

“REVIEW ON GOODS AND SERVICES TAX (GST) IN INDIA- BENEFITS AND ITS IMPACT”

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Abstract

Over the centuries structure of taxation has been shaped and reshaped to make it acceptable, effective and efficient. The voyage of restructuring the tax system has been going on to make it more and more meaningful. Goods and Services Tax (GST) is considered to be a finest clarification for all these issues and which is likely to bring in tax efficiency, simplicity, transparency and degree of synchronization to the tax base, tax rates as well as tax infrastructure. More than 160 countries around the world have already implemented GST and implementation of GST in India would bring in resemblance. Now, accomplishment of GST has become certain in India and it is a right time to understand it. This paper tries to throw radiance on different aspects of GST and to know its probable impact on Indian economy, India sales tax rate-GST, GDP growth.

Key Words: Goods and Services Tax (GST), Indirect Tax, Sales Tax, India sales tax rate - GST, GDP Growth, Indian Economy

➤ **INTRODUCTION**

Initially, the word tax is derived from the Latin word ‘taxare’ meaning to approximation Tax is not a voluntary payment or donations as such, it is an obligatory financial contribution exacted pursuant in the direction of legislative authority and is any contribution imposed by government in various ways. Power to impose and accumulate taxes whether direct or indirect emerges from the constitution of India. Taxation system is helpful in removing poverty and inequality from the society. For that reason A tax can be said to be a non-penal, yet required transfer of resources

from the private to the public sector levied on the basis of a predetermined criteria. In addition, taxes are collected for serving the primary purpose of providing sufficient revenues to the State and have become a mechanism through which the social and economic objectives of a welfare state could be achieved.

➤ REVIEW OF LITERATURE

Kumat (2014) ,in his research paper on taxation laws of India-overview & fiscal analysis focuses on the overview of India tax system and challenges ahead. According to him, there should be coordinated consumption tax system. He also stated with the intention of improving the productivity of Indian tax system continues to be major challenges in India.

Jayakumar and Elavarasan (2015) this paper examined about Impact of Tax Reforms among Salaried Assesses in Tamilnadu. The aim of the term paper is to find out “whether and how the tax reforms affect” the level of salaried assesses. This study data were analyses descriptive statistics, chi-square test and Anova test the formulated hypothesis and the significant relationship between assesses personal information and opinion level of tax allowances. This study showed that, overall the assesses have been pessimistic judgment towards Impact of Tax Reforms made tax system in India.

Boadway and song (2016), examined analytically assured extension to the Deaton(1979a) model. They investigated a two – good model where one good is a requirement and the other is a luxury. They found that if income tax (linear and non linear) is less progressive than optimal, then the necessity should be taxed at a lower rate than the luxury. Furthermore, another conclusion presented in their paper is that if a linear income tax function is optimal, but low-income household are unable to afford luxury goods, it may be most favorable to tax necessity goods at lower rates than luxuries.

Rajat Deb (2017) examined in his research paper on “Tax reforms and GST”. His study totally based on the tax reforms and GST to synthesize the research findings and to direct the future research. Furthermore, Literature on tax reforms has attained momentum in upward countries for the last two decades and in India when it has decided to implement SST from 2017-18. As a consequence, results have documented the tax reforms that have been executed globally with multiple objectives; it has admitted with few limitations.

➤ OBJECTIVES AND RESEARCH METHODOLOGY

- To study on India Sales Tax rate –GST and GDP ratio
- To study the benefits and its impact of GST on Indian economy

The study has been conducted mainly on the basis of survey and secondary information. For Primary data structure questionnaire will be framed especially for this study. For this purpose to take sample of 150 respondents which will be include both common people and retailers and secondary data apart from Journals, reports of various committee ,government reports, budget documents, economic surveys & statistical reports .Some expertise person has also been interviewed for the purpose of accumulating facts and information.

- **Study Area:** Gohira, Lambra
- **Sample Size:** The sample size is 150 respondents which will be include consumers, manufacturers & Traders.

➤ LIMITATIONS OF STUDY

- The study area is limited to Gohira, Lambra
- Respondent's response may or may not be correct.
- Some respondents refused to disclose the fact due to lack of time & interest.
- There is always a presumption that the respondents have given honest answers.

➤ GOODS AND SERVICES TAX (GST)

The introduction of GST is a incredibly step in the ground of indirect tax reforms in India. **GST** also well-known as the Goods and Services Tax (GST) is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. Further than 150 countries have implemented GST so far. GST is a wide-ranging tax levy on manufacturing, sale and consumption of goods and services at a national level. GST is relevant on supply of goods and services. GST replaced the current taxes of excise, VAT and services tax. In past times, there are different VAT laws in dissimilar states. Most businesses have to pay and comply with three different taxes – excise, VAT and services tax. GST brings homogeneous taxation across the

country and allows full tax credit from the procurement of inputs and as well as capital goods which can later be set off against GST output liability. Recent GST system makes equal balance to big enterprises as well as SMEs. On the other hand, tax reform is elementary equipment in strategy development aiming at holistic growth of the society. Thus, the significance of an efficient tax system and reforms in tax system cannot be undermined.

➤ **INDIRECT TAX, SALES TAX**

There are two types of taxes imposed by Government in India, i.e., **Direct tax**, which is levied directly on income, profession, etc, of an individual and where the tax burden cannot be passed on to any other person. **Indirect tax**, on the other hand, is not remunerated on the direct income of an individual person but is levied indirectly on the ultimate consumer of goods and services for consumption of goods and services. Moreover, the former is levied on the income while latter is levied on the goods and services. In short, indirect taxes, immediate burden is on one person and ultimate burden is on some other person i.e., the person who ultimately consumes.

➤ **INDIA SALES TAX RATE –GST (Goods and Services tax)**

In India, the sales tax rate is a tax stimulating to consumers based on the purchase price of certain goods and services. Service Tax rate in India went up to 18 % to 15 % on July 1st 2017. Sales tax rate in India average rate to 13.97 percent from 2006 until 2019. According to Trading Economics global macro models and analysts expectations, Sales tax rate India is expected to reach 18% by the end of 2021.

(A) India Sales Tax Rate -GST

India Taxes	Last	Previous	Highest	Lower
Corporate Tax rate	25.17	34.61	38.95	25.17
Personal Income Tax Rate	35.88	35.54	35.88	30.00
Sales Tax Rate	18.00	18.00	18.00	12.36
Sales Security Rate	24.00	24.00	24.00	24.00
Social Security charge for Companies	12.00	12.00	12.00	12.00

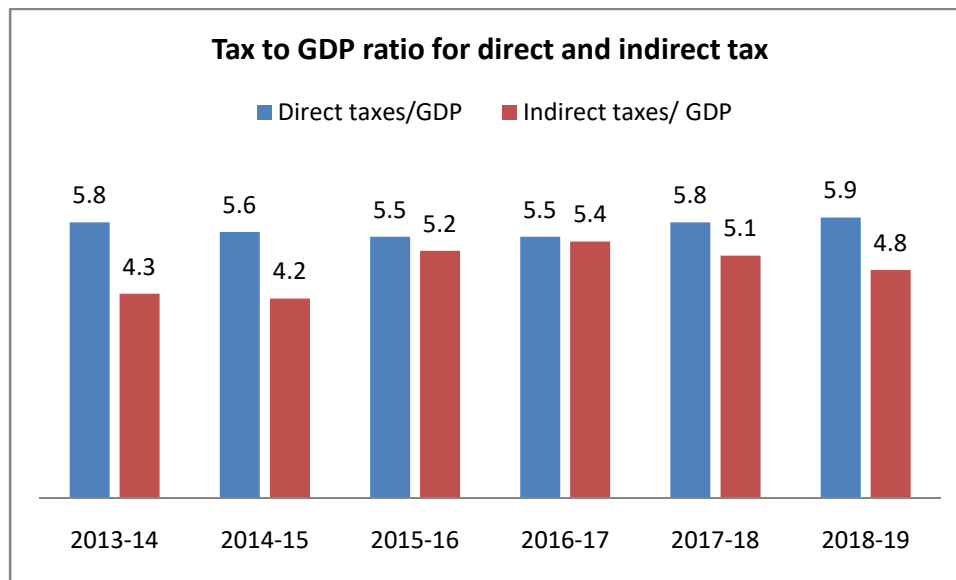
Social Security charge for Employees	12.00	12.00	12.00	12.00
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(Source: <https://tradingeconomics.com>india>)

The above table (A) shows the India sales tax rate-GST. The sales Tax Rate in India stands at 18% .India sales tax Rate- GST –Values, historical data & chart was last updated on March of 2020.

India sales Tax Rate- GST	
2010	12.5
2011	12.5
2012	12.36
2013	12.36
2014	12.36
2015	14.5
2016	15
2017	18
2018	18
2019	18
2020	18

Source: Tradingeconomics.com/Ministry of finance, Government of India.

(B) Tax to GDP ratio for direct and indirect tax

Source: Ministry of Finance 2018-19

We come to know from the above table (b) that Direct taxes are high as compared to indirect taxes. In 2013-14, the direct taxes /GDP was 5.8 whereas Indirect taxes/GDP was in 4.3. Starting from 2013-2019, there is the steady increase in the Direct taxes .In 2016-17 ,the direct taxes was in 5.5 and indirect taxes was in 5.4.but in 2019, the indirect taxes was declined from 5.1 to 4.8.

➤ **ADVANTAGES OF GST (Goods and Services Tax)**

The GST, Goods and Services Tax subsume many of indirect taxes which centre and state were imposing such as excise, VAT and service Tax. In addition words, GST is levied on both goods and services that are sold in the country. The following are the advantage of GST.

- Composition scheme for small business.
- Eliminates the cascading effect of tax.
- Simple and easy online procedure.
- Saving more money.
- Unorganized sector is regulated under GST.
- Easier to do business.
- Reduction in logistics cost and time taken.

- Higher exemptions to new business.
- Financial Inclusion.
- Increase revenue.
- Easy tax filing and documentation.
- More competitive product.
- Create employment opportunities.
- Decrease in Tax avoidance.

➤ **DISADVANTAGES OF GST (Goods and Services Tax)**

- GST increases operational costs.
- Difficult to cope with online taxation system
- SMEs will have a higher tax burden
- Negative impact of real estate market.
- Simply new name for VAT, excise duty, custom duty etc.
- It cannot completely eliminate black money & tax evasion.

➤ **DATA ANALYSIS & INTERPRETATION**

The Analysis of Survey data is one of the important steps in the survey process. Analyzing the data & interpreting the results are the ‘record’ for the work of collecting the data. Moreover, It will help to understand more about the respondent under study, and guide the authorities towards better decision.

Table 1. Are there more advantages rather than disadvantages in GST?

Statement	Frequency	%
• Strongly disagree	-	-
• Disagree	50	34
• Neutral	30	20
• Agree	30	20

- Strongly agree 40 26

(Source: Field survey)

The above data shows that majority of the respondents argued that there are more disadvantages of GST rather than advantages. Some respondents argued that it has influenced on the income, higher tax burden on services and increasing in operating costs and rest of them are in favour of advantages of GST. 34% of the respondents are disagreed and 20% of the respondents are agreed.

Table 2. Government introduced the GST is to increase the government revenue?

Statement	Frequency	%
• Strongly disagree		
• Disagree		
• Neutral	10	7
• Agree		
• Strongly agree	140	93

(Source: Field survey)

The above data shows that majority of the respondents argued that the Government introduced the GST is to increase the government revenue and according to them, there are more disadvantages of GST rather than advantages. Some respondents argued that it has impact on the income, higher tax burden on services .Mostly respondents (93%) are strongly agreed with this statement and rest of them (7%) are neutral.

Table 3. Do you think, there should be changes in GST rates?

Statement	Frequency	%
• Strongly disagree	-	-
• Disagree	-	-
• Neutral	-	-

- Agree -
- Strongly agree 150 100

(Source: Field survey)

All respondents are in favour of this statement. All respondents (80%) argued that, there are highest GST rates in India. 28% GST slab is the highest rate in India. It is mainly reserved for skin goods as well as luxury items.

Table 4. Current tax system moved the pace of Economy escalation

Statement	Frequency	%
• Strongly disagree	14	9.3
• Disagree	32	21.3
• Neutral	50	33.4
• Agree	54	36
• Strongly agree	-	-

(Source: Field survey)

The above table shows that 9.3% of the respondents are strongly disagreed that present tax system moved the pace of Economy growth..33.4 % of the respondents are neutral and 36 % of the respondents are fully agreed with this statement and whereas 21.3 % of the respondents are disagreed.

Table 5. GST benefits the common consumers

Statement	Frequency	%
• Strongly disagree	75	50
• Disagree	20	13.3
• Neutral	20	13.3
• Agree	35	23.4
• Strongly agree		

(Source: Field survey)

The above graph shows that out of 150 respondents, 50 % of the respondents are strongly disagree, whereas 13.3% are disagree. 23.4% of the respondents are agree and rest of them are neutral with this statement.

GST will have a multiplier outcome on the economy with remuneration accruing to various sectors as discussed below:

➤ BENEFITS OF GST TO THE EXPORTERS

There is a benefit of GST to the exporters. GST will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. In addition, It associated with the major central and state taxes in GST, complete and extensive set off of input goods and services and phasing out of **Central Sales Tax (CST)** would diminish the cost of locally manufactured goods & services. This will increase the competitiveness of Indian goods & services in the international market and give boost to Indian experts. Thus, the uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

➤ BENEFITS OF GST TO COMMON CONSUMERS

As we know GST has replaced various indirect taxes such as Service tax, VAT, Excise etc expect customs in India. With the introduction of GST the cascading effects of CENVAT, state VAT and the service tax will be more comprehensively removed with a continuous chain of set off from the producer's point to the retailer's point than what was possible under the prevailing CENVAT (The Central value added tax) and VAT (Value added tax) regime. Conclusive foremost central and state taxes will also be associated with GST and CST will be phased out. Other things residual the same, the trouble of tax on goods would in general fall under GST and that would gain the consumers.

➤ CONCLUSION

The preamble of Goods and Service tax will certainly change the system of governance in our country in which states also have the right to collect taxes on goods. It is forecasted, that nasty activity of tax theft will be drastically reduce under GST system in order to promote both governments & consumers. In short, that extra revenue that the government is expecting to generate would come from the reduction of tax theft instead from the consumer's pocket. Though, the structure of GST might not be a perfect one but once it is placed, this tax structure will make India a better economy advantages for foreign investments. GST evade with multiple tax rates by central and states. The accomplishment of GST would pave way for a simple and understandable tax structure, and also help in avoiding any evasion taking place at any level. As a result, lot being said and done, an appropriate implementation would lead to actually understand whether "GST is a boon or bane". As a consequence, the beginning of GST is truly a game changer for Indian economy as it has replaced multi-layered complex indirect tax structure with a simple, transparent and technology- driven tax regime.

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