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# *GST- A Master Stroke for Indian Economy*

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***Abstract***

*The journey of the Goods and service tax has been far long. It is the indirect type of tax. It has been divided in five slabs. I.e. 0%, 5%, 12%, 18% and 28%. The tax has been come in to the effect as on 1st July, 2017. The GST has replaced many of the state and central level taxes. The tag line for the GST is, "One nation, on tax". It has replaced many complicated taxes and simplified the tax structure. A paper mainly focuses over the key idea of GST and finally tries to represent those data which shows that, GST surely prove a master stroke for Indian economy. It may take some time but surely will have a huge impact on the economy.*

***Keywords:*** *Goods and Service Tax, CGST, SGST, IGST, economy etc*

## I. INTRODUCTION

India is thought to be a home of duties, particularly backhanded assessments. Today in India both focal government and state governments have forced circuitous duties on any exchanges of merchandise and enterprises. GST has been executed in India from July first, 2017 by noteworthy P.M. Shri Narendra Modi Ji.GST is the single tax on the supply of goods and service. From manufacturer to final consumer. GST is India's biggest tax reform. The real full form of the GST is Goods and Services Tax. But during the introduction of it, Shree Narendra Modi Ji addresses GST as Good and Simple Tax.

## CONCEPT OF GST

There are Two types of taxes. First Direct Taxes and another is Indirect taxes. GST is the type of Indirect taxes. The GST act was passed in the parliament as on 29th march, 2017 and finally the act of GST came in to existence as on 1st July , 2017.

With the GST, India will join choose class of countries with a merchandise and administration assess. Truth be told, France was the main nation to execute the GST in 1954. From that point forward, Germany, Italy, the UK, South Korea, Japan, Canada and Australia have been among the over twelve countries which have actualized the GST. China actualized GST in 1994 while Russia did it in 1991. Saudi Arabia intends to do it in 2018.

The GST Council settled assessment rates on 80-90 percent of merchandise and enterprises under the four-piece structure with basic things of day by day utilize being kept in the most reduced section of 5 percent.

The GST will be a national deals charge that will be collected on utilization of products or utilization of administrations. It will supplant 16 current tolls - seven focal assessments like extract obligation and administration expense and nine state charges like Value Added Tax and diversion impose - consequently making India as one market with one duty rate.

Before GST came in to existence the picture of taxes was as follows:

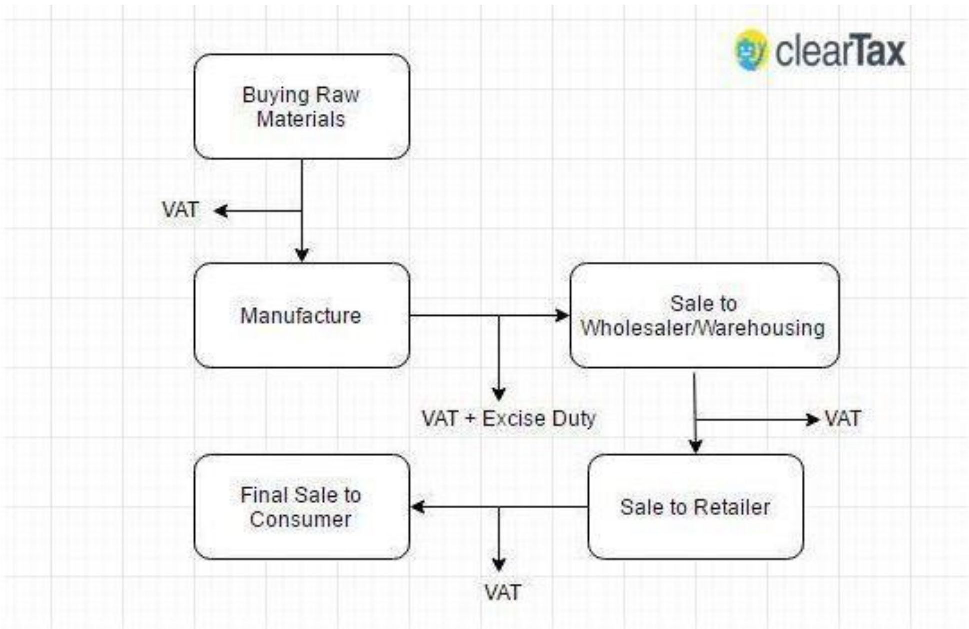



***Figure: 1***

(source:WWW.cleartax.in)

**HISTORY OF GST**

| | |
|---|---|
| 2000 | • PM Vajpayee set up a committee for drafting GST law |
| 2004 | • A task force concludes GST must be implemented to improve current GST structure. |
| 2006 | • Finance minister proposed GST introduction from April 2010 |
| 2007 | • CST to be phased out. Rates reduced from 4% to 3 % |
| 2008 | • EC finalize dual GST structure to have separate levy , legislation |
| 2010 | • Project to computarized commercial taxes launched but GST implementation postponed. |
| 2011 | • Constitution amendement bill to enable GST law introduced. |
| 2012 | • Standing committee begins discussion on GST but stalled it over clause 279B |
| 2013 | • Standing committee tables it report on GST |
| 2014 | • GST bill reintroduced in parliament by Finance minister |
| 2015 | • GST bill passed in Lok sabha but not passed in Rajya sabha |
| 2016 | • Amended model GST law passed in both houses . President give assent. |
| 2017 | • Four supplimentry GST bill passed in Lock sabha and approved by cabinet. |
| 2017 | • Rajya sabha passes four supplymentry GST bills. Finalize implementation date July 1,2017 |
| 2017 | • GST is launched as on 1st July, 2017 |

## COMPONENTS OF GST


1. **CGST:** Collected by central Government. Part of intra- state transaction.

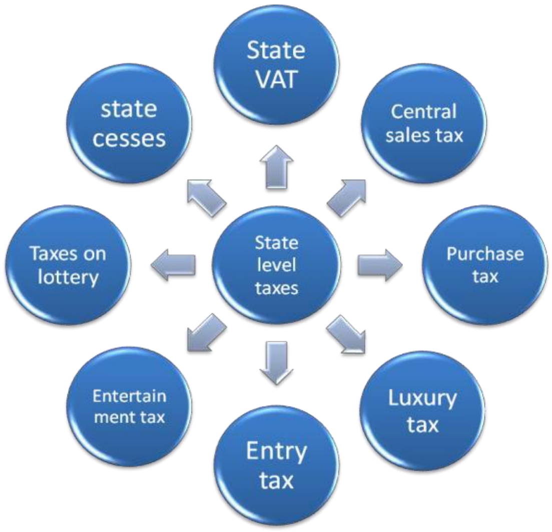
2. **SGST:** Collected by state Government. Part of Intra-state transaction.

3. **IGST:** Collected by central Government. Part of Inter-state transaction.

***Tax structure before GST introduction:***

***State level taxes***




***Central Level Taxes***


**LITERATURE REVIEW**

**Lourdunathan F and Xavier P, 2016** in their research paper named," A study on implementation of goods and services tax (GST) in India: Prospectus and challenges" analysed the key challenges for GST. In the introductory part they mentioned the list of countries which implemented VAT/GST with their GDP rate. In later part they mentioned the key challenges towards GST rate application. That includes, note ban as well as demonetization. Further state level issues may arise which is neglect by central government. Moreover political factors have huge impact over the fate of GST. It will also having impact on cash flow, working capital cycle etc. they conclude their study by saying that it is "One nation , One tax market", if government will provide enough seminars and continues workshops over GST to explain the concept of GST to general public.

**Monika Sehrawat and Upasana Dhanda, December 2015** had published a paper named "GST in India- Tax reform". They had worked mainly to evaluate the advantages and challenges over GST as well as they furnished the paper with the view to furnish the further study for other researchers. Under the head Timeline of GST, they explained the brief history of the same. IGST- effective logistics, ancillarization, single base computation, export will be zero rate, simple tax structure these are the benefits over the implication of GST as per them. Further with the view to explain the challenges they said High revenue natural rate, Registration threshold limit and many more may become hurdles.

**Akansha Khurana and Aastha Sharma, 2016**, had worked on research work, "GST in India- A positive reform for indirect tax reform". Tax is Latin word 'taxare', means to estimate. As per there analysis almost 150 countries had adopted GST as in same way like India i.e. dual mode- CGST and SGST. Further they mentioned several country wise GST rates. Australia- 10%, France-19.6%, Canada-5%, Germany-19%, Japan-5%, Singapore-7%, Sweden-25% and New zeland-15%. Then except the GST there are major five indirect taxed listed as Excise duty, Service tax , Sales tax- VAT, custom duty and Entertainment tax. Further different area which affects because of GST had been explained by them. By concluding there research work they had provide the statement as GST will provide relief to producers and consumers.

**Sachin Abda, May 2017** had published his work in International Education and Research Journal under the head of 'Effects of GST on Indian economy'. His key objective for the study was to understand the concept, benefits and features. The methodology for the same was secondary data. As per him the beneficiary parties are consumers, producers, as well as Government.

## RESEARCH METHODOLOGY

The present paper tries to throw the light on the concept of Goods and Service tax. For the purpose of presenting some facts related with same, secondary data have been used over here.

## OBJECTIVE OF THE STUDY

I have been researched on this topic to fulfill the following objectives.

1) My primary goal is to create basic idea for the GST concept.

2) Further the goal is to know the root of goods and service tax by checking out the historical aspects.

3) Additionally the goal is also related with knowing the impact of GST over Indian economy.

## IMPACT OF GST ON ECONOMY:

As per the article published in THE TIMES OF INDIA as on 1st December, 2017 GST has create a good effect on economy. As per Central Statistics Office (CSO) economy grew 6.3% in July-September faster as compare to first quarter's 5.7%. Moreover India has improved its ranking in the World bank's Ease of Doing business survey. Global ratings agency Moody's Investor Services upgraded the country's sovereign rating

The farm sector grew 1.7% in the September quarter, slower than the previous quarter's 2.3% and below the 4.1% in the second quarter of 2016-17.

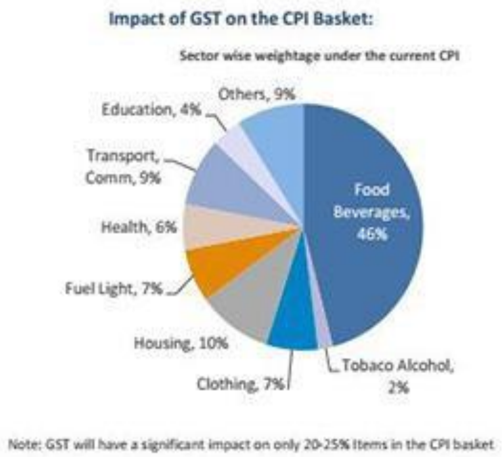
The clear conclusion that one can draw is that the value added originating from the rural sector has slowed more sharply than the urban sector for the first half. Overall the source of growth in the first half has been the urban areas

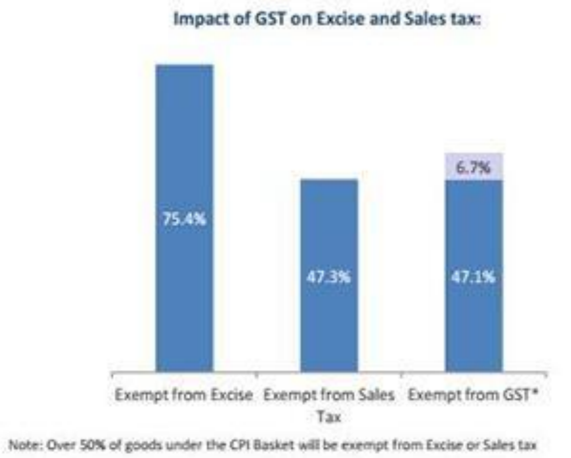
The mining sector also displayed strong signs of a turnaround rising an annual 5.5% in the three months to September compared with a decline of 0.7% in the previous quarter and contraction of 1.3% in the second quarter of 2016-17. "While improving modestly, construction stood out as the slowest growing of the industrial sub-sectors in the second quarter of FY2018.

***Table: 1***

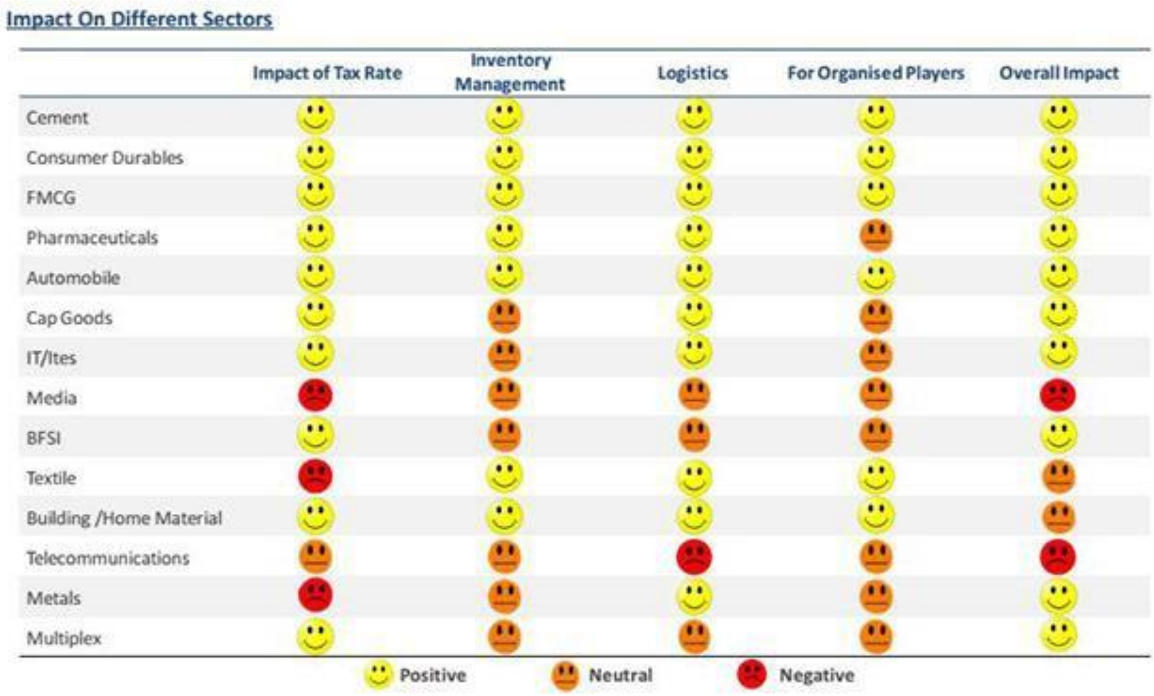
| Tax Rate | Products |
|---|---|
| 0% | Milk, Eggs, Curd, Lassi, Unpacked food grains, Un packed panner, Gur, Unbranded Natural Honey, Fresh Vegetables, Salt, Kajal, Educations Services, Health Services, Children's Drawing & Colouring Books, Unbranded Atta, Besan, Palmyra Jaggery, |
| 5% | Sugar, Tea, Edible Oils, Domestic LPG, Cashew Nuts, Milk Food for Babies, Fabric, Spices, Coal, Life-saving drugs, Packed Paneer, Coal, Roasted Coffee Beans, Skimmed Milk Powder, Agarbatti, Coffee (except instant) |
| 12% | Butter, Ghee, Almonds, Fruit Juice, Packed Coconut Water, Computers, Processed food, Mobiles, Umbrella |

| | |
|---|---|
| 18% | Hair Oil, Toothpaste, Soap, Pasta, Corn Flakes, Soups, Capital goods, Industrial Intermediaries, Ice-cream, Toiletries, Computers, Printers |
| 28% | Small cars (+1% or 3% cess), Consumer durables such as AC and fridge, High-end motorcycles (+15% cess), Luxury & sin items like BMWs, cigarettes and aerated drinks (+15% cess) |




Source: Edel Invest Research


**Impact On Different Sectors**

| | Impact of Tax Rate | Inventory Management | Logistics | For Organised Players | Overall Impact |
|---|---|---|---|---|---|
| Cement | Positive | Positive | Positive | Positive | Positive |
| Consumer Durables | Positive | Positive | Positive | Positive | Positive |
| FMCG | Positive | Positive | Positive | Positive | Positive |
| Pharmaceuticals | Positive | Positive | Positive | Neutral | Positive |
| Automobile | Positive | Positive | Positive | Positive | Positive |
| Cap Goods | Positive | Neutral | Positive | Neutral | Positive |
| IT/Ites | Positive | Neutral | Positive | Neutral | Positive |
| Media | Negative | Neutral | Neutral | Neutral | Negative |
| BFSI | Positive | Neutral | Neutral | Neutral | Positive |
| Textile | Negative | Positive | Positive | Positive | Neutral |
| Building /Home Material | Positive | Positive | Positive | Positive | Neutral |
| Telecommunications | Neutral | Neutral | Negative | Neutral | Negative |
| Metals | Negative | Neutral | Positive | Neutral | Positive |
| Multiplex | Positive | Neutral | Neutral | Neutral | Positive |

Positive Neutral Negative

(Source: WWW.cleartax.in)

**CONCLUSION**

Though it has been take a long term to implement the GST in India, still it has get a success in their objective. Yet many of the goods and services has become costlier, the GDP growth rate has been boost up. This shows a good sign for the Indian economy.

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