

## **GST: Changing India (A study of impact of introduction of GST “Make in India” Project and on growth of GDP in India)**

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**Abstract :** One of the significant and ambitious reforms in the field of Indian taxation is GST. GST is being looked as a game changer. With a bundle of expectations from GST it is being expected that significant positive changes will be there in Indian economy. There will be reduction in cascading effect, control over Inflation, reduced tax evasion and avoidance. By replacing confusing and complicated central, state, inter-state and local taxes the GST is widely expected to transform India into a unified market, bringing with it increased efficiency and productivity which in return will strengthen the back bone of Indian Economy. The objective of this paper is to evaluate the changes that will occur by the introduction of most awaited indirect tax reform on India's GDP and how it will facilitate and boost “Make in India”.

**Keywords:** GST, Make in India, GDP

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### **I. INTRODUCTION**

GST is one of the much awaited and one of the most ambitious tax reform in the history of India. GST is a unified tax which will mop up all central- and state-level taxes. The major milestone in India's indirect tax reform is implementation of GST. The current tax system is complicated and put barriers in supply chains within the country. The implementation of the GST would align India's disintegrated tax system and merge all states into a unified single market. According to a research note published by Morgan Stanley, four sectors that would benefit from the implementation of GST are:

- Consumption (consumer goods and services)
  - Logistics companies
  - Manufacturers of house building materials
  - Industrial manufacturing
- Following taxes will be replaced at state and central level by introduction of GST

#### **Central taxes -**

1. Central Excise Duty
2. Duties of Excise (medicinal and toilet preparations)
3. Additional Duties of Excise (goods of special importance)
4. Additional Duties of Excise (textiles and textile products)
5. Additional Duties of Customs (commonly known as CVD)
6. Special Additional Duty of Customs (SAD)
7. Service Tax
8. Cesses and surcharges in so far as they relate to supply of goods or services

#### **State taxes -**

1. State VAT
2. Central Sales Tax
3. Purchase Tax
4. Luxury Tax
5. Entry Tax (all forms)
6. Entertainment Tax (not levied by local bodies)
7. Taxes on advertisements
8. Taxes on lotteries, betting and gambling
9. State cesses and surcharges

## II. OBJECTIVES OF THE STUDY

1. To study about Goods and Service Tax and its impact on Indian economy.
2. To study the impact of introduction of GST on "Make in India" Project
3. To know the challenges of GST in Indian context.

## III. RESEARCH METHODOLOGY AND DESIGN

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. The accessible secondary data is intensively used for research study. The Data has been taken from the different government official websites and from the reputed journals. GST has been analyzed with the economic related factors which plays the major role in Indian Economy and which will boost the Govt. initiative of Make in India. Quantitative data has been used for the purpose of analysis.

This paper is divided into three main parts

**Part I** studies the impact of introduction of GST on make in India project

**Part II** studies the impact of GST on GDP

**Part III** studies the challenges associated with introduction of GST in India

### GST and its implications on Make in India project

Among the various structural reforms introduced in last two years, one of the crucial achievement is introduction of "Make in India" and now India is on a new horizon with the to introduce GST. To boost make in India project a success we are required to promote Ease of doing business as the single most important factor. GST is deemed to benefit all businesses in India and specially the Make in India project in the following ways-

1. **Ease of starting business:** One of the much discussed benefits of introduction of GST is ease of doing business. Under present taxation system any new business needs to have a VAT registration from sales tax department and if a business is operating in more than State, it has to follow different rules and procedures set by different states. GST will bring centralized registration and homogeneous process of registration. It will release the new entrants from going through long and complex registration procedures as applicable in current tax system
  2. **Plain sailing Tax Paying process:** Currently the manufacturing units especially the new one spend a lot of time and energy to manage the various taxes at various points. Further different procedure of different states makes tax paying process more complex to the tax payers. GST will simplify the process by integrating various taxes.
  3. **Downgrading Trade obstructions:** As entry taxes like check posts, octroi etc will be eliminated, so the cost of mobilizing goods from one state to another will be marked down. Moreover it will also prove time saver. The benefit will be two fold especially to the small scale manufactures and further will instigate the make in India project.
  4. **GST will boost the Investment** .It is being expected that GST will eliminate the cascading effect of multiple tax system being followed at present, thus will reduce the cost of doing business, further it will make tax payment system less complicated which will in turn boost the investment thus fetching higher rates of GDP
  5. **Export blooming approach:** There is zero rate of duty to exporters of goods or services. This step will strengthen the export of Indian goods by making Indian products easy on pocket of international buyers. It will also inspire manufacturers to produce for international markets.
  6. **Lesser Tax load to new startups:** As per GST council, GST threshold exemption is 20 lakh rupees for normal states and 10 lakhs for the Special Category States. Thus a big easement to newly established businesses. It will encourage the new players to start their businesses in India
- Thus implementation of GST will pave the way of progress. Advent of GST will bring uncontestable waves and will change the way of doing business in India. Low cost focal points will add to the success story of "Make in India Project"

### Positive impact on GDP

1. **Pumping up of Rupee value:** Higher investments and increased exports will bring down the current account deficit. It will not only result in higher GDP but value of the Indian currency will also rise.
2. **Higher Govt. Revenues:** Due to simplification of the tax system, there will be reduction in government's tax administration costs. This should improve compliance and raise government revenues.
3. **Reduction in Black money:** 'GSTN' i.e Goods and Service Tax Network portal will help in electronic processing of tax returns, refunds and tax payments without any human intervention. Integral check on business transactions will reduce scope of fraudulency and black money generation. Thus, money generated will remain in circulation in economy without any tax evasion which will increase GDP unquestionably.

4. **GST will keep lid on Inflation:** In the long run, GST will contribute in controlling the inflation. Under GST regime tax liability will be lesser as compared to present tax structure as there will be no cascading effect, it will reduce the price of the product. Reduction in prices means more disposable income with the consumers and thus higher GDP
5. **Attracting Higher FDI** and boosting manufacturing sector: GST being integrated tax with its add on benefits of less complicated tax system and no cascading effect will help in cost reduction to the manufacturers. It will help in improving efficiency and productivity and attracting more FDI flow in the country in manufacturing sector, it will further improve GDP.
6. **Export Benevolent Visitation :**Zero duty on exports along with efficient logistic will mark down the cost of goods and services manufactured in India. It will make Indian goods and services low priced in the international market. Low prices will attract higher exports. China is an evidence that export led growth will lower our current account deficit and jack up the GDP.
7. **Reduction in Fiscal deficit :** It is assumed that GST will broaden the base of taxation by bringing unorganized sector under its brackets. As a result more revenue to the government by the way of tax and thus reduction in fiscal deficit which in turn will boost GDP.
8. **Higher Job opportunities:** As discussed earlier, GST will encourage local and foreign investment in India. Higher investment will increase the level of employment thus higher GDP.
9. **Equal growth:** As GST is consumption based tax, it will encourage tax collection in the states like Bihar and North east, where tax collection was very less under present tax system. It will boost the growth of backward states and thus will lead to balanced growth.

#### **Hurdles on the way of implementing GST:**

1. **GST will be payable on stock transfer:** The businesses which maintain higher level of inventory in different state will have to pay GST on every interstate stock transfer, at present tax is payable on sale and not on transfer. This in turn will also affect the cash flow of such businesses.
2. **Not all the taxes absorbed by GST:** there are many taxes like Electricity duty, stamp duty, excise duty and VAT on alcoholic beverages, petroleum products etc. which are not covered under proposed GST . Thus the sectors where these products form a significant input will remain conspicuously uninvolved in sharing the benefits of GST.
3. **Strong IT network is required:** As government aims at online tax payment with the introduction of GST, a strong IT network is required throughout India.
4. **Gigantic Training needs:** As every inch of GST regime is uninitiated and different from present tax structure, so the tax administration crew at the center as well as at the states requires high-priority training to make GST a success.
5. **High Cost:** As discussed earlier implementation of GST require strong IT system and trained manpower to implement the new system smoothly all over the India, Govt. has to spend a high cost on setting up the system
6. **Multi-Level tax:** Four Tier rate stricter as decided by GST council will make GST more complicated and may defeat the main objective of introducing GST i.e One India one Tax.
7. **Utter Chaos for Ecommerce Industry:** At present, Ecommerce industry is expanding because of high discounts and easy return policies. But with the introduction of GST, Ecommerce players will have to pay tax in advance and in case of any cancellation or return of order as per their return policy every time they have to apply for refund. Further GST will be payable on the full value of goods, so it would not be beneficial to the ecommerce industry to sell the goods at discount as they are selling at present and becoming favorite among the consumers.

#### **IV. CONCLUSION**

GST will definitely clean up the negative effect of present tax system and will prove fortunate for “Make in India “Project and economic development of the country by boosting GDP. It will not only bring the transparency into the system but will make India “Digital India” in true sense. Doubtlessly, GST will prove significant in bringing down the inflation and fiscal deficit

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