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A study of implications of GST on Indian economy

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Abstract

Goods and Service Tax is an oblique tax levied at the deliver of products and services. GST Law has changed many oblique tax legal guidelines that formerly existed in India's is one oblique tax for the whole country. There are three taxes relevant below GST: CGST, SGST & IGST. GST will in particular cast off the Cascading impact at the sale of products and services. Removal of cascading impact will without delay effect the fee of products. This paper offers an information approximately GST in India & its effect at the Indian Economy. The Evolution of GST in India is likewise mentioned on this studies paper. The studies targets cognizance across the evolution of GST, the way it works & how exceptional sectors are tormented by GST.

Keywords: GST, Indian economy

Introduction

GST was first introduced during 2007-08 budget session. On 17th December 2014, the ahead of its time Union Cabinet ministry approved the proposal for inauguration of GST Constitutional Amendment Bill. On 19th of December 2014, the bill was presented on GST in Lok Sabha. . The Bill was absorbed for discussion far and wide for the coming Budget session. The President of India canonical the Constitution Amendment Bill for Goods and Services Tax (GST) on 8 September 2016, consequently the bill's article in the Indian chamber and its ratification by greater than 50% of the size of it legislatures(President gives assent to GST Bill, 2016). GST has replaced the current indirect taxes. The implementation of GST will have a far-reaching strength on at the point of all the aspects of the engagement in activity application operations in India. With greater than 140 countries soon adopting some comprise of GST, India has daydream been a stand-out exception.

Literature Review

Nitin Kumar (2014) ^[2] studied, "Goods and Service Tax- A Way Forward" that implementing GST in India would help in removing current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations. Nishitha Guptha (2014) in her study stated that by implementing GST would give many benefits to our country which is not given by current tax structure and will benefit the economy. Hence GST would benefit the industry, trade, consumers and Government. Dr. R. Vasanthagopal (2011) ^[1] studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that GST is a broad based, single, comprehensive tax levied on goods and services in which, the seller may claim the input credit of tax which he has paid while purchasing the goods, the final consumer will bear only the GST charged by the last dealer in the supply chain.

Objectives of the Study

- To understand the concept of GST
- To know the benefits and challenges of GST
- To study the impact of GST on different sectors in India

Research Methodology

The study is based on exploratory research and based on secondary data of journals, articles, newspapers and magazines. Secondary data was extensively used for the study.

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Major Steps of Tax reforms

1. 1974 Report of LK Jha Committee suggested VAT
2. 1986 Introduction of a restricted VAT called

Modvat

1. 1991 Report of the Chellaiah Committee recommends VAT/GST and recommendations accepted by Government
2. 1994 Introduction of Service Tax
3. 1999 Formation of Empowered Committee on State VAT
4. 2000 Implementation of uniform floor Sales tax rates Abolition of tax related incentives granted by States
5. 2003 VAT implemented in Haryana in April 2003
6. 2004 Significant progress towards CENVAT
7. 2005-06 VAT implemented in 26 more states
8. 2007 First GST stuffy released By Mr. P. Shome in

January

1. 11. 2007 F.M. Announces for GST in budget Speech
2. 12. 2007 CST phase out starts in April 2007
3. 13. 2007 Joint Working Group formed and reports submitted
4. 14. 2008 EC finalises the view on GST structure in April 2008

Major Issues

1. Abolition of Multiple taxes.
2. Increases in Voluntary tax Compliances.
3. Removes distortion in economy.
4. Removes in cascading effects of taxation.
5. Enhances manufacturing and distribution efficiency
6. Widening the tax base.
7. It is destination based tax- determining the place of supply.
8. Centralized registration system in case of service tax compliances.
9. Increasing the production and distribution of goods and services.
10. In the GST system, when all taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.
11. GST helps in removing economic distortion and brings about development of a common national market by levied tax only at the final destination of consumption based.
12. It also build a transparent and corruption –free tax administration.
13. Experts can predict that, by implementing the GST system, India will gain \$15 billion a year. This is because; it will promote more exports, create more employments and boost growth.
14. In GST system tax should be collected at the point of sale by state and central governments. Individuals are benefited with lower prices, more consumption resulted more production and employments.
15. Some commodities are excluded from the ambit of GST, i.e Alcohol, tobacco, petroleum products etc.

Challenges

1. The GST Constitutional Amendment Bill was passed in Lok Sabha in May 2015, but failed to get it passed in Rajya Sabha due to tremendous political set-backs faced by the government.

2. Central Government must also look into that, the GST bill passed by the respective state governments.
3. Governments also put GST bill before the public domain and give sufficient time to all stakeholders to comprehend and give their views on the bills.
4. The success of GST depends on two important factors like RNS and threshold limit. RNS (revenue neutral rate) is the rate at which there will be no revenue loss to the governments after implementation of GST.
5. The threshold limit of turnover for dealers under GST is another bone of contention between the government and the empowered committee, aiming to broadening the tax base under GST.
6. For effective implementation of GST, tax administration staff – both at central and state levels, would require to be trained properly in terms of concept, legislation and procedure. The tax administration staff would also need to change their mindset, approach and attitude towards the tax payers.
7. The success of GST is depends on robust IT backbone connecting all state governments, trade and industry, banks and other stakeholders on a real time basis.
8. There is a confusion with regard to states would be allowed to levy an additional 1% non-vat tax on interstate supplies for initial two years.

Recently Empowered Committee recommended abolition of the same. The dual GST proposed to be introduced is expected to expand the tax bases and simplify and harmonize the conception tax systems presently levied at both central and state levels. The central VAT (Cenvat) levied at present, has a narrow base and multiple rates. It is levied on goods at the production stage, and value added in subsequent stages is not included in the base. In the proposed Central GST, the base will be expanded by merging the service tax with the Cenvat, extended to wholesale and retail levels and simplified to have only one or two rates. The merger of service tax in GST helps to ensure more comprehensive input tax credit and relieve the tax on exports. The State GST will expand the base of the prevailing VAT to include services. The tax will be simplified by merging a number of other taxes such as motor vehicles tax, goods and passengers' tax, entertainment tax, electricity duty and entry taxes including those levied in lieu of octopi–local taxes on the entry of goods into a municipal area for consumption, use or sale. Harmonization of tax rates and administration across states would bring about significant gain in minimizing distortions and reducing compliance cost for taxpayers.

Conclusion

GST will be a very noteworthy step in the field of indirect tax reforms in India. Multiple taxes are eliminated and there is only a single tax. GST will make taxation easy for the industries. Customer will also be benefitted as the overall tax burden on goods and services are reduced. GST will also make Indian products competitive in the global markets. GST will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

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