International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 09
August 2017

Impact of Goods and Service Tax (GST) in Indian economy

Saakshi singhal

Ph.D, Research scholar, Department of commerce, MDU, Rohtak

Abstract

GST (Goods and Services Tax) is defined as a uniform indirect tax levied on goods and services across a country. More than 160 countries have implemented GST. The GST rolled out from July 1, 2017. GST, as an umbrella tax has replaced central taxes such as Central Excise Duty, Service Tax, Additional Duties of Excise & Customs, Special Additional Duty of Customs, and cesses and surcharges on supply of goods and services. There was a huge hue and cry against its implementation. In present paper it has been shown that which sectors are positively or negatively affected by GST.

Keywords

Goods and service tax, Indian economy, GST

Introduction

The Rajyasabha unanimously passed the constitution (22nd amendment) bill 2014, on 3rd August 2016 with 203 votes in this bill's favour. All parties, except the AIADMK, backed the bill. GST is an indirect tax on the consumption and production of sales of goods and services throughout India, to replace taxes levied by central Govt. and state Govt. GST is levied and collected at each stage of sale or purchase of goods and services. It has a system of Input Tax Credit which will allow sellers to claim the prepaid tax so that the final liability on the end consumer is reduced. It is the biggest tax reform in 70 years after independence of India, the Goods and Services Tax (GST) was finally launched on the midnight of 30 June 2017, though the process of forming the legislation took 17 years (since 2000 when it was first proposed). It was launched at midnight 30 June - 1 July 2017 session in both the houses of parliament convoked at the Hall of the Parliament, but which was immediately boycotted by the opposition by staging a walk out to show their disapproval of the same.

Before 1st July 2017, some taxes were levied by the state Govt. and some were levied by central Govt. Govt. levied only one unified tax rate instead of all different types of taxes, GST is applied on goods and services at the place where actual consumption happens. It is based on the Destination Principle. GST levied and collected at each stage of sale or purchase of goods and services. Goods and services are not distinguished and are taxed at single rate in supply chain till the goods and services reach consumer. It is the consumer of goods and services who bears the tax. The manufacture/wholesaler/retailer pays the applicable GST rate but can claim back through tax credit mechanism.

The current taxes like excise duties, service tax, custom duty etc. have been merged under GST. The taxes like sales tax, entertainment tax, VAT, and other state taxes will be included in GST.

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 09
August 2017

How GST is levied

GST is levied on the place of consumption of goods and services. It can be levied on following states:

- Intra-state supply and consumption of goods and services.
- Inter-state movement of goods.
- Import of goods and services.

Impact of GST on Prices of Goods and Services

Tax experts claimed that the previous practice of tax on tax - for example, VAT was being charged on not just cost of production but also on the excise duty that was added at the factory gate leading to production cost building up but now all had been gone when GST is rolled out. The prices of consumer durables, electronic products and ready-made garments will be available at low price after rolled out GST. In other aspects, for goods which were taxed at low rate, the impact of GST brings price increment. Services bearing essential ones like ambulance, cultural activities, pilgrimages etc. were exempted from levy are same. India has seen the strongest tax reform that aims to do away with various - tax system on goods and services and bring them under one rate. We can draw the following impact of GST on prices:

The government rolled out the much talked about Goods and Services Tax (GST) on the midnight of June 30. The GST Council has fixed the tax rates, keeping a view on all goods and services; they are classified under tax slabs 0 % (exempted ones), 5%, 12%, 18% & 28%.

Here is a list of some items which are completely exempt from the GST regime:

- The unprocessed cereals, rice & wheat etc.
- The unprocessed milk, vegetables (fresh), fish, meat, etc.
- Unbranded Atta, Besan or Maida.
- Kid’s colouring book/drawing books.
- Sindoor/Bindis, bangles, etc
- Below is a list of the sectors which are negatively or positively affected by GST.

Sector wise positively impact of GST

Sectors	Tax Implications under GST
Auto Commercial Vehicle (CV)/Two wheelers (2W)	To marginally reduce by 1% compared to the existing tax structure. **Positive**
Auto - Small cars	Small cars which less than 4 meter length and more than 1500 cc engine tax rates to reduce by 2-2.5% compared to the existing tax structure. **Positive**
Auto - Midsized cars and SUV	Midsized cars <1500 cc &<4 meters in length and SUV rates would come down by 8% and12% respectively. **Positive**

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 09
August 2017

Consumer goods - essential items	Effective tax rate in essential goods (soaps, toothpaste, edible oil and hair oils) under various tax slabs - **Positive**
Consumer goods - Footwear	Footwear tax rates (<Rs 500) to reduce to 5% from 9.5% and <Rs500 to reduce to 18% from 24-30%– **Positive**
Consumer goods - Cigarettes	Effective tax under GST would be 28% along with additional Cess and other taxes. GST rate in cigarettes according to the current rate will gradually increase over the next 5-6 years - **Positive**
Building Materials	Organised players to benefit from higher tax rate in the long term, as they gain market share on reduced pricing spread between organised and unorganised players. However, higher tax rate may lead to tax evasion through loopholes, which is a concern from organised players.
Logistics	In Consolidation of warehouses across the country with free movement of goods will lead to higher volumes for logistic companies. Execution of the same, however, might take some time as unorganised players will have to adapt to new systems under GST.

Sectors negatively effected by GST

Sectors	Tax Implications under GST
Hotel more than Rs 5000 room rental	Tax rate on fine dining restaurants increased to 28% from 15%. This will result in room rentals hikes, with consequent impact on hotel occupancies.- **Negative**
Restaurants & fine dinning	Tax increased to 18% from 15%. This tax revision will affect the fine dining restaurant industry which has already seen significant pressure on its sales due to macro environment slowdown. - **Negative**
Branded Apparels	Garments >Rs 1000 will be taxed at 12% instead of 7%. This will adversely impact business as price hikes would lead to late recovery in sales.

Conclusion

At the end we can say clearly with no doubt that it is the biggest ever change in tax structure of India. There is a fall in prices of Auto Commercial Vehicle, Two wheelers, Small cars, Midsized cars and SUV, essential items, Footwear, Building Materials etc. and education, healthcare are going to be exempted from GST but on the other hand, price of some other goods and services increased after GST like Hotel room rental, Restaurants & fine dining and Branded Apparels. There was threat of inflation before GST rolled out. It can be concluded that GST has been going to be an historical record for its full fledge implementation and hopefully this biggest historical reform will result in ease of doing business in India.

References

[1] http://economictimes.indiatimes.com
[2] The Tribune, 2016.
[3] www.ey.com>Home>Service>Tax
[4] http://www.quora.com
[5] Indianexpress.com>business>Economy.
[6] M.economics.com
[7] http//hindustantimes.com
[8] http://M.rediff.com
[9] www.relakhs.com
[10] www.mapsofindia.com
[11] www.gstindia.com
[12] http://en.m.wikipedia.org.