

# IMPACT OF GST ON INDIAN ECONOMY

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# About GST

- The concept of goods and services tax popularly known as GST
- The GST will have a 'dual' structure, which means it will have two components- the Central GST and the State GST
- GST is expected to simplify tax administration, ensure 'Ease of Doing Business' and promote 'Make in India'

# Objective of the presentation

- To study about GST and its impact on Indian economy and common people of India
- To examine merits and demerits of Goods and Service tax.

# Impact On Indian Economy

## 1. Reshapes Indirect Tax Structure

- ⦿ It will reshape the indirect tax structure by a subsuming majority of indirect taxes like excise, sales and services levies
- ⦿ This will do away with the complex indirect tax structure of the country, thus improving the ease of doing business in the country

## 2.Exports:

- ⦿ Exports will become competitive as the GST regime will eliminate the cascading impact of taxes.
- ⦿ GST could boost India's GDP growth by 0.9-1.7 per cent.
- ⦿ GST is a key for India's gross domestic product in times of challenging global environment

# 3. Gross Domestic Product

- The GST will bring about a qualitative change in the tax system by redistributing the burden of taxation equitably between manufacturing and services
- impact on growth due to reduction in direct cost and cost reduction on capital inputs pegged the improvement in growth rates between 1.5 and 2 per cent.

## 4. Inflation:

- Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down
- Due to reduced cost some products like car, FMCG, etc. will become cheaper
- The low prices will further lead to an increase in demand/consumption of goods.

# 5. Foreign Exchange

- The passing of the GST will be welcome news for the Indian rupee (INR).
- GST will lead to higher foreign direct investment inflows and a narrow current account deficit-factors that should help the rupee increase

# 6. Impact on Make-in-India

- The tax reforms through GST will play a crucial role to attract large-scale investment
- The impending GST promises a progressive tax system which avoids tax cascades and helps establish India as a true common market.
- GST will reduce the cost of production and allows the hassle free supply of goods

# 7.Unification of Market

- GST will lead to the creation of a unified market, which would facilitate seamless movement of goods across states and reduce the transaction cost of businesses.
- Presently 11 categories of taxes are levied on the road transport sector.
- The GST will help bring down logistical costs.

# 8.Clean-up India

- The clean-up of the Indian taxation system will reduce the number of excise duty exemptions.
- According to the estimates, excise tax exemptions result in foregone revenues of Rs. 1.8 lakh crore
- India loses about 2.7 percent of GDP because of these exemptions.

# 9.Foreign Trade

- GST is a solution provider by lining up total indirect tax structure of all streams into one single tax payable by the companies
- The impact of this will be on the all multinational companies and facilitates for ease of doing business and adds factor to the globalization and liberalization

# Impact on Common People

## HOW GST AFFECTS YOU

The guiding principle for the GST Council in deciding tax rates was that the GST rate should be close to the current effective tax burden on various items so that the transition to the new indirect tax system is revenue-neutral. Although there are four different slabs—5%, 12%, 18% and 28%—most of the commodities fall in the 12% and 18% slabs.

### Products on which tax burden comes down

Product	Current effective tax rate*	GST rate
● Mobile phone	20.02	<b>12</b>
● Footwear (below Rs500)	14.41	<b>5</b>
● Ready-made garments	18.16	<b>12</b>
● Cars for the handicapped	20-22	<b>18</b>
● Medicines	11	<b>5</b>
● Renewable energy devices	17-18	<b>5</b>
● Iron ore	17-18	<b>5</b>
● Music instruments (handmade)	0-12.5	<b>0</b>
● Contact lenses	18	<b>12</b>
● Processed food	14	<b>12</b>

### Products on which tax burden goes up

Product	Current effective tax rate*	GST rate
● Butter	5.66	<b>12</b>
● Television	24.39	<b>28</b>
● Footwear (above Rs500)	14.41	<b>18</b>
● Biscuits (Above Rs100/kg)	16.09	<b>18</b>
● Corn flakes	9.86	<b>18</b>
● Wristwatch	20.64	<b>28</b>
● Jam	5.66	<b>18</b>
● Baby food (sold in unit containers)	7.06	<b>18</b>
● Small cars (<4m <1200cc petrol)	25-27	<b>28+1**</b>
● Small cars (<4m <1500cc diesel)	25-27	<b>28+3**</b>
● Mid segment (<1500cc)	36-40	<b>28+15**</b>

\*Current effective tax rate includes central excise duty, value-added tax (VAT) and various local levies.

\*\*GST compensation cess

### GST impact on services

Although the proposed GST rate on many services is higher than the current applicable service tax—15% on specified fraction of the service value—GST eases the tax burden on them. That is because in addition to service tax, these services currently also bear VAT levied by states which make the combined tax burden higher than the GST rate proposed. Examples include supply of food/drinks in outside catering and services of non-AC restaurants without liquor licence.

### Services on which tax burden goes up

Services	Effective service tax rate*	GST rate
● Renting of motor cab (when fuel cost borne by customer)	6	<b>18</b>
● Tour operators' services	1.5	<b>5</b>
● Supply of food/drinks in AC restaurants in 5-star or above rated hotel	6	<b>18</b>
● Hotel stay where room tariff is between Rs1,000-Rs2,500	9	<b>12</b>
● Hotel stay where room tariff is between Rs2,500-Rs7,500	9	<b>18</b>
● Hotel stay where room tariff is above Rs7,500	9	<b>28</b>

\*Takes into account the portion of service value on which tax is applicable  
The comparison of rates are only approximations

### Products at zero GST rate

- Meat other than frozen and in unit containers
- Fish, fresh or chilled
- Milk and dairy products
- Eggs and salt
- Human blood and components
- Contraceptives
- Fresh fruits and vegetables
- Non-branded cereals, flour, and jaggery
- Unbranded organic manure
- Judicial, non-judicial stamp papers; inland letters, post cards
- Non-precious metal bangles, agriculture implements and hand tools

# GST rates for the household expenses

Category	Tax before GST (%)	Tax after GST (%)	Effect /(Decrease)	Increase
Food Items	12.5	5	(7.5)	
Entertainment	30	28	(2)	
Transportation	15	18	3	
Personal Care	28	18	10	
Communication (Mobile & Internet)	15	18	3	

# Benefits Of GST

- ◎ **For business and industry**
  - Easy compliance
  - Removal of cascading effect
  - Improved competitiveness
- ◎ **For Central and State Governments**
  - Simple and easy to administer
  - Better controls on leakage
  - Consolidation of tax base
  - Higher revenue efficiency

# Benefits Of GST

## ◎ **For the consumer**

- Single and Transparent tax proportionate to the value of goods and services
- Reduction of prices

# Positive Impact of GST on Common People

- Unified Tax System
- Simplified Tax system
- Removal Cascading Tax
- Product will be cheaper
- Inflation coming down
- Low prices increase demands
- Increase demands leads to increase supply and production
- Increase production leads to create job opportunities
- Curb of Black money
- Less corruption
- Economy will be boost

# Negative Impact of GST on Common People

- Cost of Service increased
- Monthly expenses will increased
- Rescheduling household budgets
- Increase in Inflation initially
- Complex to understand at initial stage
- Strict control on profiteering
- Prices may be increase

# Negative Impact

लोकमत

## जीएसटीच्या कंपोजिशन योजनेचा गैरवापर

करचुकवेगिरी; छोट्या व्यावसायिकांच्या नावे बड्यांनीच फायदा लाटल्याचा संशय

लोकमत न्यूज नेटवर्क

नवी दिल्ली : करचुकवेगिरी करण्यासाठी जीएसटीच्या कंपोजिशन योजनेचा मोठ्या प्रमाणात गैरवापर होत असल्याचा सरकारला संशय आहे. छोट्या व्यावसायिकांना सवलत मिळावी, या उद्देशाने ही योजना आणली गेली होती. तथापि, अवधी २ लाखांची तिमाही उलाढाल दाखवून मोठे व्यावसायिकच या योजनेचा गैरफायदा घेत असावेत, असे सरकारला वाटते.

जुलै ते सप्टेंबर या तिमाहीसाठी १० लाख कंपन्या या योजनेचा लाभ घेण्यास इच्छुक आहेत. या योजनेत केवळ उलाढालीचा तपशील सादर करून एकाच निश्चित दराने कर भरण्याची सवलत आहे. त्यापैकी ६ लाख कंपन्यांनी २५ डिसेंबरपर्यंत विवरणपत्रेही दाखल केली आहेत. या संस्थांकडून तीन महिन्यांच्या काळात २५१ कोटींचा कर मिळाला. त्यातून त्यांची सरासरी वार्षिक उलाढाल ८ लाख रुपये होते.

या आकड्याने सरकारी यंत्रणेच्या भुवया उंचावल्या आहेत. कारण जीएसटीमध्ये नोंदणी करण्यासाठी किमान २० लाख रुपयांची वार्षिक उलाढाल आवश्यक आहे. मग ८ लाख वार्षिक उलाढाल असताना, जीएसटी नोंदणी कशासाठी करण्यात आली, हा

### उत्पन्न कमी दाखवले

एका अधिकाऱ्याने सांगितले की, कंपोजिशन योजनेला सध्या १ कोटी रुपयांच्या उलाढालीची मर्यादा आहे. ही मर्यादा वाढवून १.५ कोटी करण्याचा प्रस्ताव जीएसटी परिषदेने ठेवला आहे. ८ लाखांची सरासरी उलाढाल पाहून ही मर्यादा वाढविण्याची खरेच गरज आहे का, असा प्रश्न पडून आम्ही चकित झालो आहोत. कंपोजिशन योजनेतील आकड्यांमुळे वित्त मंत्रालयाच्या अधिकाऱ्यांनी अनुमानित आयकराचे आकडे तपासून पाहिले आहेत. येथे वार्षिक उलाढालीची मर्यादा २ कोटी करण्यात आलेली आहे. येथील आकड्यानुसार वार्षिक सरासरी उत्पन्न १८ लाखांचे आले आहे. येथेही उत्पन्न कमी दाखविण्यात आल्याचे दिसून येत आहे.

प्रश्न निर्माण होतो. सूत्रांनी सांगितले की, कंपोजिशन योजनेसाठी नोंदणी केलेल्या संस्थांचा आकडा आता १५ लाखांपेक्षा जास्त झाला आहे.

# Conclusion

- It can be concluded from the above discussion that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off
- Efficient formulation of GST will lead to resource and revenue gain for both Centre and States
- It can be further concluded that GST have a positive impact on indian sectors and industry

*Thank You ...*