

# A Study of Impact of GST on Indian Economy

Ms. Gagan Bhandari

Asst. Professor, Department of Commerce and Management, Guru Nanak Girls College, Yamuna Nagar, Haryana

---

## ABSTRACT

GST is a combination of all indirect taxes in India and also a value added tax which is imposed on goods and services by both Centre and state government. „One nation, one market, one tax' was the motto with which GST was applied in its full capacity on 1st July 2017. This move has brought 1.3 million citizens of our nation into a unified indirect taxation system. The Goods and service tax is the principal and extensive indirect reform since 1947. Thus goods and services tax (GST) was defined as a consumption based tax collected from manufacturer, sale and consumption of goods and service further helps in transforming the country into one integrated common market. Its main objective is to cover most of the indirect levies into a single tax replacing multiple tax levies, overcoming the limitation of current indirect tax structure, and creating efficiencies in the tax administration. To understand how GST has impacted the overall Indian economy, we need to understand what is GST applied to and its types. We will also discuss the various effects of GST. This paper has highlighted on the background, objectives of the proposed GST and the impact of GST in different areas of Indian economy. The paper further focused on various benefits and opportunities of GST.

Keywords: GST, Integrated, Transforming, Tax administration

---

## INTRODUCTION

Origin of Tax is from the Latin word “tax are” which means “to estimate” a tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority. Presently in India tax is collected in two forms as direct and indirect tax. Direct tax (income tax, corporation tax and wealth tax) is directly collected by the government from the tax payers. Indirect tax (goods and service) is not directly collected from the taxpayer but it is collected from intermediaries such as retailers and from the people or consumers who ultimately bear the burden of tax. . Good and Service Tax is an indirect tax which is also called the cover of all indirect state and federal taxes. GST is a single tax which is levied on several product and services. Multiple taxes cover all CENVAT, central sales tax, states sales tax, octroi etc will be included in GST.

**“GST is a path breaking indirect tax reform which will create a common national market. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, Luxury tax, entertainment tax, entry tax etc.”**

**GST in other countries:** France was the first country to implement GST in the year 1954. Within 62 years of its advent about 160 countries across the world have adopted GST because this has the most transparent and neutral manner.

GST rates in Europe vary between 18% to 25%. GST introduced in Singapore in April 1994 with initial rate of 3% but w.e.f 1.7.2017 this rate is 7% GST rate in Japan is 15% w.e.f October 2010. USA has not introduced GST.

### **Tax laws before GST:**

In the earlier indirect tax regime, there were many indirect taxes levied by both the state and the centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations. The following is the list of indirect taxes in the pre-GST regime:

- Central Excise Duty
- Duties of Excise
- Additional Duties of Excise
- Additional Duties of Customs
- Special Additional Duty of Customs

- Cess
- State VAT
- Central Sales Tax
- Purchase Tax
- Luxury Tax
- Entertainment Tax
- Entry Tax
- Taxes on advertisements
- Taxes on lotteries, betting, and gaming

CGST, SGST, and IGST have replaced all the above taxes.

It applies to certain non-GST goods such as:

- Petroleum crude;
- High-speed diesel
- Motor spirit (commonly known as petrol);
- Natural gas;
- Aviation turbine fuel; and
- Alcoholic liquor for human consumption.

#### **Objective:**

1. To study the concept frameworks of Goods and Service Tax in India.
2. To analyze the impact and Challenges of Goods and Service Tax on different sector of India.
3. To suggest measures to deal with adverse impact on various stakeholders.

#### **RESEARCH METHODOLOGY**

Secondary data has been collected for the study. For collecting the data various magazines, newspaper, journals and articles have been used. Main purpose of the paper is to understand the concept and impact of GST on different sector. Both quantitative and qualitative data have been used for the study.

#### **Mechanism of GST how to calculate:**

GST covers 1,211 items on which tax rates are applied, a majority of which comes under the 18% slab. Goods and services have four tax slabs 5%, 12%, 18% and 28%. Number of items like gold and diamond has exclusive tax rates while a few has been exempted. With implementation of GST items became costlier and also cheaper.

#### **Components of GST:**

There are three taxes applicable under this system: CGST, SGST & IGST.

CGST: It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Maharashtra)

SGST: It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Maharashtra)

IGST: It is a tax collected by the Central Government for an inter-state sale (e.g., Maharashtra to Tamil Nadu)

#### **Sector-wise impact of GST in India:**

**Pharma:** Taking about overall impact of GST, pharma and healthcare industries is the most benefiting sector. It will set a degree of performance for generic drug makers, it boost medical tourism and also elucidate tax framework. So a major concern which will arise for pharma sector is pricing tax structure. So this sector is expecting a tax relaxation as it will result in making healthcare services affordable to all at easy rates. The healthcare sector remain exempted from the GST and all the inputs of this sector will be taxed at the rate of 18% which will result in increasing the operating cost of healthcare sector.

**Cement Industry:** According to Angel Broking, GST implementation is expected to be neutral for the cement industry. Earlier cement was taxed at 12.5% excise and VAT rates between 12.5-15.5 percent. Under GST, the cement will be taxed at 28%, which is nearly the same as the current tax structure.

**Telecom:** A drop in prices can be expected in the telecom sector, as costs like warehousing, logistics, etc., will reduce.

**Automobile:** Under the previous taxation system, several taxes like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty were applicable, which has now been replaced by GST. Automobile prices are likely to drop as the producers are saving more in the form of taxes now.

**FMCG:** FMCG sector is another most essential sector and it is taking important benefit through saving in logistics and transportation cost and Goods and Service Tax has also terminated the requisite for various sales depots. Under FMCG, by and large tax burden would reduce. The major relief would be in Soap and Hair oil segment.

**Startups:** GST will fit India startup scene due to increasing limit of registration; tax credit on purchase etc. previously in India there was different VAT laws in different states which create lot of confusion to the companies which have PAN India presence. But after the introduction of GST this problem is resolved as a uniform tax structure is followed all over the country.

### CONCLUSION

GST has been the game changing biggest indirect tax reform in India as it has removed the cascading effect of tax on goods and services. GST is a greatest move taken for the inclusive indirect tax reform in our country. Goods and services tax is equally applicable on all sectors of economy whether it is business which includes government departments, industry and service sector. So we can conclude that the overall effect of goods and service tax (GST) will be positive on economy which helps in increasing the overall economic growth. It may be said that with the help of GST, facilitation of economic growth is expected in India. The positive impact of GST on the Indian economy can be by creating a system of transparency in the sales process. Further, ease in doing businesses can be there since with the help of GST the requirement for paying various diverse taxes in diverse states. Thus, with this, the positive impact of GST can be understood. On the other hand, the negative impact of GST can be such that certain sectors may be at loss because of the increased price of their commodities.

### REFERENCES

- [1]. Khurana, B.(2017). GST India: Effects on Indian Economy. International journal for innovative research in multidisciplinary field. 3(6), 27-29.
- [2]. Vasanthagopal, R. (2011). GST in India: A Big Leap in the Indirect Taxation System. International Journal of Trade Economics and Finance. 2(2).
- [3]. Banik, S., & Das, A.(2017). GST in India: Impact and challenges. Journal of Business and Management. 19(12), 7
- [4]. <https://economictimes.indiatimes.com/mutual-fund-screener>
- [5]. GST(2015) Economy and Policy
- [6]. <https://unacademy.com/content/upsc/study-material/government-schemes/gst-on-the-indian-economy>