Abstracts
This paper is regarding impact of GST on Indian Economy. With the introduction of GST there is a condition chaos and confusion among common man. The aim this research paper is to explain the mechanism of GST and its effects on Indian economy. At present Indian indirect taxation structure has different types of taxes including VAT in some states, Central sales tax and multiplicity of taxes. There are problems of double taxation of commodities. For instance before the commodity is produces inputs are first taxed. Then after the commodity is produces, the output is taxed again. This causes an unfair double taxation with cascading effect. There is multiplicity of taxes such as sales tax, turnover tax, additional surcharge, cess, resale tax etc. there is a general tendency to avoid of tax this results in loss of revenue to the state. The Goods and Service Tax or GST is a taxation system where there is a single tax in the economy for goods and services.
This taxation system is meant to create a single taxation system in the entire country for all goods and services. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer’s/ service provider’s point up to the retailer’s level where only the final consumer should bear the tax. The GST is all set to consolidate all State economies. This will be one of the biggest taxation reforms that will take place in India once the Bill gets officially the green signal to implement. The basic idea is to create a single, cooperative and undivided Indian market to make the economy stronger and powerful. Better conciliation and Redressal Mechanism to settle the dispute quickly and effectively. GST being simple, efficient and effective form of indirect tax system all over the world, its introduction early is a wise decision that would contribute significantly towards economic growth.
The GST will see a significant breakthrough towards an all-inclusive indirect tax reform in the country. So, the introduction of GST is an important reform which will lead India into next rapid phase of economic growth. Apart from filling the loopholes of the current system, it is also aimed at boosting the Indian economy. This will be done by simplifying and unifying the indirect taxes for all states throughout India.

Research Methodology
The research paper is based on empirical study. It is a type of descriptive research paper based on secondary data collected from different books, news-paper articles and research journals.

➢ Objectives of Study:
1. The first objective of the paper is to highlight the impact of GST on Indian Economy.
2. The second objective is to explain the working mechanism of GST in India.

➢ Importance of the Study:
1. The study will highlight the effect of GST on Indian Economy.
2. It will prove to be of great help to a common man to understand the concept the GST.
3. It will remove the morbid fear of GST from among the business community members.

An Introduction To GST
The introduction of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy. Amidst economic crisis across the globe, India has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make in India and Digital India campaigns.

The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come. The expectation of GST being introduced is high not only within the country, but also within neighboring countries and developed economies of the world. GST System is built on integration of different taxes and is likely to give full credit for input taxes. GST is a comprehensive model of levying and collection of indirect tax in India and it has replace taxes levied both by the Central and State Governments. GST be levied and collected at each stage of sale or purchase of goods or services based on input tax credit method. Under this system, GST-registered commercial houses shall be entitled to claim credit of the tax they paid on purchase of goods and services as a part of their day to day businesses. The historic GST or goods and services tax has become a reality.

The new tax system was launched at a function in Central Hall of Parliament on 1st July, 2017 (Friday midnight). GST, which embodies the principle of "one nation, one tax, one market" is aimed at unifying the country's $2 trillion economy and 1.3 billion people into a common market. Under GST, goods and services fall under five tax categories: 0 per cent, 5 per cent, 12 per cent, 18 per cent and 28 per cent. For corporates, the elimination of multiple taxes will improve the ease of doing business. And for consumers, the biggest advantage would be in terms of a reduction in the overall tax burden on goods. "Inflation will come down, tax avoidance will be difficult, India's GDP will be benefitted and extra resources will be used for welfare of poor and weaker section," Finance Minister Arun Jaitley said at GST launch event in Parliament. The Lok Sabha has finally Passed the Goods and Services Tax Bill and it is expected to have a significant impact on every industry and every consumer.

Apart from filling the loopholes of the current system, it is also aimed at boosting the Indian economy. This will be done by simplifying and unifying the indirect taxes for all states throughout India. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on
economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer.

**CONCEPT OF INDIRECT TAX**

An indirect tax (such as sales tax, per unit tax, value added tax (VAT), or goods and services tax (GST)) is a tax collected by an intermediary (such as a retail store) from the person who bears the ultimate economic burden of the tax (such as the consumer). The intermediary later files a tax return and forwards the tax proceeds to government with the return. In this sense, the term indirect tax is contrasted with a direct tax, which is collected directly by government from the persons (legal or natural) on whom it is imposed. Some commentators have argued that "a direct tax is one that cannot be changed by the taxpayer to someone else, whereas an indirect tax can be." An indirect tax may increase the price of goods to raise the price of the products for the consumers.

Examples would be fuel, liquor, and cigarette taxes. An excise duty on motor cars is paid in the first instance by the manufacturer of the cars; ultimately, the manufacturer transfers the burden of this duty to the buyer of the car in the form of a higher price. Thus, an indirect tax is one that can be shifted or passed on. The degree to which the burden of a tax is shifted determines whether a tax is primarily direct or primarily indirect. This is a function of the relative elasticity of the supply and demand of the goods or services being taxed. Under this definition, even income taxes may be indirect. The term indirect tax has a different meaning in the context of American Constitutional law: see direct tax and excise tax in the United States. In the United States, the federal income tax has been, since its inception on July 1, 1862, an indirect tax (more specifically an excise) even though during the 1940s, its application grew from a historical average of about 8% of the population paying it to around 90% of the population paying it as a measure to support the war effort. Indirect taxation is policy commonly used to generate tax revenue.

Indirect tax is so called as it is paid indirectly by the final consumer of goods and services while paying for purchase of goods or for enjoying services. It is broadly based since it is applied to everyone in the society whether rich or poor. Since the cost of the tax does not vary according to income, indirect taxation includes Ad Valorem tax and Specific tax, of which Ad Valorem (VAT, GST) is proportional and Specific tax is fixed. However, indirect taxation can be viewed as having the effect of a regressive tax as it imposes a greater burden (relative to resources) on the poor than on the rich, as both rich and poor pay the same tax amount for consumption of a certain quantity of a specific good. The taxpayer who pays the tax does not bear the burden of tax; the burden is shifted to the ultimate consumers.

In the case of a direct tax, the taxpayer has to bear the burden of tax personally; in case of indirect tax the taxpayer and the tax-bearer are not the same person. Goods and service tax is the most ambitious tax regime in India and also the latest indirect tax introduced in the Indian constitution. The significance of this tax scheme is that it will subsume all the other indirect taxes prevailing in the nation. The scheme has been introduced to make a shift in the Indian economy as to reduce the cascading effects of the tax duties making an overall inflation in the market.
FEATURES OF GST

GST belongs to the VAT family as tax revenues are collected on the basis of value added. Unlike in the case of a pure commodity based VAT system, GST includes services tax also. Similarly, input credit is given while calculating the tax burden. Following are the main features of the GST as per the final agreement:-

- GST is one indirect tax for the entire nation, which will make India “one unified common market”.
- It will replace multiple taxes like VAT, CST, Excise Duty, Entry Tax, Octroi, LBT, Luxury Tax etc.
- There are four types of GST namely:
  a) SGST – State GST, collected by the State Govt.
  b) CGST – Central GST, collected by the Central Govt.
  c) IGST – Integrated GST, collected by the Central Govt.
  d) UTGST – Union Territory GST, collected by the Union Territory
- Tax Payers with an aggregate turnover in a financial year up [Rs. 20 Lakhs & Rs. 10 Lakhs for North Eastern Sates and Special Category States] would be exempted from tax.
- GST slabs are pegged at 5%, 12%, 18% & 28%.

NEEDS OF GST
Imposing several taxes on goods and services can lead to high cost and inefficient tax structure which can subject to shirking and revenue disclosures. The need for GST in Indian Taxation System will add value at each stage and will set off the rates both at state and at central level. Introducing GST, will increase the efficiency of taxation, improves the economic growth and it will bring whole nation to one national market. Our present taxation system is very complex and very confusing, corruption chance is there, which leads to distrust of government, there are hidden tax for exports, whereas no charge applicable on Importing of Goods/Services from one state to another. Just to overcome these issues, Rajya-Sabha introduced GST bill, which will bring transparency to taxation and consumer will get to know how much tax amount they are paying to government for sale/ purchase/ manufacturing.

- The main reason behind introducing GST is to improve the economy of the nation.
- VAT rates and regulations differ from state to state. And it has been observed that states often resort to slashing these rates for attracting investors. This results in loss of revenue for both the Central as well as State government.
- On the other hand, GST brings in uniform tax laws across all the states spanning across diverse industries. Here, the taxes would be divided between the Central and State government based on a predefined and pre-approved formula. In addition, it would become much easier to offer services and goods uniformly across the nation, since there won’t be any additional state-levied tax.
- GST rollout missed several deadlines due to disagreement among many states over certain important issues on the new tax reform. However GST is scheduled for a nation-wide rollout on July 1st, 2017.

**CONSTITUTIONAL PROVISIONS**

The Constitution (115th Amendment) Bill, 2011 proposed to give powers to both, the centre and the states to make laws with respect to GST. The Bill was a necessity because, presently, the Union can not impose excise duty beyond the manufacturing stage and states cannot levy a tax on services. It sought to decide on tax rates, exemptions and threshold limits. It will also make recommendations on taxes, cesses and surcharges by the centre, states and local bodies, which may be subsumed in GST.

**Constitution (122nd Amendment) Bill, 2014**

The Union Government in third week of December, 2014 (19 December, 2014) introduced Constitution (122nd Amendment) Bill, 2014 in Parliament which when passed shall pave the
way for introduction of proposed Goods and Service Tax (GST) in India. This is an improvised version of lapsed 115th Amendment Bill of 2011.

Contrary to the general perception amongst many quarters that this Bill itself is a GST Bill, let it be very clearly understood that this is not a GST Bill. In fact, GST Bill is not in sight at all at this point in time. What has been introduced is only the Constitutional Amendment Bill enabling or empowering the union Government to levy a tax to be called GST which it cannot levy under the present Constitution. The Bill on passage would enable the Central Government and the State Governments to levy GST. This tax (GST) shall be levied concurrently by various states as well as Union Government. Once this is passed by two-third majority in the Parliament, atleast 50 per cent of the states will have to pass it. Once this amendment is through, the road will be clear for GST Bill (and then Act), given the political will. Eventually, we will then have the following taxes –

- National level GST [Central GST (CGST) and Inter-state GST (IGST)]
- State Level GST (SGST)

**Salient Features of Constitution (One Hundred And Twenty-Second Amendment) Bill, 2014**

The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014 was introduced in the Lok Sabha on December 19, 2014. The following is the gist of amendments proposed by this Bill:

1. The Bill seeks to amend the Constitution to introduce the goods and services tax (GST). Consequently, the GST subsumes various central indirect taxes including the Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty (CVD) and Special Additional Duty of Customs (SAD), etc. It also subsumes state Value Added Tax (VAT)/Sales Tax, Central Sales Tax, Entertainment Tax, Octroi and Entry Tax, Purchase Tax and Luxury Tax, etc.
2. Concurrent powers for GST: The Bill inserts a new Article 246A in the Constitution to give the central and state governments the concurrent power to make laws on the taxation of goods and services
3. Integrated GST (IGST): However, only the centre may levy and collect GST on supplies in the course of inter-state trade or commerce. The tax collected would be divided between the centre and the states in a manner to be provided by Parliament, by law, on the recommendations of the GST Council.
4. GST Council: The President must constitute a Goods and Services Tax Council within sixty days of this Act coming into force. The GST Council aim to develop a harmonized national market of goods and services.

5. GST council examines issues relating to goods, services tax and make recommendations to the Union, and the States on parameters like rates, exemption list and threshold limits. The Council shall function under the Chairmanship of the Union Finance Minister and will have the Union Minister of State in charge of Revenue or Finance as member, along with the Minister in-charge of Finance or Taxation or any other Minister nominated by each State Government.

6. Composition of the GST Council: The GST Council is to comprise of the following three members / class of members:
   1. the Union Finance Minister (as Chairman),
   2. the Union Minister of State in charge of Revenue or Finance, and
   3. The Minister in charge of Finance or Taxation or any other, nominated by each state government.

7. Functions of the GST Council: These include making recommendations on:
   - taxes, cess and surcharges levied by the centre, states and local bodies which may be subsumed in the GST;
   - goods and services which may be subjected to or exempted from GST;
   - model GST laws, principles of levy, apportionment of IGST and principles that govern the place of supply;
   - the threshold limit of turnover below which goods and services may be exempted from GST;
   - rates including floor rates with bands of GST;
   - special rates to raise additional resources during any natural calamity;
   - special provisions with respect to Arunachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
   - Any other matters relating to the goods and services tax, as the Council may decide.

8. The Goods and Service Tax Council shall recommend the date from which the goods and service tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.

9. Resolution of disputes: The GST Council may decide upon the modalities for the resolution of disputes arising out of its recommendations.

10. Restrictions on imposition of tax: The Constitution imposes certain restrictions on states on the imposition of tax on the sale or purchase of goods. The Bill amends this provision to restrict the imposition of tax on the supply of goods and services and not on its sale.

11. Additional Tax on supply of goods: An additional tax (not to exceed 1%) on the supply of goods in the course of inter-state trade or commerce would be levied and collected by the centre. Such additional tax shall be assigned to the states for two years, or as recommended by the GST Council.

12. The net proceeds of additional tax on supply of goods in any financial year, except the proceeds attributable to the Union territories, shall not form part of the Consolidated Fund of India and be deemed to have been assigned to the States from where the supply originates.
13. Compensation to states: Parliament may by law provide for compensation to states for revenue losses arising out of the implementation of the GST, on the GST Council’s recommendations. This would be up to a five-year period.

14. The Government of India may where it considers necessary in the public interest, exempt such goods from the levy of tax.

15. Both Centre and States will simultaneously levy GST across the value chain. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State.

16. The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. There will be seamless flow of input tax credit from one State to another. Proceeds of IGST will be apportioned among the States.

17. GST will be a destination-based tax. All SGST on the final product will ordinarily accrue to the consuming State.

**IMPACT OF GST ON ECONOMY**

GST, the biggest tax reform in India founded on the notion of “one nation, one market, one tax” is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the $2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST.

The rollout has renewed the hope of India’s fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what’s perceived as a rushed transition which may not assist the interests of the country.

Will the hopes triumph over uncertainty would be determined by how our government works towards making GST a “good and simple tax”. The idea behind implementing GST across the country in 29 states and 7 Union Territories is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filings, transparent rules, and easy book-keeping; consumers would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged.

1. **Effect on Consumer Goods and Services**

When it comes to consumer goods and services, the main concerns are food and the services sector. For these, the GST brings good and not so good news. The good news is that food products are charged 0%. The not so good news is that services in general are seeing an increase of 18% from 15%.

On the other hand, the **implementation of GST** increases the tax on footwear and garments priced at INR 500 from the previous 14.41% to 18% but those priced lower than INR 500 are taxed lower at 5%. For ready-made garments, the rates are lowered to 12% from 18.16%. Mobile services rates are slightly increased, though, because of the new 18% rate, from 15% before. When it comes to direct-to-home and cable services, the new fixed rate of 18% can be considered a general reduction as compared to the previous 10%-30% range and the additional service tax of 15%.

2. **Effect on Transportation**

Under GST, cab and taxi rides are taxed lower, from 6% to 5%. For those who who travel by air, GST is favorable as the tax rate is lowered to 5% for the economy class and 12% for business class. Train fare, meanwhile, is mostly unaffected as the change is minimal, from 4.5% to 5%.
Those who travel by sleeper are not affected by the tax rate change but those who travel first class are charged more.

3. Effect on the Entertainment and Hospitality Industries
Amusement park rates increase with GST taking effect as the previous tax rate of 15% has been raised to 28%. Movie tickets are similarly increasing as they are categorized under the 28% rate. For hotels, no GST are to be charged for room rates priced lower than INR 1,000. However, room rates higher than INR 5,000 get a 28% tax rate. For 5-star hotel restaurants, the rate is 18% for those that serve alcohol and 12% for those that don’t. Smaller hotels and restaurants are only charged 5% if their annual turnover does not exceed INR 50 Lakh.

4. Major Property or Asset Acquisitions
GST reduces under-construction property costs as the tax rate is set at 18% but this can still be lowered to an effective rate of 12% as the property builder can avail of input tax credits. On the other hand, buying a car (most models) in India can become slightly less expensive as the tax rate is fixed at 28% with an additional cess of either 1%, 3%, or 15% depending on which segment the car being purchased belongs. In contrast, investing in jewelry can become slightly more expensive because of the 3% (from 2% in most states of India) rate on gold and the 5% charged on the crafting of the jewelry.

5. Effects on Financial Products and Services
Indians who buy insurance policies, unfortunately, are seeing increases in their premiums with the implementation of GST as the tax rates have been raised for general, health, and life insurance. On the other hand, the tax rate change on mutual fund returns under GST is mostly minimal. This is because the GST is charged on the mutual fund’s Total Expense Ratio (TER). The rate is only 3% so the effect is going to be marginal.
Since they belong to the service industry, banking services and the services provided by other financial service companies are subject to the 18% rate, which is higher than the previous 15%. Debit cards, fund transfers, ATM withdrawals, cheque book or draft issuance, bills collections, charges on cash handling, and more are affected. Even money sending services are affected. Companies that provide money transfer services, nevertheless, are expected to try to be competitive so it’s worth observing how they change their rates. It’s advisable to observe these changes on sites like Moneytransfercomparison.com to find out which ones are trying to be competitive and which ones are taking advantage of GST to justify higher than expected rate increases.

6. Effect on Startups
The GST regime is believed to be good for the Indian startup sector as it carries with it tax credit on purchases, a simple compliance model, increased limits for registration, and the ability to promote the free flow of goods and services. It takes away the complication and confusion of the previous VAT laws, especially for those in the ecommerce industry.
GST may stir inflation but there’s the optimistic view that the undesirable effects will not last long, and will eventually be offset by the positive impact of an improving economy.

7. Effect on Inflation
Given the sampling of effects mentioned earlier, it can be said that GST is mostly viewed as an inflationary measure. However, the Indian government believes otherwise. Hasmukh Adhia, Revenue Secretary, says that consumer price inflation with GST implemented will go down by 2% by the end of 2017. Naturally, not many are convinced by this claim. The fact that the tax rate on services has been raised to 18% from around 15% is already expected to raise inflation above levels experienced before the institution of GST.
8. **Effect on Economic Activity**

It’s difficult and too early to evaluate whether or not GST has positively affected economic activity. The Indian government, however, believes that they are on the right track with GST. At least one Indian business executive shares this optimistic view of GST. In a report by The Indian Express, ICICI Bank CEO Chanda Kochhar was quoted to have said that GST is a transformational structural reform which has multiple benefits. These benefits include the establishment of a national market, improved ease of doing business in India, better productivity and efficiency, and improved compliance among taxpayers.

**POSITIVE IMPACT**

1. The main reason to implement GST is to abolish the cascading effect of tax.
2. The GST is being introduced to create a common market across states, not only to avoid enfeebled effect of indirect tax but also to improve tax compliance.
3. GST will lead a more transparent and neutral manner to raise revenue.
4. Price reduction as credit of input tax is available against output tax.
5. Simplified and cost saving system as procedural cost reduces due to uniform accounting for all types of taxes. Only three accounts; CGST, SGST, IGST have to be maintained.

**NEGATIVE IMPACT**

1. GST is being referred as a single taxation system but in reality it is a dual tax in which state and centre both collects separate tax on a single transaction of sale and service.
2. At present the main Indirect tax system of central Government is central excise.
3. All the goods and commodities are not covered by the central excise and further there is an exemption limit of Rs. 1.50 Crores in the central excise and further traders are not liable to pay central excise. The central excise is payable up to the stage of Manufacturing but now GST is payable up to the stage of sale.
4. Majority of dealers are not covered with the central excise but are only paying VAT in the state. Now all the Vat dealers will be required to pay “Central Goods and service tax”.

**CONCLUSION**

India has witnessed substantial reforms in indirect taxes over the past two decades with the replacement of State sales taxes by Value Added Tax (VAT) in 2005 marking a watershed in this regard. Prior to VAT implementation, the tax structure was considered problematic primarily due to the “cascading effect of taxes” whereby an item is taxed more than once from the production to the final retail sales stage. Exporters were also becoming less competitive in the international market due to the huge input costs involved (tax burden of a commodity increases manifold as it is taxed repeatedly) through the earlier sales tax mode – reflected in higher prices of products as compared to global competitors. All the shortcomings of the present taxation regime lead us to develop a new system of Taxation for the ease of doing business and for the seamless flow of credit across the whole supply chain. If we have been following some system that is now obsolete for years, it does not mean that we need to continue with it in the fore coming years as well. There is a criticism today that the proposed model of GST is fractured due to the compromises. But the compromised model in any case would be better than no model at all. Also the bitter truth is that a compromise often becomes necessary in Federal democracies. The dual model will be like a joint venture between centre and the 29+ states. In order to make this joint venture successful, one has to take all the states on the board with the compromise this entails. GST is definitely a good move to reform indirect taxation in India and has positive effects on GDP growth, Tax revenue, exports, employment and so many. But even after a decade Government have failed to implement it, due to variety of reasons like, compensation mechanism...
for the states, GST rates, and issues relating to food products, petroleum, and tobacco and many political issues as well. Some states might lose revenue after introduction of GST but you cannot hold entire country hostage because of one or two such states. One should keep in mind that an ideally perfect GST has never been practiced in any federal democracy. Every expert was once a beginner. The successful implementation of GST depends on the understanding and co-operation between Central and State Governments. Further, there are many hurdles to be crossed in its implementation. Whether, the GST makes life easy or more comfortable, future remains to be unseen. But it is certain that the monthly budget of people if goes beyond the essential consumer goods, will impact their overall expenses and creates more complications. In addition to this, the impact of inflation is always unpredictable. Even there is no guarantee that the manufacturer will pass on the tax benefit to the end user. Keeping these issues aside, one can say that GST will be a welcome change for the development of the economy since it is expected to simplify the indirect tax structure in India.

REFERENCES
- www.incometaxindia.gov.in
- http://www.cbec.gov.in/ (Central Board of Exercise & Customs)
- All about GST – By V S Datey – Taxmann’s Publications
- http://indianexpress.com/article/explained/gst-bill-parliament
- www.google.com
- www.taxguru.in
- www.ijemr.net
- www.casirj.com
- www.taxmanagementindia.com
- www.dgfundas.in