 GST - Impact on Various Sectors Of Indian Economy

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Abstract

Goods and services Taxes that are generally known as GSTs have a single tax on the supply of goods and services to the manufacturer's consumer. GST is one of the most important tax reforms in India that have been waiting for a long time. Under the concept of "ONE NATION ONE TAX" it is an extensive tax system that seamlessly covers all indirect taxes of the national and central government and the entire economy on the national market. The GST includes all indirect taxes that help the economy to grow and which can be more favorable than the old tax system. The GST will also accelerate the gross domestic product (GDP). GST is currently recognized worldwide and is used as a sales tax in the country. The tax amount paid at each stage can be used in the next phase of VAT, and GST will in principle only levy the added value at each stage. In 2000, however, the idea of the GST in India was raised by the government of Vajpayee and the amendment was adopted in Loksabha on 6 May 2015, but it became effective from 1 July 2017. But there are huge shades and screams that implement. It will be interesting to understand whether the GST regime can hinder the growth and development of the nation. There is no extra tax. The purpose of the GST is to replace all taxes with one compound tax rate to apply one tax rate. The goal is to eliminate taxes on taxes. This article describes the positive and negative aspects of the GST function for the Indian economy.

Introduction

In a constantly changing economic scenario, the liberalization and privatization policy of the government has had an inseparable effect in recent years with the introduction of a new economic system in India. The tax system is the backbone of developing countries. The tax decisions of India are taken by the central government and the provincial government together with the local government, but that does not mean that the government can impose the desired tax. All taxes levied by the government must comply with other laws in accordance with the Constitution of India. An important limitation of this power is that Article 265 of the Constitution provides that "no tax shall be levied or collected except the authority of the law". In India, the entire tax system is divided into two, one is direct tax and the other is indirect tax. The age-old tax system has been designed and restructured to be acceptable, effective and efficient. The journey to rebuild the tax system has become increasingly useful. The innovation and development of ICT has resulted in a more objective, transparent and effective tax system. The tax reform system was created by the emergence of a leader in MNEs, and the increase in international trade contributed to the complexity of taxation. When GST is actually introduced, central and national taxes are merged into a single taxable entity. It also strengthens India's
position on the domestic market and on the international market. At the level of the consumer, GST reduces the total tax burden. Under GST the consumer pays the final tax, but the efficient tax system for input tax does not charge taxes on the inputs to produce the goods. In order to prevent tax payments such as VAT and service tax and VAT at state level, GST consolidates these taxes and creates a uniform market throughout the country. By integrating a variety of taxes into your GST system, you can use credits effectively. Currently the system imposes a tax on production, while the GST imposes a consumption tax. Taxes are more effective because the indirect tax networks such as consumption tax, service tax, central sales tax, VAT and octroi are replaced by one tax. With the use of central GST, GST, and consolidated GST for state transactions, the state is taxed because the tax is reduced to three. GST applies to goods and services where the actual consumption takes place. Based on the target principle. GST is levied and collected at every stage of the sale or purchase of goods and services. Goods and services are not identified until products and services reach the consumer and are taxed at a single rate in the supply chain. It is a consumer of goods and services with taxes. The manufacturer or wholesaler or seller pays the applicable GST reimbursement, but charges it through the tax benefit mechanism. GST will adopt a two-tier structure. It means a lower rate for mandatory items and primary vital goods and a standard rate for goods in general. There are also special rates for the list of precious metals and exempted items.

**Bank**

GST applies to all services for which services are to be considered. Banks have always been a major pillar of the Indian economy and taxpayers have literally relied on banks for their financial needs. Increased tax rates apply to bank transactions such as credit card payments, bank transfers, ATM transactions and costs for processing bank loans. This will have inflationary effects. The bank can settle GST obligations with the credit received when purchasing the goods. Under the existing CENVAT mechanism, the bank can partially deduct excise duties and service tax on the purchase of qualifying items and services used to deliver deliverables. The bank does not charge VAT on goods you buy. All these indirect taxes are included in GST, so banks can credit GST for purchase.

**FMCG**

The new GST system will bring many benefits to the economy, particularly the FMCG (Fast Moving Consumer Goods) industry. Most of the fees for the various FMCG segments were expected. Mass products such as toothpaste, soap and hair oil belong to the tax rate sheet of 18% and are considerably lower than the tax rate of 22-24%. This is in line with the position of the government to reduce the tax rate on mass products. The GST rate indeed indicates that almost 81% of all items are at or below the tax rate of 18%. The remaining 19% is subject to a tax reduction of 28%.

**Telecom**
From the traditional conviction of a telecommunications services provider to offering multiple streams of value-added services, the telecommunications sector has become one of India's most important economic drivers. Under the GST regime, Telecom can use such input tax for the use of the Output GST obligation. The service-related tax rate is expected to be negatively affected by a service rate of 15% and a fixed GST rate of 18%. The telecom sector is lively, price sensitive and has a high growth potential. The strong government policy support under the GST is crucial for overall development.

**Car**

We have found that premium buyers of cars in the premium sector will be the main beneficiaries of the GST. GST reduces the effectiveness of these models. The price of a compact car will remain virtually the same, as it is only a small increase of the obligations under GST. The current tax on indirect taxes on cars varies from 30% to 45%. The GST ratios are in line with industry expectations and almost every sector in the sector has benefited from different levels of total tax burden. GST will include local taxes, reduce issuance times of controls and reduce logistical barriers. GST also offers car traders the possibility to receive a tax reduction on GST that is paid when purchasing a vehicle from an OEM. Spare parts / service providers have similar benefits.

**Pharmaceutical**

Like GST, pharmaceutical companies have to pay more for production costs, since their costs increase by 7%, so the MRP of a product needs to be changed to absorb the impact. Although the production costs amount to about 10-15% of the total MRP effect on the end consumer, the effect of GST on the end consumer is to lower the C & F costs and to increase the GST for the end product, resulting in 1% It is almost 4% for end users. Because the pharmaceutical company decides to pass on the full burden to the end user, it is therefore expected that the MRP for medicines will be revised by 5% in the coming days. The government has taken steps to reduce the losses of producers of pharmaceutical products and marketing companies by 2 to 3 percent through guarantees for drug control and MRP capping of certain salts / compounds.

**Property**

Nevertheless, GST will be a significant advantage because it requires considerable transparency and liability. Developers / contractors will receive many tax benefits that are included in GST. "The real estate sector must be satisfied with GST, even if the reported reporting rate is higher than the current rate." Implementation of the GST in the real estate sector will have a partial impact. The sale or transfer of real estate is not included in the GST. The purchase of construction materials, however, belongs to GST. Classification of goods and services is very important in this sector. This is because we need to classify items that are treated under GST or not. The implementation of the GST has the same impact as the services sector. The impact of GST on the real estate sector is expected to be neutral under the GST.
Conclusion

- The tax system is very important for the economy because it retains a share in the income group.
- GST is a well-designed destination-based value added tax for all goods and services and is the most elegant way to eliminate distortion and tax consumption.
- Will address the complexity of the tax system as it will replace the current tax system in India.
- Consumption pattern is a measure of income for the state.
- The tax system eliminates all complex taxes of the center and the state, such as VAT, cenvat, luxury tax, dock tax and import tax.
- Although many comments from the FMCG sector were considered positive, there were many disappointments. The impact on the FMCG company depends on the product mix if the tax rate for some products has increased and the tax rate for other products has decreased.
- The real estate sector is positive and all sectors benefit from the implementation of GST.
- GST offers producers and consumers remedies through an extensive and extensive tax credit. Service tax has started and various taxes are included.
- The overall impact of the GST on the Indian economy is positive.

References: