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## IMPACT ON GST ON INDIAN ECONOMY

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### ABSTRACT :-

Goods and Service tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like value added tax, excise duty, service tax and sales tax. It will be received on manufacture sale and consumption of goods and services. 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 6<sup>th</sup> may 2015. Despite the various amendments to the proposed transition, until the time GST is implemented, it would be worthwhile to assess its positive impacts on the various development areas viz. agriculture, Manufacturing, Industry, MSME, Housing, Poverty, Reduction, Employment, Price Level, GST, Government revenue etc. This prepare is an analysis of GSY concept, benefit and impact on indian economy.

**Keywords :** GST, Indian Economy, Impact.

### INTRODUCTION –

GST stands for Goods and Services Tax levied by the government in a move to replace all of the indirect taxes, in india, the idea of GST was contemplated in 2004 by the task force on implementation of the fiscal responsibility and budget Management Act, 2003 named Kelkar committee. Under the goods and service tax mechanism, every person is be reliable to pay tax on output and shall be entitled to enjoy credit on input tax paid and tax shall be only on the amount of value added. The principal aim of GST is to eliminate cascading effect i.e. tax on tax and it will lead to bringing about cost competitiveness of the products and services both at the national and international market. GST system is built on integration of different taxes and is likely to give full credit for input taxes. GST is a comprehensive model of leaving and collection of indirect tax in india and it has emplace taxes levied both by the central and state government. GST is levied and collected at each stage of sale or purchase of goods or services based on input tax credit method. Under this system GST registered commercial house shall be entitled to claim credit of the tax they paid on purchase of goods and services as a part of their day to day businesses.

The historic GST or goods and services tax has become a reality. The new tax system was launched at a function in central hall of parliament on 1<sup>st</sup> July 2017 GST which embodies the principle of “One Nation, One Tax, One Market” is aimed at anything the country’s \$ 2 trillion economy and 1.3 billion people into a common market. Under GST goods and services fall under five tax categories. 0%, 5%, 12%, 18% and 28% for corporates the elimination of multiple taxes will improve the ease of doing businesses. And for consumers, the biggest advantages would be in terms of a reduction in the overall tax burden goods. “Inflation will come down, tax avoidance will be difficult, Indian’s GST will benefitted and extra resources will be used for welfare of poor and weaker section,” A part from filling the loopholes of the current system it is also aimed at boosting the indian economy. This will be done by simplifying and unifying the indirect taxes for all states throughout india.



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### **IMPACT ON GST ON INDIAN ECONOMY :-**

The GST is said to positively affect the economy all in all. However when it comes to sectorial wise arrangement, the GST have both positive and also negative affect on every one of the areas. Here are a few parts given and its GST is given underneath innovation. The GST arrangement of roundabout tax collection has made the obligation on the assembling merchandise from 14% to 15 - 20 %. Therefore the costs of the product items will be at high which will give either an impartial or marginally negative effect on the technology sector all in all.

### **IMPACT OF GST IN INDIA :-**

#### **POSITIVE OF GST IN INDIA :-**

1. GST is a single taxation system that will reduce the number of indirect taxes. Form now a single taxation term would cover all of those indirect taxes.
2. This would reduce the burden from the state and central government. With the introduction of GST all indirect taxes would come under a single roof.
3. Corruption – free taxation system. GST would introduce corruption – free taxation system.
4. The prices of products and services would reduce thus this system would prove to be beneficial for the people who are fed up of paying high prices.
5. Less tax compliance.
6. GST would not be changed at every point of sale like other indirect taxes so in this way, market would be developed.
7. Removes cascading effect of taxes.
8. Manufacturing costs will be reduced, hence prices of consumer goods likely to come down.

#### **NEGATIVE IMPACT OF GST IN INDIA :-**

1. The introduction of GST in the country will impact real estate market. This would increase new home buying price by 8% and reduce buyers market by 12%.
2. GST is a mystifying term where double tax is charged in the name of a single tax.
3. Most of the dealers don't pay central excise tax and cheat the government by simply giving the VAT. But all of those dealers would now be forced to pay GST.
4. The short term impact of GST is expected to be neutral to negative for the broader economy.
5. Production process are likely to take some time to align with the new framework as firms adjust to the input tax credit system and better manage working capital requirements.
6. Services will become expensive e.g. Telecom, Banking, Airline etc.
7. Being a new tax it will take some time for the people to understand its implications.
8. If actual benefit is not passed to consumer and seller increases his profit margin, the prices of goods can also see a rising trend.

However GST is a long term strategy and the positive impact shall be seen in the long run only.



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**CONCLUSION :-**

A uniform and rational taxation system in india would lead to lesser disruptions in the market economy and more efficient distribution of resources within the industry in the near future. Apart it would also land to an increases in gross domestic products (GDP) and exports of the country enhancing economic welfare and returns to the factors production i.e. Land. Labor and Capital. Thus financial Minister ArunJetiley at GST launch event in the parliament rightly said that “ Inflation will come down tax avoidance will be difficult, India’s GDP will be benefitted and extra resources will be used for welfare of poor and weaker sections.”

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