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## The Effects of GST on The Indian Economy

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### Abstract:

*The study examines how the GST has affected the Indian economy. On July 1, 2017, the goods and carrier tax is implemented at a key location in the Parliament. Eventually, the Lok Shaba handed over the GST invoice, which is anticipated to have a significant effect on all businesses and consumers. The GST has been adopted in more than 160 countries. The Union Finance Minister, who is presently Arun Jaitley, can assist in leading the GST council. In India, taxes on goods and providers may be applied at the point of manufacture, sale, and consumption.*

*The Goods and Services Tax, or GST, is a tax that customers must pay when they buy any goods or services, including food, clothing, gadgets, daily necessities, travel, and tours, among many other things. The idea behind GST is that it is a "indirect tax," meaning that customers do not pay the tax right away. Agencies, but is imposed instead on the producers or dealers of commodities and service providers. Usually, the sellers include the tax expense in their rates, and the clients pay a fee that includes GST. Consequently, even if you are not an earnings taxpayer, you eventually end up paying taxes.*

**Keywords :** *India, Economy, Tax Rates, Goods and Services Tax*

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### Introduction:

The goods and services tax is referred to as GST. It is an indirect tax that has altered a number of indirect taxes in India, including the offerings tax, VAT, excise duty, and others. On March 29, 2017, the Parliament enacted the Goods and Provider Tax Act, which went into effect on July 1st. To put it another way, the Goods and Services Tax (GST) is imposed at the point of sale. Goods and services India has a comprehensive, multi-stage, destination-based tax system that applies to all additional fees. For the entire United States of America, the Goods and Services Tax (GST) is a single domestic indirect tax law.

More frequent use of PAN and Aadhar cards may be necessary in order to file GST returns; this could assist the profits tax department in tracking transactions, something it is currently unable to do; additionally, records may be shared with a few administrative authorities, such as the RBI, import, etc. There might increased mapping of records for the sales government's audit. Tracking tax defaulters in industries like real estate and precious metals will be made easier by including them in the GST's purview. All transaction information up to the invoice stage is captured by the GST network. As a result, the offerings or inputs required to supply the items or offerings could not be removed.

**Objectives Of The Study :**

1. To research how the GST affects the economy.
2. To examine the GST's classification and goals.

**Research Methodology:**

The study focuses on a thorough analysis of secondary data gathered from a variety of sources, including books, government reports, national and international journals, and articles from different websites that address different facets of the goods and services tax.

**Review Literature:**

**1. Melvin Paul Antony and Dr. N. L. Balasudarsun (2018)** wrote an article titled "Impact of Demonetization and GST in Life Insurance Sector." The impact of GST and demonetization on the existence coverage area is discussed in this study. For this reason, 130 people were collected from Cochin's lifestyles covering personnel. Location using a random sampling technique. The data were investigated using descriptive statistics and an ANOVA check. According to the report, demonetization and GST are in effect for the current quarter.

**2.** The article "GST: Impact on Indian Economy" by **Pallavi Kapila (2018)** This research report aims to provide light on how GST, which combines sales tax, service tax, excise duty, and VAT, might aid in simplifying India's current tax structure. The observer discovered that the application of a major factor in the expansion of the Indian financial system was the GST. In the near future, a more consistent and logical tax system in India may lead to fewer disruptions in the market economy and more effective resource allocation within the sector.

**3.** The 2017 paper by **Jadhav Bhika Lala** titled "The Effect of GST on the Indian Economy" This essay aims to shed light on

the GST, its characteristics, and how it affects the costs of products and services. According to the study, the GST system was essentially redesigned to make India's crucial indirect tax system simpler. The well-designed GST is an appealing way to free the current multiple-taxation process from distortion and lessen the burden of compliance, according to the study.

**4. Professors Yogesh L. Aher and Pooja S. Kawle (2017)** wrote an article titled "GST: An Economic Overview: Challenges and Impact Ahead." The goal of the study is to raise knowledge about the goods and services tax concept and how it affects the Indian economy. The observer discovered that GST might also guarantee the standard gain potential for trade, industry, and agriculture. The study also found that the GST will have a positive impact on the Indian economy.

**GST Classification:**

Under this arrangement, three taxes are applicable: IGST, SGST, and CGST.

- The tax that the Central Government collects from intra-state sales, such as a transaction taking place inside Maharashtra.
- The tax collected by the state government on an intrastate sale, such as one that takes place within Maharashtra, is known as the SGST.
- The Central Government collects the IGST tax on interstate sales, such as those between Maharashtra and Tamil Nadu.

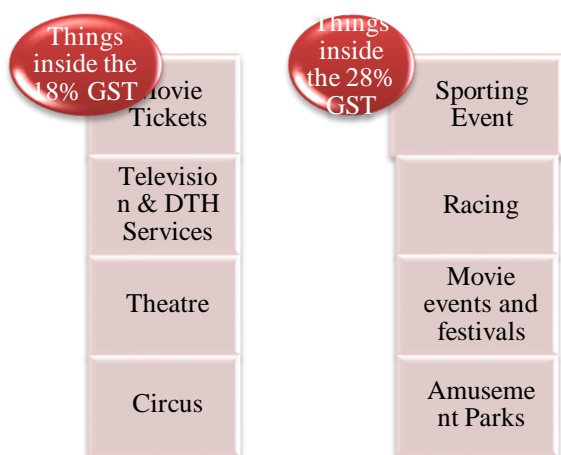
However, some taxes, like the GST, which is applied to interstate purchases at a reduced rate of 2% through the use of "Form C," are still widely used.

It is applicable to specific non-GST products like:

1. Petroleum crude
2. Diesel with high speed
3. Motor spirit, also referred to as gasoline
4. Natural gas

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5. Aviation turbine fuel and
6. Human-consumable alcoholic liquor



### Positive Effects of GST:

While praising the government's efforts toward its deployment, almost all industry bodies say they are "absolutely prepared" for the new indirect tax regime's adoption. The national GST will be redesigned. India's complex system of indirect taxes and integrate the country's \$2 trillion financial system with 1.3 billion people into an unmarried market. It is expected that the GST will have a very positive medium-term effect on macroeconomic indicators. By eliminating the tax cascade, inflation can be reduced.

### Negative Effects of GST:

Instead of implementing a national GST, India has implemented a dual GST. It has complicated the GST's overall structure in India. In order to enforce, the center should collaborate with 29 states and seven union territories. such a tax system. Such a system is likely to cause both political and economic problems. The implementation of GST is likely to result in the states losing their ability to determine costs. There is still a lot of competition and no agreement reached on a sales neutral rate when it comes to the distribution of sales between the states and the federal government. 15% pre-GST

provider tax that could rise to 18–20% when GST is implemented.

### The Effects Of GST On Various Economic Sectors:

- GST's effects on distributors, retailers, and the manufacturing sector
- GST's Effect on the Agriculture Sector
- GST's Effect on the Textile Industry
- GST's Effect on the Entertainment Sector and the Automobile Sector
- Effects of GST on the Education Sector and the Export-Import Sector
- GST's Effect on the IT Sector and Real Estate

### Contribution of Different Business Types of GST Revenue:

Although the government has not yet given the GST collecting sector, the collection breakdown according to the business's constitution is shown below.

Business type	Percentage of GST Collection
Public Ltd. Company	34.83%
Private Ltd. Company	27.94%
Proprietorship	13.28%
Public Sector Undertaking	9.64%
Partnership	7.29%
Society/ Club/ Trust/ AOP	1.38%
Limited Liability Partnership	1.18%
Government Department	0.99%
Statutory Body	0.38%
Foreign Company	0.38%
Hindu Undivided Family	0.25%
Local Authority	0.21%
Unlimited Company	0.01%
Foreign Limited Liability Partnership	0.00%
Any other body notified by committee	0.00%
Others	2.24%
Total	100%

Source: <https://gstcouncil.gov.in/gst-revenue>

According to the data above, public limited companies made the largest contribution (34.83%), followed by PVT companies (27.94%), while limitless companies, international limited liability companies, and any other body notified by a body made the smallest contribution. Thus, it is possible to analyze that Public Limited Company contributed the most to the economy, followed by private businesses and others.

#### **Prior Years GST Collection (From 2017 Onwards Till):**

<b>Year</b>	<b>GST Collection (Rs. In Crores)</b>
FY 2017-18	7.19
FY 2018-19	11.77
FY 2019-20	12.22
FY 2020-21	11.36
FY 2021-22	14.76
FY 2022-23	11.10
FY 2023-24	20.18

The aforementioned data shows information about GST collection from 2017–18 to 2023–24. The highest amount collected in 2023–24 was 20.18 Cr, while the lowest amount collected in 2017–18 was 7.19 Cr. In contrast, the GST collected Rs. 11,73,370 & 1136,803 in 2018–19 and 2019–20 Indian government.

#### **Conclusion:**

An important development in India's indirect tax system that tackles several problems at once is the Goods and Services Tax. In order to avoid double taxes, it has devised a more seamless structure. The destination-based Goods and Services Tax is levied at the place of consumption. Only a few sectors may have benefited from the introduction of the GST in the immediate future. However, there are several long-term benefits for every sector.

Approximately 140 nations have already enacted the GST. Australia, Canada, Germany, Japan, and Pakistan are a handful of the well-known nations. A country's implementation of the GST has both beneficial and bad effects. Negative characteristics might be ignored in favor of positive ones in order to make improvements. The nation's economy. We must wait for the time to measure the impact of the GST, and the government must inform more about the processes. After the money was demonetized in 2016, the Indian government made a decent effort, and it might be a good strategy to eradicate black money.

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