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Original Research Paper

Management

CAUSES AND CONSEQUENCES OF GOODS & SERVICE TAX (GST) FRAMEWORK IN INDIA

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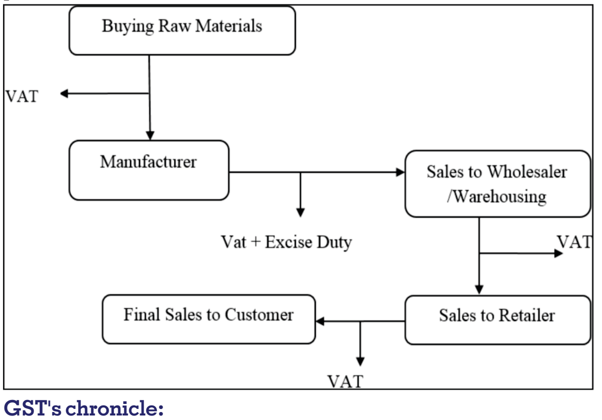
ABSTRACT The giant indirect tax framework in India known as the Goods and Services Tax, is meant to promote and bolster the economic growth of a country. GST has been introduced in more than 150 countries. The Vajpayee government came up with the concept of GST in 2000. Growth and development may be hindered by an aggressive performance of GST. For this study, the primary goal is for researchers to get a better understanding of the influence of the Goods and Services Tax (GST) on the Indian economy, as well as the many features of the Indian GST system. Using data from periodicals, newspapers, and approved websites, the article is based on secondary data sources. In conclusion, I believe GST has certain beneficial effects, such as helping to create a tax administration that is open and devoid of corruption. Small firms with annual revenue of between INR 20 lakhs and INR 50 lakhs might elect to pay lesser taxes under the new GST system. What it is referred to as is known as the compositional scheme. A hike to Rs. 75 lakhs has been proposed, however there are also drawbacks, such as the fact that some retail items presently only carry a 4% tax, and that after GST, clothing and apparel may become more expensive. The GST does not apply to three key tax income generators: petroleum goods, alcoholic beverages, and electricity. The tax will be levied by the state government on certain industries. Tax income generated by GST would be a major factor in the inclusion of these sectors in the GST. A higher tax rate of 18 percent from the current 15 percent would have a significant impact on the services industry, such as communications and restaurants. In India, the introduction of the Goods and Services Tax (GST) has had mixed results.

KEYWORDS : Indirect tax, GST, and the Indian economy

INTRODUCTION:

To replace the many cascading taxes collected by the national and state governments, India implemented the Goods and Services Tax (GST) on July 1, 2017. Following the approval of the Constitution 122nd Amendment Bill, the Constitution (One Hundred and First Amendment) Act 2017 was enacted. A GST Council is in charge of overseeing the GST. The Indian Finance Minister serves as Chairman of the GST Council. As a result, products and services are taxed at various percentages under the GST system. Rough precious and semi-precious stones are subject to a special fee of 0.25 percent, while gold is subject to a 3 percent surcharge. Several commodities, including aerated drinks, expensive autos, and tobacco products, are subject to a 15% or 28% GST cess. As a replacement for indirect taxes, the GST was first suggested. In terms of the introduction of GST, France was the first country to do so.

It is a comprehensive, multi-stage, destination-based tax that would be charged on every value addition under the Goods and Services Tax Law in India. In other words, GST is a tax on the supply of goods and services that is levied in an indirect manner. Indian indirect tax legislation has been largely superseded by the Goods and Services Tax (GST). So, prior to the announcement of the Goods and Services Tax, the tax levy pattern was;



GST's chronicle:

With the implementation of the Modified Value Added Tax in 1986, Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi's cabinet, began the overhaul of India's indirect tax framework (MODVAT). After that, Prime Minister P V Narasimha Rao and his Finance Minister Manmohan Singh began early negotiations on a state-level Value Added Tax (VAT). In 1999, Prime Minister Atal Bihari Vajpayee and his economic advisory team, which included three former RBI governors IG Patel, Bimal Jalan, and C Rangarajan, sought and received approval for a single standard "Goods and Services Tax (GST)." Vajpayee created a team to draught a GST model, which was chaired by West Bengal Finance Minister Asim Dasgupta.

The Asim Dasgupta committee, which was also in charge of putting the back-end technology and logistics in place (later came to be known as the GST Network, or GSTN, in 2015). It was then used to implement an unified taxation policy throughout the nation. In 2002, the Vajpayee administration appointed Vijay Kelkar to lead a task team to suggest tax changes. The Kelkar group advised implementing GST in 2005, as recommended by the 12th Finance Commission.

Following the fall of the BJP-led NDA government in the 2004 Lok Sabha election and the election of a Congress-led UPA administration, new Finance Minister P Chidambaram started working on the GST in February 2006, proposing a rollout date of 1 April 2010. Asim Dasgupta resigned as the chairman of the GST committee in 2011, when the Trinamool Congress ousted the CPI(M) from office in West Bengal. In an interview, Dasgupta stated that he had completed 80 percent of the assignment.

The United Progressive Alliance (UPA) tabled the 115th Constitution Amendment Bill in the Lok Sabha on March 22, 2011 to implement the GST. It was sent to a Standing Committee led by former BJP Finance Minister Yashwant Sinha after facing resistance from the Bharatiya Janata Party and other parties. The committee published its findings in August2013, but Gujarat Chief Minister Narendra Modi expressed concerns in October2013, causing the bill to be postponed indefinitely. The collapse of the GST Bill, according to Minister for Rural Development Jairam Ramesh, was down to Narendra Modi's "single-handed resistance."

The Bharatiya Janata Party (BJP)-led NDA government was elected to power in the 2014 Lok Sabha election. The GST Bill, which had been authorised by the standing committee for reintroduction, expired as a result of the dissolution of the 15th Lok Sabha. Arun Jaitley, the new Finance Minister, tabled the GST Bill in the Lok Sabha, where the BJP had a majority, seven months after the Modi administration was formed. Jaitley established a new date of 1 April 2017 to introduce GST in February 2015. The Constitution Amendment Bill was approved by the Lok Sabha in May2016, opening the path for GST. The Opposition, backed by the Congress, urged that the GST Bill be brought back to the Rajya Sabha Select Committee for examination owing to disputes on many taxation-related assertions in the bill. The Amendment Bill was finally approved in August of 2016. 18 states passed the Constitution amendment Bill over the following 15 to 20 days, and President Pranab Mukherjee granted his approval.

A 21-member committee was constituted to investigate the proposed GST legislation. The Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), and the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill) were all accepted by the Lok Sabha on March 29, 2017, after the GST Council approved them. These Bills were passed by the Rajya Sabha on April6,2017, and they were enacted as Acts on April12, 2017. Following that, state legislatures in several states approved their own Goods and Services Tax bills. The Goods and Services Tax (GST) was implemented in India on July 1, 2017, after the adoption of different GST legislation. [14] On July 7, 2017, the state assembly of Jammu and Kashmir enacted the GST Act, bringing the whole country under a single indirect taxation structure. On the sale and purchase of securities, there would be no GST. Securities Transaction Tax continues to control this (STT).

Objectives:

- An investigation on the causes of India's Goods and Services Tax (GST).
- To learn more about India's Goods and Services Tax system.
- For the purpose of determining how GST would affect the Indian economy.

GST's Influence On The Indian Economy:

The rates on all main commodities and services have been established by our GST council. Indian economy is projected to benefit from the introduction of the Goods and Services Tax (GST). Indirect taxes from all Indian states are being combined in this way.

It is estimated that about half of all products and services under the GST are taxed at the 18 percent rate because of the numerous tax brackets available. But how would GST affect our daily lives? We'll explore how the GST on certain common goods and services affects the wallets of consumers.

Apparel/Garments and Footwear:

The GST rate for footwear that costs more than 500 rupees has been increased from 14.41% to 18%. However, the prices of footwear below INR 500 have been slashed by 5%. When it comes to buying footwear over INR 500/-, you'll have to sell out a little more, and the rates for ready-made items have been slashed from 18.16 percent to 12.2 percent, making them more affordable.

Taxis And Cabs:

Because of declining in the online cab booking fee from 6 percent to 5 percent, using Ola or Uber would now be more affordable.

Tickets For Flights:

The tax rate for economy class airline tickets is set at 5% under the GST, while the tax rate for business class tickets is set at 12% under the GST.

The Train Fare:

There won't have much of an influence on the situation. With the introduction of GST, the effective tax rate went from 4.5 percent to 5 percent. It is true that travellers travelling by train for business purposes may be eligible to get an Input Tax Credit on their rail ticket. First-class and AC passengers would have to pay extra, while those on local trains or in the sleeper class will not be impacted.

Entertainment Prices:

The GST rate for movie tickets less INR 100 will be 18%, however the GST rate on tickets beyond INR 100 would be 28%.

Amount Paid In Death Benefits (Life Insurance):

GST has raised for life, health, and general insurance policies' premiums, which will have an immediate impact on your term and endowment policy premiums.

Returns From Mutual Funds:

As the GST will be applied to the TER, or Total Expense Ratio, of a mutual fund, it will have a little effect on your returns from mutual fund investments. The mutual fund company's TER, or cost ratio, is expected to rise by 3 percent. Any reduction in returns that you obtain as an investor will be minimal, even if it is taken care of by the mutual fund provider (the AMC).

Ornaments:

Because of the 3 percent GST on gold and the 5 percent on the manufacturing costs, the gold investment is going to be a little more expensive. Gold was formerly taxed at a rate of roughly 2% in most states, and the GST has been raised from the current rate to around 2% to 3%.

Purchasing A Real Estate:

Under construction properties will be less expensive than those that are ready to move in.. While an under-construction home's GST rate is 18 percent, the actual GST rate will be closer to 12 percent because to input tax credits the builder will be able to take advantage of on this type of property

Facilities For Learning And Health Care:

GST does not apply to the basic and secondary education or health care sectors, which are both exempt. Customers will not be taxed on the money they paid for these services as a result of this policy change. However, when the tax rates for particular goods and services that these businesses acquire rise, they may be forced to pass along the increased tax cost to their customers.

The hotel:

There is no GST if the room rate is less than Rs 1,000, but if it is more than Rs 5,000, there is a 28% tax.

Car Purchase:

The GST rate of 28 percent on all vehicles, regardless of brand, engine capacity, or model, means that most automobiles in the Indian market will become marginally less expensive. As a result, an extra levy of up to 15% on the total price of a vehicle will be imposed in addition to this 28 percent.

Bills For Mobile Phone Service:

This means that people would have to pay a higher percentage of their phone bills because the GST on telecom services has been increased from 15% to 18%. However, owing to competition, telecom businesses may be able to absorb this 3% increase.

Expenses Associated with Eating Out:
Whether you dined in an AC or a non-AC place that does not offer alcohol will have an impact on your restaurant bill. Small hotels, dhabas, and restaurants with annual sales below INR 50 lakh will be charged a GST of 5%, while meals at five-star hotels will now be taxed at an 18% GST rate, while meals in non-AC eateries will be taxed at a 12.5% GST rate.

Sports Event Like World Cup, IPL, Etc.:
Taxes on athletic events such as the Indian Premier League (IPL) would rise from 20% to 28%. As a result, your tickets will be more expensive. This is a lower tax rate than the previous tax rate for other events, such as theatre, circus, Indian classical music presentations, or a folk dance performance or a play production.

Satellite TV And Cable TV:
Direct-to-Home or cable service providers will see a little reduction in the amount of money you pay in taxes, since the new service tax of 18 percent is lower than the previous entertainment tax of 10 percent to 30 percent, as well as 15 percent service tax.

Entertainment Park:
It is expected that the cost of admission to amusement parks and theme parks would rise as a result of the introduction of the Goods and Services Tax (GST).

GST's Effect On India's Economic Condition:
For the first time since its conception, India's "one country, one market, one tax" (GNOMUT) tax reform has taken effect. The Indian government has been anticipating this day for the better part of a decade. Inter-state obstacles to commerce have been dismantled through the introduction of the single largest indirect tax regime in the United States. 1.3 billion people are now part of a single market as a result of the introduction of the Goods and Services Tax (GST). By abolishing tariffs inside the country and combining all federal, state, and municipal taxes under one GST, the $2.4 trillion economy is trying to reinvent itself.

There is fresh confidence that India's fiscal reform programme would regain its pace and broaden the economy as a result of its rollout. It's possible that the country's interests might be jeopardized by what's viewed as a hasty changeover.

Will our government's efforts to make GST a "good and straightforward tax" decide whether or not our expectations win over uncertainty? Everybody wins when 29 states and 7 Union Territories implement the GST, according to the government's plan. As a result of fewer tax filings, better transparency in the tax code as well as easier bookkeeping, manufacturers and traders would reap the benefits, while consumers and the government would reap the benefits as revenue leakage would be closed.

The Short-term Effects Of The GST:
Consumers may expect to pay more in taxes on the vast majority of the items and services they use going forward. Everyday necessities are now taxed at a similar or slightly higher rate as they were before. In addition, the introduction of the GST has a cost associated with it. The small-scale producers and traders who have also complained against the same tend to think that this expense of compliance is unreasonable and expensive. They may have to raise the prices of their products as a result.

CONCLUSION:
In a nutshell, GST has both a positive and a negative influence. Some of GST's benefits in India include helping to create a tax administration that is open and devoid of corruption. Small firms with annual revenue of between INR 20 lakhs and INR 50 lakhs might elect to pay lesser taxes under the new GST system. What it is referred to as is known as the compositional scheme. Recently, an increase of 75 lakhs has been recommended. Many small firms will be relieved of their tax loads as a result of this. Cascading tax effects, simplified online procedures under GST, defined status for E-commerce, and regulation of the unorganized sector under GST are some of the benefits to be gained. Some retail items presently only have a 4% tax, and after GST, clothing and clothing may become more costly. These are negative effects. The GST does not apply to three key tax income generators: petroleum goods, alcoholic beverages, and electricity. The tax will be levied by the state government on certain industries. Tax income generated by GST would be a major factor in the inclusion of these sectors in the GST. A higher tax rate of 18 percent from the current 15 percent would have a significant impact on the services industry, such as communications and restaurants. In India, the introduction of the Goods and Services Tax (GST) has had mixed results.

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