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**A REVIEW ON THE EFFECT OF THE GOODS AND SERVICES TAX  
(GST) ON THE INDIAN ECONOMY**

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**ABSTRACT**

*The primary goal of the Goods and Service Tax is to harmonize India's dispersed indirect tax structure and prevent taxes from cascading. GST will have a significant effect on India's overall tax structure. Today, GST becomes a reality. GST contributes to the development of a new India by creating a single country, a single tax, and a single market. The Goods and Services Tax (GST) is a boon to families. Following the implementation of GST, India will see a significant shift in tax collecting. Since July 1, 2017, a comprehensive dual Goods and Service Tax has replaced the complicated multiple indirect tax system. The focus of the study paper is on the economic effects of GST and its influence on the Indian economy. The study is exploratory in nature, and the data is mostly derived from secondary sources. GST, according to the research, would broaden the tax base, increase tax compliance, and eliminate unhealthy rivalry between states.*

**KEYWORDS:** *Economic Development, Gst, Job Creation, Revenue Growth, Sectoral Expansion.*

**1. INTRODUCTION**

The Indian government has made a significant step towards indirect tax reform. It has been levying a goods and services tax (GST) in lieu of other indirect taxes since July 1, 2017. The goal of the GST is to provide consistency to the pricing of products and services throughout the country. This new approach provides a lot of clarity to our country's indirect tax structure. It will also aid in the detection of tax evasion. GST will have a significant impact on the Indian economy. This will also aid in the removal of impediments to conducting business in our nation. As a result, it will attract a large number of local and international investors to set up shop in India(1)(2).

When foreign businesses begin operations in India, they will employ a large number of Indian youngsters to work in their operations. This would help to solve India's unemployment issue while also increasing our foreign currency reserves. The expansion of our nation's infrastructure will be aided by business development. It will guide government income development and assist government programs such as Make in India and Digital India, among others. GST will boost India's economic development prospects in this manner. For both local and international investors, the above-mentioned development path will make the Indian stock market attractive. Here, we can claim that GST would not only simplify the indirect tax structure, but will also pave the path for our country's continued economic growth(3).

Multiple taxes, such as CST, VAT, Service tax, Sales tax, and Central sales tax, are paid on various items from the point of manufacture until they reach the end customer, making commodities movement and commerce extremely difficult. Currently, products and services are taxed differently and at many levels; however, following the implementation of the GST, goods and services will be treated similarly, and multiple level taxes will be substantially reduced, resulting in less corruption. GST will simplify taxes while also assisting companies. Because most businesses do not want to produce products in India due to the complexity of the taxes, they

ultimately look for alternatives(4).

Some shortcuts are used, and this often results in greater corruption. There are multiple indirect taxes that are taxed by different authorities in India, and there is no mechanism to check unreported income due to tax laws such as Excise, VAT, Service tax, and so on. However, with GST, goods and services will be taxed from the wholesaler to the consumer level, and every penny will be tracked. In today's tax system, if a wholesaler sells products to a customer, the transaction may be written off. However, under the GST system, a real-time itemized trail of transactions would be accessible, making back-dated purchases and entries to evade taxes much more difficult(5). The use of PAN cards and Aadhar cards will become more common, and they will be required to file GST returns. This will aid the income tax department in tracking transactions, which it is currently unable to do, and data will be shared with multiple administrative authorities such as the RBI, importers, and others. There may be more data mapping for tax authorities to audit. Bringing real estate and precious metals, such as gold, under the GST would make it easier to monitor tax evaders in these industries. The GST network is set up to collect all transaction information all the way up to the invoice level. As a result, the inputs or services required in delivering the products or services cannot be avoided. The use of paper documents will be entirely phased out. Under the GST system, all taxpayer returns must be submitted online. They would also be able to access their refunds, orders, and other information through the internet. As a result, the contact between assessors and cops will be reduced, which will decrease corruption(6,7)(8).

This will make interstate commerce and trading with foreign nations much easier. The Goods and Services Tax (GST) would boost foreign direct investment in our nation even more (Press Trust of India, 2017). Foreign businesses are hesitant of coming to India because of the previous system of numerous taxes. This new concept of one nation, one tax will now entice a large number of foreign investors to invest in India. GST will boost our commerce, thus increasing our country's prosperity. It will entice international investment, boosting our country's foreign currency reserves and current account balance. If international businesses establish operations in India, it would provide a plethora of job possibilities for Indian youngsters. In this manner, GST will aid in the improvement of our country's per capita and national GDP(8)(9).

### *1.1 Benefits of GST:*

There are number of benefits of GST. Let us discuss them one by one.

1. It is India's single-point tax system. It will increase tax compliance and bring more people into the tax net.
2. Frivolous proceedings at various levels of adjudication and appellate authorities will result in less litigation and wasted time for the judiciary and the assessee. The current legislation seems to be much worse, combining the worst aspects of VAT, ST, and CE.
3. The GST would eliminate customs duties on exports, boosting our country's exports. This will increase the number of jobs available in the export sector. It will raise demand for factors of production such as land, labor, and materials, among other things (GOI, 2016).
4. It will boost our country's foreign direct investment. This will help our country's foreign currency reserves and current account balance (Press Trust of India, 2017).
5. It will boost output by eliminating the double taxation system. As a result, consumer selling prices for a variety of products will be reduced.
6. GST will make our current system more transparent. Customers will now be informed of the tax costs on any item. It is very simple to manage due to its transparency.

7. This new tax structure would portray India as a single market, allowing our products to compete on both a local and international level(10,11).

The key characteristics of GST and the challenges that the federal and state governments confront in implementing it. From a management and analytical standpoint, they advocated for the GST system, which is more advantageous for the government as well as stakeholders. They felt that in the issue of CGST and SGST collection, both the center and the states would get a fair allocation of power. If any adjustments to the tax rate are required, they should be determined by democratic agreement. As a result, political meddling will be reduced(12).

The significance of GST in the economic recovery of our economy was addressed. GST, according to the writers, will be a new kind of tax since it will be levied at the point of consumption rather than at the point of manufacture. Separate tax rates apply to products and services under the current indirect tax system. Both products and services will be taxed at the same rate under GST. The introduction of a goods and services tax will provide India with a world-class tax structure and increase tax revenue. Due to the existing tax system, it will assist to eliminate prejudice between the manufacturing and service sectors. GST would promote a business-friendly climate by automatically lowering the inflation rate, which will come down over time when a consistent tax rate is applied. It will also enhance the economic health of the government since the tax collecting system will become more open, making tax evasion more difficult. The writers attempted to investigate the idea of GST and its effect on the Indian economy in this essay. The research also sought to determine the benefits and drawbacks of GST in the Indian context(11,13).

The fundamental goals of the planned GST, as well as the effect of GST in India's current tax situation, were emphasized. The article went on to discuss the GST's many advantages and possibilities. This study concluded that GST would benefit producers and consumers by offering a broad and complete coverage of input tax credit set-off, service tax set-off, and multiple taxes. It will be easier to comprehend one single tax structure rather than a number of levies in this manner. By broadening the tax base and improving tax compliance, an efficient GST design would benefit both the center and the states in terms of resources and revenue. GST would also have a beneficial effect on different sectors and industries, according to the study. However, in the beginning, this will require the cooperation of all GST-related authorities, including the federal government, state governments, and trade and industry. To make this collaboration feasible, essential measures must be taken in the correct direction(14)(15).

The reactions, different arguments, and views regarding the GST among manufacturers, merchants, and society. The history, possibilities, and difficulties of GST implementation in India were discussed in the article. This essay concluded that GST would unite the country and create a single tax market. By offering broad and complete coverage of input tax credit set-off, service tax set-off, and subsuming the various taxes, it would give relief to producers and consumers. By broadening the tax base and improving tax compliance, the effective implementation of GST will benefit both the center and the states in terms of resources and revenue. GST would have a beneficial effect on many sectors and industries, it was also determined. The process of implementing GST in our system would be difficult, but it may be accomplished with the help of the federal and state governments, as well as commerce and industry. GST automated processing of tax returns, refunds, and tax payments via 'GSTNET' would decrease corruption and tax evasion once it begins without human involvement. This technology will provide a built-in check on company transactions through smooth credit and return processing, reducing the opportunity for black money creation and promoting productive capital usage. As a result, the government will need to educate the public, provide appropriate training, and hold ongoing seminars and workshops on GST(11,16,17).

## *2.1 Impact of GST on Major Sectors of Our Economy:*

### *2.1.1 Service Sector:*

Our gross domestic product is dominated by this industry (GDP). It accounts for around 56% of our gross domestic product. The GST altered the tax structure of this industry significantly. Except for a few services, such as movie tickets, health care, and insurance, most services would become more expensive after the GST. After GST, most services, such as banking fees, insurance premiums, railroads, air travel, and telephone costs, would become more expensive. The GST changed the tax structure of this industry dramatically. Taxes on the healthcare industry have been lowered to 0%, which would encourage more medical tourists to India(18)(19)(20).

In this manner, the GST will help India's healthcare sector expand. This will result in more employment and income in the medical industry. Taxes on cinema tickets have been lowered to 28% from 40% before. This will help the entertainment industry. People will go to the cinema more often than they did before. In India, there is a widespread practice of putting money into a bank account. Banking and insurance costs have increased from 15% to 18%. This will increase indirect tax income for the government. Similarly, because of the widespread use of mobile phones and telephones among the general public, any taxes placed on them will increase government income(7,21)(22).

The government aims to raise income by raising taxes on investment and telecommunications services while also promoting other services among the general public, such as restaurants, movie tickets, and air travel, by lowering the tax rate. Somehow, the government wants to encourage individuals to have fun.

### *2.1.2 Hospitality Sector:*

This is also a relatively new industry. In this industry, there have been many modifications in tax rates. People are now required to pay more taxes while staying in high-end hotels. For stays in low-cost hotels (less than \$1,000 per day), the government has reduced the tax rate to 0%. After the GST, five-star hotels became more expensive. The government has provided assistance to low- and middle-income people by lowering the tax rate on hotel reservations under Rs. 5,000 and low-turnover restaurants. The government compensates for this reduction in tax rates by raising the tax rate on luxury and five-star hotels(23,24)(25).

### *2.1.3 Food Items:*

Under GST, the tax structure for food products has changed somewhat. Only a few food products will be cheaper as a result of the tax decrease. Tax deductions on necessary items will relieve part of the load on the average person.

## *2.2 Challenges of GST Implementation:*

The following are some of India's main difficulties in implementing GST.

(i) *Taxes' Nature:* In India, different taxes such as Central Excise, VAT, CESS, and other state-level taxes will be phased out and replaced with a single tax, GST. However, many states and union territories still have additional taxes that must be addressed.

(ii) *Different types of GST:* GST will be divided into two types: central GST and state GST, with additional separation depending on uttermost need and property such as need, location, geography, and resources to be worked on.

(iii) *Tax Rates:* The tax rate is still being decided, and much more has to be done to take into account people's quality of living, among other things.

(iv) *Tax Management and Technology Infrastructure:* It is essential to have adequate tax and

infrastructure management in order to execute appropriate policies and strategies.

### **3. DISCUSSION**

GST has had an impact on our economy's three main sectors. We may conclude from the above-mentioned comprehensive examination of the changes in the tax structure that the industrial sector benefited the most from GST. The tax rate on produced products is reduced under the GST tax system. This will lower the cost of products manufactured in India. People will be drawn to local products rather than inexpensive export goods in this manner. This will aid our manufacturing industry's global competitiveness.

The service industry is another important part of our economy, and it has experienced significant losses as a result of the rise in tax rates on certain services, such as banking, insurance, and maintenance. Despite the fact that the service industry has been impacted by an increase in tax rates on certain services, consumers will continue to utilize these services since they are necessary.

After the GST, the agriculture industry has seen very minor adjustments. Only certain food products get a tax rate reduction, while others remain same after the introduction of the new tax system. As a result, with the introduction of the new indirect tax structure, there are certain adjustments in all areas of our economy.

### **4. CONCLUSION**

GST is a watershed moment in India's indirect taxation history. This will help our economy develop by increasing GDP growth. To enable the introduction of GST, a solid technological infrastructure is now required. The idea of a "one nation, one tax" would eliminate pricing disparities between goods in various regions of the country. This would also encourage international businesses to set up shop in India. This will result in the creation of jobs and a rise in national revenue. Foreign currency inflows will help us enhance our current account balance and foreign exchange reserve.

GST would not only stimulate key sectors of the economy, but it will also enhance our stock market. As a result, our economic growth will be improved, and our economy will be more competitive in the globalized world. There are certain issues in the beginning since businesses must alter their current tax structure. They must adapt to the new tax structure and manage their working capital requirements, but once in place, it will benefit everyone. As a result of the anti-profiteering provision in GST, consumers will now be able to purchase products at a lower price. Profit must be passed on to the end customer in this case. There is a chance that economic growth may decrease in the near term, but it will improve our economy in the long run.

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