Impact of Goods and Service Tax on Indian Economy

CH. Laxminarayana
Assistant Professor
Department of Commerce
TTWRDC (MEN) SANGAREDDY, India

Abstract— GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country. GST also improving ease doing business ranking and it merged 17 indirect taxes which are imposed by central and state and local authorities and largest reform in India. It is implemented 1ST JULY 2017 the research paper cover befits of the various stake holder on implementation of GST and disadvantages of GST and slab tax rates, exemptions limits, which goods and services not come under purview of the GST, returns filing process and due dates and recently updates also covered. KEYWORD; GST, benefits, exemption, merged.

Key words: Goods and Service Tax (GST), Indian Economy

I. INTRODUCTION

The introduction of Goods and Services Tax on 1st of July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to 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 was estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. GST is a broad based, single, comprehensive tax levied on goods and services at each point of sale of goods or provision of service, in which, the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or availing the service; the final consumer will thus bear only the GST charged by the last dealer in the supply chain. GST was recommended by Kelkar Taskforce in 2004. According to the Taskforce, an all India GST would be in the nature of a revolution in India's indirect Tax structure since independence because GST would merge all Indirect Taxes imposed by the centre and states ,so there is one country ,one single Indirect Tax. As such GST would substantially bring down cascading burden of various Indirect Taxes Imposed by centre and state together which falls on a final consumer.

II. NEED/SIGNIFICANCE OF STUDY

Our Constitution empowers the Central Government to levy excise duty on manufacturing and service tax on the supply of services. Further, it empowers the State Governments to levy sales tax or value added tax (VAT) on the sale of goods. This exclusive division of fiscal powers has led to a multiplicity of indirect taxes in the country. In addition, central sales tax (CST) is levied on inter-State sale of goods by the Central Government, but collected and retained by the exporting States. Further, many States levy an entry tax on the entry of goods in local areas. This multiplicity of taxes at the State and Central levels has resulted in a complex indirect tax structure in the country that is ridden with hidden costs for the trade and industry. In order to simplify and rationalize indirect tax structures, Government of India attempted various tax policy reforms at different points of time. A system of VAT on services at the central government level was introduced in 2002. The states collect taxes through state sales tax VAT, introduced in 2005, levied on intra-state trade and the CST on inter-state trade. Despite all the various changes the overall taxation system continues to be complex and has various exemptions. This led to the idea of "One nation One Tax" and introduction of GST in Indian financial system. This is simply very similar to VAT which is at present applicable in most of the states and can be termed as National level VAT on Goods and Services with only one difference that in this system not only goods but also services are involved and the rate of tax on goods and services are generally the same.

III. LITERATURE REVIEW

Ehtisham Ahmed and Satya Poddar (2013) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simplier and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014), studied "Goods and Service Tax in India-A way forward" and found that GST will be levied on all the goods and services except those exempted, dual model of GST will be there, which will include Central GST (CGST) collected by Center and State GST (SGST) collected by State. Central tax such as Central excise tax, additional excise duty, service tax, surcharges, countervailing duty, special additional duty of customs and state tax such as VAT/Sales tax, entertainment tax, luxury tax, taxes on lottery, betting and gambling, state cesses and entry tax not in lieu of Octroi to be subsumed. GST will not be charged on exports, it will only be charged on imports and Input Tax Credit will be available on the GST paid on import on goods and services. Some advantages of GST are higher revenue efficiency, easy compliance, and reduction of prices, improved competitiveness and better control on leakage.

Girish Garg, (2014), studied "Basic Concepts and Features of Good and Service Tax in India" and found that a tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name. The challenges faced for the implementation of GST bill are with respect to tax threshold, nature of taxes, number of enactments of statutes, rates of taxation and tax management and infrastructure whereas the opportunities are – end to cascading effect, growth of revenue in States and Union, reduces transaction costs and unnecessary wastages, one point single tax, avoids the multiplicity of taxes, reduces average tax burden and reduces corruption. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST.

Marc Andere Pigeon (2015), studied "Federal taxes on Gases and Heating Fuel" and explored that Gases and heating fuel are „inelastic goods". In Canada, at the Federal Level, the three taxes are levied on oil namely Royalty tax, Excise tax and Sales tax. Unlike the Excise tax, GST/HST is calculated as a percentage and therefore increases or decreases with every increase and decrease in price and/or other taxes. The paper suggests that at some point the tax increases may actually lead to reduced tax revenue due to the reduced consumption or production of goods that are highly taxed because higher tax leads to higher tax evasion.

IV. Objectivity of the Study

The objective of this paper is to

1) Analysis the GST tax systems largest indirect reform ―initiative of the Indian Government.
2) Advantages and disadvantages of the GST
3) Analysis of the of GST features
4) updates of E-way of the bills
5) Analysis of the merged of the total state and central indirect taxes under the GST
6) understand of the Input tax credit
7) Analysis of the goods and services which are not covered under GST.

A. Research Methodology

For writing this paper secondary data has been used. The data has been used from various, websites, newspapers, journals, and reports

B. Discussion & Analysis

1) Features of GST:

The salient features of GST are as under:

1) GST would be applicable on "supply" of goods or services as against the present concept of tax on manufacture of goods or on sale of goods or on provision of services.
2) GST would be based on the principle of destination based consumption taxation as against the present principle of origin-based taxation.
3) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (central tax- CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (state tax- SGST). Union territories without legislature would levy Union territory GST (union territory tax- UTGST).
4) An Integrated GST (integrated tax- IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
5) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
6) Import of services would be treated as inter-State supplies and would be subject to IGST.
7) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
8) GST would apply to all goods and services except Alcohol for human consumption.
9) GST on five specified petroleum products (Crude, Petrol, Diesel, and ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.
10) Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty.
11) The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.
12) All Exports and supplies to SEZs and SEZ units would be zero-rated.
13) Electronic filing of returns by different class of persons at different cut-off dates.
14) Various modes of payment of tax available to the taxpayer including internet banking, debit/ credit card and National Electronic Funds). Transfer (NEFT) / Real Time Gross Settlement (RTGS

C. Input Tax Credit

It is not a new concept it using pre GST or previous indirect tax systems like VAT, sales tax, service tax, excise etc. It is being total tax structure bring transparent and simplified ,improving accuracy, removing cascading effects(tax on tax) and it is also cross verification also possible Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit would be permitted to be utilized in the following manner:

1) ITC of CGST allowed for payment of CGST & IGST in that order;
2) ITC of SGST allowed for payment of SGST & IGST in that order;
3) ITC of UTGST allowed for payment of UTGST & IGST in that order;
4) ITC of IGST allowed for payment of IGST, CGST & SGST/UTGST in that order. ITC of CGST cannot be used for payment of SGST/UTGST and vice versa.
5) Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.

D. GST would replace the following taxes currently levied and collected by the Centre

1) Central Excise Duty;
2) Duties of Excise (Medicinal and Toilet Preparations);
3) Additional Duties of Excise (Goods of Special Importance);
4) Additional Duties of Excise (Textiles and Textile Products);
5) Additional Duties of Customs (commonly known as CVD);
6) Special Additional Duty of Customs (SAD);-
7) Service Tax;
8) Cesses and surcharges insofar as they relate to supply of goods or services.

E. State taxes that would be subsumed within the GST are

1) State VAT
2) Central Sales Tax;
3) Purchase Tax;
4) Luxury Tax;
5) Entry Tax (All forms);
6) Entertainment Tax (except those levied by the local bodies);
7) Taxes on advertisements;
8) Taxes on lotteries, betting and gambling;
9) State cesses and surcharges insofar as they relate to supply of goods or services.

F. Gooda and Services not covered under GST

All goods and services are likely to be covered under GST except the following

1) Petroleum products – Five products namely Petroleum crude, high speed diesel, motorspirit (petrol), natural gas and aviation turbine fuel –Central Sales Tax.
2) Real Estate- Stamp Duty plus Property Taxes would be payable
3) Electricity- Electricity Duty
4) Tobacco products- under GST as well as Central Excise
5) Alcohol for human consumption- State Excise

G. E-way Bill to be made compulsory from 1st of February, 2018

1) Introduction:

A waybill is a receipt or a document issued by a carrier giving details and instructions relating to the shipment of a consignment of goods and the details include name of consignor, consignee, and the point of origin of the consignment, its destination, and route. Electronic Way Bill (E-Way Bill) is basically a compliance mechanism wherein by way of a digital interface the person causing the movement of goods uploads the relevant information prior to the commencement of movement of goods and generates e-way bill on the GST portal. Rule 138 of the CGST Rules, 2017 provides for the e-way bill mechanism and in this context it is important to note that “information is to be furnished prior to the commencement of movement of goods” and “is to be issued whether the movement is in relation to a supply or for reasons other than supply”.

H. E Way Bill in GST

E-way bill is an electronic document generated on the GST portal evidencing movement of goods. It has two Components-Part A comprising of details of GSTIN of recipient, place of delivery (PIN Code), invoice or challan number and date, value of goods, HSN code, transport document number (Goods Receipt Number or Railway Receipt Number or Airway Bill Number or Bill of LadingNumber) and reasons for transportation; and Part B comprising of transporter details (Vehicle number).As per Rule 138 of the CGST Rules, 2017,every registered person who causes movement of goods (which may not necessarily be on account of supply) of consignment value more than Rs. 50000/- is required to furnish above mentioned information in part A of e-way bill. The part B containing transport details helps in generation of e-waybill.

I. Purpose of E Way Bill

E-way bill is a mechanism to ensure that goods being transported comply with the GST Law and is an effective tool to track movement of goods and check tax evasion.

J. Validity of E Way Bill

The validity of e-way bill depends on the distance to be travelled by the goods. For a distance of less than 100 Km the e-way bill will be valid for a day from the relevant date. For every 100 Km thereafter, the validity will be additional one day from the relevant date. The “relevant date” shall mean the date on which the e-way bill has been generated and the period of validity shall be counted from the time at which the e-way bill has been generated and each day shall be counted as twenty-four hours. In general, the validity of the e-way bill cannot be extended. However, Commissioner may extend the validity period only by way of issue of notification for certain categories of goods which shall be specified later. Further, if under circumstances of an exceptional nature, the goods cannot be transported within the validity period of thee-way bill, the transporter may generate another e-way bill after updating the details in Part B of FORM GSTEWB-01.

The System to be ready by 16th of January, 2018;

The Uniform System of e-way Bill for Inter-State as well as Intra-State movement will be implemented across the country by 1st June, 2018.The 24th Meeting of the GST Council held on16th Dec, 2017 through video conference under the Chairmanship of the Union Minister of Finance and Corporate Affairs, Sheri Arun Jaitley. It discussed about the implementation of e-waybill system in the country. Till such time as the National e-way Bill is ready, the States were authorized to continue their own separate e-waybill systems. However, it was represented by the trade and transporters that this is causing undue hardship in the Inter-State movement of goods and therefore, bringing in an early all India system of e-way Bill has become a necessity. The GSTCouncil in the meeting reviewed the progress of readiness of hardware and software required forth introduction of nationwide e-way Bill System. After discussions with all the States, the following decisions were taken:-

1) The nationwide e-way Bill system will be ready to be rolled out on a trial basis latest by 16thJanuary, 2018. Trade and transporters can start using this system on a voluntary basis from 16th January, 2018.

2) The Rules for implementation of nationwide-way Bill system for Inter-State movement of goods on a compulsory basis will be notified with effect from 1st February, 2018. This will bring uniformity across the States for seamlessinter-State movement of goods.
3) While the System for both inter-State and intra-State e-way Bill generation will be ready by 6thJanuary, 2018, the States may choose their own timings for implementation of E-way Bill for intra-State movement of good son any date before 1st June, 2018. There are certain States which are already having system of e-way Bill for intra-State as well as inter-State movement and some of those States can be early adopters of national e-way Bill system for intra-State movement also. But in any case, the Uniform System of e-way Bill for inter-State as well as intra-State movement will be implemented across the country by 1st June,2018.

V. GST ADVANTAGES

A. *Citizens*

1) Simpler tax system
2) Reduction in prices of goods and services due to elimination of cascading
3) Uniform prices throughout the country
4) Transparency in taxation system
5) Increase in employment opportunities

B. *Trade/Industry*

1) Reduction in multiplicity of taxes
2) Mitigation of cascading/double taxation
3) More efficient neutralization of taxes especially for exports
4) Development of common national market
5) Simpler tax regime-fewer rates and exemptions

C. *Central/State Governments*

1) A unified common national market to boost Foreign Investment and “Make in India” campaign
2) Boost to export/manufacturing activity, generation of more employment, Leading to reduced poverty and increased GDP growth
3) Improving the overall investment climate in the country which will benefit the development of states
4) Uniform SGST and IGST rates to reduce the incentive for tax evasion
5) Reduction in compliance costs as no requirement of multiple records keeping

D. *Benefit to Consumers*

1) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and supplier of services;
2) It is expected that a relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme-purchases from such entities will cost less for the consumers;
3) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

VI. DISADVANTAGES OF GST IN INDIA

Presently, more than 160 countries of the world have implemented GST. Regarding India, eminent economists are very optimistic about its positive effects on the economy. However, each country where GST was implemented experienced inflation for next 3 to 5 years. Some possible disadvantages of GST are as follows:

1) Critics say that GST would affect negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2) Some Economist says that CGST, SGST and IGST are nothing but new names for Central Excise/Service Tax, VAT and CST and hence GST brings nothing new for which we should cheer.
3) As GST brought small traders in the tax net, it will difficult to small traders to compete with strong / big traders. Their survival can become something difficult.
4) There is need of various expositions (Monthly, annually, total 37 expositions are required as per present situation) are complicated would difficult to the traders and at the same time I. T. infrastructural support with safety and reliability is required.
5) As GST is on purchasing/consumption, its revenue will goes to state in which article sold or service is rendered instead of produced. Means, state from which resources are used to produce goods will not receive tax revenue. For instance, Andhra Pradesh and Telangana are producing cement that is sold in other states of the country, they will get revenue.
6) As octroi or Local Body Tax is abolished, its monetary compensation for Urban Local Bodies should be done properly from the concern State Government. But, experience in our country is not satisfactory because even after 73rd and 74th constitutional amendments States are supposed to appoint State Finance Commissions. Nevertheless, all states have not appointed State Finance Commissions regularly. Therefore, Corporations like Brihanmumbai will loss the strong source of revenue
7) Would impact the Real-Estate Market GST Tax would swell negative remarks on the real-estate as perceived, GST will increase the cost of the new homes by 8% which in turn will cease the demand by 12%.
8) Costlier Services the current Service Tax stands at 15% as of now which will increase to 18%-20% when GST is levied. As such many services will be on the costlier side with telecom, airline and banking affected majorly. In fact, insurance and petroleum are also said to be majorly affected by the enactment of GST Tax.
9) Expensive Banking and Insurance and education service On one end, Modi government is trying to give a push to banking services and insurance in India and on another side of the picture, the government has decided to tax banking and insurance service at higher rates when compared to the previous rates
10) Registration in the Many States Required As per GST, the seller would require registering in all the states that it does business in and that would increase the complexity for the seller. The government should have created a

provision for centralized registration of State GST as this would have helped many sellers during the rollout.

11) Changing Tax Slabs Earlier the government had a higher tax slab for many products but in a recent revision, the government has changed the tax slabs for the many products. This includes the restaurants as well. The changing tax slab means the higher operational cost for the organizations and it also makes the changes in software complicated.
12) Petrol not Under GST The Petrol doesn't come under GST and that is one of the major controversial issues. The petrol is taxed at a much higher rate and if the government is rolling out a unified taxation system then each and everything should be taxed under GST.
13) Higher Tax Burden for SME There is a certain tax burden on small and medium enterprise because of this GST. As per the information, earlier, the organization with a turnover of over Rs 1.5 crore had to pay excise duty but now even a businessman with a revenue of over Rs 20 Lakh has to pay the GST.
14) Still Unclear about Process It's been almost 6 months since the GST has been rolled out and there are people who are still not clear about GST. During the initial phase, the government was taking initiatives in helping people to understand GST but all that seems to be cold now.

VII. Conclusion

Goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. It is expected that the malicious activity of tax theft will go away under

Goods and Service Tax regime in order to benefit both governments as well as the consumer. In reality, that extra revenue that the government is expecting to generate won‟t come from the consumers‟ pocket but from the reduction of tax theft. The GST is good advantages in India and draw backs are also presented. There are various challenges in the way of Goods & Service Tax, but its advantages are more than its disadvantages. It will also give India a world class and a smart tax system. It requires rational use and effective implementation of GST in a nation like India. The main aim behind GST is to replace VAT. GST is a comprehensive indirect tax that subsumes all types of indirect taxes of central and state governments in it. It may be said that GST will provide relief to consumers, manufacturers and government and whole nation as well. Goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. It is expected that the malicious activity of tax theft will go away under Goods and Service Tax regime in order to benefit both governments as well as the consumer. In reality, that extra revenue that the government is expecting to generate won't come from the consumers‟ pocket but from the reduction of tax theft. The GST is good advantages in India and draw backs are also presented. There are various challenges in the way of Goods & Service Tax, but its advantages are more than its disadvantages. It will also give India a world class and a smart tax system. It requires rational use and effective implementation of GST in a nation like India. The main aim behind GST is to replace VAT. GST is a comprehensive indirect tax that subsumes all types of indirect taxes of central and state governments in it. It may be said that GST will provide relief to consumers, manufacturers and government and whole nation as well. It is also improving easy doing business in India it also substantially help to make in India it is ultimately result increases FDI flows in India and come it creates manufactures hub and it creates employment. Introducing of under the GST E-way bill will increasing the revenue of the Government because of the interstate transaction of the tax evasion will be reduced

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