

Impacts of GST on Indian Economy: A Study



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Abstract

The GST was founded on the notion of "one nation, one market, one tax" and this is perceived the largest tax reform in India. The Goods and Services Tax is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but is sent to the government by businesses selling goods and services. The moment that the Indian government had been waiting for a decade has finally arrived. The single largest indirect tax regime has been implemented, eliminating all inter-state barriers in relation to trade. The GST is levied on all transactions such as sale, transfer, purchase, barter, lease and import of goods and services. India has adopted the dual GST model, which states that taxation is administered by both the central and state governments. The GST is a consumption-based tax that will have an impact on the destination. Therefore, taxes are paid to the state where the goods or services are consumed, not to the state in which they were produced. The working of the Goods and Services Tax has transformed the economy into digital and standardized, which will now support both the central government and the states to directly and indirectly back the smooth flow of information and accessibility of a common set of Tax collection. This study tries to explore the impacts of GST on Indian economy.

Key Words: GST, Economy, Indirect Tax, Government

Introduction

There are two types of taxes in India - direct tax and indirect tax. Direct tax is a tax that is levied directly on a person and collected from the same person, for example income tax. On the other hand, indirect tax is a tax which is collected indirectly. Indirect tax is levied on one person and charged to another person, for example sales tax. In simple words, the Goods and Services Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws which previously existed in Indian economy. The Goods and Services Tax is a huge concept that simplifies the huge tax structure by supporting and increasing the economic growth of a country.

The GST is a comprehensive tax levy on the manufacture, sale and consumption of goods and services at the national level. The GST Bill, also known as the Constitution (One Hundred and Twenty-Second Amendment) Bill of 2014. It has been three years since the introduction of India's largest tax reform Goods and Services Tax (GST) on 1 July 2017. The GST will enter a nationwide common market and reduce the plurality of central and state taxes. The GST will increase the available resources for poverty alleviation and development. The purpose of GST is to make India a common market with common tax rates and procedures and remove economic barriers. This will pave the way for a unified economy at the national level.

This GST law has been a roller coaster ride for the government, industries and consumers due

to the amount of changes and reforms. These changes mainly focused on rational rates, simplifying procedures and curbing tax evasion. The GSTN is one of the world's largest online tax systems and this is also a major focus area for the government. The GST will facilitate 'Make in India' by creating an India. The current tax structure unites India by connecting Indian markets with the Indian market. Most other taxes will be included in the GST and as GST applies to imports, negative protection in favor of imports and eliminating domestic manufacturing will be eliminated.

Impacts of GST on Indian Economy

India's current tax structure is very complex. According to the Indian constitution, the state government has the right to levy taxes primarily on the sale of goods, and the central government has the right to levy taxes on the production and services of goods. Due to this, different types of taxes are applied in the country, due to which the current tax system of the country is very complex. Different types of tax laws are difficult for companies and small businesses.

Currently, the central government levies service tax for more than 100 services. No sales tax and VAT is levied by the states on services. However, after GST is implemented, service providers will have to pay SGST to the states. Further, there will be a uniform tax rate on all services. This means that services can become expensive when GST is implemented. GST with its uniform taxation structure can be the most important step towards achieving the task

of managing inflation and GDP growth. The current indirect tax regime suffers from significant cascading which leads to high cost of goods and services consumed in the country. There are also instances where taxpayers or consumers have to pay both center and state taxes on a single sale which adds to the increased tax costs for businesses and consumers. The cost of such growth increases inflationary pressures in the economy.

The GST can become a win-win situation for the entire country. It will benefit the industry, consumer and all stakeholders of the government as it will reduce the cost of goods and services and boost the economy and make products and services globally competitive. With the introduction of GST, Indian products have been made competitive in domestic and international markets. Last but not least, GST, due to its transparent character, will be easy to administer. At the time of GST being implemented, the proposed taxation system holds great promise in terms of sustaining the growth of the Indian economy

Conclusion

The Goods and Services Tax (GST) is a Canadian value-added tax levied on most goods and services sold for domestic consumption. The GST bill was introduced in India because of that Government wants to bring tax uniformity in the country and remove the tradition of tax upon tax system. In India, this tax is levied to eliminate many indirect taxes of the country. The GST system is largely based on technology. This will reduce the human interface to a great extent and will lead to quick decisions. Therefore, it will redefine the growth of Indian economy and build better environment for business in India.

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