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A STUDY OF IMPACT OF GOODS AND SERVICES TAX ON INDIAN ECONOMY

Dr. Samir Mazidbhai Vohra

Adhyapak Sahayak

Bhikabhai Jivabhai Vanijya Mahavidyalaya (BJVM) (Commerce College), Vallabh Vidyanagar, Gujarat

Abstract

The Good and services tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like value-added tax, excise duty, service tax and sales tax. It will be levied on manufacture sale and consumption of goods and services. GST is one of the most crucial tax reforms in India which has been long pending. It is supposed to be implemented from 1st April, 2017. It is a comprehensive tax system that will subsume all indirect taxes of states and central governments and unified economy into a seamless national market.

Under the proposed indirect tax reform both Central and State Governments will have concurrent taxation power to levy tax on supply of goods and services. It is expected that the proposed regime will improve tax collection and minimize leakage, as both Central and State Tax Administrations will monitor and assess same set of taxpayers.

GST will subsume all the indirect taxes and will thus facilitate a seamless flow of credit, resolving the problem of double taxation and cascading effects of taxes. GST will prove to be a "win-win" situation for all. It is business friendly, will generate investments in the country and thereby build a strong investor confidence in Indian businesses.

This paper highlights the background, objectives of the proposed GST and the impact of GST on Indian economy. The paper further explores various benefits and opportunities of GST. Finally, the paper examines and draws out a conclusion.

Keywords : *Goods and Service Tax (GST), Indirect Taxation, Tax Collection and Impact*

Introduction

Human

A STUDY OF IMPACT OF GOODS AND SERVICES TAX ON INDIA ECONOMY

"Law cannot stand still, it must change with the changing social concepts and value. If the law fails to respond to the needs of the changing society, then either it will stifle the growth of society and choke its progress"

---- P N Bhawati

The introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in major way and pave the way for a common national market. Introduction of GST

would also make Indian products competitive in the domestic and international markets owing to the fuller neutralization of input taxes across the value chain of production and distribution. This would definitely have a boosting impact on economic growth. GST because of its transparent and self policing character would be easier to administer. It would also encourage a shift from the informal to formal economy.

It is considered as biggest tax reform since 1947 in India. GST was first introduced by France in 1954 and now it is followed by 150 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed by central and state both. In India also dual system of GST is proposed including CGST and SGST.

Goods and Service tax bill officially known as the constitution (122nd Amendment) Bill was

entry 6012

5. In fact some states are of the view that there should not be any time -frame for compensation scheme.

Findings

1. The Draft GST model Law shall be referred as the Central/State GST Act, 2016.
2. Since it is a major indirect tax reform in India, there would be new legislation and procedures.
3. It seems that proposed GST law will be effective from 1st June or July, 2017.
4. The availability of Draft Model GST Law enables the Trade & Industry to plan the transition from the existing Indirect tax regime to the GST regime.
5. The Chartered Accountants & the Allied Professionals are going to play the leading role in helping the business houses as well as corporate also.
6. GST is a biggest tax reform till date in our country and it is the best example of cooperative federalism.
7. It will mitigate cascading and double taxation thus enables better compliance. It will also lead to transparency in tax system resulting in difficulty of tax evasion.

Conclusion

It can be concluded from the above discussion that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Thus, necessary steps should be taken.

At last, the success of the proposed GST system in terms of compliance and revenue mobilization will largely depend on -

- provision of incentives for tax invoice based transactions and
- Simplification of tax administration.

While it serves to be beneficial set up for the Industry and the Consumer, it would lead to increase in revenue to Government. (GST - The Game Changer)

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