A STUDY OF IMPACT AND CHALLENGES OF GST ON VARIOUS CONSTITUENTS OF INDIAN ECONOMY

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Abstract:
Indian economy is the witness for accelerating the growth in very short span of time. Tax in form of direct and indirect is the major source of income to the government. Chairman of 13th Finance Commission Dr. Vijay Kelkar, has suggested to have a rational, scientific and modern taxation system in tune with developed nations form the base behind the introduction of Goods and Service Tax (GST) in India. Tax structure is planned and implemented in such a way that it leads to the development of country. A Taxation Structure which facilitates easy of doing business and having no chance for tax evasion brings prosperity to a country's economy. The Good and services tax (GST) is the principal and extensive indirect tax reform since 1947. Replacement of exiting taxes like value-added tax, excise duty, service tax and sales tax is the main idea of GST. It will be imposed on manufacture sale and consumption of goods and services. GST is expected to effect of the existing tax structure and result in uniting the country economically. This paper has highlighted on the background, objectives of the proposed GST and the impact of GST in different areas of Indian economy. The paper further focused on various benefits and opportunities of GST. Finally, the paper examines and draws out a certain conclusion.

Keywords:
GST, Indirect Tax, Fiscal Federalism, Tax Reform.

1. Introduction:

The word tax‟ is derived from Latin word 'taxare' which means to estimate a compulsory contribution to state revenue, levied by the government on workers income and business profits or added to the cost of some goods, services, and transactions. A tax is an imposed input, obtained pursuant to legislative authority. Indian Taxation System comprise of Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most contributory Indirect Taxation reforms. The only means of financing is Taxes the public goods because they cannot be priced appropriately in the market. They can only be provided by governments, funded by taxes.

The concept of GST that is goods and services is a Canadian value-added tax levied on most of domestic consumption. The tax is levied to provide revenue for the government. The GST is aid by consumers, but it is levied and remitted to the government by businesses selling the goods and services.

Across the world India is one of the 123 countries that is following the VAT mode which was introduced at both center and state level. At the national level GST is a full inclusive of indirect tax levy on manufacture, sale and consumption of goods as well as services. All indirect taxes which will be imposed on goods and services by Central and State government of India under GST. It is aimed at being wide ranging for most goods and services. France is the first country in 1954 GST is first implemented the world.

- In 1944 Baghchi Report suggests the introduction of "Value Added Tax (VAT) for taxing the Goods and Services in India.
- In 2000, for the further discussion on GST started which was initiated by the Vajpayee Government by locating authorized committee, the Finance minister Asim Dasgupta of West Bangal was headed, the aim of designing the GST model and overseeing the IT back-end awareness for its rollout.
- GST in India included with integration of Indirect tax which was strongly recommended by Vijay Kelkar in 2004.

- Later in 2006, Shri P. Chidambaram Union Finance Minister encouraged towards GST in his Budget, and projected to introduce it by 1st April, 2010.
- Constitution (122nd Amendment) Bill introduced in the Parliament in December, 2014.
- On 6th May 2015, the Lok Sabha agreed the much-delayed Constitutional Amendment Bill to introduce (GST) Goods and Service Tax, the new framework of it is extremely positive has taken into consideration the requirements of the common man.
- In 2017 – GST Council finalizing the GST Rules and GST Rates
- The Constitution (One Hundred and First Amendment) Act 2017 Modi Government has announced the GST Bill From 1st July 2017,

2. GST in new Form:

Implementing VAT/GST Worldwide in almost 160 countries there is GST/VAT, Under the GST scheme, no difference between goods and services is made for levying of tax. It defines that goods and services appeal the same rate of tax. India is planning at present which will carry 8 Lakh Crore revenue to the government by tax rate at 5%, 12% and 18%. A tax structure of 5%, 12%, 18% and 28%, with lower rates a four-tier GST for essential items and the highest for luxury was decided by the all- powerful GST Council. It is planned to get input tax credit (ITC) whether for provision of service or sale of goods to a person, under the GST scheme. GST has caught the attention of the market which has been one of the key things given its implications on earnings of companies. Large numbers of items has kept under 18% tax slab by the government.

3. Literature Review:

- In study of GST studied in India: A Big Leap in the Indirect Taxation System discussed by Vasantha gopal (2011), the article focused on the impact of GST on various sectors of the economy. The article further stated that GST is a big leap and a new impetus to India's economic change. The paper is concluded positive impacts on different sectors are dependent on a unbiased and normal design of the GST.
- In the article of Pinki, Supriya Kamma and Richa Verma (June 2017) studied, "Study on Impact of goods and services tax implementation in India" focused on goods and services tax implementation in India which is necessity to understand it as a system as well as a process. They concluded that the organizations as well as the consumers, by embracing the new tax reformation, may help the government to accelerate the growth of the Indian economy
- Jaiprakash (2014) has mentioned in his about the GST at both of Central and the State level which are expected to give more relief to industry, trade, agriculture and consumers through a more full and wider exposure of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. The best option is offered to us by GST to extened our tax base and we should take advantage of this opportunities to introduce it when the situation are quite favorable and economy is adoring steady growth with only slight inflation.

4. Objectives of the Study:

1. To study the conceptual framework of GST in Indian Context
2. To study Impact and Challenges of GST on various constituents Indian Economy.
3. To suggest measures to deal with adverse impact on various stakeholders

5. Research Methodology:

The study focuses on extensive study of secondary data collected from various books, journals, government reports publication from various websites which focused on Goods and Services Tax.

6. Impact of GST on various Areas of Economy:

GST has a positive impact on the economy and on various sectors which are as follows:

Impact on consumer goods sector:

With the implementation of Goods and Service Tax, FMCG sector would really change. The Food Manufacturing Consumer Goods sector consist 50% Food and Beverage sector and 30% is Household and Personal care. FMCG sector which is also called consumers packed goods is the key taxation contributor both direct and indirect in the economy. The multiplicity of the taxation influences the company decision on manufacturing location and distribution of Goods. Their companies set their manufacturing units and warehouses where they can gain tax benefits. They have to pay taxes to transfer the stock from the warehouses among the states. FMCG sector would surely impacted because of GST as taxes affect the cost to the company.

Impact on Brokers and equity investments:

With the service tax being subsumed into GST, the rate of GST on financial services stands modified from 15 per cent to 18 per cent. From a long-term investor's perspective, this may not be too significant since the overall shift is just about 3 basis points. This 3 basis points for short term traders, will change the economics of mixing their funds in the equity markets. It remain to be seen whether it actually affected the volumes and liquidity in the markets.

Impact on Cement Industry:

According to Angel Broking, GST implementation is expected to be neutral for the cement industry. Earlier, cement was taxed at 12.5 per cent excise and VAT rates between 12.5-15.5 per cent. Under GST, the cement will be taxed at 28 per cent, which is nearly the same as the current tax structure.

Impact on Food Industry:

Since food constitutes a large portion of the consumer expense of lower income households, any tax on food would be regressive in nature. The food processing sector will root difficulty in extending GST in view of the fact that production and distribution of food is largely unorganized in India, in most of the countries tax food keep at a lower rate with view the considerations of fairness and equity on global observe . Countries such as Canada, UK and Australia where food establish a relatively small portion of the consumer basket and food is taxed at zero rates. Even in some countries, food is taxed at a standard rate which is considerably as low as 3% in Singapore and Japan at the commencement of the GST. In level of international jurisdictions, no division is tired on the degree of processing of food. Hence, the gain of lower or zero tax rates should also be prolonged to all food items in India regardless to degree of processing.

Impact on Information Technology services:

The proposed GST rate under the IT industry is not yet decided. The discussed joint rate of GST for the product is 27%. According to projected GST if electronic form software is transferred through it would be regarded as service (intellectual property).and if it is transferred through media or any other touchable property then it should be treated as goods. Price will be reduced by implementation of GST in uniform simplified and single point taxation.

Impact on Infrastructure sector:

The Indian infrastructure sector largely comprises power, road, port, railways and mining. Each of them the indirect tax levy is different and exclusive, and this is composite in nature. While this sector enjoys different exceptions and concerns as it is important on national front. With the implication of GST the multiplicity of taxes will be removed and it would increase the tax base with continuation of exceptions and concerns for national interest and growth.

Impact on small Scale Enterprises:

In the small scale enterprises there are three categories, those below threshold need not to register for the GST. Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime. Those above edge limit will need to be within context of GST. In respect of the central GST the situation is slightly complex's is expected to encourage compliance and which is also expected to widen tax base adding up to 2% to GDP. Less tax with implication of GST will have to pay by manufacturers, traders.

Impact on Telecom:

The sector is facing severe pressure in the form of intense competition from Reliance Jio. Under the GST regime, telecom services will be taxed at 18 per cent as against 15 per cent earlier.

Impact on Automobile and auto ancillaries:

In consideration of Auto sector the GST rates are mostly expected likely to be neutral except for the hybrid cars which will be taxed at the 28 per cent GST. No significant changes will not see from the current tax structure by other vehicle categories. Tractors companies will face negative situation which will be taxed at 12 per cent against current 6-7 per cent which in the tractor categories.

7. Challenges of GST in Indian Context:

The GST is a very good type of tax, the successful implementation of the same, there are few challenges which have to face to implement GST In India. Following are some of the determinants that must be kept in mind about GST

- The understanding of GST by regarding its provisions and its impact on their business is still at emerging stage, and still many are findings the locations and places they need to be registered in.
- Various provisions of GST are still ambiguous. Classification of goods and services in various cases is still not clear. Provisions for anti-profiteering, as well as the now deferred e-way bill, which tracks consignments across states, are unclear.
- Various businesses are not yet map the accounting software and IT systems in concern with the new tax provisions, to create a invoices of GST , and abstract required reports
- Staff with perfect required skill with efficient GST knowledge and their training subject are not easily available. This has located that an Businesses will requires to file manifold returns, a minimum of 37 in most cases for assesses, and this can increase multifold with business models.

8. Findings:

1. Different Indirect taxes will reduces by GST Since there will be no hidden taxes it brings about Transparency.
    - Due to one type of Tax i.e. GST It will remove economic distortions and contribute towards the development of a common national market.
    - It is a huge step in support of realizing Make in India and digital India initiative

9. Suggestions:

- It is suggested that government should opt plans and policies in this regard for positive implementation and their result.
- The GST Council should bring the four tire taxes under the net to prevent states from raising tax rates.
- For the purpose digitization of GST system a proper and efficient network system has to be established and maintained to manage.
- Special programs may be implemented to familiarize businesses and consumers with the functioning of GST.

10. Conclusion:

Tax policies play an important role on the economy as it is the revenue source, it has a positive impact on both efficiency and equity. In view issues of income distribution a good tax system should keep pace with it and at the same time it should also endeavor to generate tax revenues to support government outflows on public services and infrastructure development.

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