

# Goods and Services Tax (GST)

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## Abstract:

Goods and Services Tax is an indirect tax which is imposed in India to enhance and support the economic growth of the country. Most of the Developed countries have implemented Goods and Services Tax Bill (GST). However, in India, GST was established in 1999. A committee was set up to design the model of GST. But GST was re-launched on 1 July 2017 by the Indian government. There was a big hue and cry for its implementation. The GST replaced all the multiple taxes which were taken by state and central government. That is why it is said „One Nation One Tax“ which means there is no need to pay any other tax in all over the country. The study systematically reviews the impact of GST in India. The study provides the bibliometric visualization and sentiment analysis of GST. It was found that the government’s motive of GST was to bring all the people of the country under the tax and to prevent the flow of black money. But it was observed that lots of Indian citizens’ sentiments were in a dilemma. So, it is recommended to revisit the structure and keep a scope of continuous improvement.

**Keywords:** GST, Goods and Services Tax Bill, Sentiment Analysis, Bibliometric Visualization, India

## Introduction

GST is a tax structure which is successfully established in many countries all over the world and now it is a part of Indian Economy. It was introduced around ten years ago but got delayed due to politics between ruling party and opposition party. Finally, GST came into effect at midnight on 1 July 2017 by the honorable president of India through the implementation of constitutional amendment. It is considered as the biggest taxation reform in Indian Economy. India is currently the fifth largest economy in the world according to IMF. India is found to be one of the world’s fastest growing economies. GST is a value added tax that will replace all other indirect taxes. GST will boost the GDP gradually. It will also enhance the level of India in both domestic and international market. GST is one of the biggest economic reforms in India. GST is a single tax which is imposed on the supply of various goods and services. It is a comprehensive, multistage destination-based tax.

## Literature Review and Theory

GST has started in India by passing a long way. Most of the countries now in the world are under this system. Again, there was a need for a new one-country tax system to free India from many taxes and rate system. GST will greatly help overcome economic confusion caused by the complex tax structure

and help in the development of general national markets. It is expected that all sectors of economy such as industry, business, government departments and services sectors have to bear its positive impact.

Goods and Service Tax (GST) is an indirect tax (or consumption tax) levied in India on the supply of goods and services. GST is levied at every step in the production process, but is refunded to all parties in the chain of production other than the final consumer. The tax came into effect from July 1, 2017 through the implementation of One Hundred and First Amendment of the Constitution of India by the Indian government. The tax replaced existing multiple cascading taxes levied by the central and state governments. Present paper aims to study the research which has been conducted on current topic till now so that the researchers can make an insight on what have been done till now.

### **GST In Indian Economy**

GST stands for Goods and Services tax. Before the implementation of GST, there were many indirect taxes which the businesses had to pay. Then came GST which is one of the biggest and significant economic reform. Basically, the aim is to provide a simplified and a tax framework which is imposed on the economic activities and will help in increasing the efficiency of the businesses. It is a comprehensive nature tax which is levied on manufacturing, selling and consuming goods and services. GST has replaced almost all the indirect taxes except few on which states and central levy taxes. Almost, 160 countries across the globe has implemented GST in place of indirect taxes. GST is collected by the state, where the goods and services are consumed. This implies that it is a destination-based tax. India has implanted a dual GST model i.e., both the states and central will levy taxes on goods and services. GST was finally implemented with effect from 1st July 2017. The state GST which is collected by the state is called SGST. The central GST which is collected by the Centre is called CGST. The tax applicable on interstate and import transactions is called IGST, collected by Centre and the tax applicable on transactions within the union territories without legislature like Daman & Diu, Chandigarh, Lakshadweep islands is called UTGST, collected by the Union territory.

### **Need for GST In India**

The introduction of GST is one of the major steps of economic reform in the country. GST is basically summation of various state and central taxes into a one single tax. GST helps in reduction of double taxation, cascading effect, issue of classifying taxes, multiplicity of taxes etc. GST created a wider tax base, rationalization of tax structure and harmonization of state and Centre administration. Before GST there were different VAT rates across the country which differ from state to state but with the introduction of GST, there is a uniform tax system across the country and the taxes are divided between the state and the central government. GST will help in reduction of tax theft and corruption in our economy (Nayyar et al., 2018). Goods and Services tax affects every person and business. There is some up and down in business sectors in the beginning, because it will not show effect instantly. Authors have studied the importance of VAT in the Indian Economy and its effect on the public, business, industry in India using the data which is made by the government. Author also mentioned that according to experts GST is likely to enhance the system of tax collection and will boost the economic development of India.

### **GST Tax Slab**

The secondary survey provided many statistical information. It was found that the five various slabs for the collection of tax is GST -0%, 5%, 12%, 18%, 28%. But alcohol, electricity and petroleum goods are

not included in GST. It will be taxed by individually state government according to the previous tax structure. There is a 4-tier tax slabs according to which the tax rate is imposed on various products and services. After the implementation of GST, there is a change in the tax structure. The taxes are imposed on products, differ according to their need in day to day life.

The tax slabs are explained as follows:-

- **Zero tax:-** some items enjoy zero tax rate on various goods, which are Barley, wheat, oats, kaja (other than kaja pencil stick), sanitary napkins, music books, colouring books and drawing books for children, all types of salt and human hair, hotel and lodge bill under Rs. 1000, bank charges on saving account and Jan Dhan Yojana.
- **5% tax rate:-** Some goods which are taxed under 5% slab are cashew nuts, aggarbati, kites, postage stamps, bio gas, insulin, matting, walking sticks, Pawan chakki atta, braille typewriter, braille paper, braille watches and other hearing aids, takeaway food restaurants, hotel with room tariffs less than Rs. 7500 and special flights for pilgrims.
- **12% tax rate:-** Some goods which are taxed under 12% slab are plastic beads, ketchups, sauces and mustard sauces, all kinds of diagnostic kits and reagents, notebooks and copies, spoons & forks, fish knives, tongs, fixed speed diesel engines, cake knives, skimmers, playing cards, carrom board and other board games, two way radio used by military and police forces, corrective spectacles, Business class air tickets and movie tickets under Rs. 100.
- **18% tax rate:-** Some goods which are taxed under 18% slab are kaja pencil sticks, plastic tarpaulin, toilet cases, dental wax, school bags other than leather bags or leather composition, aluminium foil, rear tractor tyres or tyre tubes, printers other than multifunction printers, weighing machine other than electronic weighing machine, electrical transformer, static converters, CCTV, baby carriages, televisions and monitors (upto 32 inches), ball bearings and roller bearings, set up box for TV, electrical filaments, power banks of lithium-ion batteries and bamboo furniture, Movie tickets above Rs. 100, branded garments, telecom and financial services and restaurants inside hotels with bill of Rs. 7500 or above.
- **28% tax rate:-** Goods which are taxed under this slab are pan masala, dishwasher, weighing machine, paint, cement, hair clippers, motorcycles, sunscreen, betting on casinos and racing, hotel stay bill above Rs. 7500, and automobiles.

This section provides the theory of explanation on how the reduction in rate is helping in growth. Mainly three components of society are affected by the change in tax rates of goods and service, namely: Consumer, Producer and Country. To explain the effect of this shift in tax here are some examples explained below.

Let's see the effect on restaurant industry which has shifted its tax rate from 18% to 5%. Tax distribution of restaurant charges after GST shows that the tax charged from the consumers has decreased as compared to pre-GST tax scheme. Prior all the restaurants used to charge 18% but now the tax charged on all restaurants is 5%.

Now let's take an example of Tobacco industry which has moved to 28% of tax slab which was earlier charged with excise duty only. Many reports of WHO has said that India is one of the countries having highest no. of mouth cancer patients because of tobacco. Tobacco kills more than 1 million people each year as per WHO report. GST Council declared tax on tobacco and tobacco-related products. The GST council fixed a GST rate of 28% on all tobacco products with an additional compensation on cigarettes. India is not only a major producer of tobacco but also a leading exporter. Only 11% of the tobacco is

consumed in the form of legal cigarettes whereas market for cigars is still at a budding stage. A high percentage of revenue collection from tobacco of government is from legal cigarettes and such a small percentage of 11% doesn't affect the revenue much if the prices are changed at minimal level. The tobacco industry had neutral impact since the 5% Cess declared by the government of India is less than the rate expected by the tobacco industry. There is less consumption of Tobacco after implementation of GST but there is not much difference in the revenue generated from Tobacco as people who can afford it at 28% are still having it.

Therefore, both these examples entail that the shift of goods and services in different tax slab have been beneficial for economy.

### Methodology

Secondary data collection has been done for the research study. Adequate corpus of secondary data and research articles were collected. These were critically reviewed and extracted. This helped in generating qualitative and quantitative theory for the study. After this, the bibliometric visualization was done to analyze the year wise research studies done on the domain. Finally, the sentiment analysis based on Twitter data was done on GST.

### Analysis and Findings

The secondary data provided extensive literature for the research study. Now the bibliometric visualization was done with the help of the VosViewer tool. Firstly, the IEEEXplore website was opened to extract research articles done on the area of GST. Then the file was inputted on the software to create overlay network visualization to get the year wise panoramic view of research studies done on the area. Figure 1 depicts the overlay visualization. After the visualization, the sentiment analysis was done on recent tweets posted on Twitter regarding the goods and service tax bill. It was done with the help of the Tweet Sentiment Visualization App. The figure 2 provides the result of the sentiment analysis based on the keyword "goods and service tax GST". Here it can be observed that each tweet posted on Twitter is depicted by a circle. The tweets which are unpleasant are shown as blue circles whereas the pleasant tweets are marked as green circles. Sedate tweets are darker but active tweets are marked brighter. This provides the result of sentiments generated by various tweets posted on GST on twitter. By critically observing the figure it is found that people had mixed responses regarding GST.

The GST bill gave rise to many benefits which are mentioned in this section. Goods and Services can become cheaper for the people on the longer run. Prices of cinema tickets, T.V., Bikes, Cars, washing machines, restaurant services may come down. GST Registration and fill the forms is a simple and very easy online procedure. Replacing multiples taxes also reduces documentations and saves time. One of the most important benefits of GST is elimination of cascading effect of tax ,i.e., "Tax on Tax". Moreover, as manufacturing will get more competitive, GST will boost „Make in India“ initiative of the Indian Government. All imported goods will be charged and it will bring quality with taxation on local products. GST will be monitored by both state and central government officers so there are very little changes of escaping from paying the taxes. There are some disadvantages of GST. The transaction fees in financial sector have become more expensive which increased by 3% from 15% to 18% and GST regime also appears to be unfavorable for telecommunication sector. There is a negative impact on the real estate market. In Rajasthan many people are working in marble factories will be losing business as marble falls in the 28% slab. It's an online procedure so many businesses have to fill procedures for

online records and in online procedures many types of confusion and issues arising. GST search number (GSTIN) is a method to ensure that the GST is paid by your unique identity but many businesses are not registered GST but they will show their GSTIN in bill. The impacts of GST on the economy of the country are as follows:

- With the execution of GST, Service sector is expected to be impacted more in comparison to trading sector.
- Due to GST Ecommerce shopping, online booking, Tobacco, insurance premiums have got expensive, on the other hand Basics food items like edible oil, wheat, rice pulses, four wheelers, Electric goods have got cheaper.
- In India, when GST was not implemented, Every state was acting like different country because it had it's own law for tax but in Two-tiered One Country-One Regime there is only one tax which is applied all over the country now the transportation has become easier, and reduce the fear of foreign investors due to regularization of Indian market under one tax.
- Tax collection will go up because many people came under the tax loop, so the chances of bribes as well as people cannot escape from it.
- Due to GST corruption will decrease because it will be checked central government as well as state government.
- After implementation of GST, it will lower the price of products which is purchasing by the citizens and it will increase the demand and economically if demand increases production increases and it will lead to job opportunities and reduces the unemployment.
- Economy grew 7.4% in 2017-2018, after the first year of implementation of GST, which is slightly higher than 7.2% in 2016-2017, but lower than 7.8% of 2015-2016.

## Conclusion

The implementation of GST has given a positive notion in 150 countries across the world and it will give a positive impact on the Indian service sector. It will increase the GDP undoubtedly but it will take some years to show the effect because economic growth may not jump immediately, but it's beneficial for the economy of the country. So, we can conclude by stating that the execution of GST will give relief to the producers and consumers by giving them input tax credit setoff.

Good and services tax likely bring balance to government empowerment. The malicious activity of not paying the tax will go away under this regime so that both Government, as well as consumers, can take profit. This helps the Indian economy to become stronger and more stable.

With the reduction in tax rates on various goods and services, the cost of various goods and services has been reduced. Thus, making the products affordable, and this has led to an increase in demand, which in turn would increase in production and hence will make the economy grow faster. Also, by placing the demerit goods in the highest tax slab, 28% GST council has focused on discouraging the consumption of such sin goods so as to make India a better place to live.

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