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A Study on Goods and Service (GST) and its Impact on Indian Economy with Reference to Digital India.

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Abstract
Goods and Service Tax (GST) as it is known is all set to be a game changer for the Indian economy. The Finance Minister in his budget speech of Budget 2017 has announced the final date that the tax will be introduced on1st July 2017.

VAT or Value Added Tax was first introduced in France somewhere in 1954. The concept of VAT is applying a tax only on the value added by each person at each stage; by allowing the person input credit of taxes paid upto his stage of procurement. Thus the tax is expected to reduce the concept of 'tax on tax', increase the gross domestic product of the economy and reduce prices. Overall it is known to be beneficial to both the consumer, business and the Government.

In India, there are different indirect taxes applied on goods and services by central and state government. GST is intended to include all these taxes into one tax with seamless ITC and charged on both goods and services. Thus excise duty, special additional duty, service tax, VAT to name a few will get repealed and will be added into GST. For this, GST will have 3 parts – CGST, SGST and IGST. The central taxes like excise duty will be subsumed into CGST and state taxes like VAT into SGST.

For the introduction of GST in the above form, the Government needs to get the Constitution Amendment Bill passed so that the proposed objective of subsuming all taxes and allowing states to tax subjects in Union list and vice versa is achieved. Without these powers it is not legally possible to move towards GST. And the government has did the same to make it through. To make it accessible by all assessees online mode of return filing in a simplified way.

Key words: ***VAT, GST, CGST, SGST, Integrated goods and service tax.***

Introduction

This research paper starts with the existing provisions available in GST passed in comparison with the actual GST bill proposed in 2010. The structure of GST was as follows: on all transactions of both goods and services, only one tax will apply which is GST comprising of CGST and SGST. IGST would be applied instead of SGST for interstate transactions. Input credit of all these taxes will be available against all the respective outputs.

For successful implementation of GST, it is necessary that the Government at both centre and state levels agree to merge all their taxes into CGST/SGST. Further, the base for taxation for both has to be the same. The exemptions, abatements etc. under GST need to be common for both centre and all states to avoid litigation. Further exemptions/exclusions should be minimum to avoid break of credit chain. The law needs to provide for single point compliances, absence of multistate audits etc. for the assessee.

Conceptually GST is expected to have numerous benefits like reduction in compliances in the long run since multiple taxes will be replaced with one tax. It is expected to bring down prices and hence inflation since it will remove the impact of tax on tax and enable seamless credit.

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It is expected to generate revenue for the country as the tax base will increase as the highest GST rate somewhere around [illegible]% with both goods and services covered. But in actual GST passed highest 28%. It is also expected to make exports from India competitive and India a preferred destination for investment since GST is a globally accepted tax.

To this goal, in 2012 the Government introduced the Negative list regime of taxation and Place of P[...] of Services Rules, 2012. They have also recently circulated the draft Place of Supply Rules, toward[...] which has certain drastic differences from the earlier rules. Even in the Budget of 2015, the Governm[...] shown its intention of moving towards GST by increasing the excise rate to flat 12.5% and service ta[...] flat 14% and removing the applicable cesses. Thus once the Constitution Amendment Bill is pa[...] much awaited GST will be introduced.

Financial service industry – specifically financial institutions like Banks and NBFCs are the back[...] any economy. They are the drivers of the economy and contribute approximately 6% of the indus[...] Thus they are a significant player and an adverse impact on the sector impacts the economy. Further[...] currently operate only in the service sector and are covered by Service Tax @ 14.5% currently [...] forward with GST, they will have to pay approx. 27% GST. Further since all major Banks have m[...] operations they would need to understand and implement multistate compliances under GST.

Research Problem

Goods and Services Tax (GST) is the biggest tax reform in decades throughout the world, but India ha[...] taking first step to meet its target of rolling out goods & services tax (GST) on 1st July 2017. Under [...] bad economic condition after demonetization. The research intends to focus on understanding the changes and the concept of goods and service tax and its impact on Indian economy and use of online filing system with reference to digitalization.

Objectives of the Study

1. To study the concept of Goods and Services Tax (GST) and its impact on Indian Economy.
2. To know the process of GST return filing in Indian with context to digital monitoring.
3. To know what are the changes government has made before accepting the bill which was a[...] proposed.

Research Methodology

The study focuses on extensive study of Secondary data collected from various books, Natio[...] international Journals, government reports, newspapers, publications from various websites which fo[...] on various aspects of Goods and Service tax.

Impact of GST on Indian Economy

The Goods and Service Tax (GST) bill is expected to have wide ranging ramifications for the comp[...] taxation system in the country. It is likely to improve the country's tax to GDP ratio and also [...] inflation. However, the reform is likely to benefit the manufacturing sector but may make things diff[...] the services sector. Though there are expectations that the GDP growth [...] by 1 to [...] results can only be analysed after the GST implementation. But du[e to] demonetization GDP [...] expected to go in down trend at least for short term. The response is [mix]ed from countries [...] Indian banking sectors are giving out mixed signals specially a[...] Capital [...]

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... pessimistic, forecasting that India's GDP would grow only by a meagre 3.5% in the current fiscal ...

While the New Zealand economy had a higher GDP growth, it was lower in case of Canada, Australia and ... after the GST was implemented. The one per cent tax that has been proposed as a sop to appease the states for compensating their loss of revenue from the inter-state CST is likely to play a spoil sport. It is ... that it may affect the GDP adversely. The Congress is already opposing the 1 per cent tax. The GST tax ... 5% to 28% and at a tax neutral rate. This tax rate is not likely to give any incremental tax revenue to the government. The rate will prove beneficial for the manufacturing sector where the tax rate is around 24% at present but as it's been set as 28% on certain goods. The major manufacturing sectors that will benefit the most are FMCG, Auto and Cement. This is because they are currently reeling under 24 to 38 per cent tax. The sector which is going to be adversely affected is the services sector. Already there has been a hike from 12 to 14% from the 1st of June last year. Another 4 per cent increase will break their backs. The uniformity in the taxation rate is fine but it should not result in disparity for the goods and services sectors. Nobody has thought of the implications it will have in the services sector if the government moots a higher GST tax rate like 28%. The higher GST rate will definitely boost the tax to GDP ratio, while giving financial muscle to the government for increasing the capital expenditure. This is likely to spur growth in the economy. There is definitely a silver lining to the whole exercise. The unorganized sector which enjoys the cost advantage equal to the taxation rate can be brought under the GST bill. This will bring a lot of unorganized players in the fields like electrical, paints, hardware etc. under the tax net. It is easier said than done. It will take a lot of meticulous planning in the implementation of the GST reform for capturing the unorganized sector under its ambit. For one it will widen the tax reach and secondly it will benefit the organized players who lose out revenue to the unorganized sector at present. This will bring sanctity to the taxation system without hurting any of the sectors adversely. To The Individuals and Companies - With the collection of both the central and state taxes proposed to be made at the point of sale , both components will be charged on the manufacturing costs and the individual will benefit from lowered prices in the process which will subsequently lead to increase in consumption thereby profiting companies.

Conclusion

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavor to generate tax revenues to support government expenditure on public services and infrastructure development. The ongoing tax reforms on moving to a goods and services tax would impact the national economy, International trade, firms and the consumers There has been a good deal of criticism as well as appraisal of the proposed Goods and Services Tax regime. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, the new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed services tax – a justified step forward. A single rate would help maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and or services with some exceptional case. This will reduce litigation on classification issues. And with a systematic and user friendly return filing mechanism online. It is also expected that implementation of GST in the Indian framework will lead to commercial benefits which ... by the VAT system and would essentially lead to economic development. Hence ... the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government. Finally the GST has knocked the doors of India ...

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