A POSITIVE VIEW ON GOODS AND SERVICES TAX IN INDIAN ECONOMY: A STUDY

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ABSTRACT

The idea of Goods and Services Tax (GST) was first introduced in France in the year 1954. Within 64 years of its advent, more than 160 countries of world have adopted GST because this tax has the capacity to raise revenue in the most transparent and neutral manner. The Goods and Services Tax is a landmark step taken by the Government of India to boost the GDP and introduce a more effective tax regime. It helps to boost the economy and make the products and services globally competitive. GST is expected to mitigate the ill effects of cascading and improve competitiveness and liquidity of the businesses. Goods and Services Tax is a destination tax on consumption tax with the aim "One-Country-One-Tax". GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. GST is an inclusive structured tax; levy of tax on all goods and services with the objective of expanding the tax base through wide coverage of economic activities is mitigating the cascading effect of double taxation, reduction of exemptions, enabled better compliances etc. However, before GST regime India has the hub of taxes, in which various taxes are imposed on at various stages. It creates hurdles and confusion in growth of this sector. This paper is main focus on the GST a positive view of Indian economy.

***Key Words:** GST, Regime, Positive Impact ,Indian Economy, Manufacturer, Mitigating*

INTRODUCTION

The Goods and Services Tax is popularly knows in every country of the world. More than 160 countries have adopted the GST. It was first introduced in France in the year 1954. The spread of GST in different countries has been one of the most important developments in taxation over the last six decades. GST is a historic reform after ten years of rigorous and widespread consultations. The dream of 'one country one tax' has become a reality with Constitution bill, 2016 (One Hundred and First Amendment), introduced a national Goods and Services Tax and converting into a unified market of 1.3 billion citizens in India from 1 July 2017.

In the history of independent India, introduction of Goods and Services Tax is the one of the biggest reform after Value Added Tax. GST helps to modernise India and unify the economy into a single market and set to integrate State economies in boosting overall growth. It is a comprehensive tax levy on sale, manufacture and consumption of goods and services throughout India. The GST is expected to change the whole scenario of current Indirect Tax.

Goods and Service Tax is a destination based consumption tax with the aim One-Country-One-Tax. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. It has an inclusive structured tax levy of tax on all goods and services with the objective of expanding the tax base through wide coverage of economic activities mitigating the cascading effect or double taxation, reduction of exemptions, enabling better compliances etc.

However, in before GST regime India is the hub of taxes, it can be seen that, various taxes are imposed on at various stages. It creates hurdles and confusion in growth of this sector. Indian indirect tax has become simpler after GST. It is expected to decrease cost of creation and inflation in the economy and also making the Indian trade and industry more competitive, locally and globally.[1]

Concept of Goods and Services Tax

Goods - "Goods'' means every type of movable property other than actionable claim and money but includes securities, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply. Services - "Services" means anything other than goods. Services include intangible property and actionable claim but do not include money. Further, Section 3of Draft CGST/SGST Act, 2016 provides the meaning of the term "supply". Supply - All forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.

India intends to follow a dual model of GST that will be imposed concurrently by the States and central as well. The dual model was propounded in the First Discussion which was released by the Empowered Committee with an objective to go away from the problem of tax on tax that is called double taxation and to move to a common tax base and also to have various Central and State levies on goods and services .To determine whether Central Goods & Services Tax (CGST), State Goods & Services Tax (SGST) or Integrated Goods & Services Tax it is important to first know if the transaction is an Intra State or an Inter-State supply.

Intra State or Within the State

(1) Central GST, (collected by the Central Govt – CGST)

(2) State GST, (collected by the State Govt- SGST)

Interstate or between the state

(3) Integrated GST, collected by the Central Govt – IGST.

Central GST will be levied as well as collected by Central Government, and State GST will be levied and collected by State Governments. IGST has be approximately a sum total of Central GST and State GST. Under this model, Integrated GST will be levied by Centre on all inter-State supplies of taxable goods and services.[2]

Review of Literature

Mrs. Poonam (2017) have discussed regarding GST, GST will be a very significant step in the field of indirect tax. After introduction of GST Consumer's tax burden will approximately reduce to 25 percent to 30 percent. After introduction of the concept of GST, Indian manufactured products would become more and more competitive in the domestic and international markets. In this paper the author tried to attempt to study the concept of GST and its current status in India. This study also aims to be familiar with the advantages and disadvantages of GST in Indian economy.[3]

Dash .A (2017), conducted a study on, "positive and negative impact of GST on Indian economy". The objective of the study is to cognize the concept of GST , to study the features of GST , to furnish information for further research work on GST, to evaluate the advantages and challenges of GST . Credits of input taxes paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on value addition at each stage.[4]

Aswathy Krishna & Divya. M.S, Aashish C.I (2018), assessed the influence of GST on hotel industry. The study found that after implementation of GST, the budget hotels are the most benefitted one. It also found that the hotels falling under 18-28% GST slab bears the adverse effects of GST. The study concluded that GST removes the problems faced by the hotel sector leading to cost optimization and free flow of transactions.[5]

Need for the Study

Goods and services tax is based on Canadian GST. The concept of GST is new for all in our country. Being new and challenging levy for country's beneficiary, researcher attracted to make the research on this topic.

Objectives of the present study

1. To understand the concept of GST.
2. To examine the positive impact of GST on Indian Economy.
3. To furnish information for further research work on GST.

Methodology

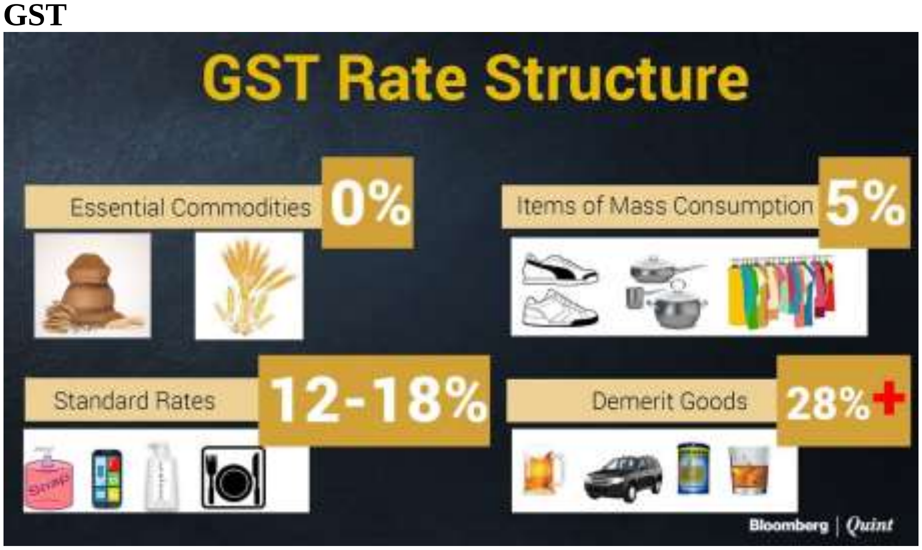
The entire study is based on Secondary data collected from various referred books, National & international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service tax. Keeping in view the objectives of the study the research design is descriptive and analytical in nature.

Table 1 : Indirect tax Integration and Model of GST

Indirect taxes	GST	Goods and Services produced &consumed in different states (Intra-State)	Goods and Services produced &consumed in different states (Inter-State)	Goods or Services Exported	Goods or Services imported
Excise duty	CGST	CGST Rate SGST Rate levied	Integrated GST	GST not Applicable	CGST Rate SGST Rate levied
Service Tax					
Custom Duties					
Central Sales Tax					
State Sales Tax	SGST				
Entertainment Tax					
State VAT					
Professional TAX					

Source: www.gstcouncil.gov.in

Tax rate under GST



The Goods and Service Tax in India is organized in such a way that all the necessary services and some food items are placed in the lowest bracket, and the other luxury goods and services and de-merit goods are placed in the highest bracket.

The GST council has set the four-tier structure at 0%,5%,12% and 18% and 28%.The Government has decided in an attempt to keep inflation in check to exclude essential items such as basic food commodities from taxj. However, a 5% tax will be applicable for common commodities. Most of the standard services will fall under the 12%, and 18% tax slab and the luxury items will fall under the 28% slab.

The Four-Tier Tax Structure

- Nil rate Rate
- Lower Rate
- Standard Rate
- Higher Rate

NIL Rate (0%)

Under this category, the GST council has decided to exempt or not charge any taxes on a few of the basic commodities. Most of the items in the Consumer Price Index (CPI) comes under the zero rate. Basically, in simple words, no GST will be charged on these goods.

The following items stated below are some of the GST-Exempted Goods:

- Raw vegetables including potatoes, onions, and various leguminous vegetables, etc
- Live animals such as sheep, goats, live poultry, birds, bird's eggs in the shell, fresh fish
- Wheat, corn, maize, cereal grains, soybeans that have yet to put into containers
- Human blood and various components of the same
- Fresh ginger, melon, roasted coffee beans, unprocessed green tea leaves, etc.
- Raw materials such as raw silk, silk waste, khadi fabric, khadi yarn, charcoal, firewood, handloom fabrics and wool (not processed).
- Tools and instruments such as hearing aids, spades, shovels, tools used in agricultural purposes, handmade musical instruments, etc.

*There are many more products that are exempted from GST and the products mentioned above are just an indication of some of the products that qualify for zero GST.

Lower Rate (5%)

Under this slab, a 5% rate will apply to most of the common commodities and services. This mainly includes the rest of the items under the Consumer Price Index and the mass consumption products. Some of these items are-frozen vegetables, coffee, tea, rail tickets, economy air tickets, takeaway food, fertilizers, etc.

Standard Rate (12% and 18%)

Most of the goods and services come under this slab. To keep inflation in check, the government has decided to keep two standard rates for the products and services. The 12% slab consists of -butter, cheese, handbags, jewelry boxes, cellphones, frozen meat, business class air tickets, movie tickets priced under ₹100, etc. Some of the items under the 18% slab are-pasta, pastries, cakes, vacuum cleaners, hairdryers, panels, wires, IT services, telecom services, etc.

Higher Rate (28%)

More than 200 products will come under the 28% tax slab. This mostly consists of luxury products. Some of these items include-pan masala, paint, cement, automobile, washing machine, shampoo, sunscreen, motorcycles, aerated water, etc. For some of the products under the 28% slab category, an additional cess has been fixed by the government.[6]

Positive Impact of GST on Indian Economy

GST is big reform in taxation system which promotes exports of goods and services. GST is a fair tax system. So, it will provide certainty and transparency in tax structure. With the implementation of GST, the government is trying to simplify the tax structure. So, GST will result in a good administration of tax structure. GST will result in cost competitiveness of goods and services in global market because the tax rate on exports of goods is very nominal. Multiple effects of taxes are removed with the implementation of GST. There is a single base for calculation of GST both for central government and state government. Uniform rates of taxes will lead to less confusion and thus reduce tax litigation. Starting a new business and expanding in different states is much easier under GST tax system because there is uniform tax rates and centralized registration. By eliminating small border taxes and resolving check post issues, GST will ensure that interstate movement becomes cheaper and is less time consuming.

There is a long list of benefits, which are being claimed as a result of GST law. Listed below are some impacts of the implementation of the GST that has benefit the Indian economy

Removes case coding effect.

GST Removes of cascading effect of taxes. In simple words "cascading tax effect" means a tax on tax. It is a situation where in a consumer has to bear the load of tax on tax and inflationary prices as a result of it. Under GST, the taxes are unified under the supply of services and the taxation system is unified. So prices have gone down since the burden of paying tax has fallen onto the end consumer of the goods and services. Therefore, there is a scope for businesses to produce more at lesser effective costs, leading to a rise in competition.

Prices of consumer goods likely come down

Due to lower burden on taxes on the manufacturing sector, the manufacturing costs have reduced. Hence prices of consumer goods likely come down.

Increase in the demand

The low prices lead to an increase in the demand of goods and services

Increase in the production

Increased demand leads to increase in supply. Hence this ultimately leads to increase in the production of goods.

Employment generation

The increased production leads to more job opportunities in the long run.

Simplified tax policy

GST simplified tax policy as compared to earlier tax structure**.** The tax calculation under the system of GST has become much more simplified indirect tax structure, rates, and administration and compliance requirements. Automation of compliance procedures reduces errors and increase efficiency. It eliminates multiplicity of taxes on goods and services under the old tax regime. This saves a lot of resources for calculation of taxes. It has also united the taxation laws under various state governments.

More transparency

Under GST there has be only one tax form one manufacturer to the consumer. There will be more transparency in the system as the customers has know exactly how much taxes they are being charged and on what base. It increases the purchasing power of the customers. Hence the consumption and employment increases in the country.

Wider tax base

GST Offers a wider tax base. More business entities come under the tax system thus widening the tax base. This leads to better and more tax revenue collections. Wider tax base lowering tax rates and eliminate the Classification disputes and it also increases revenue to the Centre and State.

Reduced Tax Evasion

Being a destination based tax system, Goods and Service Tax Framework has reduced tax evasion by large extent and will promote the manufacturers and retailers to use bills and invoices.

Clarity for Software Industry

The software and IT giants of the country have some clarity for the payment of taxes. Under the old system of taxation, there was some dispute on as to whether they need to apply for VAT or Service Charge on their products. GST clearly distinguishes between products and services and the way taxation is applied to them.

Economic Union

It has introduced two-tiered One-Country-One-Tax regime. GST proves the uniformity of taxes in all over the country. The GST impact on the transportation of goods and services from state to another has been a very welcoming change. Goods can be easily transported from one place to another under the new regime. The movement of goods across state borders can be done easily via the procedure of generation of the e-way bill.

Inputs held in Stock

The service providers will be able to access the CENVAT credit of input that is held in the stocks. The provision is best applicable when users migrate from taxation form to the other such as from exempt category to a taxable category.

Increase in exports

It is good for export oriented businesses. Because of, GST removes the custom duties applicable on goods and services which are exported out of India. The cost of production in the domestic markets has dropped due to the implementation of the Goods and Services Tax. This leads to a positive influence in increasing competitiveness in the international markets leading to excessive exports.

GST increases Foreign Direct Investment

GST increases Foreign Direct Investment and improvement in international investor's confidence.

Repairs and Maintenance

Service Providers dealing with delivery of repairs and Maintenance services will enjoy the benefits of both the credit of input and credit of input services with the accordance with the GST system. Under the old regime, the repair service providers could only benefit from the credit of input services which, was a very limiting compensation for the service providers.

Reduction of Input Costs

Since the abolishing of the multiple levels of taxation and the introduction of a single tax on value addition, the cost of inputs will decrease. As goods has move in out of states without any hurdle ,it lower down the logistics and inventory management costs of corporate, which is quite high in India.

Control of black money

Control of black money circulation as the system normally follows by traders and shopkeepers will be put to a mandatory check.

Promotes economic efficiency

GST Promotes economic efficiency and sustainable long-term economic growth.

Business-friendly environment

It creates business-friendly environment, thus by increase tax-GDP ratio.GST is expected to boost Indian economy by nearly 2% as movement of goods and services has be quicker, simple and cheaper.

Boost for E-Commerce

Boost for E-Commerce Sector. E- Commerce gets a boost by increasing market penetration and Freeing up online State restrictions.

Ease of doing business

GST facilitates ease of doing business in India. The procedure of GST registration also be made simple, thereby improving the ease starting a business in India. A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. has available to the taxpayers online, which would make compliance easy and transparent. But this is only possible only if the actual benefit of GST is passed on the final consumers. There are also other factor like sellers profit margin that remain the final rate of goods and services.[7]

CONCLUSION

GST is set to become one of the biggest fiscal reform that our country is going to witness .Introducing of GST is a right and a landmark step taken by the Government of India to boost the GDP in field of indirect tax reforms by bringing a large number of central and state taxes into a single tax. GST is expected to significantly erase double taxation and make taxation overall easy for the industries. Change is definitely never easy. But no doubt, it has simplified existing indirect tax system and helps to remove inefficiencies created by the existing current heterogeneous taxation system. The government should take care of all problems that are coming in proper implementation of GST and should be sensitized towards the problems of taxpayers.

Goods and Service Tax (GST) is considered as an important tax reforms in India after independence. As we are in the initial stage of GST, it takes more time to positively impact in our economy.GST has help to reduce price of products and services. It leads to reduce inflation rate of our country.GST plays key role in increase the GDP growth of our country. Findings of the study are the concept of GST has been better than the traditional tax system. The entire GST implementation has a positive impact and it helps in improvement of the business and Indian economy from all the sides in various ways in long run.

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