



## REVIEW OF RESEARCH

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### GST-A GAME CHANGER FOR INDIAN ECONOMY

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#### ABSTRACT

*In Indian history, many steps were taken from time to time. The main four decisions which had created history were; in 1969, nationalization of the 14 largest banks; in 1992, we adopted the Liberalization, Privatization & Globalization; in 2016, Demonetization of high-value currency, and fourth decision is related to the tax structure in India. The performance of India Tax collection has been very bad in the history. The revenue is necessary for the government for various people welfare activities. Tax is the backbone of revenues of the government. In the pre-GST regime, the tax rate (VAT) was varying from one state to another. Goods and services taxes are different in India. Due to this, the price of goods and services was different from state to state. This was the main reason behind the Goods and Service Tax (GST). The cascading effect (tax on tax) also disposed of through GST. Therefore we need to be aware different aspects of GST. This paper will also focus how GST plays an important role in the growth of India. we detail discuss in the paper as the history, needs, online payment process of GST and try to find out how GST will work on different goods. This research paper is based on exploratory research. The secondary data used in the different source.*



**KEY WORDS:** High-value currency, GST, Cascading effect, Government.

#### INTRODUCTION

India is a federal country like the USA. There is a clear-cut division of power between the central and the state Government. Indian taxpayers pay a single tax on different goods and services. In India center and the states have different tax rate structure. There from Time to time, Indian government has taken bold step related to the indirect tax structure. The important amendment was 80<sup>th</sup> related to the central pool of divisible taxes and the second important amendment was 88<sup>th</sup> related to service tax and the largest amendment is 122<sup>th</sup> related to Goods and services tax. It is very difficult for any country to develop itself without the best structure of tax collection. The tax structure is a backbone of the country. Indirect tax structures main problem is cascading effect. Before 1986 India government had worked on single tax collection. The government converted central excise duty into MODVAT (modified value-added tax). Therefore MODVAT converted into CENVAT (central value added tax) and after LPG Reform 1991, sales tax has been converted into Value added tax. If any surgeon says that for your health there is no need for a variety of medicines to take the same medication but one medicine which is highly costly and bitter, Everybody will be ready to take one medicine. Goods and services tax is also same as medicine, it is based on

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'One Nation–One Tax' concept. Goods and services tax will have a direct effect on Indian economy. Because under GST, tax collection will increase and the tax rate is reduced in different items. It is helpful in decreasing the cascading effect. In my research study, I have tried to understand the need of Goods and services tax and what will be the bright future of Indian economy after implementing Goods and services tax.

### LITERATURE REVIEW

Banamali Nath[2017]analyzed in the paper "Goods and Services Tax: A milestone in Indian economy" that GST is helpful for economic development. He concludes that GST gives a better result and positive impact on the various sectors. It is an easy tax recovery system.

P.Uma Swarupa[2016]concluded in his study that One Nation-One Tax gives more opportunity and increase growth in India for a future time. Her focuses in a study on the dual concept of tax structure like Canada. The Author concludes that impact of GST in future time may be more suitable or positive for tax collection reduce the burden of a consumer. In entire study, concludes that how many sectors will be the positive or negative effect on GST implication.

Monika Sehrawar & Upasana Dhanda[2015]studied "GST in India: A key tax reform" concluded that after implementation, GST will helpful for the future economic development of India. Around 140 countries followed GST. Therefore after implementation of GST in India, future may also bright in way of tax collection. GST provided world-class tax system in a different sector in India.

Girish Garg[2014]has explained in our study, major reform in indirect tax in Indian history from time to time. He predicts that GST will be effective on overall sectors of the economy. Therefore, it will have a beneficial impact on the GDP growth. He concludes that there will be a lot of challenge as well opportunity in India dual GST system in Indian economy.

### OBJECTIVE OF THE STUDY

- Why the need of GST in India?
- How will GST work on different goods?
- To analyze the GST rate structure.
- To know GST online Payment process.
- How will GST play a major role in India's Economy?

### RESEARCH METHODOLOGY

In this research paper, Explanatory research has been used. Secondary data has been used from different journals, newspaper, books, magazines etc. Different government sites also a great source of information.

### HISTORY OF GST IN INDIA

In 2000, the Vajpayee government started a discussion on Goods and services tax by setting up the Empowered Committee. The committee was chaired by Asim Das Gupta(finance minister, the government of West Bengal). A proposal to introduce a national level good and service tax by April 2010 was first mooted in the budget speech for the financial year 2006-07.

May 2007 empowered committee of state finance minister on this request started work on GST road map. The joint working group submitted a report to the empowered committee on 19 November 2007

The Empowered Committee took good conclusions on GST in April 2008 and submitted report title 'A model and roadmap for goods and services tax' in India.In February 2010 speech, the Finance Minister (Pranab Mukherjee) informed that GST will be implemented in April 2011. March 2011 the constitution 115th amendment bill introduced in Lok Sabha for levy of GST on all goods and services except for the specified goods. But due to lack of majority, the bill could not be passed.

In December 2014, the GST bill was passed in the Lok Sabha by the 122nd Amendment of the Constitution. After some time the Bill was passed in the Rajya Sabha on August 3, 2016. On March 16, 2017,

the GST Council made the State and Central GST Act. Finally, GST was implemented on July 1, 2017. First, in India GST proposal accepted in Assam state and Telangana state first implemented GST.

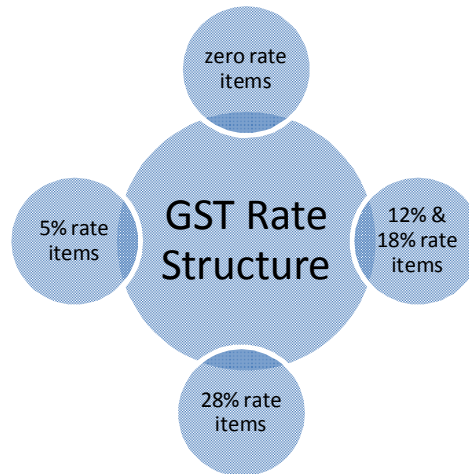
**NEEDS OF GST IN INDIA**

- Goods and Service tax rates are different in India. It is a big problem in the tax structure.
- Value-added tax (VAT) rate different in different state Cascading effect is a big problem in India.
- Tax rate, registration, filing return, accountability is also a big problem for small sellers.
- To improve transparency and reduce corruption in tax collection.
- For bright economic growth, must add up states and centered tax collections.

**LIST OF CENTRAL AND STATES TAX MERGE UNDER GST**

CENTRAL TAX	STATE TAX
<ol style="list-style-type: none"> <li>1. Central Excise Duty</li> <li>2. Additional Duties of Excise</li> <li>3. Services Tax</li> <li>4. Excise Duty Levied Under Medicinal &amp; Toilet Preparation act</li> <li>5. Additional Duties of Custom [CVD and SAD]</li> </ol>	<ol style="list-style-type: none"> <li>1. Sales tax/State Vat</li> <li>2. Central Sales Tax</li> <li>3. Purchase Tax</li> <li>4. Entertainment tax</li> <li>5. Luxury tax</li> <li>6. Entry tax[all forms]</li> <li>7. Taxes on Lottery, Betting &amp; Gambling</li> <li>8. Surcharges &amp; Cesses</li> </ol>

**GST: RATE STRUCTURE OF DIFFERENT GOODS**



**Zero rated items** foods grains items or agriculture related goods like- milk, rice, vegetable Newspaper etc.

**5%rated items** related to priority goods and common use items like- tea, sugar, coffee, coal, medicine etc.

**12%&18% rated items** is related to processed foods items like-Butter, toothpaste, bicycle etc.

**28% rated items** related to luxury goods like luxury cars, air condition, fax machine etc.

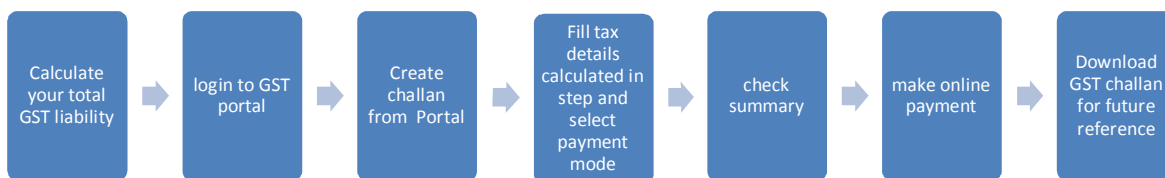
**GST excluded items like**-basic custom duty, stamp duty, electricity duty, petroleum products, alcoholic liquor for human consumption

**CALCULATION OF TAX BEFORE AND AFTER GST (example)**

TOTAL TAX PROCESS	SINGLE POINT TAX COLLECTION (RS.)	AMOUNT	AFTER GST TAX AMOUNT (RS.)
Purchase of raw material	100+10%tax on raw material=110		100+10%tax on raw material=110
Production (includes 40 profit)	150+10%tax on time of sales=165		140+10%tax on time of sales=154
Retailer(include 50 profit)	215+10%tax on time of sales=236.5		190+10%tax on time of sales=209
Total tax paid by consumer & Goods price	10+15+21.5=46.5 236.5		10+4+5=19 209

**Interpretation:-** In the above table, we have explained the cascading effect on consumer goods before and after GST. The table clearly show that before GST consumer paid Rs 46.5 tax and after GST only Rs 19 tax on same goods. So cascading effect is reduced.

**STEPS TO GST ONLINE TAX PAYMENT**



- Step-1** First of all, tax payers have to calculate his total GST liability.
- Step-2** After calculating liability, login to GST portal. Enter your user name, password and captcha code.
- Step-3** Once taxpayer login GST portal then create challan from portal and all the details filled in.
- Step-4** Next step is to select payment method and tax payer check summary related to tax liabilities.
- Step-5** Make online payment.
- Step-6** Last step is download GST challan for future reference.

**IMPACT OF GST IN BRIGHT ECONOMIC GROWTH IN INDIA**

**MAKE IN INDIA-**Make in India is a Swadeshi Movement, which Indian Government has launched in 2014, it covers around 25 Sectors of the economy. Goods and Services Tax (GST) will give a major boost to the Make in India initiative by making goods and services produced in India competitive in the national and international market. It protects of domestic industry by export to be zero-rated in different goods. In India, after GST implementation expected a large employment opportunity.

**POOR STATE TO GAIN-** Goods and Services Tax is a consumption-based tax, so it will ensure that tax collection of another state will also increase. At present scenario inter-state sale tax collection goes to originating state but after GST implement tax collection will go to the destination state like; Bihar is a poor state but population is very high, therefore, Bihar does not have many industries for indirect tax collection but consume heavily will see a huge benefit

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**CONSUMER INFORMATION**-Goods and services tax provided more benefit to the consumer. Before GST consumer is not aware about rate of tax. After the GST is implemented, it will end the multiplicity of taxes. It will simplify the tax regime

**TRANSPARENCY**-Goods and services tax is a multistage tax. After GST, interaction with the tax authorities would be minimized. It will be compulsory to get the registration of Goods and Services Tax Identification Number (GSTN) from producer to seller. PAN number and the information of the Aadhaar number will be mandatory at the time of registration. Input tax credit will be received only after the registration. The sale and purchase will be done on the fair bill. After the GST implementation, corruption will be gradually reduced. The country will progress in the direction of development; the society will progress and change the whole nation.

**EASY OF DOING BUSINESS**- The government in last few years has taken some fiscal reforms related to the corporate sector. According to the World Bank report (2017), India has taken a huge jump to 30 ranks in ease of doing a business index. It is likely that after being the GST implementation, the small taxpayer is also benefited. The multiplicity of taxes is reduced. Accounting records have become soft.GST work on One Nation One Tax concept. Litigation at large has been reducing. Registration or return for the same transaction has made easy. Easy of Doing Business ranking in India will improve more after GST.

**INFLATION CONTROL**- Goods and services tax will benefit both the government and the consumer. The cascading effect will become zero. Therefore the price of the goods will also reduce and the tax collection will increase. The overall price will be reduced in different goods.

**DIGITAL INDIA**-Digital India campaign of the government was launched in 2015. All work in GST will be almost online. Therefore new skilled accountant and tax consultant has been required. All transactions will be done online and secure. A new job created in E-Commerce sector. In proper time, the transaction will be done. In the future time, E-way bill will also work online. It will take the government plan on a proper path.

#### **MORE CORRECTIVE ACTION REQUIRED RELATED TO GST**

GST is the largest tax reform in India. It gives a new hope to our economic growth. No doubt GST has more benefits than discussed above, but some corrective action is also required in related to GST. The Indian government has implement GST without being fully ready. Some sectors are facing problems related to filing returns, registration or cancelation of registration, advance contract etc. There in some goods GST rate also not clear. Government is changing rates time to time. There is a requirement of quick action as soon as possible from the government on the above issue.

#### **CONCLUSION**

Goods and services tax is a bold step taken by the Indian government in indirect tax structure after Independence. Goods and services tax work on One Nation One Tax base concept. It affects all sectors of the economy. In this paper, we try to understand why the need of Goods and services tax in India is for a long time. We try to find out how Goods and services tax will also greatly impact Indian economy. No doubt after Goods and services tax, Indian economy will grow more. From the above discussion, we conclude that how GST will reduce cascading effect of different goods. In this paper we also explained that indirect tax payment is very easy at present time. After the GST implementation, corruption will be gradually reduced. The country will progress in the direction of development; the society will progress and change the whole nation.

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