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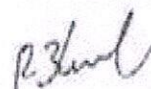
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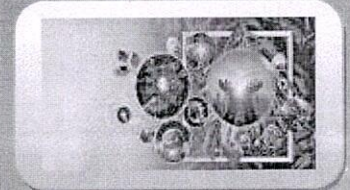
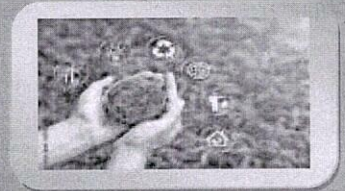
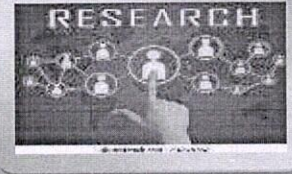
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Impact of indirect Taxation on Indian economy

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Abstract

One of the major steps to align the India's indirect taxation system with that of the best practices followed by the countries across the globe has been the introduction of the Goods and Services Tax (GST). GST is a single indirect tax proposed to replace all other indirect taxes, thereby reducing the burden of paying different indirect taxes. The introduction of GST facilitated the elimination of the cascading effect of indirect taxation and the concept of double taxation, thereby introducing a uniform regime governing indirect taxation in India. GST has been responsible for pushing the economy a step closer to a common market that involves the free movement of capital and services, making room for doing business in an easier way.

Keywords : Indirect Taxes, GST, Growth, Development

Introduction

Tax is a mandatory financial charge levied by central and state government on an individual or an organization to collect revenues for providing public facilities.

Taxes are broadly divided into two categories-Direct and Indirect taxes. Direct tax levied directly on a taxpayer who pays it to the Government. Direct Tax can not be shifted from one taxpayer to another. Some of the important direct taxes imposed in India: Income Tax, Corporate tax, Securities Transaction Tax (STT). Indirect Tax levied by the Government on goods and services and not on the income, profit or revenue of an individual. This tax can be shifted from one taxpayer to another. Some of the important Indirect taxes imposed in India: GST, Customs Duty, Central Excise Duty, Service Tax, Sales Tax, Value Added Tax (VAT).

1. Goods and Service Tax (GST) is one of the existing indirect tax levied in India. It has subsumed many indirect tax laws.
2. Customs Duty: In case products have been imported from outside India, customs duty is levied. The amount of tax that will be levied will depend on the product that has been imported.
3. Excise Duty: The tax is levied on goods or produced goods in India. The manufacturing company directly collects the tax.
4. Service Tax: Service tax is charged on the company's services. It is included in the product's price and collection of the tax will depend on the type of service. Several paid services such as advertising, financial services, banking, consultancy, maintenance, healthcare, and telephone are covered under the tax.
5. Sales Tax: The tax that is charged to sell the product is sales tax. The seller of the product is charged the tax. The different levels that are applicable under sales tax are Intra-State Level, Import/Export Sales, and Inter-State Sale.

Objective of study

1. To know the Meaning of Tax
2. To Examine Tax structure of india.
3. To study Indirect Taxes in India .
4. To understand the Impact of Gst on Indian Economy.

Research Methodology

The study focuses on extensive study of Secondary data collected from various sources i.e books, National and International Journals, government reports, publications from various websites which focused on various Aspects of Goods and Service Tax.

Goods and Services Tax (GST)

The history of GST traces back more than 20 years ago to the year 2000 when the first discussion with regard to India adopting GST was made at a time when the Atal Bihari Vajpayee government was in reign. An empowered committee of state finance ministers was chosen for this purpose since they had prior experience working with State VAT. The Fiscal Responsibility and Budget Management Committee was formed in 2004, and the Committee recommended the introduction of GST.

Timeline and evolution of GST

2000: An Empowered Committee consisting of State Finance Ministers is set up.

2006: The then Finance Minister, P Chidambaram, announced the implementation of GST on April 1, 2010.

2009: The Empowered Committee of State Finance Ministers submitted the first discussion paper on GST in India.

2010: President Pranab Mukherjee announced the delay in introducing GST, proposing to introduce it in April 2011.

2011: The Constitution (115th Amendment) Bill focused on the introduction of GST in India was introduced in the Lok Sabha. The Lok Sabha then refers the Bill to the Standing Committee on Finance for a detailed examination.

2013: The Standing Committee on Finance submits the report on the Constitution (115th Amendment) Bill.

2014: The Lok Sabha dissolution leads to the lapse of the Bill.

The Constitution (122nd Amendment) Bill introduced in the Lok Sabha focused on introducing GST.

2015: The Bill was passed by the Lok Sabha and referred to a Select Committee in the Rajya Sabha. The Select Committee submits the report. Chief Economic Advisor-led Committee submits a report on the possible GST rates.

2016: The Bill is passed by both the Lok Sabha and the Rajya Sabha and is then notified as the Constitution (101st Amendment) Bill. The first state to ratify the Bill in Assam. President Pranab Mukherjee gives his assent to the Bill. The Union Cabinet approves the setting up of the GST Council, following which the first GST Council meeting is held in New Delhi.

2017: The CGST Bill, IGST Bill, UTGST Bill, and GST (Compensation to States) Bill is introduced in the Lok Sabha. The Bills are passed by the Lok Sabha and the Rajya Sabha, after which the GST Acts are notified. The GST Council notifies GST rates and cess on goods and services. 1st July, the official rollout of GST.

2018: Introduction of TDS provisions along with the filing of GSTR-7. Introduction of E-way bill system for inter-state movement of goods.

2019: The reverse charge mechanism is made applicable.

Restrictions on availment of ITC for Section 36(4)

2020: Introduction of e-invoicing voluntarily. Quarterly return monthly payment scheme June – Relief to taxpayers in view of COVID-19.

2021: Introduction of GSTR-8 and GST on service supplied by restaurants through e-commerce operators. GST on services supplied by State Govt. to their undertakings or PSUs by way of guaranteeing loans taken by them. During the 2006-07 Budget Speech, the then Union Finance Minister announced that GST would be introduced by April 1, 2010. However, for various reasons, the introduction of GST had to be pushed further. The Constitution (115th Amendment) Bill, 2011, was introduced in the parliament. This Bill was introduced to incorporate certain provisions of GST and was examined in detail by a Standing Committee. With the dissolution of the Lok Sabha in 2014, the Bill lapsed, thus warranting the need for a new Constitutional Amendment Bill.

It is a tax levied when a consumer buys a good or service. It is meant to be a single, comprehensive tax that will subsume all the other smaller indirect taxes on consumption like service tax, etc. GST is levied on every stage of manufacturing and sales of goods

and services across India. This tax is levied when the goods or services are consumed. Changes after GST introduction. GST is focused on the “supply” of goods and services as opposed to the older taxes that were also applicable to the manufacturing process. Since it is focused on supply, it is regarded as a destination-based tax. It has replaced a host of taxes, including Service tax, Central Excise Duty, Additional duties related to Excise, Special Additional Customs Duty, Additional duties related to Customs, Other cesses and surcharges. GST has absorbed the following taxes-

1. Central Sales Tax
2. Value Added Tax (VAT)
3. Luxury Tax
4. Purchase Tax
5. Entertainment Tax (except taxes levied by local entities)
6. Taxes on lottery, gambling, advertisements
7. Entry Tax

Since it follows the “one nation, one tax” ideology, the cascading effect of taxes is now mitigated. Fresh GST registrations are necessary for every state where the business has branches or intends to make outward supplies.

There are three subcategories to GST- CGST (Central Goods and Services Tax) is collected by the Central Government on interstate sale of goods and services. SGST (State Goods and Services Tax) is collected by the State Government on intrastate sales. IGST (Integrated Goods and Services Tax) is collected when a supply of products and services is supplied from one state to another. The taxes collected are shared both by the Central and State Government.

Impacts Of GST

1. Simpler Tax structure
2. With GST, the taxation system of our country has become simpler. It is a single tax, ensuring easier calculation. With this tax, the buyer gets a clear idea of the amount paid as tax when purchasing certain products. This is crucial when considering GST and its impact on the GDP.
3. More funds for Production Another effect of GST on the Indian economy has been the reduction in the total taxable amount. This saved fund can again be invested back into the production cycle to foster production.
4. Support for Small and Medium Enterprises
5. Based on the size of your organization, the amount of GST depends on your firm's annual turnover, provided you have been registered under the Composition Scheme introduced by GST. Enterprises with a yearly turnover of 50 lakhs have to pay 6% GST whereas enterprises with 1.5 crores worth of turnover have to pay 1% GST.

6. 4. Increased volume of Export
7. When considering GST and its impact on the Indian economy, customs duty on exporting goods has reduced. So now production units save money while producing goods and also while shipping them. This two-way savings has lured many production units to export their goods, increasing the export quantity.
8. Enhanced operations throughout India
9. With a unified taxation system, transporting goods around India has now become easy, boosting operations throughout the country.
10. No more Cascading Effect
11. With GST, taxes of the State and Central Government have been merged. This has removed the cascading effect of taxes, reducing the burden on the buyer and the seller. So even if it may look like one big chunk of tax to be paid, you pay lesser hidden taxes.
12. 7. Bring about certainty: Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will lend greater certainty to taxation system;
13. 8. Reduce Corruption: Greater use of IT will reduce human interface between the taxpayer and the tax administration, which will go a long way in reducing corruption;
14. 9. Boost Secondary Sector: It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth;
15. 10. Enhancing Investments: GST being destination based consumption tax will favour consuming States. Improve the overall investment climate in the country which will naturally benefit the development in the States.
16. Ultimately it will help in poverty eradication by generating more employment and more financial resources.

Conclusion

GST has both Positive as well as Negative impacts on the economy. It provides Economic Growth by being transparent and creates loss over a few sectors by the increased prices of the commodity but the ease of doing business has been helped by a unified taxation system in the country. Thus, how GST is viewed in terms of the Indian economy depends on person to person. After the introduction of GST tax payment got simplified and people were encouraged to take up business by paying a unified tax. GST provide India with a simple tax structure. The buyer upon paying for the product purchased, gets a clear idea as to what amount of tax he has paid. Even though the tax amount that was paid before and after GST did not have much difference it felt simpler for

people to pay a single tax in place of more than ten types of taxes.

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