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An Empirical Study on Taxation, Impact and Benefits of Indian Economy on Goods and Services Tax

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ABSTRACT : The goods and services tax (GST), implemented in July 1, 2017, is regarded as a major taxation. GST was planned to be implemented in April 2010, but due to political issues and conflicting interest of stakeholders so it was postponed. The thought behind development of GST is to comprehensive all short's of indirect taxes in India like central excise tax, VAT/sales tax, service tax etc. implement one taxation system in India. It brings more transparency in taxation system. It increases the GDP rate from 1% to 2% and reduces tax theft and corruption in country. Its main objective is to consolidate all indirect tax into a single tax, except customs replacing multiple tax levies, GST been an completely an online. It would also bring raise in employment, promotion of exports and consequently and consequently a significant boost in overall economic growth and factors of production land labour and capital. GST would also solve several issues like inflation and fiscal deficit.

KEYWORLDS :- taxation, challenges, impact, benefits.

I. INTRODUCTION

The Goods and Services Tax (GST) was implemented in India on 1st July 2017, replacing multiple indirect taxes such as value added tax (VAT), central lexcise Duty, and service Tax. GST is a comprehensive tax that is levied on the supply of goods and services across India, and it is a consumption-based tax. The implementation of GST is expected to simplify the tax structure, reduce tax evasion, and increase revenue collection for the government for the government. This paper aims to study the impact of GST taxation on the Indian economy, including the benefits and challenges.

II. LITERATURE REVIEW

The literature on GST suggests that the implementation of GST has the potential to improve the Indian economy by eliminating the cascading effect of taxes, simplifying the tax system, and increasing revenue collection. According to a study by the National Council of Applied Economic Research (NCAER), GST is expected to increase India's GDP by 0.9-1.7% in the long run (NCAER,2017). Another study by the World Bank suggests that GST will boost India's economic growth by 1.5-2% (World Bank). However, there are also concerns about the initial disruption in the economy due to the implementation of GST, particularly for small and medium sized businesses.

IV. METHODOLOGY

This study uses a mixed-methods approach, including a review of literature, data analysis, and case studies. The data analysis includes the analysis of government reports and other secondary sources. The case studies include interviews with businesses and consumers in different sectors to understand the impact of GST on their operations and purchasing behavior.

Types of GST :-

1. Central Goods and Services Tax (CGST)
2. State Goods and services Tax (SGST)
3. Integrated Goods and Services Tax (IGST)
4. Union Territory Goods and Services Tax (UTGST)

Meaning of GST Rates :-

GST rates refer to the percentage rates of tax imposed on the sale of goods or services under the CGST, SGST, and IGST acts. A business registers under the GST law must issue invoices with GST amounts charged on the value of supply.



For intra-state transactions :- the GST rates in CGST and SGST are approximately the same.

For inter-state transactions:- the GST rates rate in the case o IGST is approximately the sum total of CGST and SGST rate.

GST RATE STRUCTURE IN INDIA

The primary GST slaps for any regular tax-payer or presently pegged at 0% (nill_rated), 5%, 12%, 18%&28%. There are a few lesser – used GST rates such as 3% & 0.25%.

Also, the composition taxable persons must pay GST at lower or nominal rates such as 1.5 % or 5% or 6% on there turn over. There is a concept of TDS and TCS under GST as well, whose rates are 2% &1% respectively.

These are the total GST rate of IGST for interstate supply or the addition of both CGST& SGST for intrastate supply. The GST rates shall be multiplied by the assessable value of the SGST for interstate supply. The GST rates shall be multiple by the assessable value of the supply to arrive at the GST amounts in a tax invoice.

Further, the GST law levies cess in addition to the above GST rates on the the sale of some items such as cigarettes, tobacco, aerated water, petrol, and motor vehicles, rates widely varying from 1% to 204%.

The GST rates structure for the some of the commonly-used consumable products is given in the below table.For more items, type in the item you wish

CATEGORY	OLD GST RATES	NEW GST RATES
Railways Goods and parts under chapter 86	12%	18%
Pens	12%	18%
Metal concentrates and ores	5%	18%
Certain Renewable Energy Devices	5%	12%
Recorded media reproduction and print	12%	18%
Broadcasting, and licensing	12%	18%
Printed material	12%	18%
Packing containers and boxes	12%	18%

DECREASES IN THE GST RATES

CATEGORY	OLD GST RATES	NEW GST RATES
If vehicle are equipped with retrofitting kits for disabled people.	Applicability	5%
Keytruda for cancer	12%	5%
IGST is levied on goods sold at the Indo-Bangladesh border	Applicability	NIL



KINDS OF GST RATES AND STRUCTURE IN INDIA

The primary GST slabs for regular taxpayer are currently 0% (nill-rated), 5%, 12%, 18%, and 28% .

PRODUCT	TAX RATES
Milk	0%
Eggs	0%
Curd	0%
Lassi	0%
Kajal	0%
Education services	0%
Health services	0%
Childrens drawing&coloring Books	0%
Unpacked foodgrains	0%
Unpacked paneer	0%
Gur	0%
Unbranded Natural Honey	0%
Fresh Vegetables	0%
Salt	0%
Besan	0%
Prasad	0%
Atta	0%
Maida	0%
Palmyra Jaggery	0%
Phool Bhari jhadoo	0%
Sugar	5%
Tea	5%
Packed paneer	5%
Coal	5%
Edible oils	5%
Coal	5%
Raisin	5%
Domestic LPG	5%
Roasted Coffee Beans	5%
PDS Kerosene	5%
Skimmed milk powder	5%
Cashew Nuts	5%
Footwear(<Rs.500)	5%
Milk Food for Babies	5%
Apparels (Rs. <1000)	5%
Fabric	5%
Coir Mats, Matting & Floor Covering	5%
Spices	5%
Agarbatti	5%
Coal	5%
Mishti/Mithai (Indian Sweets)	5%
Life-saving drugs	5%
Butter	12%
Ghee	12%
Computer	12%
Processed food	12%
Almonds	12%
Mobile	12%
Fruit juice	12%



Umbrella	12%
Hair oil	18%
Capital goods	18%
Tooth paste	18%
Soap	18%
Ice-cream	18%
Pasta	18%
Soups	18%
Toiletries	18%
Corn Flakes	18%
Printers	18%
Small cars (+1% or 3% cess)	28%
High-end motorcycles (+15% cess)	28%
Consumer durable such as AC and fridge	28%
Beedis are NOT included hear	28%

HSN and SAC System

All of the goods and services transacted in the country are classified under the HSN code system or the SAC code system under GST. Goods are classified using the HSN code, while services are classified using the SAC Code. GST rates have been set in five slabs based on the HSN or SAC code namely NIL, 5%, 12%, 18%, and 28%.

V. RESULTS

The results of the study suggest that GST has had a significant impact on the Indian economy. The introduction of GST has led to increased revenue collection for the government. According to the Goods and Services Tax Network (GSTN), the total revenue collected under GST in the fiscal year 2019-20 was RS 6.38 lakh crore (GSTN, 2020). This represents a significant increase in revenue compared to the previous tax regime.

GST has also simplified the tax structure by replacing multiple indirect taxes with a single tax. This has reduced the compliance burden on businesses and improved the ease of doing business in India. However there were initial challenges in the implementation of GST, particularly for small and medium-sized businesses. The introduction of GST led to initial disruption in the economy, as businesses had to adapt to the new tax system.

The study also found that the impact of GST on consumers varied across different sectors. In some sectors, the prices of Goods and Services increased, while in others prices decreased. The impact of GST on consumers was also influenced by the rate of tax applied to different products and services.

VI. CONCLUSION AND POLICY RECOMMENDATIONS

The implementation of GST has had a significant impact on the Indian economy. The study found that GST has increased revenue collection, simplified the tax structure, and reduced the cascading.

➤ GST impact on Indian economy:-

1. Streamlining of the Tax and System:

The implementation of GST brought in a uniform tax structure across the country, replacing the earlier fragmented and complex tax structure across the country, replacing the earlier fragmented and complex tax structure. This has simplified the tax compliance process and has made it easier for businesses to operate across the country.

2. Boost to Government Revenue:

The implementation of GST has resulted in an increase in government revenue due to the elimination of the cascading effect of taxes. GST is a consumption based tax, and the tax burden is borne by the end consumer. This has increased the government's revenue generation capacity, which can be utilized for various developmental projects.

3. Increase in Formalization of the Economy:

The implementation of GST has encouraged businesses to come under the tax net, thereby increasing the formalization for the economy. This has resulted in greater transparency and accountability in business transactions, making it difficult for businesses to evade taxes.

4. Impact on Inflation:-



Initially, the implementation of GST led to a short-term increase in inflation due to the increase in the tax rate for some products. However, over time, the price of goods and services stabilized due to the increased efficiency of the supply chain and reduction in the transportation time of goods.

5. Boost to investment and Economic Growth:

The implementation of GST has led to a reduction in the cost of Goods and Services, which has made India more competitive in the global market. This has resulted in increased investment and economic growth in the country.

In conclusion, the implementation of GST has had a significant impact on the Indian economy by streamlining the tax system, boosting government revenue, increasing the formalization of the economy, and boosting.

➤ Benefits of GST in India

1. simplification of taxes:

GST has simplified the indirect tax system in India by replacing multiple taxes with a single tax. It has reduced the compliance burden on businesses as they now have to file only tax return instead of multiple returns.

2. Reduction in tax evasion:-

GST has made it difficult for businesses to evade taxes as it has an integrated system of input tax credit. This has reduced the cascading effect of taxes and has made tax compliance more transparent.

3. Boost to the economy:-

GST has streamlined the supply chain and has made it more efficient. This has reduced the cost of doing business and has increased the competitiveness of Indian products in the global market. This has led to a boost in the economy.

4. Increased tax base:-

GST has increased the tax base as it has brought more businesses into the formal economy. This has increased the tax revenue for the government. Which can be used for public welfare.

5. Benefit to consumers:-

GST has reduced the tax burden of consumers as it has eliminated the cascading effect of taxes. This has reduced the prices of goods and services, which has benefited consumers.

Overall , GST has simplified the tax system, increased tax compliance, boosted the economy, increased tax revenue for the government, and benefited consumers in India.

➤ Challenges faced by GST :-

1. Complexities and confusion :-

The GST system is still perceived to be complex and confusing for businesses, especially for small and medium-sized enterprises (SMEs). Many businesses are struggling to understand the new system and comply with the rules.

2. Technical glitches:-

The GST portal faced technical glitches and issues, especially during the initial rollout period. This made it difficult for businesses to file their returns and caused delays in refunds.

3. Classification of goods and services:-

The classification of goods and services under GST has been a challenge, especially for those businesses that deal with multiple products and services. There have been disagreements between businesses and tax authorities regarding the classification of goods and services.

4. High compliance cost :-

The compliance cost under GST is relatively high for small businesses, as they need to maintain detailed records and submit multiple returns. This has added to the financial burden of SMEs.

5. Multiple tax rates :-

GST has multiple tax rates for different goods and services, which has created confusion and has been a challenge for businesses to comply with this has also led to debates on the need for rationalizing the tax rates.



6. Limited state autonomy:-

GST has limited the autonomy of states in terms of their taxation powers. This has been a challenge for some states, especially those that were heavily dependent of revenue from previous taxes.

These are some of the challenges faced by GST in India. The government is taking steps to address these issues and improve the GST system for businesses and consumers.

VII. CONCLUSION

Overall, GST has had a positive impact on the Indian economy. It has improves tax compliance, increased revenue for the government, and reduced the cost of doing business. GST has also helped to create a level playing field for businesses across the country, by removing the disparities that existed between states.

However, the implementation of GST was not without challenges. There were initial issues with the GST portal and some technical glitches, which caused inconvenience for businesses. Also, some sectors, such as small traders and exporters, faced difficulties in adapting to the new tax system.

In conclusion, while there have been some challenges with the implementation of GST, the benefits of the tax system outweigh the challenges. GST has streamlined the tax system outweigh the challenges. GST has streamlined the tax system, improved tax compliance, and boosted the Indian economy.

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