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Goods and Service Tax and Indian Economy

Dr. Chavan Ashok Daulatrao

Asst. Prof. in Commerce,
Late Ramesh Warpudkar ACS College,
Sonpeth, Dist: Parbhani-431516. (MH)

Introduction:

Today in Agriculture India income is increased due to GST. It is noted that till 25th March, 2018, 59.51 lakh GST payers are registered and it 69% compared to total Indirect Tax payers. So from July, 2017 to February, 2018 Government got 7,11,819 crore Tax. It affects on Indian Economy.

One year after the formation of the **Modi** Government, the new Finance Minister **Arun Jaitley** introduced the GST Bill in the Lok Sabha, where the BJP had a majority. In February, 2015, **Jaitley** set another deadline of 1 April, 2017 to implement GST. The GST (Compensation to States) Bill, 2017 and The Union Territory GST Bill, 2017, well over a decade in the making, the new value added tax promises to subsume India's miasma of local and national levies into a single payment, thus unifying the country's 29+ states and 1.3 billion people into a common market for the first time. Government of India, along with all states has agreed upon to a charge the same indirect tax rates. The 101st constitutional (amendment) Act enables both the Centre and the States to simultaneously levy the GST, which will subsume all indirect taxes currently levied, including excise duties and service tax. It will be levied on consumption rather than production. Businesses are thrilled at the idea of being able to distribute their products from a single warehouse, say, rather than replicating supply chains in each state.

GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by states and Central.

Research Methodology:-

I select descriptive and analytical the research methodology. This study mainly based on secondary data. The required data have been collected from various Reports, journals and books. For this present research paper I have selected descriptive and analytical research methodology.

Objectives of the Study:

The objective of the study is to highlight on the GST and Development in India. I express an opinion on the following objective of the research paper.

- To know the contribution of GST in GDP.
- To know the growth and performance of GST.
- To know the need and advantages of GST.

Goods and Services Tax:

Goods and Services Tax (GST) is an indirect **tax** which was introduced in **India** on 1 July 2017 and was applicable throughout **India** which replaced multiple cascading **taxes** levied by the Central and state Governments. Under **GST**, **goods and services** are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. The GST Council in its 23rd meeting on **November 10, 2017** recommended widespread changes in the Goods and Services Tax (GST).

The council has decided to keep the highest 28% tax on luxury and sinful items as a result 177 items have been shifted to the 18% bracket. GST on many items has also been reduced. The Government has categorized items in five major slabs - 0%, 5%, 12%, 18% and 28%.

The GST would apply to all goods except alcoholic liquor for human consumption and five petroleum products.

No tax:

No tax will be imposed on items like Jute, Fresh Meat, Fish Chicken, Eggs, Milk, Butter Milk, Curd, Natural Honey, Fresh Fruits and Vegetables, Flour, Besan, Bread, Prasad, Salt, Bindi, Sindoor, Stamps, Judicial Papers, Printed Books, Newspapers, Bangles, Handloom, Bones and Horn Cores, Bone Grist, Bone Meal, Etc.; Hoof Meal, Horn Meal, Cereal Grains Hulled, Palmyra Jiggery, Salt - All Types, Kajal, Children's' Picture, Drawing or Colouring Books, Human Hair, Khadi Purchased From Khadi And Village Industries Stores, Clay Idols, Brooms, Cotton Seed Oil, Cake, Charkha, Guar Meal, Hop Cone, Certain Dried Vegetables, Un worked Coconut Shell and Fish, And Bangles of Lack / Shellac.

Services:

Hotels and lodges with tariff below Rs 1,000, grandfathering service have been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 % admission to "protected monuments", and 0.25% Rough industrial diamonds including unsorted rough diamonds to face 0.25% instead of 3% GST.

5% Goods:

Items such as fish fillet, apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, first-day covers, Branded food, walnuts, dried tamarind, roasted gram, Dhoop batti, Corduroy fabric, saree fall, Paper mache items, Oil cakes, Duty Credit Scrips, Cotton quilts (quilts not exceeding Rs 1000 per piece), corals, Rosaries and prayer beads, Hawan samagri, Grass, leaf and reed and fibre products, including mats, pouches, wallets, mangoes sliced dried, Khakra and plain chapati / roti, branded Namkeens, Ayurvedic, Unani, Siddha, Homeopathy medicines; Paper waste or scrap; Real Zari; Plastic waste, parings or scrap; Rubber waste, parings or scrap; Hard Rubber waste or scrap; Paper waste or scrap; Real Zari; Cullet or other waste or scrap of Glass; E-Waste; Biomass briquettes; Desiccated coconut, Narrow woven fabric including cotton newar [with no refund of unutilised input tax credit; Idli and dosa batter; Finished leather; chamois and composition leather; Coir cordage and ropes, jute twine, coir products; Fishing net and fishing hooks; Worn clothing; Fly ash brick; aircraft tyres, puffed rice chikki, flour of potatoes, chutney power, fly sulphur recovered in refining crude and fly ash.

On November, 2017 these items were moved from 28% to 18% bracket:

Wire, cables, insulated conductors, electrical insulators, electrical plugs, switches, sockets, fuses, relays, electrical connectors Electrical boards, panels, consoles, cabinets etc for electric control or distribution, Particle/fiber boards and ply wood. Article of wood, wooden frame, paving block, Furniture, mattress, bedding and similar furnishing, Trunk, suitcase, vanity cases, brief cases, travelling bags and other hand bags, cases, Detergents, washing and cleaning

preparations, Liquid or cream for washing the skin Shampoos; Hair cream, Hair dyes (natural, herbal or synthetic) and similar other goods; henna powder or paste, not mixed with any other ingredient; Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, perfumery, cosmetic or toilet preparations, room deodorizer. Perfumes and toilet waters, Beauty or make-up preparations Fans, pumps, compressors Lamp and light fitting, Primary cell and primary batteries, Sanitary ware and parts thereof of all kind, Articles of plastic, floor covering, baths, shower, sinks, washbasins, seats, sanitary ware of plastic, Slabs of marbles and granite, Goods of marble and granite such as tiles, Ceramic tiles of all kinds, Miscellaneous articles such as vacuum flasks, lighters, Wrist watches, clocks, watch movement, watch cases, straps, parts, Article of apparel & clothing accessories of leather, guts, fur skin, artificial fur and other articles such as saddler and harness for any animal, Articles of cutlery, stoves, cookers and similar non electric domestic appliances, Razor and razor blades, Multi-functional printers, cartridges, Office or desk equipment, Door, windows and frames of aluminums. Articles of plaster such as board, sheet, Articles of cement or concrete or stone and artificial stone, Articles of asphalt or slate, Articles of mica, Ceramic flooring blocks, pipes, conduit, pipe fitting, Wall paper and wall covering, Glass of all kinds and articles thereof such as mirror, safety glass, sheets, glassware, Electrical, electronic weighing machinery, Fire extinguishers and fire extinguishing charge, Forklifts, lifting and handling equipment, Bull dozers, excavators, loaders, road rollers, Earth moving and leveling machinery, Escalators, Cooling towers, pressure vessels, reactors Crankshaft for sewing machine, tailor's dummies, bearing housings, gears and gearing; ball or roller screws; gaskets, Electrical apparatus for radio and television broadcasting, Sound recording or reproducing apparatus, Signaling, safety or traffic control equipment for transports Physical exercise equipment, festival and carnival equipment, swings, shooting galleries, roundabouts, gymnastic and athletic equipment, All musical instruments and their parts.

On January, 2018, these items were moved to 5% GST Slab:

LPG supply to household domestic consumers by private LPG distributors, Tailoring service, Tamarind Kernel Powder, Mehendi paste in cones, Scientific and technical instruments, Basket ware and wickerwork, Velvet fabric, Cigarette filter rods.

Services:

All restaurants of hotels with room/lodging.

Services:

State-run lotteries, Non-AC hotels, business class air ticket, fertilizers and Work contracts.

18% Goods:

Most items are under this tax slab which include footwear costing more than Rs 500, Trademarks, goodwill, software, Bidi Patta, Biscuits (All categories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes,, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers, Kajal pencil sticks, Headgear and parts thereof, Aluminium foil Weighing

Machinery [other than electric or electronic weighing machinery, Printers other than multifunction printers, Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings, Tractor parts, raincoats, Medical grade disposable gloves, Computer monitors (up to 20 inch), Custard powder, Rice rubber rolls for paddy de-husking machine, Kitchen gas lighters, poster Colour; Modeling paste for children amusement; Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips; aircraft engines.

On January 2018, these items were moved under 18% slab:

Second-hand medium and large cars and SUVs Bio-fuels powered business. The admission to theme parks, water parks etc; Cigarette filters rods.

Services :

Restaurants in hotel premises having room tariff of Rs 7500 and above, telecom services, IT services, branded garments and financial services, Outdoor catering.

28% Goods:

In total 50 luxury and sin products will be taxed at 28 percentage which includes Bidis, molasses, pan masala, aerated water, paint, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, automobiles, motorcycles, aircraft for personal use.

Services:

Private-run lotteries authorised by the states, race club betting, cinema will attract tax 28 per cent tax slab under GST.

Advantages of Goods and Services Tax

GST will bring numerous benefits to all stakeholders viz industries, government and citizens. Some of these benefits or advantages are listed below:

Seamless flow of credit: - GST will facilitate seamless credit across the entire supply chain and across all States under a common tax base. Elimination of Cascading effect: Goods & Service Tax would eliminate the cascading effects of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax will significantly improve the competitiveness of original goods and services in market will lead to beneficial impact to the GDP growth of the country. It is felt that GST would serve a superior reason to achieve the objective of streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers.

Revenue Gain: Revenue will increase under GST regime because of widening of the dealer base by capturing value addition in the distributive trade and increased compliance.

Enhanced Transparency: GST regime shall enhance transparency in the indirect tax framework and is expected to bring down the rate of inflation.

Zero rated Exports: Under the GST regime, exports will be zero rated in entirety unlike the present system where refund of some taxes is not allowed due to fragmented nature of indirect taxes between the Centre and the States. All taxes paid on the goods or services exported or on

the inputs or input services used in the supply of such export goods or services shall be refunded. GST will boost Indian exports, thereby improving the balance of payments position. Exporters will be facilitated by grant of provisional refund of 90% of their claims within seven days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows.

Increased Uniformity: Uniform GST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-State sales. Harmonization of laws, procedures and rates of tax will make compliance easier and simple. There would be common definitions, common forms/formats and common interface through GST portal, resulting in efficiencies and synergies across the board. This will also remove multiple taxation of same transactions and inter-State disputes like the ones on entry tax and e-commerce taxation existing today.

Increased Certainty: Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods or services along with timelines for every activity will lend greater certainty to taxation system.

Increased Digitalization: GST is largely technology driven. The interface of the taxpayer with the tax authorities will be through the common portal (GSTN). There will be simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc. All processes, be it applying for registration, filing of returns, payment of taxes, filing of refund claims etc., would be done online through GSTN. The input tax credit will be verified online. Electronic matching of input tax credit across India will make the process more transparent and accountable. This will encourage a culture of compliance. This will also greatly reduce the human interface between the taxpayer and the tax administration, leading to speedy decisions.

GST is a win-win situation for the country as a whole providing benefits to all the stakeholders of industry, government and consumer. It will lower the cost of goods and services give a boost to the economy and make the products and services globally competitive. GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level. By subsuming most of the Central and State taxes into a single tax and by allowing a set-off prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and liquidity of the businesses, GST is a destination based tax. It follows a multi-stage collection mechanism. In this, tax is collected at every stage and the credit of tax paid at the previous stage is available as set off at the next stage of transaction. This shifts the tax incidence near to the consumer and benefits the industry through better cash flows and better working capital management.

GST is largely technology driven. It will reduce the human interface to a great extent and this would lead to speedy decisions.

GST will give a major boost to the “Make in India” initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. Also all imported goods will be charged integrated tax (I GST) which is equivalent to Central GST + State GST. This will bring equality with taxation on local products. Under the GST regime, exports will be zero-rated in entirety unlike the present system where refund of some taxes may not take place due to fragmented nature of indirect taxes between the Centre and

the States. This will boost Indian exports in the international market thus improving the balance of payments position. Exporters with clean track record will be rewarded by getting immediate refund of 90% of their claims arising on account of exports, within seven days.

GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance. GST is likely to improve India's ranking in the Ease of Doing Business Index and is estimated to increase the GDP growth by 1.5 to 2%. Central Government is hopeful to implement the GST.

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