

IMPACT OF GST ON INDIAN ECONOMY

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Abstract

On 1st July 2017 a day finally came when india got the one nation one tax under the leadership of the prime minister Narendra Modi .This was the replacement of the all the existing tax rate with a single tax rate and thus the starting of a new era and a sunrise for the Indian economy

Keywords- Goods and Service Tax, Direct Tax, Indirect Tax, MCA,

Introduction

On 1st July midnight at a grand function in parliament ,Sir Pranab Mukherjee the President of India and Prime Minister Narendra Modi launched the GST (“Goods & Service tax) ²which applies to all over India including state of Jammu and & Kashmir ,How ever there have been many changes to GST by various govt notification

In course of time, all states approved State Goods and Service Tax Act 2016, Union territories with legislatures example daman and diu have adopted UTGST and CGST being applied throughout the nation³

The Central Government enacted four GST bills:

- Central GST (CGST) Bill
- Integrated GST (IGST) Bill
- Union Territory GST (UTGST) Bill

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² <https://www.gst.gov.in/>

³ <https://www.gst.gov.in/about/gst/history>

- The GST (Compensation to States) Bill

Benefit of GST

Increases competitiveness- The major component of the good and service use to be the taxes, after introduction of the gst the taxes have come down and double taxation also. Thus reducing the prices of the goods to a large extent.

Simple Tax Structure – Calculation of taxes under GST is simple and easy process as simple rates have been provided. GST is thus a simple rate tax which combined various indirect taxes

Uniform Tax Rate- GST tax law has provided tax rate at a uniform rate all over India. Thus reducing confusion and making the process of tax collection easy for both the tax payer and tax collection authority

Increase in Exports-There has been a fall in cost of good and service in domestic market after the introduction of GST, Which in result increased the competitiveness in the internal national market

Removal of Multiple tax- earlier in india there use to be multiple tax rate example – VAT ,Custom ,Excise .But now these taxes have been bought under a single umbrella . Thus making the process easy for both the tax payer and tax collection body/govt

Removal of cascading tax effect, i.e. tax on tax. - GST removed the cascading effect of taxes which was earlier due to presence of multiple taxes. Now taxes are not repeated thus reducing the cost of goods and services

Burden has been decreased on the final tax payer-The final burden of payment of taxes is thus reduced on the final customer as the taxes have been paid at the earlier stage and by the other chain consumers.

Increase in the demand and supply of goods and services-GST increased the demand and supply of the goods and services as the cost of production and supply decreased .Which in return helped in reduction of prices as result the demand of goods and services boost up.

Easy tax collection - The tax collection and computation process has been eased by the introduction of a single rate tax GST which is a combination of the earlier indirect taxes. Thus a single body collects the tax which was earlier done by the different department which in result created a situation of confusion in the minds of the tax payer and tax collection authority.

IMPACT OF GST ON DIFFERENT SECTORS

- **POWER**-GST impact on the power sector is positive as the slab for the tax on coal has been reduced to the 5% slab and the electronic appliance have been charged at a rate of flat 18%.Thus giving a relief to the end user under the GST⁴ in case of electricity and electronic goods and appliance
- **INFRASTRUCTURE SECTOR**-GST has been very advantageous for the real-estate Infrastructure and as a result these sectors have become more transparent and less of black market. On other side GST on the infrastructure products such as cement ,iron and sand have been decreased to give a boost to the infrastructure sector
- **TELECOM SECTOR**- GST has given a boost to the telecom sector. Taxes have been put up at a flat rate of 18% from the earlier tax rate of the 15%. A straight forward

⁴ <http://www.cbic.gov.in/htdocs-cbec/gst/index>

increase of the 3% thus increased the cost of telecom services. Apart from telecom sector other major sector has also seen a major hike like this.

- **MEDICAL SECTOR**- Medical sector will see an increase in cost of medicine as medicine is being taken in the blanket of 12%. Earlier this tax rate was lower of pharmaceutical and medical equipment and medicine
- **TRANSPORTATION SECTOR**-In Transportation sector cap on the flight fare has been reduced to the 5%. Thus it was a welcome step by whole of the tourist industry and the transport industry. GST on Online Cab aggregator have been increased on other side thus making the online cab service little expensive to the users
- **E-COMMERCE**-After implementation of the GST e-commerce operators collect 1% as a tax collection revenue on all the sales made. Thus the ecommerce services have been made expensive to the end user. Due to increase in taxes as a result of implementation of the GST⁵ or the on tax one nation scheme
- **START-UP**-Impact of GST on startup is mixed of both the positive and that of a negative impact. It's still under discussion weather it is advantageous or disadvantageous for the startup industry. There have been certain relief given to the startup under GST but on other side certain tax and cess have been increased
- **ALCOHOL INDUSTRY**- It was a hit for the alcohol industry as the prices of the beer and fresh brewed beer was raised to the 15% slab. Thus increasing the price of the Alcohol. But ALCOHOL are the certain few items which have not been taxed under the GST law but have been taxed under the different tax head by various competent authority

⁵ <https://www.gst.gov.in/about/gst/history>

- **AUTOMOBILE INDUSTRY** –It was a positive boost to the automobile industry as all the indirect taxes on the sale of vehicle has been absorbed under a single blanket rate. Thus several duties, tax, cess has been combined under a single head of GST. Thus making the process of computation of the cost of automobile easy for all consumer, seller and the tax authority
- **IMPACT ON BANKING, FINANCIAL, SERVICES AND INSURANCE (BFSI)-**
The major affected sector is the BFSI as earlier tax rate was 15% which is increased to the 18% with effect from the implementation of the GST. A straight forward increase of 3% thus increased the cost of banking, financial, services and insurance by an average of the 3%. Thus making these services costing for the end consumer
- **LOGISTICS-** after implementation of the GST. India really boosted on the ranking chart of the logistic performance index to the 15th position directly from the 30th position last year. Especially introduction of the EWAY bill helped a lot in this regard. Thus a decrease in the GST rate on the logistics increased the scope of logistics and as a return India jumped on graph of the logistic performance.
- **FMCG-** The consumer daily needs goods as well as FMGC goods have been taxed at a lower rate and thus a relief to the end consumer and the more demand in local market. Thus the most benefited sector from the implementation of the gst is the FMGC sector as the lower taxes helped the end consumer to have the goods at a lower cost due to decrease in the rate of GST
- **TEXTILE** –The most benefited sector by the implementation of the gst is the textile sector as earlier the tax rate was in range of 5-6% which now has been fixed at rate of 5%. The most beneficial thing in this regard is the advantage of the input credit. Which was earlier not present before the implementation of the GST? Thus textile sector have seen a major hike in the export as it increased competitiveness in the international market.

- **GOLD** –The GST rate on the gold metal has been taxed at a rate of 3% flat plus import and custom duty extra. Thus a major change in tax relating to the gold metal has not been made by the govt yet. But a major tax reform for gold policy is expected to come soon in regard of the pricing of the precious metal.
- **IT and ITES**- IT and ITES saw a hike in the tax rate. Earlier the tax rate was 14% but now has been increased to the flat tax rate of the 18% thus making the IT service and goods expensive and thus a hard hammer on the pocket of the consumer. An average increase on the cost of IT service has been roughly around the 4%. Thus making the IT and ITES sector worst hit by the implementation of the GST. As a result things like laptop ,printer ,scanner ,router become expensive.

CONCLUSION: The impact of GST on goods and service on various sector have been a mixture of both a positive as well as a negative. But positive side seems to be much heavier as compared to the negative side. GST thus reformed the financial sector and Indian tax system completely .The road for GST ⁶has just started ,major benefit would be seen in near future. GST is not only good for consumer but as well as seller and govt as well. It is simple and easy to compute process as GST reduced all the indirect tax to a single based tax. Even if India have been late in implementation of GST in india, but no matter it will reap the benefit out of it in near future.

⁶ <https://gst.taxmann.com/>