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Pros and Cons of Goods and Service Tax (GST) on Indian Economy

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Abstract

GST the biggest reform in indian system of taxation was applied all over the country since 1st july ,2017. It is a unified system of taxation. Now with GST like most of the other countries of the world ,our country also has a world class tax structure. The motive of GST is to remove the multiple taxes that are leived on the goods and services and replace it with one single tax , gst. There will be many reforms in different sectors of the economy after the implementation of gst .The present paper is an attempt to know the pros and cons of gst on the economy.

Keywords: GST, Indian economy, Tax structure.

Introduction

There were fascinating changes in our economy during the past few months. In the year 2016, on 8th November midnight a panic attack was given to the citizens of the india by our Prime Minister, Mr.Narendra Modi that currency notes of Rs 500 and Rs 1000 will now not be a legal tender, and on that place new currency notes of Rs 2000 and Rs 500 will be in circulation in the economy. Then after, very recently, on 1st July, Goods and Service Tax (GST) , a form of indirect tax, was applied throughout the country replacing multiple indirect taxes leived by the central and state government. The different tax rates of gst are 0%, 5%, 12%, 18% and 28%. It is the biggest tax reform in the country.

History of GST

Although gst is applied now in the year 2017, but the discussion on it started in the year 2000 only by the Vajpayee government, for which there was an committee ,headed by Asim Dasgupta. (Finance Minister, government of West Bengal). The Ravidas Gupta committee was also engaged in this work to bring a unified system of taxation

in the country. Then after, in the year 2003, a task force was formed by the Vajpayee government under Vijay Kelkar to recommend tax reforms. But after the fall of BJP –led NDA government in the year 2004 and coming of Congress –led UPA government our new finance minister of that time ,P.Chidambaram continued the work on gst, and proposed the gst rollout plan by 1 April, 2010. But in the very same year Asim Dasgupta, resigned as the head of gst committee but he mentioned that 80% of the task has been done. In the year 2014, BJP government again came into power with Narendra Modi as our prime minister and this time finally in the year 2017 GST came in action from 1st July, 2017.

Review of Literature

The present paper is focussed on knowing the pros and cons of gst on the economy , hence an attempt has been made to know the end results of various studies that have been conducted in this particular field.

In refrence to this Monika Sehrawat (2015) said that due to dissilent environment of Indian

economy it is the demand of the time to implement gst. Production and consumption of goods is increasing and because of multiple taxes administration complexities as well as compliance cost is also increasing.

Yogesh .L. Aher , Pooja .S. Kawle (2017) studied the challenges and impact of gst on the economy and their findings say that implementation of GST will lead to commercial benefits which wasn't given by VAT and hence it will lead to economic development also. Gain to trade, industry, agriculture and government may be assured by gst. And after implementation of gst India will join the International standards of taxation.

Jadhan Bhika Lala (2017)revealed that the aim of gst is to make uniform the scattered indirect tax system in India and to avoid the cascading effect in taxation. There will be no difference between imported goods and indian goods and they would be taxed at the same rate. There will be many challenges also in implementation of gst.

Shefali Dani (2017) studied the effect of gst on Indian economy and her study says that gst will remove inefficiencies of the present tax system but only if there is a clear consensus over issues of threshold limit , revenue rate., inclusion of the petroleum products, electricity, liquor and real estate; and the government should implement this regime only after consensus is reached.

Research Methodology

The present paper is based on secondary sources of data which have been collected from internet, journals and magazines.

Positive Aspects of GST

- GST has removed the multiple indirect taxes that were levied by the central as well as the state government..
- GST has included many such service sector areas which earlier remained untaxed , so it has wide coverage.

- There is greater transparency of taxes in this system.
- GST will help to avoid distortions caused by the present complex tax structure and will help in the development of a common national market.
- By implementing a uniform tax over the entire nation international image of our country will also enhance and it will also improve international cost competitiveness of native goods and services.
- The markets will also develop as of now tax will not be charged at every point of sale.
- Double taxation will also be reduced upto a extent.
- GST will be neutral towards geographical locations because in this one nation, one tax policy is there.
- In the earlier system there was separate tax for goods and services , which required division of transaction values into value of goods and services for taxation leading to complexity .
- GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower now.
- Small businessmen are benefitted through the composition scheme under gst, since the turnover between INR 20-50 lakh is proposed to be increased to 75 lakhs.

Negative aspects of GST

- Under gst the prices of garments will now be increasing because in the earlier system there was no tax on the job work as it was considered as a process in manufacturing textiles, but now on the job work will be taxed as it is taken as service in the present system of taxation.
- Pharma, telecom, textiles and some other sectors will now be bearing the brunt of higher tax.
- The concept of gst is difficult to understand by the common people as compared to the earlier system of taxation.

- Aviation industry will also be affected. At present service tax on air fares range between 6-9% but under gst the rate will be around 15%.

Conclusion

As said, everything has its own pros and cons, same is the case with gst. We are in a country where majority of the population resists to change or adapt to a new thing very slowly. As when demonetisation was done obviously troubles were faced by the people of the country but it had a good motive which was to eradicate black money from our economy, on the same grounds there are some adverse effects but taking the positive aspects gst will definitely simplify the tax structure of the country and make it transparent, and will help in the betterment of the country. It will remove the different indirect taxes and as said “One nation, one market and one Tax” policy will be there.

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