INTRODUCTION OF GST IN INDIAN ECONOMY

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Abstract
Even in the worldwide economic crisis India showed remarkable survival in its economic system. The well insulated economic structure in India is the basis of such an amazing withstand. The proposed Goods and Services Tax (GST) is expected to be another milestone in the economic growth in India. The fundamental aim of GST is to make uniform the scattered indirect tax system in India and avoid the cascading effect in taxation. The impact going to make by GST will be a transformation in the entire tax system in India. The effect will go beyond Indian borders. The implementation of GST will reduce tax burden on manufacturers and thus encourages for the higher production. This process will increase the export of India and it will increase the total GNP. Avoidance of cascading effect empowers the manufacturers to produce to their optimum capacity and retards growth. The study intends to exhibit the detailed impact of GST implementation in Indian economic system.
Keywords: GST, Indirect Tax, Indian Economy, Tax Administration, Cascading effect.

Introduction

The tax system is the backbone of any developing nation. The revenue generated through tax collection is the biggest source of income for that nation. In India also revenue from tax collection is the biggest source of income for its social welfare activities. The Constitution of India, the charter of the nation clearly discussed about the tax collection and its various aspects. The prevailing tax system in India is adhered from those sections in the constitution.

The tax decisions in India are doing by the central and state governments with local governments nevertheless it doesn't mean that the government can impose any tax that it wishes to. All the taxes imposed by the government must be laws passed according to Indian constitution. An important restriction on this power is Article 265 of the Constitution which states that "No tax shall be levied or collected except by the authority of law". In India the entire tax system has divided into two, one is direct taxes and the other one is indirect taxes. Direct taxes are those taxes which are directly paying to government. These taxes are levied directly on an entity or an individual and cannot be transferred onto anyone else. The administrative body of direct taxes is Central Board of Direct Taxes (CBDT) which is a part of the Department of Revenue. The major source of direct tax in India is coming from Income Tax.

Wealth Tax

Wealth Tax was another tax levied by the government, which was charged based on the net wealth of the assesses. Net wealth is equal to all the assets an individual owns after adjusting the cost of acquiring them. Wealth tax is no longer operational as it was abolished on 2015. Indirect taxes are those taxes that are collected indirectly from the peoples. This tax is usually levied on goods and services. The basic difference between direct taxes and indirect taxes is also because of this basis of levying. Direct taxes are levying on various assesses but indirect taxes are instead levied on products and are collected by an intermediary, the person selling the product. These taxes are levied by adding them to the price of the service or product which tends to push the cost of the product up. The types of indirect taxes are sales tax, Service tax, VAT, customs duty, excise duty, entertainment tax, Stamp Duty, Registration Fees and Transfer Tax etc...

Sales tax

Sales tax is a tax that is levied on the sale of a product. This product can be either produced in India or imported the tax is levied on the final retailers. Sales tax is levied under both central and state legislations and it is the largest source of tax revenue to the state governments. Basically, all the states in the country follow their own Sales Tax Act and charge different percentages. Service tax is the tax added to services provided in India. It is applicable on companies that provide services and is collected on the periods of intervals as per the company. If the establishment is an individual service provider then the service tax is paid only once the customer pays the bills however, for companies the service tax is payable the moment the invoice is raised. Value Added Tax (VAT) is also known as commercial tax. The method of tax levying is at all the stages of the supply chain, right from the manufacturers, dealers and distributors to the end user. VAT is purely the discretion of the state government and not all states implemented it when it was first announced. When peoples purchase products imported from another country, a charge is applied on it and that is called customs duty. Any medium of transportation like land, sea or air all the products are liable to customs duty. Excise Duty is a tax that is levied on all the goods manufactured or produced in India. It is different from customs duty because it is applicable only on things produced in India and is also known as the Central Value Added Tax or CENVAT.

This tax is collected by the government from the manufacturer of the goods. It can also be collected from those entities that receive manufactured goods and employ people to transport the goods from the manufacturer to them. Entertainment Tax is yet another type of tax commonly seen in India. It is levied on feature films, television series, exhibitions, amusement, and recreational parlors. This tax is collected taking into account a business entity's gross collection based on audience participation. Stamp Duty, Registration Fees and Transfer Tax are collect as a supplement of property tax. For instance, when an individual purchases a property, they also have to pay for the cost of stamps (stamp duty), fee charged by local registrar to legalize a property transaction which is called as registration fees and tax paid to transfer the ownership of a commodity.

These are all the types of taxes that are present in India's current economic scenario. Even there is another head for tax division called other types which includes Toll Tax & Road Tax, Swachh Bharat Cess, Krishi Kalyan Cess, Infrastructure Cess, Entry Tax Etc... The funds collected from these sources are the real means of developmental activities in the country.In answer to the question whether direct or indirect taxes are better, better to say on both sides.The best way to conclude that no country can do with one type only. Both types have to be mixed in a good system of taxation.

GST Practices

India is having the most complicated tax structure in the world, especially Indian indirect tax systems. The mechanism of imposing taxes, exemptions, abatements other benefits is different in different states. The existing law has a number of issues of interpretation in various provisions and the category of the products and services. India needs a simple tax structure which can describe the tax mechanism as simple as possible.

The basic two drawbacks of existing indirect tax system are cascading effect and non-uniformity of tax collection among states. Introduction of Goods and Service Tax (GST) will compensate those drawbacks. Following are the mainstay of GST:-

- Removing Cascading Effect: GST removes "Tax on Tax Effect" and provides common national market for Goods and Services.
- Single Umbrella Tax Rate: GST will harmonize indirect taxes being levied by Union and State Governments.

The Prospects of GST

A well unity in various tax types will give the following prospects to GST:-

1. GST ensures a competitive pricing mechanism. The implementation of GST will reduce ne tax payment by final consumers which will reduce the prices of commodities. The process will boost up the consumption and increase in production. When the cost of Production falls in the domestic market, Indian Goods and services will be more prices competitive in foreign markets which will improves export.
2. Revenue Neutral Rate (RNR) is one of Prominent Factor for the success of GST. The government revenue would be less compared to the current system for the initial two years. By RNR Government ensures that its revenue remains the same despite of giving tax credits. So there is no question of loss for the states.
3. The online backup is one of the magnificent benefits of GST. The Government has already incorporated Goods and service tax network (GSTN). It will develop GST portal ensures the technology support for registration, return filing, tax payments, IGST settlements etc. An effective database system will always surpass all the hurdles.
4. As per Integrated Goods and Services Tax (IGST) central government will levy GST on inter-State trade and such tax shall be apportioned between the Union

and the States in the manner as may be provided by Parliament by law. Import of goods or services would be treated as inter-state supplies and thus it would be subject to IGST in addition to applicable custom duties. Exports would be zero rated. The problem of different rate for different states on different products will be eliminated through the process. The confusion among dealers will reduce die to this process.

5. There will be only one law because GST shall subsume various taxes as specified above.
6. The will be one CGST rate and a uniform rate of SGST across all states. The current scenario of differential tax rates will be abolished, which will accelerate the interstate transfers which will ultimately increase the production.
7. The problem of Cascading effect arises because credit of CST and many other taxes not allowed. This situation will not arise as CST concept is being eliminated with introduction of IGST. Elimination of cascading effect will of course increase the production capacity of manufacturers and this will leads to improved production and export opportunities.
8. Tax burden is expected to reduce since all taxes are integrated and possible the burden to be split equitably between manufacturing and services. Over pricing of a particular product or service can avoid through this mechanism.
9. As GST mechanism removes cascading effect by providing credit, cost burden is also reduced. Reduction in production cost will lead to increased production.
10. The tax compliance would be easier as only one law subsuming other taxes need to be followed.

Conclusion

Goods and Service Tax is a comprehensive tax levy on manufacture, sale and consumption of goods and services. GST is termed as biggest tax reform In Indian Tax Structure. It will not be an additional tax, it will include central excise duty, service tax additional duties of customers at the central level, VAT, central sales tax, entertainment tax, octroi, state surcharge, luxury tax, lottery tax and other surcharge on supply of goods and services. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing it all under single umbrella. The purpose is to eliminate tax on tax. This paper will throw light on GST its features and also effect of GST on prices of goods and Services. At the end we can say no doubt it is the biggest ever change in tax structure of India. There will be fall in prices of some commodities but on the other hand price of some other goods and services will rise. There is threat of inflation too and states may face reduction in their financial resources. But overall it will be a great change.

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