

Impact Factor – 6.625 | Special Issue - 325 | June 2023 | ISSN – 2348-7143

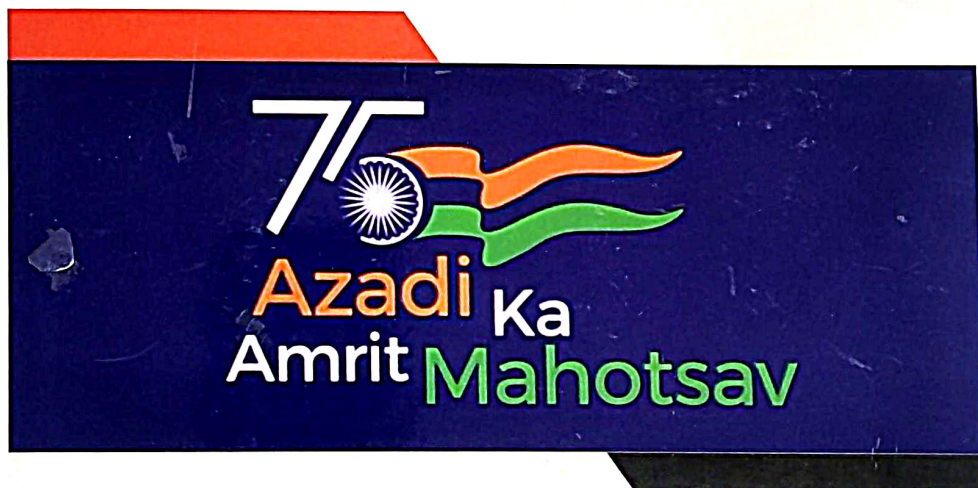
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✓19.	<b>Impact of GST on Indian Economy .....</b>	77
	Prajakta Santosh Sable	
20.	<b>Documentation of Some Rare and Endangered Medicinal Plants from Kalsubai - Harishchandragad Wildlife Sanctuary of Ahmednagar District, MS (India).....</b>	80
	A. S. Satralkar, B. D. Wagh, S. N. Varpe	
21.	<b>Changing Trends in Indian English Literature.....</b>	84
	Prof. Rameshwar Ganpat Waghmare	
22.	<b>A Review on Nanotechnology : Analytical Techniques &amp; Applications .....</b>	85
	Sonali Bansi Wandhekar	
✓23.	<b>Study of zooplankton diversity in Jayakwadi Dam at Paithan, Dist. Aurangabad, Maharashtra, India .....</b>	90
	Prof. Ramdas Balu Torade	
24.	<b>Indian Economy and Rural Development .....</b>	96
	Nitin Navnath Zinj	
✓25.	<b>Change in the Indian English Poetry in Pre and Post-Independence Era. ....</b>	99
	Mr. Chaitany Maruti Gangawane	
✓26.	<b>Redefining Hindu Mythology in Contemporary Indian English Novels with Special Reference to Amish Tripathi's Shiva Trilogy.....</b>	105
	Sajed Salimoddin Patel, Dr. Ravindra G. Vaidya	
27.	<b>Cultural Reflexes in Indian English Fiction : An Overview .....</b>	108
	Sujata Ashok Gaikwad, Dr. Shrikant Rambhau Susar	
✓28.	<b>A Comparative Study of Indian Farmers on Bamboo Crop in Pre and Post-Independence Era .....</b>	110
	Mr. Somnath Dattatray Dhamal, Mr. Ranjeet Anil Tambe	
✓29.	<b>Environment : Sustainable Development .....</b>	114
	Shital Vinayak Hiwale	
30.	<b>Exploring the frontiers of nanotechnology and its implications for the future of Chemistry .....</b>	116
	Sahil M. Shaikh, Monika B. Khatik, Ismail B. Shaikh and Jayshree K. Khedkar	
31.	<b>A study of Mahatma Gandhi's constructive program of rural development Dr. Suresh Ramji Dudhkawade</b>	
32.	<b>Studies on Biochemical and Histochemical Aspects of Pseudophyllidean Parasite in Fresh Water Fishes from Ahmednagar District (M.S.) India.....</b>	124
	Mr. Amol Arjun Tathe	
✓33.	<b>In vitro Germination of Pollen Correlation Between Viability (TTC staining) Germinability (In-vitro) of Flowering Plants.....</b>	133
	Rahul Bandu Kharat	

मराठी

34.	<b>मराठी साहित्यातील बदलते प्रवाह .....</b>	142
	प्रा.डॉ. सुनिल विश्वनाथ क्षिरसागर	
35.	<b>मराठी साहित्यातील बदलते प्रवाह .....</b>	145
	डॉ. दत्ताराम राठोड	
36.	<b>नटरंग: मराठी कादंबरी ते चित्रपट माध्यमांतर .....</b>	149
	गणेश एकनाथराव चांदर	



## Impact of GST on Indian Economy

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### Abstract :

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth. The Proposed study is designed to know the impact on GST on Indian Economy with the Help of Its individual effect on different sectors. The Study is Exploratory in nature and Secondary Data has been used for the study. The data will be collected from different Journals, Periodicals, Newspapers and Internet.

**Key words :** Goods and Service Tax, Indian Economy.

### Introduction :

"The goods and services tax law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition". Taxation policy plays a very crucial role on the economy of a country. The main source of revenue of the government comes from the taxes levied on the citizens who can be direct or indirect. When the impact and incidence falls on same person it is called as direct tax and when the impact and incidence falls on two different people i.e. the burden can be shifted to any other person it is called as indirect tax. Before the introduction of GST India had a complicated indirect tax system with multiple taxes imposed by union and state separately, with the introduction of GST all the indirect taxes will be under an umbrella and ensuring a smooth national market with high economic growth rate. GST is a single point tax levied on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stages on value addition, thus making GST an essential tax only on value addition at each stage which ensures that there is no cascading of taxes [ GST will reduce the overall tax burden of customer which is currently estimated at 25-30%. The Goods and services tax or GST which is popular as what it is all over the world was first introduced in France in the year 1954 and subsequently more than 160 countries had implemented the GST law like Germany, Italy, UK, South Korea, Japan, Canada, Australia, etc. Most of the countries had adopted unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed both by central as well as by state government. India had adopted the dual system of GST as CGST and

SGST. The idea of GST in India was proposed by Atal Bihari Vajpayee in 1999 and a committee was set up under the leadership of Asim Das Gupta the then finance minister of West Bengal to design a GST model. It was supposed to be implemented from 1st April 2010 under flagship of P Chidambaram the then finance minister of UPA government but due to political issues and conflicting interests of various stakeholders it did not come into force. In May 2016 the constitutional amendment bill for GST was passed by Lok Sabha and deadline of 1st April 2017 to implement GST was set by Arun Jaitley the finance minister of India. Finally the goods and service tax was launched at midnight on 1st July 2017 by the president of India, Pranab Mukherjee and Prime minister of India, Narendra Modi.

### The benefits of GST: as under :

- 1) It would introduce "one country one tax"
- 2) It would absorb all the indirect taxes at the central and state level thus eliminating the cascading effect of tax
- 3) Higher threshold for registration which will exempts many small traders and service providers.
- 4) It would wider the tax regime by covering all the sectors including the unorganised sectors thus widening the tax base. This would lead to better and more revenue collection by the government.
- 5) GST would simplify the working procedures and would minimise the tax burden of E-commerce and logistics companies.
- 6) Employment generation for youths as GST trained experts.



**Objective of Study :**

1. To grasp the concept of GST.
2. To assess the advantages and challenges in implementation of GST.

**Research Methodology :**

An explanatory research is studied based on secondary data collected from various journals, books, government reports, articles and newspapers which focus on different aspects of Goods and Services Tax.

**Concept of Goods And Services Tax :**

GST or Goods and Services Tax, the greatest tax reform in India since Independence which has been long pending. GST is meant to simplify the indirect tax regime of India by replacing a host of taxes by a single unified tax. GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST will bring a new dimension to the Indian economy by making a common market and reducing the cascading effect of tax on the cost of goods and services. It will affect the entire indirect tax system the tax structure, tax incidence, tax computation, compliance, input credit utilization and reporting procedures. India had adopted the dual system of GST as CGST and SGST. The need for a concurrent dual GST model is based on the following :

1. As per constitution of India concurrent power to levy tax on domestic goods and services is provided to both central and state government.
2. As per the dual GST model tax can be levied independently by the central and state government but both will operate in common platform for imposition of taxes, liabilities would be identical.

**Features of GST :**

- 1) Administration of CGST will be controlled by central government and administration of SGST will be controlled by respective state government. The power of making law on taxation of goods and services lies with both central and state government. A law imposed by central government on GST will not overrule state GST law.
- 2) Pan card based identification number would be allotted to the taxpayer to facilitate tax payment and return.
- 3) Tax return to be filled separately to central government for CGST and state government for SGST.

- 4) Input credit can be claimed from respective department where GST paid, i.e. central GST paid on inputs can be claimed against central GST only and same for state.
- 5) All transactions on goods and services will be covered up except exempted goods and services.
- 6) There are two segments of GST, one is central GST and other is state GST. Central GST will be paid to central government and state GST will be paid to respective state government.
- 7) Meaning of taxable person, taxable events, chargeability, measure to levy tax, etc would be same in CGST and SGST.
- 8) GST would be applicable if there is an import of goods and services.
- 9) The GST slabs have been set at 0%,5%,12%,18% and 28% for different goods and services.
- 10) Integrated goods and services tax(IGST) also known as interstate goods and services tax is a component of GST which is charged on supply of goods and services in the course of interstate trade which is collected by central government and distributed to imported states as destination based tax. Additional 1% tax on interstate supply of goods which is levied by central government and directly apportion to the exporter state. This tax will be charged for a period of two years or more as per the recommendation of GST council.

**An overview of GST and Its impact on different sectors :**

If talk about impact of GST on manufacturers, distributor and retailers It is believe GST is expected to boost competitiveness and performance in India's manufacturer due to tax structure. High infrastructure spending and declining export are just some of the concerns of this sector. Single tax system will decrease the administrative costs for manufacturers and distributors and this sector will grow more strongly.

If thrown glance on impact of GST on Service Providers it is observe that most of the tax burden is borne by domains such as telecommunication services, Insurance industry, business support services, Banking and Financial services , IT services etc. Introduction of GST will decrease burden.

Manufacturers will save on costs through efficient management of inventory. Handset manufacturers will



find it easier to sell their equipment as GST will negate the need of the state and will also save up on logistics costs. Textile industry generates employment to a large number of skilled and unskilled workers. It contributes about 10% of the total annual export, and this value is likely to increase under GST. GST would affect positively to the cotton value chain of the textile industry which lead economic growth. The real estate sector is also plays important role in the Indian economy, it Plays an important role in employment generation in India. The sector will see substantial benefits from GST implementation. Agricultural sector is the largest contributor of GDP. It covers 16% of GDP. The major issues faced by the agricultural sector, is transportation of agri products across state lines. It is expected that GST will resolve the issue of transportation. FMCG sector could rise significant savings in logistics and distribution costs as the GST will eliminate the need for multiple sales depots. The GST rate for this sector is expected to be around 17% which is way lesser than the 24-25% tax rate paid currently by FMCG companies. Under the current tax system, there are several taxes applicable on automobile sector like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty which will be subsumed by GST.

#### **An analysis on GST and its impact on Indian Economy :**

The implementation of goods and service Tax (GST) coupled with a digitized economy ushered in by demonstration, will make India's economy look much cleaner and bigger "said union finance minister Arun Jaitley at the vibrant Gujarat global Summit. Further he said, it is going to be a major step towards the integration of informal economy and this itself is going to increase the transactions, which are covered within the Banking system transactions and may lead to higher revenue in the future. He said "A new India Has Emerged". It is inevitable that with the increase in level of demand, the level of supply would respond likewise. The GST council is being asked by the ministry of Commerce to keep exporters of the plantation, leather and cement out of its framework and suggested to impose lower tax on them to boost output and increase employment generation.

Firstly: from the viewpoint of the consumer, the consumers have pay more tax for most of the goods and

services they consume. The GST implementation has a cost of compliance and tax on most of the goods attached to it. It examine that this cost of compliance will be prohibitive and slightly high for the small scale manufacturers and traders. Resulted to this pricing of goods will go high and has direct impact on cost of living of the society. Secondly: If long term effect of GST analyses it is expected that GST would not just mean a lower rate of taxes, but also minimum tax slabs imposed on. In many Countries where the Goods and Service Tax has helped in reforming the economy, apply only 2 or 3 rates. GST is designed to minimize the rate with a lower rate for essential commodities, and a higher tax rate for the luxurious commodities.

#### **Conclusion :**

A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will also beneficial to individuals as the prices will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP. As GST implementation applied at a time for all states lack of policy barrier will removed. Directly GST will increase the investment in FDIs which increase the foreign exchequer of the country and indirectly increase the employment opportunities. It will promote new startups in India for its business-friendly tax structure.

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