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NATIONAL LEVEL SEMINAR ON GOODS AND SERVICE TAX : BOON OR BANE

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A STUDY OF IMPACT OF GST IN INDIAN ECONOMY

Prof. Nagpure V.B

**C.D.Jain college of commerce
,Shrirampur**

Dist- Ahmednagar

Email id-

vijaynagpure.2011@rediffmail.com

Prof. Vivek M More

**C.D.Jain College of
Commerce,Shrirampur**

Dist. Ahmednagar

E-mail id:- vikmmore@gmail.com

Abstracts :

The Good and services tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like value added tax, excise duty, service tax and sales tax. It will be levied on manufacture sale and consumption of goods and services. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Lok Sabha on 6th May 2015. The bill seeks to amend the constitution to introduce GST vide proposed new article 246A. This article gives power to legislature to every state and parliament to make laws with respect to GST where the supplies of goods or services take place. Despite the various amendments to the proposed transition, until the time GST is implemented, it would be worthwhile to assess its positive impact on the various development areas viz. Agriculture, Manufacturing industry, MSME, housing, poverty reduction, employment, price level, EXIM trade, GDP, government revenue etc. Taxation system is very important for the economy because they maintain equity of income group. Consumption and productions of goods and services undeniably rising and because of multiplicity of taxes in current tax system organization complexities and conformity cost is also increasing. Accordingly, a simplify user friendly and transparent tax system is required

Keywords : Goods and Service Tax; Indian economy

Introduction :

The Goods and Services Tax (GST) has been heralded as the biggest indirect tax reform in India after Independence. After much deliberation, the GST bill has been passed in the Rajya Sabha and is set to be discussed in the state legislative assemblies in this winter session. With the ball set to roll for a unified country-wide tax reform, the market is filled with new found optimism amongst industry leaders and government officials. This sets the necessary momentum for the passage of the two Bills - Central GST (CGST) and Integrated GST (IGST) Bills-during the

winter session along with the State GST Bill by different state assemblies. According to industry experts and government sources, the GST rollout date of April 1, 2017 is likely to be met. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India.

Impact of GST

As per industry experts startups will be affected the most with the rollout of the GST and the impact will be favorable in ways more than one. Some of the ways GST will benefit SMEs and startups are:

1.) Ease of starting business: A business having operations across different state needs VAT registration. Different tax rules in different states only add to the complications and incur a high procedural fees. GST enables a centralized registration that will make starting a business easier and the consequent expansion an added advantage for SMEs.

2) .Reduction of tax burden on new business: As per the current tax structure, businesses with a turnover of more than rupees 5 lakh need to pay a VAT registration fee. The government mulls the exemption limit under GST to twenty five lakh giving relief to over 60% of small dealers and traders.

3) Improved logistics and faster delivery of services: Under the GST bill, no entry tax will be charged for goods manufactured or sold in any part of India. As a result, delivery of goods at interstate points and toll check posts will be expedited. According to an estimate by CRISIL, the logistics cost for manufacturers of bulk goods will get reduced significantly—by about 20%. This is expected to boost ecommerce across the nation.

4) Elimination of distinction between goods and services: GST ensures that there is no ambiguity between goods and services. This will simplify various legal proceedings related to the packaged products. As a result, there will no longer be a distinction between the material and the service component, which will greatly reduce tax evasion.

Impact on Manufacturing Sector :

The GST will enhance competitiveness of enterprises in the manufacturing sector by mainly mitigating the cascading effect of various taxes, with small and medium enterprises contributing over 70% of the company's business across the world. A prominent provider of cloud ERP solutions, The company offers MRP, a fully GST compliant MRP solution in India to help manufacturers and traders to seamlessly migrate to the new regime once the GST law is implemented across the nation. India is a global manufacturing hub and SMEs form around 90% of the industrial units in the country. The 'Make In India' campaign promoted by the Indian government will get a boost with the rollout of the GST. Currently, excise duty on pre-packaged products for retail consumption is levied not on the transaction value at the ex-factory but on a fixed percentage of the maximum retail price (MRP) on the package. This leads to a higher MRP, which indicates a higher cost burden for the consumers. Under the GST regime, tax is paid by the manufacturers while purchasing raw materials for the products.

The amount can be credited for subsequent resellers till the product reaches the final consumer. This will ease the tax burden significantly. Amidst economic crisis across the globe, India has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make in India and Digital India campaigns. The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come. The expectation of GST being introduced is high not only within the country, but also within neighboring countries and developed economies of the world.

Benefits of GST to the Indian Economy :

- 1). Removal of indirect taxes such as VAT, CST, Service tax, Excise.
- 2) Less tax compliance and a simplified tax policy compared to current tax structure.
- 3) Removal of cascading effect of taxes i.e. removes tax on tax.
- 4) Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down.
- 5) Lower the burden on the common man i.e. public will have to shed less money to buy the same products that were costly earlier.
- 6) Increased demand and consumption of goods.
- 7) Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.
- 8) Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check.
- 9) Boost to the Indian economy in the long run.

How will GST Impact the Indian Economy?

- 1) Reduces tax burden on producers and fosters growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers.
- 2) Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
- 3) There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
- 4) GST will add to the government revenues by extending the tax base.
- 5) GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.

- 6) GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

Conclusion :

Taxation system is very important for the economy because they maintain equity of income group. Consumption and productions of goods and services undeniably rising and because of multiplicity of taxes in current tax system organization complexities and conformity cost is also increasing. Accordingly, a simplify user -friendly and transparent tax system is required. At present Indian economy have a major change in the taxation system. On 1st July the new tax system will be implemented that is Goods and Services Tax (GST). It will solve the problem of complexity of tax system because it will replace the current tax system of India. A single tax system will remove all other complex taxes of centre and state government like Vat, Cenvat, Luxury tax, Octroi, Entry tax etc. By the implementation of GST cost of manufacturing of goods will reduce.

The cost of consumer goods will reduce. The Pharmaceutical industry is also benefitted as there is 8 types of taxes are bear by them in current scenario after GST these taxes will remove to one single tax. Similarly the impact of GST on all other sectors like Infrastructure, textile, IT, Agriculture, Food Industry, Transport, Real estate industry will positive and all the sectors will be benefitted with the implementation of GST. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set off. Service tax set off and subsuming the several taxes. GST is likely to improve tax collection and Boost India's economic development.

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