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Industrial Development in India”**

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Impact Of Goods & Service Tax (Gst) On Indian Economy

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Research Paper - Economics

ABSTRACT

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth.

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure and designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

KEYWORDS:

Goods and service tax, Indian economy, GST, Economy, cascading effect of taxes, GST Council, Cess, taxation reforms

METHODOLOGY:

The Study is Exploratory in nature and Secondary Data has been used for the study. The data will be collected from different Journals, Periodicals, Newspaper and



Internet.

The Proposed study is designed to know the impact on GST on Indian Economy with the Help of Its individual effect on different sectors.

OBJECTIVES:

1. To Study the impact of GST on Indian economy.

INTRODUCTION:

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods.

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of credits. The current system taxes production, whereas the GST will aim to tax consumption.

IMPACT OF GST ON INDIAN ECONOMY:

To remove cascading effect of taxes and also to provide for a common national market for goods and services, the Government of India proposed for amendments to introduce the goods and services tax for conferring concurrent taxing powers on the union as well as states including union territory with legislature to make laws for levying



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goods and services tax on every transactions. GST is an indirect tax has introduced on 1 July 2017 in India and was applicable throughout India which replaced multiple cascading taxes levied both by central and state governments. The GST is governed by a GST Council. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28% and there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. Further in addition a Cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Expert viewed it as biggest tax reform in India founded on the notion of "one nation, one market, one tax".

The GST rollout has converted India into a unified market of 1.3 billion citizens. The rollout has a positive hope of India's fiscal reform program regaining momentum and widening the economy of the nation. The idea behind implementing GST in the country in 29 states and 7 Union Territories is that it would offer a win-win situation for every citizen. The entire taxation base will be shared between the assessment mechanism of the centre and the states that would get to collect tax on the economic activities taking place in Indian territorial waters. At the ninth GST council meeting the centre made significant concessions to bring states, including the defiant ones. The administrative decisions will be as follows. The state will administer 90 per cent of the tax players, including service providers with annual turnover up to rupees 1.5 crore with scrutiny, and audit powers and the balanced 10 Per cent will be controlled by the Centre. Tax players above that threshold turnover, including those pay integrated (interstate imports) GST will be equally shared between the centre and state, and this will lead to significant shifting of the taxplayers base from centre to state.

Experts have enlisted the benefits of GST as under:

1. It would introduce two-tiered One-Country-One-Tax regime.
 - It would subsume all indirect taxes at the centre and the state level.
 - It would not only widen the tax regime by covering goods and services but also make it transparent.
 - It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost-competitiveness of goods and services.



It would bring down the prices of goods and services and thus by, increase consumption.

It would create business-friendly environment, thus by increase tax-GDP ratio.

It would enhance the ease of doing business in India.

An analysis on GST and its impact on Indian Economy:

It is inevitable that with the increase in level of demand, the level of supply would respond likewise. The GST council is being asked by the ministry of Commerce to keep exporters of the plantation, leather and cement out of its framework and suggested to impose lower tax on them to boost output and increase employment generation. With this the producers increase productivity and perform better in global markets council retained its proposed definition of Agriculturist to allow a land to have been personally cultivated only if it's farmed by individuals and family members of HUF and it's exempted under GST.

“The implementation of goods and service Tax(GST) coupled with a digitized economy ushered in by demonstration, will make India's economy look much cleaner and bigger” said union finance minister ArunJaitely at the vibrant Gujrat global Summit. Further he said, it is going to be a major step towards the integration of informal economy and this itself is going to increase the transactions, which are covered within the Banking system transactions and may lead to higher revenue in the future.He said “A new India Has Emerged”. The experts believe that the country would grow economically in the ease of doing business with the implementation of the most important tax reform ever in the history of the country. Secondly: If long term effect of GST analyses it is expected that GST would not just mean a lower rate of taxes, but also minimum tax slabs imposed on .In many Countries where the Goods and Service Tax has helped in reforming the economy, apply only 2 or 3 rates .GST is designed to minimize the rate with a lower rate foressential commodities, and a higher tax rate for the luxurious commodities. Currently, in India, there are 5slabs, but there will be a shift soon. Thirdly: from the viewpoint of the consumer, the consumers have pay more tax for most of the goods and services they consume. The GST implementation has a cost of compliance and tax on most of the goods attached to it. It examine that this cost of compliance will be prohibitive and slightly

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high for the small scale manufacturers and traders. Resulted to this pricing of goods will go high and has direct impact on cost of living of the society.

CONCLUSION:

As GST implementation applied at a time for all states lack of policy barrier will remove. Directly GST will increase the investment in FDIs which increase the foreign exchequer of the country and indirectly increase the employment opportunities. It will promote new startups in India for its business-friendly tax structure.

A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will also beneficial to individuals as the prices will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP.

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