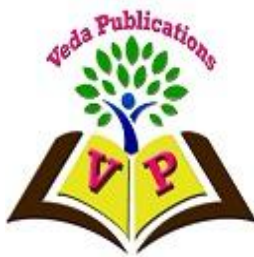


IMPACT OF GST IN INDIA AS A WHOLE

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ABSTRACT



In India there are multiple taxes which create problems for businesses as well as consumers. India is a country where we find complex tax structure. Goods and Services Tax (GST) is a system of indirect taxation in India which will reduce the existing complexity of taxes as it subsumes VAT, Excise duty, service tax and Sales tax. It transforms the country into one unified common market. The proposed model of GST is Dual. GST comprises Central and State component charging simultaneously on the common base.

Conceptually GST is expected to have numerous benefits like reduction in compliances in the long run since multiple taxes will be replaced with one tax. It is expected to bring down prices and hence the inflation, since it removes the impact of tax on tax and enables seamless credit.

It is expected to make exports from India competitively and India as preferred destination for foreign investment since GST is a globally accepted tax.

Keywords: *GST, India, Foreign Investment.*

INTRODUCTION

France was the first country to introduce the GST system in 1954. Almost 160 countries already implemented the GST. In India the idea to introduce the GST was mooted in the year 2000 and Government appointed various committees and task force to study the impact of GST. The effort to implement GST was floated in the Union budget 2006-07 by the then Finance Minister. As the 115th amendment bill has been lapsed, the 122nd amendment bill was introduced in 2014 and the bill has been passed in Lok Sabha on 2015 and Rajya Sabha on 2016. Finally the reform had rolled out on 1st July 2017.

It is domestic trade taxes that will be levied in the form of a value added tax on all goods and services in practices with some exemption. A value added tax exempts all inputs including capital goods. Hence it becomes a general tax on domestic consumption. It is a convenient and economically efficient way taxing consumption. It is levied at a single rate as there are only very few exemptions (Petroleum products, Aerated beverages, Alcoholic beverages and Tobacco related products) it becomes a proportional tax on consumption.

The GST implementation in India is dual in nature, i.e. it would consist of two components: one levied by Centre (CGST) and another levied by States and Union Territories (SGST). 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.

IMPACT OF GST ON INDIAN ECONOMY

- 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.
- 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.
- 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.
- GST will add to the government revenues by extending the tax base.

IMPACT OF GST ON TRADE AND INDUSTRY

The Government of India has recently passed the Central Goods and Services Tax (CGST) Act 2017 and the Integrated and Services Tax (IGST) Act 2017 and has announced that the Goods and Services Tax (GST) regime will tentatively be implemented from July 2017. Upon implementation, it would be a dual GST with the Centre and States simultaneously levying it on a common tax base:

- The CGST shall be levied by the Centre on intra-State supply of goods and/or services.
- The SGST shall be levied by the States on intra-State supply of goods and/or services.

- The IGST shall be levied and collected by Centre on inter-state supplies of and/or services in the course of inter-State trade or commerce.

IMPACT OF GST ON VARIOUS SECTORS

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:

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.

TELECOMMUNICATIONS:

The telecommunications sector is presently paying the tax at the rate of 14% which is expected to be increased during the GST regime. And, it is assumed to be around 18% which will be expected to be passed over to the customers and this gives a picture that GST will adversely affect this sector.

PHARMACEUTICALS:

Presently, the Pharma companies are paying taxes around 15 to 20%. Since, there is no clear picture of tax treatment for Pharma if it is less than 15% it would be a positive impact on the Sector but if it is above 15% then it will cause some slight negative impact.

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.

ADVANTAGES OF GST:

- 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.
- Boost to the Indian economy in the long run.

CHALLENGES IN IMPLEMENTING GST

- Note ban has huge impact on the Goods and Services Tax (GST) a serious doubt on implementing GST by the central government's targeted deadline of April 1, 2017
- The impact of the November 8 demonetization of high value currency on their respective economies to underline that it is not the appropriate time to implement. That could have a unstable effect on the economy.
- The Centre continues to be un compromising on the issue of jurisdiction over assesses, the states maintain.
- Political reasons are determining the fate of GST, which is not the correct thing, because ideally GST is an economic and tax reform, and economic and tax reforms should not be dictated by political.
- Manufactures, traders and society are eagerly waiting not only for the date of introduction of GST but also for the rate application to the products and services.
- GST will also have impact on cash flow and working capital. Cash flow and working capital of business organizations which maintain high inventory of goods in different states will be adversely affected as they will have to pay GST at full rate on stock transfer from one state to another. Currently CST/VAT is payable on sale and not stock transfers.
- Implementation of GST in Unorganized sectors i.e, unregistered firm will be unfavorable to government.

CONCLUSION

It can be concluded from the above discussion that GST will bring One Nation and One Tax market. GST is a long-term strategy planned by the Government and its positive impact shall be seen in the long run only. Also, this can happen if GST is introduced at a nominal rate to reduce the overall tax burden of the final consumers. A rising Indian economy will anyways help in the financial growth of the common man! Let us hope this 'One Nation - One Tax' proves to be a game changer in a positive way and proves to be beneficial not only to the common man but to the country as a whole.

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