



Impacts of GST on Indian Economy

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The Goods and Services Tax of India came into force on 1 July 2017. The Goods and Services Tax is a value-added tax levied on most goods and services sold for domestic consumption. GST is paid by consumers, but is remitted to the government by businesses selling goods and services. The purpose of implementing the GST was to replace all existing indirect taxes with a single comprehensive tax. Through GST, all indirect taxes like central excise, service tax, VAT and entertainment tax were consolidated. This major step has helped the citizens of India to file their tax easily without the earlier troubles. This study will discuss the impact of GST on the Indian economy.

Key Words: GST, Economy, Indian, Indirect, Tax.

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Introduction

The GST is an important indirect tax regime implemented in India, which came into force from 1 July 2017. In this tax system, the same indirect tax system has been implemented for the entire country by removing all taxes levied at different rates by the center and the states. The country has got a unified indirect tax regime in the form of GST, which presents the whole of India not only as a market, but also equality. The 101st constitutional amendment was made in the Indian Constitution to implement this tax system. The government and many economists have described it as the biggest economic recovery since Indian Independence.



There is not denying the fact that India is a politically scattered country. Various taxes are levied on commerce outside the state limits. As a result, the value of every commodity increases and eventually if an Indian does business within India, it becomes complicated. The worst sufferers are consumers like general peoples who have to pay all taxes including VAT. It is fact that GST is an indirect tax which has been implemented with the aim of making India a unified common market. It is a single tax on the supply of goods and services from the manufacturer to the consumers. The Goods and Services Tax is a tax levied by the central government on transactions occurring within a state. The GST is deposited in the central government account. Since GST is implemented through a fully computer based system. As such, it promotes easy compliance and transparency. The Central government has promised to give compensation to the states for five years if the tax revenue is reduced due to the implementation of GST. For this reason, the GST law was also signed by many states. Easy trade is the aim of GST in India. Thus all states will have the same tax. This will prevent unhealthy competition between states. This is a good thing for those who trade between states. GST provides assistance to those who want to open their branches in other Indian states.

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In general, the GST increases the capital intensity of the Indian economy. The impact on employment is positive but GST reforms generate only one percent more employment than the benchmark. This is partly due to the replacement of labour by capital. Investment in human capital is needed along with the expansion of labour intensive service sectors for greater employment generation. The tax regime has become convenient to reduce duplication and



multiplicity of tax obligations that make the tax system easier. From a macroeconomic point of view, the government and industry hoped that GST would be helpful in reducing economic distortions, which would, in turn, provide the necessary impetus for economic development.

As far as the GST aftereffect is concerned, the government has become actively involved in resolving the issues facing Indian taxpayers. There are still gaps between the expectation and actual implementation of GST in terms of simplified tax structure, ease of doing business and overall reduction in prices. But the tax system has certainly made an overall positive impact in terms of macro-economic development and digitization. The macro-economic impact of GST is significant in terms of growth rate, price impact, current account impact and impact on budget balance. In developing an open economy with a growing service sector, changes in the tax mix from income to consumption-based taxes are likely to provide a good source of revenue. The proposed structure would simplify the process that would end with equal opportunity for all markets and reduce tax evasion on the other hand.

The GST law brings a competitive pricing. Since all products are levied equally across the country, various forms of indirect taxes will be removed and which in turn will reduce the tax burden of consumers. This will reduce the prices of products and increase consumption which in turn will be more beneficial for companies. Generally, the main objective of GST is to bring in a single tax system which will reduce the cost of production for the manufacturers, so that it will be a big boost for the producers who have made their products at low cost.



Conclusion

The basic idea of GST was not original. It has been implemented as an experiment in many countries of the world. It was necessary to develop the Indian model keeping many facts in mind. Before the implementation of GST, the Indian taxation system was divided into several levels; in fact it included central, state and local area levies. Keeping this problem in view, emphasis was laid on bringing GST. The largest tax reform in India has been established on the basis of the notion of "one nation, one market, one tax". The moment the Indian government has been waiting for a decade has finally arrived. The single largest indirect tax regime has been implemented, eliminating all inter-state barriers in relation to trade. Fundamentally, the \$ 2.4-trillion economy is attempting to transform itself by removing internal tariff barriers and incorporating central, state and local taxes into a unified GST.

The GST avoiding payment of multiple taxes like excise and service tax at the central level and VAT at the state level and it will integrate these taxes and create a uniform market across the country. Integration of various taxes into the GST system will bring about an effective cross-utilization of credit. The current system produces tax output, while GST will be aimed at tax consumption. Manufacturers will now have to pay only one tax, due to which prices of goods and services may fall. The whole of India will now become a huge market, which will ease the traders and foreign traders of the country. With GST, trade between different states within India would be simpler and its expenses would be greatly reduced.



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