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Impact of GST on Indian Economy

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Abstract

Taxes are the only means for financing the public goods because they cannot be priced appropriately in the market. They can only be provided by governments, funded by taxes. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. So, GST is the need of the hour Industry experts also believe that while in the long run, Goods & Services Tax ('GST') will have a positive impact on inflation and government finances, in the near term, inflation is likely to go up and Central Government finances are likely to be strained due to the need to pay compensation to State governments.

Key words: GST, Indian Economy,

Introduction

Taxation plays a very important in economic development of country. Taxes are the drivers of the economy. Taxes are the only means for financing the public goods because they cannot be priced appropriately in the market. They can only be provided by governments, funded by taxes. It is important the tax regime is designed in such a way that it does not become a source of distortion in the market or result in market failures. The tax laws

should be such that they raise a given amount of revenue in an efficient, effective and equitable manner. With much awaited GST system and in-depth analysis, here we are with final GST bill passed by the parliament because taxes are only means for financing the public goods because they cannot be properly priced in the market. And government is only the source of funding using the taxation methods. This will replace a raft of existing sales and other indirect taxes and aims to simplify the tax environment for businesses; the following article reviews the main provisions and the affected sectors. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. So, GST is the need of the hour.

Objective of the study:-

The present paper has been prepared keeping in mind the following objectives.

1. To study the concept of Goods and Services Tax (GST) and its impact on Indian Economy
2. To understand the Feature of GST

Research methodology:-

All are the data present study should have collected from s secondary source of data collection, like government reports, publications, from various websites which focused on various aspects of Goods and Service tax.

Concept of Goods & Service Tax

The GST is a single indirect tax rate that will be levied on manufactured products and services for all states. This tax will apply on the value added by a producer or service provider at each stage in the manufacturing process right until the final consumption. GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services at national level. One of the biggest taxation reforms in India the (GST) is all set to integrate

State economies and boost overall growth. Currently, companies and businesses pay lot of indirect taxes such as VAT, service tax, sales tax, entertainment tax, octroi and luxury tax.

GST is expected to create a business friendly environment, as price levels and hence inflation rates would come down overtime as a uniform tax rate is applied. It will also improve government's fiscal health as the tax collection system would become more transparent, making tax evasion difficult. The GST is expected to replace all the indirect taxes in India. At the centre's level, GST will replace central excise duty, service tax and customs duties. At the state level, the GST will replace State VAT.

Features of GST

1. GST is one indirect tax for the entire nation, which will make India "one unified common market".

2. It will replace multiple taxes like VAT, CST, Excise Duty, Entry Tax, Octroi, LBT, Luxury Tax ect.

3. There are four types of GST namely:

a) SGST – State GST, collected by the State Govt.

b) CGST – Central GST, collected by the Central Govt.

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

d) UTGST – Union Territory GST, collected by the Union Territory

4. Tax Payers with an aggregate turnover in a financial year up [Rs. 20 Lakhs & Rs. 10 Lakhs for North Eastern States and Special Category States] would be exempted from tax.

5. GST slabs are pegged at 5%, 12%, 18% & 28%.

Impact of goods and service tax

1. Fast moving consumer goods sector: The Indian FMCG sector is the fastest growing sector in the economy. FMCG sector is the major contributor in both direct and indirect taxes in the economy.

2. Implementation of Goods and services tax will majorly influence Indian economy. The

current rate of taxation in FMCG sector is around 22 to 25% and after GST rate is expected to be much lower which will result in reduction of prices of consumer goods.

3. Food Industry: A large portion of consumer expenses of lower income families spend on food so if there is any tax on food will influence majority of the population or may be regressive in nature. In some of the countries like Canada, UK and Australia tax on food items is while in some countries like Singapore and Japan tax on food is negligible. So it would be ideal if the GST rates may be Zero or would be very low as it would affect people quite significantly.

4. Information Technology enabled services: - The IT industry will not hamper by the implementation of GST. The expected rate of GST in IT sector is 27% According to proposed plan if software transferred through electronic form will be considered under services and if by any other media it would be under goods. So the IT industry will make mix taxation.

5. Infrastructure sector: - Development of Roads, Power, Railways, and Ports etc. are the major infrastructure sectors in India. As the taxation system in Infrastructure sector is very complex. There are exemptions and subsidies for this sector as it is very important for the development of the country. By the implementation of GST the complex tax will be removed and would increase tax base.

6. Agriculture Sector: The GST on agriculture sector will have a positive impact as all the taxes will be subsumed under a single rate of tax. So the movements of agriculture commodities between states will be easier & hassle free which will save time and remove wastages for the transportation of perishables items.

Conclusion

To conclude, though the positive impacts referred above are dependent on a neutral and rational design of the GST, balancing the conflicting interests of various stakeholders, full

Goods and Service Tax in India: An Overview

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political commitment for a fundamental tax reform with a constitutional amendment, the switchover to a 'flawless' GST would be a big leap in the indirect taxation system and also give a new impetus to India's economic change. Tax policies play an important role on the economy through their impact on both efficiency and equity. The ongoing tax reforms on moving to a goods and services tax would impact the national economy, International trade, firms and the consumers. There has been a good deal of criticism as well as appraisal of the proposed Goods and Services Tax regime. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, the new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT.

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Introduction

The introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. Goods and Services Tax or GST as it is popularly known, is the newest taxation system in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer.

Objective of study

The study has following objectives:

1. To Identify the concept of Goods and Services Tax
2. To study the features of Goods and Services Tax
3. To evaluate the advantages and disadvantages of Goods and Services Tax

"For every action, there is an equal and opposite reaction"