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IMPACT OF GOODS AND SERVICES TAX IN INDIAN ECONOMY

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Abstract—This paper is an analysis of the taxation trend in India i.e., Goods and Services Tax (GST) and its impact in India. Here started with a brief description of the historical scenario of Indian taxation system then the need arose for change in structure from traditional to GST model. The GST has exegetical in this paper along with its impact in India. GST is an indirect tax that directly affects all sectors and sections of the Indian economy. The GST aimed to creating a single unified market by these both corporate and Indian economy is benefited. Now India also implemented GST, which makes the Indian economy as substantially. India is a centralised democratic and therefore the GST will be implemented parallel by the central and state governments as CGST & SGST respectively. Here the main objective of GST is to maintain commonality between the basic structure and design of CGST & SGST in India.

In this paper I started with the introduction, in general of GST and I have tried to propose and highlight the objectives the GST. After that I discussed benefits of GST and indirect taxes include in GST and finally i discussed impact of GST in India.

Index Terms— GST, CGST, SGST, VAT, Economy, and Free market

I. INTRODUCTION

The tax is derived from the Latin word tax are which means to estimate. It is not a voluntary payment it is levied by the government. There are two types of taxes collected by the Indian government they are direct (income tax, capital gains tax, perquisites tax, corporate taxes e.t.c.,) and indirect taxes (sales tax, service tax, value added tax, custom duty, excise duty , e.t.c.,). France was the first country introduced GST in 1954. Currently 140 countries are implemented GST. Now India has chosen the dual GST model, it is also called Canadian model of dual GST. It has 3 components. They are,

1. CGST: it is collected by central government.
2. SGST: it is collected by state governments.
3. IGST: it means interstate GST, collected by central government.

History:

In 2000 an empowered committee was setup by Atal Behari Vajpayee government to streamline the GST model to be adopted and to develop the required backend infrastructure that would be needed for its implementation. And in 2006 the finance minister in his budget speech on 20-feb-2006, announced the targeted implementation of GST to be 1-apr-2010 and another state finance ministers committee is design the road map in 2008, and released first discussion paper on GST in India in 2009.

The constitution (122nd amendment) bill, 2004 was introduced in the Lok Sabha by central finance minister Arun Jaitley on 19-dec-2014, and passed by the house on 6-may-2015 .On 22-july-2015 Rajya Sabha finished a report and the bill was passed by the Rajya Sabha on 3-aug-2016 and the amendment bill was passed by the Lok Sabha on 8-aug-2016. The finance minister Arun Jaitley is hopeful of rolling out the new taxation system by 1st April 2017.

WHAT IS GST?

GST is an indirect tax that brings together most of the taxes imposed on all goods and services (except few) under a single roof/banner. However, the GST is payable only at the point of consumption.

Objectives of GST:

In India the GST have two components, they are 1. Centre GST & 2. State GST

A separate legislation would be drafted for central GST and each state should have its own legislation to levy and collect SGST. One of the main objectives of GST is to eliminate the cascading effects of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax will significantly improve the competitiveness of original goods and services in market which leads to beneficial impact to the GDP growth of the country. It is felt that GST would serve a superior reason to achieve the objective of streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers.

Benefits of gst:

- By introduction of GST we reduce the transaction costs and unnecessary wastage.

- Growth of revenue in states and union because it removes the multiple points of taxation.
- GST will eliminates the cascading effect on goods it means it reduces the taxes on tax.
- This will helps to business community to decide their supply chain management.
- GST will reduce the average tax burdens on the consumers.
- Corruption is one of the major problems that India is overwhelmed with but this step makes corruption towards Indian revenue services.
- Uniformity of tax rates across the states.
- By reducing tax burden, the competitiveness of Indian products in International market is expected to increase and there by development of the nation.

Indirect taxes that will include in GST

The following indirect taxes from state and central level are expected to be integrated with GST.

- ***Central taxes***:-
  1. Central excise duty.
  2. Additional excise duty.
  3. The excise duty levied under the medical and Toiletries preparation act.
  4. Additional customs duty, commonly known as countervailing duty (CVD)
  5. Special additional duty of customs (SAD)
  6. Surcharges
  7. Cesses
- ***State taxes***:-
  1. VAT/sales tax
  2. Entertainment tax (unless it is levied by local bodies)
  3. Luxury tax
  4. Taxes on lottery, betting and gambling.
  5. State cess and Surcharges In so far as they relate to supply of goods and services.
  6. Enter tax not on in lieu of Octroi.

The above taxes dissolve under GST, instead of all these only CGST & SGST exists.

Impact of GST bill on different sectors in India:

Some of Sectors/industries wise impact of GST

FMCG:-

Companies could generate substantial savings in logistics and distribution costs as need for multiple sales depots will be eliminated. FMCG companies pay nearly 24-25% including excise duty, VAT and entry tax GST at 17-19% could yield significant reduction in taxes. Here again, the scenario will be either neutral or negative fir those companies who falls under any concessional tax bracket or taking some kind of exemption. The companies who are likely to get any benefit would be Hovels, Blue star, Bajaj electronics, Symphony, Hitachi etc.

Telecom:-

In the current stage, the telecom industry is paying 14% of tax, the expected rate of tax will be 4 percent increased that means 18% of tax will be imposed on telecom sector and the companies would expect to pass the burden on the post paid customers. In telecom sector it is very easy to pass or imposed the additional burden on final consumer.

IT and Ites:-

Overall impact could be suggested here is neural or slightly negative because currently IT & Ites industries are paying 14% of tax to the authority and subjected to18%-20% after the imposition of GST. Here, also notice an important point that the long disputed issue of canned software taxation will also come to end as their will no difference between before and after GST.

Automobiles:-

Currently, the Indian government levy tax from automobile industry is around 30%-47% to which is now expected to range between 20%-22% after the implementation of GST. The overall cost cutting can be expected for the end user by around 10% after implementing the GST.

Banking and financial institutions:-

Right now this sector is paying 14%, but not on the interest part of transaction. After the GST implied, the tax horizon can expand up to 18%-20% on the fee based transactions. Overall input expense and also hike in the transaction of financial in nature such as processing fees, debit/credit charges, insurance premium etc.

Cement industry:-

In the current scenario cement industry presenting 27%-32% of their share to tax authority after the rolling out of GST, this will improves the sector growth in various terms, like transportation by 20%-25% and in the warehouse scheme as the rationalisation would be easy in terms of state wise fragmentation and also in the transportation cost as reduced transit time.

Metal:-

The dector is totally unknown from the imposition if GST tax regime on him. But, the sector is currently paying 19%-21% of tax to the tax body, with 4% -5% of VAT in particular state, excise duty of 12.5% and 2% with variable entry taxes in particular state.

Media and Entertainment:-

India is the fifth largest media and entertainment market, said adeloitte report titled media and entertainment industry. In 2015 the industry grew 11.76% with a market of $19 billion. Overall, the industry is expected to grow at CAGR of 13.98% till 2018. The report said by 2025, the industry expected to attain a market size of $100 billion.

The finance ministry released the recently released draft of goods and sales tax. Based on current scheme of affairs consumers are expected to pay a service charge tax of round 14.5%-15% for all broadcast services like Television that includes cable and DTH also film and digital content. Besides this, an entertainment tax of

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around 8%-12% is further levied increasing the average tax to as much as 25%.

II. CONCLUSION

In today's business environment the GST will be more important because of lot of problems aroused by the present taxation system. And also imposed taxes are going to less by this products prices are decreased so in the international market the demand for our products are very high. IMF retains India growth forecast at 7.5% for the year 2016-17. According to the World Bank survey after implementing the GST the GDP will be increased to 8%. And also there is a constant increase/growth in further years also.

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