

**GST AND ITS IMPACT ON INDIAN ECONOMY****Prof. Sulakshana Hari Koli**

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**ABSTRACT**

*The Goods and Services Tax (GST), India's biggest tax reform since Independence, was rolled out past midnight on Friday at a gala event organised in the Parliament's Central Hall. A minute after the stroke of midnight, President Pranab Mukherjee and Prime Minister Narendra Modi pressed the button to launch the new indirect tax regime on a digital screen with 'GST' emblazoned on it in a golden hue.*

*Conceived on the principle of 'one nation, one tax, one market', the tax that subsumes 17 central and state levies was launched in the presence of Vice President Hamid Ansari, former Prime Minister HD Deve Gowda, Lok Sabha Speaker Sumitra Mahajan, Finance Minister Arun Jaitley, MPs, chief ministers, state finance ministers, officials of the Centre and states. The movement of goods will now become much simpler across the country and cheaper as the new regime replaces the old system, where a product was taxed multiple times and at different rates.*

**Keywords:** *Goods and Services Tax (GST), Indian Economy*

**Objectives**

1. To Study the meaning of GST.
2. To study the background and structure of GST.
3. To take review of benefits of GST.
4. To study the effects of GST on Indian Economy.

**Research Methodology:**

For this research paper the secondary data is collected. The data have collected from various sources such as reference book, newspapers and websites etc.

**Introduction:**

GST the biggest tax reform in India founded on the notion of “one nation, one market, one tax” is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the \$2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST.

The rollout has renewed the hope of India's fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what's perceived as a rushed transition which may not assist the interests of the country.

GST was first introduced during 2007-08 budget session. On 17<sup>th</sup> December 2014, the current Union Cabinet ministry approved the proposal for introduction GST Constitutional Amendment Bill. On 19<sup>th</sup> of December 2014, the bill was presented on GST in Loksabha. The Bill will be tabled and taken up for discussion during the coming Budget session. The current central government is very determined to implement GST Constitutional Amendment Bill.

GST is a tax that we need to pay on supply of goods & services. Any person, who is providing or supplying goods and services is liable to charge GST

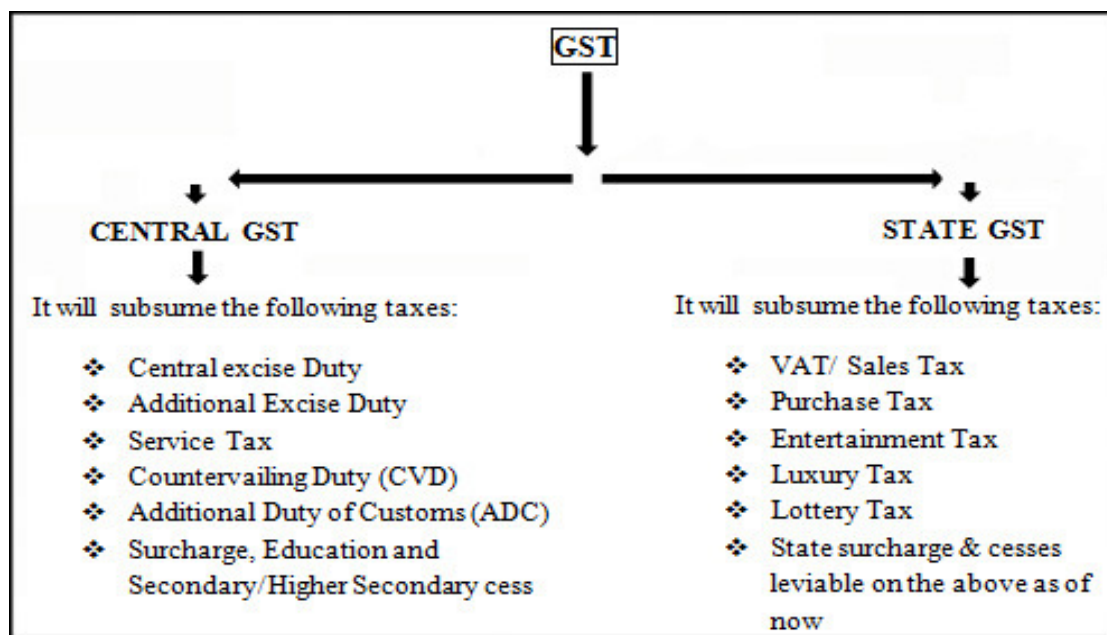
### Why GST needed

GST will break the complicated structure of separate central and state taxes which often overlap with each other to create a uniform taxation system which will be applicable across the country. Taxes will be implemented more effectively since a network of indirect taxes like excise duty, service tax, central sales tax, value added tax (VAT) and octroi will be replaced by one single tax. The state will still have a say in taxation, as the number of taxes will be reduced to three with Central GST, State GST and Integrated GST for inter-state dealings.

### What is GST?

It is a single indirect tax for the whole nation, one which will make India a unified common market. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The GST Bill was introduced in Lok Saba in 2009 by erstwhile UPA government but they failed to get it passed. The NDA government introduced a 'slightly modified' version of the GST Bill in the Parliament and both the Houses passed it. Through GST, the government aims to create a single comprehensive tax structure that will subsume all the other smaller indirect taxes on consumption like service tax, etc. Touted to be a major game changer, in the words of Union Finance Minister Arun Jaitley 'it will lead to the financial integration of India'.

Currently, tax rates differ from state to state. GST will ensure a comprehensive tax base with minimum exemptions, will help industry, which will be able to reap benefits of common procedures and claim credit for taxes paid. GST, as per government estimates, will boost India's GDP by around 2 per cent.



### Benefits of GST to the Indian Economy

- Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise.
- Less tax compliance and a simplified tax policy compared to current tax structure.
- Removal of cascading effect of taxes i.e. removes tax on tax.
- Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down.

- Lower the burden on the common man i.e. public will have to shed less money to buy the same products that were costly earlier.
- Increased demand and consumption of goods.
- Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.
- Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check.

How will GST impact the Indian Economy?

1. Reduces tax burden on producers and fosters growth through more production. The [current taxation structure](#), pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers.
2. Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
3. There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
4. GST will add to the government revenues by extending the tax base.
5. GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.
6. GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

### Conclusion

The implementation of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. GST can abolish multiple taxation on different stages of manufacturing and selling which were responsible for increasing prices. But different rates for different goods are confusing to ordinary consumers. It is not clear that how GST is beneficial to all the sectors of economy. It is necessary to observe short term and long term effects of GST on different sectors of economy as well as revenue of Centre and states. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

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