

GST- An Implications to An Indian Economy

Dr. Natika Poddar,

Associate Professor-Finance
St. Francis Institute of Management and
Research, Borivili west, Mumbai, India

Reema Mishra,

MFM - St. Francis Institute of
Management and Research, India

ABSTRACT

GST is one of the most essential tax reforms in India. It is considered and even stated as Giant Indirect Tax. It was supposed to be implemented from April 2010. However, it was long pending due to some political issues and conflicting interests of various stakeholders and hence the date for implementation of GST was shifted to 1st July 2017. Goods and services tax (GST) will add various indirect taxes including central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi. GST implies that all the state in India will follow one tax rule which will not be based on state but on goods & services. This research paper will present an overview of GST which will provide descriptive and comparative data of rates VAT and GST. The main idea to understand whether implication of GST has made consumption cheaper or costly. Different products and services were compared in terms of VAT and GST, which results and concludes that GST implications has made some products and services consumption cheap and some costly when it's compared to VAT.

Keywords: Tax, GST, Indirect tax, VAT, Indian Economy.

INTRODUCTION:

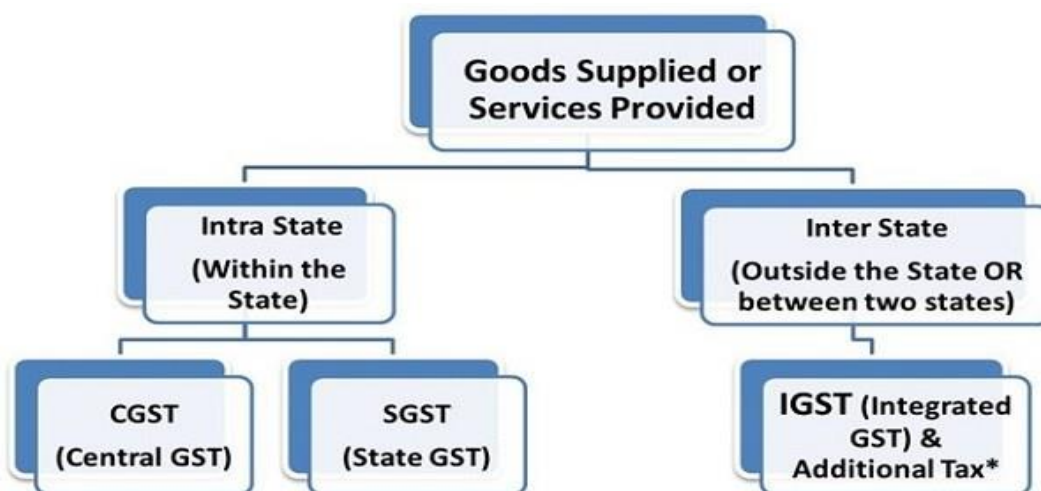
The Goods and services tax is a static indirect tax levied on all goods and services produced in the country and also on all goods and services imported from abroad. GST will be a single uniform indirect tax which will treat India as one market. It will replace all Central and state indirect taxes like CENVAT, excise, customs, VAT, state excise, etc. The GST will enable a benefit to the economy from a fall in product prices, a single price of a product across the country, lower working capital for companies and a more simplified tax system.

Goods and Services Tax (GST) is an indirect tax throughout India to replace taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and Twenty Second Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by GST Council and its Chairman is Union Finance Minister of India - **Arun Jaitley**.

The following taxes will be bound together by the GST:

- Central Excise Duty
- Commercial Tax
- Food Tax
- Octroi
- Entry Tax
- Luxury Tax
- Taxes applicable on lotteries
- Service Tax
- Value Added Tax (VAT)
- Central Sales Tax (CST)
- Entertainment Tax
- Purchase Tax
- Advertisement taxes

Types of GST. Figure. 1



REVIEW OF LITERATURE:

Akansha Khurana and Aastha Sharma (2016) in their research paper on GST- A positive reform for Indirect taxation system concluded that the GST will provide comfort to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes.

Monika Sehrawat (2015) in her paper on GST in India – A key tax reform concluded that GST will give India a world class tax system by giving different treatment to manufacturing and service sector.

Hitesh k.Prajapati (2016) in his paper on Challenges and Implementation of GST in India talked about the challenges in implementation of GST like IT sector is not boomed and the threshold limit of turnover for dealers under GST is another bone of disagreement between the government and the Empowered Committee etc.

Kumar (May 2014) studied “Goods and Service Tax in India-A way forward” and found that GST will be levied on all the goods and services except those exempted, dual model of GST will include Central GST (CGST) collected by Center and State GST (SGST) collected by State. GST will not be charged on exports, it will only be charged on imports and Input Tax Credit will be available on the GST paid on import of goods and services. Some advantages of GST are higher revenue efficiency, easy compliance, and reduction of prices, improved competitiveness and better control on leakage.

Upasana Dhanda (December 2015) in her research Paper on GST in India- A key Tax Reforms in India said that the basic structure of GST is such that it will increase compliance and so there should not be a shortfall in cess collection. The departments are fully prepared for the transition and any issues that come forward will be resolved within the best time possible.

Shefali Dani (Nov 2016) in her Research paper on Impact of GST on Indian Economy said that the Goods & Services Tax is a big and long term bet, altering the economic landscape. It is designed to support and enhance economic growth. It is considered as Giant indirect tax.

STATEMENT OF THE PROBLEM:

GST introduced on 1st July 2017 was a revolutionary and had an impact on economy to a greater extent. Some goods and services had become cheaper while others expensive. As GST is a new thing people should be aware about its consequences whether it is positive or negative, how GST has impacted overall economy, why it is important to have one tax for all states.

OBJECTIVES OF THE STUDY:

- To provide descriptive & comparative data of VAT & GST
- To analyse the impact of GST on an Indian Economy
- To know the advantages & disadvantages of GST

HYPOTHESIS OF THE STUDY:

H₀: There is no significant difference between VAT & GST ($\alpha=b$)

H1: There is a significant difference between VAT & GST ($a > b$)

SCOPE OF THE STUDY:

It includes the comparison of VAT rates & GST rates and includes examples from different sectors.

RESEARCH METHODOLOGY:

Secondary data based on price announced for the selected products and their price variations.

DATA ANALYSIS:

Below are the examples taken from different areas showing difference in VAT & GST rates.

GST rates Comparison:

Table 1: GST Rates Comparison Table on Constructions

Name of Item	VAT Rate (%)	GST Rate (%)	Change%
Cement	28	30	2
Wall paper	28	18.5	-9.5
Paints and varnishes	28	26	-2
Putty, wall fillings	28	26	-2
Plaster	28	26	-2
Ceramic tiles	28	26	-2
Tempered glass	28	26	-2
Sand lime bricks, fly ash bricks	5	6	1

Source: gst.caknowledge.in

Analysis:

Table.I shows the comparison between VAT and GST rates. From the table it is clearly seen that rates after GST introduced has been reduced to a greater extent. Only in case of cement & Sand lime bricks, fly ash bricks we can an increase in rates.

Interpretation:

All this material is used to construct & hence with this we can say that building up something cost will be reduced.

Table 2: GST Rates Comparison Table on Metals & Minerals

Name of Item	VAT Rate (%)	GST Rate (%)	Change%
Gold	12.2	18	5.8
Silver	12.2	18	5.8
Peat	19.5	5	-14.5
All ores and concentrates	18.5	5	-13.5
Kerosene PDS	17	5	-12
Petroleum coke, petroleum bitumen	27.5	18	-9.5
Tar	12	5	-7
Coal	12	5	-7
Lignite	12	5	-7
Copper bars, rods, wires	18.5	18	-0.5
Copper screws, nuts, bolts	18.5	18	-0.5
Tin bars, rods	18.5	18	-0.5

Source: gst.caknowledge.in

Analysis:

Table.II shows the comparison between VAT & GST rates. From the table it is clearly seen that mostly all the metals rates has come down except for gold & silver.

Interpretation:

Metals are used to make screws, pots, utensils, earrings etc. So when it comes to make something which can be

used in our daily life GST introduction has brought its rates down.

Table 3: GST Rates Comparison Table on Services

Name of Item	VAT Rate (%)	GST Rate (%)	Change %
Telecom	15	18	3
Works contracts	15	12	-3
Non AC/alcohol-serving restaurants	20.5	5	-15.5
AC, alcohol-serving restaurants	22	5	-17
Five-star restaurants	18	5	-13

Source: gst.caknowledge.in

Analysis:

Table.III shows the comparison between VAT and GST rates. From the table it is clearly seen that rates hotels has reduced which indicates that anyone can afford to eat at hotel.

Interpretation:

When it comes to services rates has been decreased much more than VAT rates. However, only in case of telecom it has increased.

Table 4: GST Rates Comparison Table on Lifestyle and Home

Name of Item	VAT Rate (%)	GST Rate (%)	Change %
Leather bags	6	28	22
Cell phones	6	18	12
Yachts	18.5	28	9.5
Air conditioners	26	28	2
Refrigerators	26	28	2
Storage water heaters	26	28	2
Wristwatches	26	28	2
Furniture	26	18	-8
Sports goods	18.5	12	-6.5
Bicycles	18.5	12	-6.5
Hats and other headgears	26	12	-14
Steel utensils	18.5	5	-13.5

Source: gst.caknowledge.in

Analysis:

Table.IV shows the comparison between VAT & GST rates. From the table it is clearly seen that rates on lifestyles & home has increased after introduction of GST. For goods like leather bags & Cell phones the rate is almost 3 times more than the VAT rate. Except for Sports goods, bicycles, hats & steel utensils for others rates has been increased.

Interpretation:

The major increased in case of lifestyles & home may be because good lifestyle can only be made by few peoples who are rich & only 1/4th of population comes under it. So on such goods GST rates has been increased.

Table 5: GST Rates Comparison Table on Consumer Goods

Name of Item	VAT Rate (%)	GST Rate (%)	Change %
Aluminium Foil	18.5	28	9.5
Agarbatti	0	12	12
Preserved Vegetables	0	18	18
Butter, ghee, cheese	6	12	6
Dry fruits	6	12	6
Branded paneer	0	5	5
Branded cereals	0	5	5
Cocoa butter, oils chocolates	26	28	2

Name of Item	VAT Rate (%)	GST Rate (%)	Change %
Toothpaste	26	28	2
Hair oil	26	18	-8
Milk beverages	26	12	-14
Beet sugar, cane sugar	26	5	-21
Soyabean, groundnut, sunflower, seeds	6	5	-1
Coffee, tea	6	5	-1
Frozen vegetables	6	5	-1
Condensed milk	18.5	12	-6.5
Hot water bottles	18.5	18	-0.5
Vegetable fats & oils	12	5	-7
Ice cream, instant food mixes, sherbet	26	18	-8
Refined sugar	26	12	-14

Source: gst.caknowledge.in

Analysis:

Table.V shows the comparison between VAT & GST rates. From the table it is clearly seen that rates on consumer goods has increased as well as decreased. Majorly it has increased for Branded goods and for others it has decreased.

Interpretation:

The reason for increase is because of branded products which is used only by rich people. Rest for all consumer goods the rates has been decreased. For basic necessity rates has been reduced.

Table 6: GST Rates Comparison Table on Textiles

Valued below 1000

Name of Items	VAT Rate (%)	GST Rate (%)	Change (%)
Cotton	0	5	5
Fibre	0	5	5
Yarn	0	5	5

Source: timesofindia.indiatimes.com

Table 7: GST Rates Comparison Table on Textiles

Valued above 1000

Name of Items	VAT Rate (%)	GST Rate (%)	Change (%)
Cotton	0	12	12
Fibre	0	12	12
Yarn	0	12	12
Synthetic	0	18	18

Source: timesofindia.indiatimes.com

Analysis:

From Table.VI & Table.VII it can be seen that GST has led to an increased in the price of clothes which is the most basic needs of consumer.

Interpretation:

From Table.VI & Table.VII it can be interpreted that earlier 0 per cent VAT was applicable on clothing however after the introduction of GST rate has been increased to 5 per cent on clothes valuing less than Rs. 1000 & 12 per cent & 18 per cent on valuing above Rs. 1000.

Table 8: GST Rates Comparison Table on Others

Name of Item	VAT Rate (%)	GST Rate (%)	Change%
Tyres	18.5	28	9.5
Steam	0	12	12
Plastic products	18.5	28	9.5
Calcerous stone	18.5	28	9.5
Artists', students' or signboard colours	18.5	28	9.5
Nuclear fuel	0	5	5
Heavy water and other nuclear fuels	0	5	5
Braille typewriters	13.5	18	4.5
Revolvers	26	28	2
Artificial Flowers	26	28	2
Fountain pen ink, ball pen ink	12	12	0
Wood pulp	12	12	0
Calendars	12	12	0
Animal or human blood vaccines	6	5	-1
Power driven water pumps	12.5	12	-0.5
Fertilizers	18.5	12	-6.5
Tractors	18.5	12	-6.5
Agricultural implements	12.5	0	-12.5
Firewood	12.5	0	-12.5

Source: gst.caknowledge.in

Analysis:

Table.VIII shows the comparison between VAT & post GST rates. From the table it is clearly seen that rates on mostly all the products has increased and majorly it has been increased.

Interpretation:

The products included in others has seen an increase in rates may be because such products should be used rarely and limited like plastic, steam, revolvers.

Sector wise GST Impact:

Table 9: Automobiles Sector

Cars	VAT Rate	GST Rate	Amount	VAT	GST	Difference in Amount
Small Cars <1200cc	27.50%	18%	400000	110000	19800	-90200
Mid-SizeCars from 1200cc to 1500cc	38.50%	18%	1000000	385000	69300	-315700
Luxury Cars>1500cc	42%	28%	4270000	1793400	502152	-1291248
SUV's >1500cc, >170mm ground clearance	44.50%	28%	3186000	1417770	396976	-1020794
				3706170	988228	-2717942

Source: gst.caknowledge.in

Analysis:

From Table.XI it is seen that GST has reduced the price for all type of cars and hence even a middle class can afford to buy.

Interpretation:

Rates on car has been reduced to such an extent that the demand for cars will surely increase in coming future.

Table 10: Real Estate Sector

Products	VAT Rate	GST Rate	Amount	VAT	GST	Difference in Amount
Under construction house	5.5%	12.00%	12,00,000.00	66000	144000	78000
Cement	25.00%	28.00%	30,000.00	7500	8400	900
			12,30,000.00	73,500.00	1,52,400.00	78,900.00

Source: gst.caknowledge.in

Analysis:

From table.X it is seen that the impact of GST on real sector has led to an increase in the price of under construction house and on the cement.

Interpretation:

An increase in rates of under construction house & cement will lead to an increase in the price of any constructed house.

Table 11: Agriculture sector

Products	VAT Rate	GST Rate	Amount	VAT	GST	Difference in Amount
Fertilizer	12%	5%	2000	240	100	-140
Handpump and its parts	12.50%	5%	20000	2500	1000	-1500
Tractor	12.50%	12%	300000	37500	36000	-1500
Insecticide	5.50%	18%	2000	110	360	250
			324000	40350	37460	-2890

Source: gst.caknowledge.in

Analysis:

From table.XI it is seen that on agricultural sector GST has been reduced mostly on all goods except in case of insecticides.

Interpretation:

As GST rates reduced on agricultural goods, products used for agriculture will be available at cheaper rates and they will be benefited.

Table 12: Telecom Sector

Products	VAT Rate	GST Rate	Amount	VAT	GST	Difference in Amount
Post paid	15%	18%	500	75	90	15
Prepaid	15%	18%	100	15	18	3
			600	90	108	18

Source: www.businesstoday.in

Analysis:

From table.XII it is seen that on telecom sector GST has been increased on post paid as well as prepaid. There is an increase of 3 per cent on both the plan.

Interpretation:

In post paid plan company can collect GST tax in the form of bill. However, in prepaid plan company can give a less talk time on previous plan.

Hypothesis Testing:

T test has been used

Data used for conducting T test:

Name of Item	VAT Rate (a)	GST Rate (b)	Difference (a-b)
Cement	0.28	0.3	-0.02
Wall paper	0.28	0.185	0.095
Plaster	0.28	0.26	0.02
Ceramic tiles	0.28	0.26	0.02
Tempered glass	0.28	0.26	0.02
Gold	0.122	0.18	-0.058
Peat	0.195	0.05	0.145
All ores and concentrates	0.185	0.05	0.135
Kerosene PDS	0.17	0.05	0.12
Petroleum coke, petroleum bitumen	0.275	0.18	0.095
Coal	0.12	0.05	0.07
Copper bars, rods, wires	0.185	0.18	0.005
Copper screws, nuts, bolts	0.185	0.18	0.005
Tin bars, rods	0.185	0.18	0.005
Telecom	0.15	0.18	-0.03
Works contracts	0.15	0.12	0.03
Non AC/alcohol-serving restaurants	0.205	0.05	0.155
AC, alcohol-serving restaurants	0.22	0.05	0.17
Leather bags	0.06	0.28	-0.22
Cell phones	0.06	0.18	-0.12
Sports goods	0.185	0.12	0.065
Bicycles	0.185	0.12	0.065
Hats and other headgears	0.26	0.12	0.14
Butter, ghee, cheese	0.06	0.12	-0.06
Dry fruits	0.06	0.12	-0.06
Hair oil	0.26	0.18	0.08
Milk beverages	0.26	0.12	0.14
Beet sugar, cane sugar	0.26	0.05	0.21
Soyabean, groundnut, sunflower, seeds	0.06	0.05	0.01
Coffee, tea	0.06	0.05	0.01
Frozen vegetables	0.06	0.05	0.01
Vegetable fats & oils	0.12	0.05	0.07
Ice cream, instant food mixes, sherbet	0.26	0.18	0.08

Table 13: t-test: Paired Two Sample for Means

	Variable 1	Variable 2
Mean	0.1805152	0.1380303
Variance	0.006465	0.0061437
Observations	33	33
Pearson Correlation	0.3642702	
Hypothesized Mean Difference	0	
df	32	
t Stat	2.7257111	
P(T<=t) one-tail	0.005159	
t Critical one-tail	1.6938887	
P(T<=t) two-tail	0.010318	
t Critical two-tail	2.0369333	

Refer Table 13

Level of Significance is 0.05, and degree of freedom is 32 (N-1)

T test = 2.7257111

The P value is 0.005159 which is less than the significance level of 0.05. Hence, the null hypothesis ($a=b$) will be rejected & the alternative hypothesis ($a>b$) will be accepted. Hence, there is a significant difference between VAT rate & GST rate and VAT rate was higher than GST rate.

VAT IMPACT:

- Cascading Impact
- Paper Work
- Check-posts
- Price change of essential commodities
- Hidden taxes

GST Impact on economy:

- Reduces tax burden on producers and fosters growth through more production. The current taxation structure is with countless tax clauses, which prevents manufacturers from producing to their optimum capacity and hinders their growth. GST will take care of this problem by providing tax credit to the manufacturers.
- Tax barriers like check posts and toll plazas, lead to wastage of unpreserved items during transportation. This penalty transforms into major costs due to higher needs of extra stock and warehousing costs. A single taxation system will eliminate this unnecessary roadblock.
- There will be more transparency in the system as the customers will know exactly how much taxes and on what basis it has been charged.
- GST will add to the government revenues as the tax base will be extended.
- GST will provide credit for the taxes paid by producers in the goods or services chain. This will encourage producers to buy raw material from different registered dealers and will bring in more vendors and suppliers under the range of taxation.
- GST will remove the custom duties on exports. This will lead to an increase in nation's competitiveness from foreign market due to lower cost of transactions.

Benefits of GST to the Indian Economy:

- Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD and Excise.
- Less tax compliance and a simplified tax policy compared to current tax structure will bring a better tax structure.
- Removal of cascading effect of taxes (removes tax on tax).
- The prices of consumer goods will come down as there will be a reduction in manufacturing costs due to lower burden of taxes on the manufacturing sector. Lower the burden on the common man i.e. public will have to spend less money to buy the same products that were costly earlier.
- It will lead to an increase in demand and consumption of goods.
- There will be an increase in demand which will lead to an increase in supply. This in return will lead to an increase in production of goods.
- There will be a control of black money circulation as the system normally followed by traders and shopkeepers will be put to a compulsory check.
- There will be a freedom of movement of goods & services.
- There will be a boost in Indian economy.

FINDINGS OF THE STUDY:

- From the study we analyse that GST has been decreased for most of the goods. However, if we see that GST is increased for the services and for luxury products.
- GST has removed cascading impact on goods and has reduced the prices for most of the products.

CONCLUSION:

From the hypothesis test we can conclude that there is a significant difference in rates after the introduction of GST and the prices of most of the goods has decreased while for food & clothing has increased.

FUTURE SCOPE OF RESEARCH:

Paper restricts the study on comparison between GST and VAT, further study on how much it has benefitted Indian economy can be done. Also, A survey can be done to find problems and issues faced by suppliers, consumers due to GST.

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