

A STUDY ON IMPACT OF GST IN INDIAN MARKET

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ABSTRACT

Goods and Service Tax (GST) is a full tax charge on manufacture, sales and expenditure of goods and services. The fundamental aim of GST is to make uniform the scattered indirect tax system in Indian and avoid the cascading effect in taxation. The impact going to make by GST will be a transformation in the entire tax system in India. GST is termed as biggest tax reform In Indian Tax Structure. It will not be an additional tax, it will include central excise duty, services duty, service tax additional duties of customers at the central level, VAT , central sales tax, entertainment tax, state surcharge, luxury tax, lottery tax and other surcharge on supply of goods and Services. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing it all under single also effect of GST on prices of goods of Services.

Key words: Good and services tax, features, impact, prices, Indian Economy, employment.

INTRODUCTION

Goods and Services Tax IS levied on the manufacturing and sales of goods and services across the country. The tax is charged at every stage of the manufacturing process. GST is applicable for both the customer and the manufacturer. It is a destination-based tax. This mean that GST is to be collected at the point of consumption. So , if a product is manufactured in Bihar and is sold in Bhopal, the tax will be levied in Bhopal. Moreover, at every stage of the manufacturing process where value is added to product, GST is collected.

GST which has published as ‘one nation, one tax’ by the government, aims to provide a simplified, single tax regime in line with the tax framework applicable in several major economies across the Globe. The single tax has helped streamline various indirect taxes and brought in more efficiencies in business. GST law in India is a comprehensive, multistage, destination-based tax that is levied on every value addition.

TYPES OF GST

❖ **Goods and Services Tax (CGST)**

CGST is a tax collected by the Central Government on the transactions of goods and services which are moved within the state i.e., intrastate. The tax collected under CGST is payable to the central government treasury.

❖ **State Goods and Services Tax (SGST) Central**

SGST tax is collected by the state government and is levied on the transactions of interstate sales of goods and services, i.e., where the sale is made within the state. Under SGST, the tax revenue goes to the State Government Treasury or the eligible union territory

- ❖ Integrated Goods and Services Tax (IGST) IGST is a tax collected by the Central Government on inter-State supply of goods and services, i.e., where the sale is made outside the state. It applies both to a supply made outside the state and those made outside the country.

OBJECTIVES OF STUDY

- To study the need of Goods and Services Tax (GST)
- To study the impact of goods and services Tax (GST)
- Impact of GST on Various sectors in Indian economy.

RESEARCH METHODOLOGY

Research design: The research design in this study is descriptive research. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular group of situation. It includes kinds of fact-finding inquiries and surveys

Date collection: The Secondary data are those which have already been collected by someone else which already have been passed through the statistical process. It is from the book required journal .

IMPACT OF GST IN INDIAN MARKET

Goods and Services Tax (GST) in Indian is a comprehensive, multi-stage destination based tax that is levied on every value addition. It is an indirect tax levied when a consumer buys a good or service. GST has replaced many indirect taxes that previously existed in India. The 122nd Amendment Bill of the Constitution of India introduced a National Goods and Services Tax in Indian from 1st July, 2017.

The rollout of the GST on 1st July, 2017 in a single stroke converted India an unified, continent-sized market of 1.3 billion people. It will bring uniformity of tax rates and structures across the country. It will increase certainly in ease of doing business i.e. make it tax-neutral, irrespective of the place of doing business in the country. In order to understand the features and objective of the GST Act, first we need to take quick look at the previous taxation system. Previously taxes were charged at every stage i.e. excise on manufacture, VAT/CST/ Service Tax on sales/services, entry tax or octroi on entry of goods in local area etc. This cascading effect of tax i.e. tax on tax, results in increasing the prices of goods and services. These taxes were imposed by the Centre and the state differently according to the lists in the Constitution of India. Now the new concept of GST is that it would be a single tax system which would would recommendation of the federal institution called the GST council.

The current indirect tax structure is major impediment in competitiveness. Tax barriers in the form of CST, entry tax and restricted input tax credit have fragmented the Indian market. Cascading effects of taxes on cost make indigenous manufacture less attractive. Complex multiple taxes increase cost of compliance. In this scenario, the introduction of GST is considered crucial for economic growth. GST will have quite a favourable impact on Indian economy. Some sectors will have more favourable impact compared to others under the proposed GST.

Benifits of GST In Indian market

- 1GST led to the abolition of different types of taxes on goods and services.
- By widening the tax base, GST has handsomely contributed to the revenue of both the Central and State Government. It has also reduced considerably administrative expenses.
- GST has increased voluntary compliance
- GST has fixed tax rates to the maximum of two floor rates.
- GST has done away with the cascading effect of taxation,
- GST will lead to increased exports by extending competitive edge in the international market for goods and services produced in India

Negative impact of GST

- Dual Control- GST is being referred to as a single taxation system but in reality it is a dual tax because both the state and centre both will collect separate tax on single transaction of sale and services
- Incumbent increase of the cost of some commodities- The tax rate has been increased for many products. Thus increasing their costs.
- Some sector are at a loss-Sector like Textile, Media ,Dairy products, IT and Telecom are bearing the brunt of a higher tax. Also the price of commodities has increased like jewellery, mobile phones and credit cards.
- Real Estate market affected- Economics are of the opinion that GST in India has already had a negative impact on the real estate market. It has added up to 8 percent to the cost of new homes and reduced demand by about 12 percent.

Impact of GST on various sector

The GST is said to have a positive impact on the economy as a whole. But when it comes to sectoral-wise classification, the GST have both positive as well as negative impact on each of the sectors. Here are some sectors given and its GST is given below.

Technology (Information technology and ITeS): The GST system of indirect taxation has made the duty on the manufacturing goods from 14% to 18-20%. As a result, the prices of the software products will be at high which will give either a neutral or slightly negative impact on the Technology Sector as a whole. But they will be benefited through the reduction of tax and benefits of other industries and can somewhat mitigate it.

Automobiles: The Automobile industry is currently paying a tax rate of a range between 30-45%. And it is expected that after GST the rate will be around 18% which will be a huge positive for the automobile industry and which will be profitable to both the Manufacturers/dealers and the ultimate consumers. The standard and the social status of the consumers get uplifted. There will be a huge boom in the Automobile Industry as a result of implementation of Goods and Services Tax.

Financial Services: The Financial services such as banking, Stock Trading firms are currently paying 14.5% as VAT which is likely to be increased to 18 to 22% in the near future under the GST regime. And the services are likely to be costlier.

Textiles: Currently, the Textile industry is paying the tax at the rate of nearly 12.5% plus surcharges and which varies upon the MRP of the products. Since there is no clear idea about the tax rate of this industry under the regime of GST it is expected at the rates of 15% which will be having a moderate impact on the industry.

CONCLUSION

The taxation of the goods and services in India has, hitherto, been characterized as a cascading and distortionary tax on production resulting in mis-allocation of resources and lower productivity and economic growth. It also inhibits voluntary compliance. It is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade to final consumption. A well designed destination based value added tax on all goods and services is the most elegant method of eliminating distortions and taxing consumption. Under this structure all different stages of production and distribution can be interpreted as a mere tax pass through and the tax essentially 'sticker' on final consumption within the taxing jurisdiction.

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