration the taxation systems were bound to change.

**SK Gupta, S Singh, and M Kumar, 2017-:** The Goods and Services Tax Bill or GST Bill, officially known as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, proposes a national Value added Tax to be implemented in India from June 2016." 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.

**Akanksha Khurana, Aastha Sharma.2016-:** The word "tax" is derived from Latin word „tax are“ which means to estimate. A tax is an enforced contribution, exacted pursuant to legislative authority. Indian Taxation System comprises of-Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. So, GST is the need of the hour.

**Objective of the study -:**

1. To understand the impact of goods and service tax.
2. To study the features of GST

**RESEARCH METHODOLOGY**

This paper is completely based on secondary data .data has been taken from the newspaper, article, and magazines. The study is all Descriptive Type.

**Impact of goods and service tax-:**

**A. The Positive Impact of GST on the Indian Economy-:**

Below are some areas where we have seen positive impact of GST on the Indian economy:

**1. Streamlined Tax System:**

GST streamlined the tax system by replacing multiple indirect taxes with a single tax, reducing complexity and making compliance more manageable for companies.

**2. Increased Tax Compliance:**

GST's technology-driven procedures like online registration, e-filing of returns, and e-way bills have raised tax compliance. The tax base has grown, increasing the government's tax intake.

**3. Economic Growth Boost:**

GST's simplified tax code, elimination of interstate restrictions, and removal of checkpoints and entrance tax barriers at state borders increased efficiency and decreased logistical expenses. This helped the economy thrive, especially in industries like manufacturing and logistics.

**4. Reduction of Tax Burden:**

By removing the cascading impact of taxes, the GST aims to lessen the tax burden on consumers and businesses. Consumers have benefited from reduced prices of goods and services due to the efficient input tax credit mechanism.

**5. Economic Formalisation:**

GST encouraged enterprises to join the formal tax system, enhancing tax collections, decreasing tax evasion, and improving openness.

**B. The Challenging Impact of GST on the Indian Economy-:**

Below are some areas where there have been challenges on the GST front for the Indian economy:

**1. Initial Setbacks:**

During the introduction of GST, small and medium-sized businesses had trouble adjusting to the new compliance standards, temporarily disrupting business operations.

**2. Compliance burden:**

While GST intended to simplify the tax code, businesses found the paperwork and compliance procedures burdensome. SMEs found it challenging to navigate the complexity of GST reporting and maintain proper paperwork.

### 3. Impact on Small Firms:

Implementing the GST placed a significant adjustment load on small firms, which disproportionately impacted sectors that had enjoyed threshold exemptions or were exempt from specific taxes. Compliance costs, including investing in technology and professional services, increased.

### 4. Sectoral Differences:

Some industries, like manufacturing and logistics, benefited from GST, while others, including real estate and textiles, had difficulty adjusting to the new tax structure.

### 5. Inflation:

Adopting the GST led to temporary price increases due to shifting tax rates and categories, despite the goal of decreasing overall taxation.

The new GST rates introduced in India have been categorised into four different groups, namely, 5% GST, 12 % GST, 18% GST, and 28 % GST. The same has been represented in the table hereunder: -

S.N.	Products	Taxation rates
1	Milk, Egg, Curd, Lassi, Unpacked, food, grains and paneer	0%
2	Sugar, Package Paneer, Coffee Beans, Domestic LPG, Skimmed Milk, Cashew Nuts	5%
3	Butter, Ghee, Processed Food, Almonds, Mobile	12%
4	Hair Oil, Capital Goods, Tooth paste, Pasta, Computers	18%
5	Small cars, Consumer Durables (AC & Fridge) Luxury and Sin Items	28%

## CONCLUSION

GST has both positive as well as negative impacts on the economy. It facilitates economic growth by being transparent and creates loss over a few sectors by the increased prices of the commodity but the ease of doing business has been helped by a unified taxation system in the country. Thus, how GST is viewed in terms of the Indian economy depends on person to person.

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