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Impact of GST on Indian Economy: An Overview

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Abstract: The fact is that Goods and Services Tax (GST) is a single indirect tax for the whole nation which has made many efforts to make India a unified common market. Actually it is a single text on the supply of goods and services right from the manufacturers to the consumers. It is said that it is a great leap to improve Indian taxation system in the wake of economic reforms in India in the recent years. After the implementation of demonetization, the GST was known as a crucial step to boost through new starts ups in the country. It removed bundled indirect taxes such as VAT, CST, Service Tax, CAD, and SAD etc. In other words it has removed tax on tax. When it is compared to the previous tax structure, it proved to be better for the coming years in India in the perspective of economic dimension. Most of the economist and scholars are agree with the fact that in short term it may have some drawbacks but in long run it will surely boost the Indian economy and control the circulation of Black money in the market. Therefore, the expectation of GST in Indian perspective is known to be beneficial and ultimately a lead to rise in the production of goods and services.

Keywords: Indian Economy, GST, Indirect Tax, One Tax – One Nation, Economic Growth.

Introduction: The Goods and Services Tax / GST is a very note worthy step in the field of indirect tax reforms India. Actually by merging a large number of Central and State taxes into a single tax, the GST is expected to significantly ease double taxation and make taxation overall easy for the Industrial sector in India. It is said that for the end consumer, the most beneficial will be in terms of reduction in the overall tax burden

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Vol-22-Issue-4-October-December-2019

on goods and services. GST reduces tax burden on manufacturers or producers and fosters growth through more production. The previous taxation structure in India worked as barrier to boost the economy but the current taxation structure will prevent manufacturer from producing to their optimum capacity and will also take care of the problem by providing tax credit to the manufacturers. It will save the time and wastage of transport. The new taxation system deeply eliminates the road blocks such as check post and toll plazas. After the implementation of GST, a huge amount of growth in tax collection has been observed. However, some of the drawbacks or negative impacts have also been observed but recently the emerging trends in the new tax system indicate hope for the best in Indian economy.

Research Objectives: The present research paper has the following research objectives:

1. To explain the concept of GST.
2. To point out the benefits of GST.
3. To highlight the impacts of GST on Indian economy.

Research Methodology: The present study is descriptive in nature and based on the secondary sources of data collection from reputed journals, internet, articles and research papers. The researcher has also used some observational facts regarding the research problem.

Review of Literature: There is a plethora of literature on the tax system of India. After the implementation of GST many research articles were written and published in different magazines and journals. The researcher has reviewed some of them. **Namita Mishra (2018)** in her article, "Impact of GST on Indian Economy" has pointed out that GST is a single national uniform tax levied across India on all Goods and Services. It has removed cascading effect of taxes and also to provide for a common national market for Goods and Services the GST has been introduced on 1st July 2017 in India. As a result a new India has emerged. **A Dash (2017)** in his article, "Positive and Negative

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impact of GST on Indian Economy has highlighted some facts that GST is a comprehensive multi-stage, destination-based tax that will be levied on every value addition. Actually GST implemented in India is to bring in 'One Nation – One Tax'. It is a single indirect tax for the whole nation which will make India a unified common market. It has some positive as well as some negative impacts. **R. Vasantha Gopal (2011),** "GST in India: A Big Leap in the Indirect Taxation System" has revealed the fact that the positive impacts are dependent if design of GST is rational and if balance the conflicting interest of various stake holders. He also pointed out that the GST would be a big leap in the Indirect Tax System and also give a new Impetus to India's economic change.

What is GST: The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government. Furthermore we can say that the concept of GST is based on the 'One Tax – One Nation'.

It was the 1st July of 2017 when GST came in to the picture in Indian economy under Prime Minister, Sh. Narender Modi's Govt. The new system has a history behind it. The idea of GST was 1st proposed by the P. Chidambaram in the Union Budget for the year 2006-07. But the discussion on GST took specific decision with the introduction of the Constitutional Bill, 2014. This Bill was passed by the Indian Parliament on 8th Aug. 2016 and followed by the approval of the Bill by more than 15 states. On 12 April 2017, the Central Govt. enacted for GST Bills as under:

- Central GST (CGST) Bill.
- Integrated GST (IGST) Bill
- Union Territory GST (UTGST) Bill.
- The GST (Compensation to States) Bill.

GST Tax Slabs: There are five tax slabs in the new tax system as under:

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Vol-22-Issue-4-October-December-2019

S.No.	Slabs	Items
1.	0%	Milk, Eggs, Curd, Unpacked Food Grains, Fresh Vegetables, News Papers, Judicial Papers and Services including Education & Health.
2.	5%	Domestic LPG, Sugar, Tea, Coffee, Edible Oil, Spices, Fabric, Agarbatti, Medicines.
3.	12%	Butter, Ghee, Processed Food, Mobile, Fruit Juice, Almonds, Packed Coconut Water, Umbrella, Food served at Non-Ac Restaurants.
4.	18%	Hair Oil, Toothpaste, Soap, Ice Cream, Toiletries, Pasta, Computers, Printers, Food served at AC Restaurants, Film Tickets,
5.	28%	AC, Fridge, Washing Machine, Small Cars, High end Motor Bikes, Luxury Items like BMW, Cigarettes, Aerated drinks.

Benefits of GST: It is true that the service sector in Indian economy contributes to about 55 percent, therefore, separate taxation of Goods and Services is neither viable and nor desirable. Keeping the fact in view, GST in India was introduced to reduce the tax burden i.e. on both consumers and manufacturers. It has the following benefits:-

- It has removed multiple-taxation in the previous tax system in the country.
- It has removed the cascading tax effects i.e. tax on tax.
- It has increased the production of Goods and Services.
- It has also increased the demand and supply of Goods and Services.
- It has paved a way to reduce the overall cost of the production.
- It has decreased the burden of taxes on the final tax payer or consumers.
- It has increased the tax base and revenue of the Govt. in the new system.
- It has made a possibility to control over the circulation of Black money normally followed by traders and shopkeepers.
- It has simplified the tax policy compared to the previous tax structure.
- It has paved a way to boost the Indian economy in the long run.

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Vol-22-Issue-4-October-December-2019

Impact of GST: The tax structure in the previous year was very complex and there was tax on tax which made it more complex. Therefore, the Govt. of India took a historical decision in form of GST. As a result it reduced overall costs of the production with the end customer paying less. Some of the scholars are agree with the fact that it is a game changing reform for Indian economy. It has the following impacts:

- It has increased competitiveness and after the implementation of GST the prices have gone down.
- As the burden of paying taxes has been reduced to the final consumers of goods and services.
- It has widened a scope to increase production and competitiveness in the economy.
- It is a one single tax system which saves money and time.
- It has made the possibilities of 'One Nation - One Tax'. In other words there is a freedom of transportation of Goods and Services from one state to another after GST.
- It has made the taxation system easier for the tax payer uniformly.
- It has increased tax revenue of the Govt. in the recent years.
- There is an increasing trend in export after the introduction of GST.

Conclusion: To conclude we can say that before the implementation of the new tax system in form of GST, consumers paid more prices for goods and services but after the implementation of GST a drastic change in the previous tax system occurred. It also showed some negative impacts in short run but in the recent years it gave a boost to Indian economy and increased the revenue of the Govt. The Govt. of India reviewed its drawbacks and slab under 28% was reduced. Consequently prices of the goods and services came down. However, there is a lack of IT infrastructure in a few states and some necessary constitutional amendments needs to enable GST easier. Nevertheless we cannot ignore the fact that it has implemented the concept of One Nation-One Tax.

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Vol-22-Issue-4-October-December-2019

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