

## Impact of GST on Revenue Collection and Indian Economy

\*CA. Naresh Nayak

### Abstract

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value- added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth. The Proposed study is designed to know the impact of GST on revenue collection and economy of india with the Help of Its individual effect on different sectors. The Study is Exploratory in nature and Secondary Data has been used for the study. The data will be collected from different Journals, Periodicals. News papers and Internets.

**Key Words:** GST, Economy, cascading effect of taxes, GST Council, Cess, taxation reforms

### Literature Review:

Nitin Kumar wrote in his research paper "Goods and Services tax in India: A way forward that The Goods and Service Tax (GST) is one of the biggest taxation reforms in India The central idea behind this form of taxation is to replace existing levies like VAT, , service tax ,excise duty and sales tax by levying a comprehensive tax on the manufacture and consumption of goods and services in the country. GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different points.

Dr. Ambrishstates in his study" Goods and Service Tax and Its Impact on stratus "that GST is expected to unite the country economically as it will remove various forms of taxes that are currently levied at different points. Based on a 2015 NASSCOM report this paper also analyzed how the GST has impact on startup of the country and how the has The impact on GDP.

Dr. R. Vasantha gopal, Studied "GST in India: A Big Leap in the Indirect Taxation System", and found that the positive impacts are dependent if design of the GST is rational and if balance the conflicting interest of various stakeholders. Further he said GST would be a big leaf ion the indirect tax system and also give a new impetus to India"s economic change. Further he mentioned that the implementation of the GST would be pegged as one of the biggest game changing reforms of the Indian government, which will help India to become an economically integrated economy and help to reduce business costs and facilitate seamless movements of goods and services eliminating local charges.

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**Objectives:**

- To find out the Impact of GST on revenue collection in future.
- To find out short term and long term effect of GST on Economy.
- To find out increase in revenue collection today.

**Methodology:**

The proposed study is a Desk research and is an attempt of descriptive research, based on the secondary data sourced from journals, Internet, articles, previous research paper, parliament library and reference research ,Documentation and information service(LARRDIS)

**Impact of GST on Indian Economy:**

Goods and Services Tax (GST) was launched on 1st of July 2017. It is an [indirect tax](#) applicable throughout India. Now single tax would be levied on all goods and services. Around 160 countries have implemented GST. GST will ensure a comprehensive tax base with minimum exemptions, which will help the industry. GST will help the economy to grow in more efficient manner by ameliorating the tax accumulation as it will disrupt all the tax barriers between states and integrate country via single tax rate. It will benefit the Indian economy in many ways- help in reducing the price for consumers, rate of tax will be uniform, reduce multiple taxes .To remove cascading effect of taxes and also to provide for a common national market for goods and services ,the Government of India proposed for amendments to introduce the goods and services tax for conferring concurrent taxing powers on the union as well as states including union territory with legislature to make laws for levying goods and services tax on every transactions. multiple cascading taxes levied both by central and state governments.

**GST Collection Pattern in India:**

Goods and Services Tax (GST) is an indirect tax (or consumption tax) used in India on the supply of goods and services. It is a comprehensive, multistage, destination-based tax: comprehensive because it has subsumed almost all the indirect taxes except a few state taxes. Multi-staged as it is, the GST is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer and as a destination-based tax, it is collected from point of consumption and not point of origin like previous taxes.

Goods and services are divided into five different tax slabs for collection of tax: 0%, 5%, 12%, 18% and 28%. However, petroleum products, alcoholic drinks, and electricity are not taxed under GST and instead are taxed separately by the individual state governments, as per the previous tax system.[citation needed] There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold.[1] In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.[2] Pre-GST, the statutory tax rate for most goods was about 26.5%, Post-GST, most goods are expected to be in the 18% tax range.

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The tax came into effect from 1 July 2017 through the implementation of the One Hundred and First Amendment of the Constitution of India by the Indian government. The GST replaced existing multiple taxes levied by the central and state governments.

The tax rates, rules and regulations are governed by the GST Council which consists of the finance ministers of the central government and all the states. The GST is meant to replace a slew of indirect taxes with a federated tax and is therefore expected to reshape the country's \$2.4 trillion economy, but its implementation has received criticism.[3] Positive outcomes of the GST includes the travel time in interstate movement, which dropped by 20%, because of disbanding of interstate check posts.[4]

#### **An analysis on GST and its impact on revenue collection:**

Table 2 shows the pattern of GST collection in India from July 2017 to June 2021. During the last four years the average tax collection of the government was around Rs. 1.10 lakh Crore per month. During this period maximum tax collection was recorded in the month of April, 2021 of Rs. 131526 Crore and lowest in the month of November 2017 of Rs. 83,780 Crore. The average growth in GST collection during the last forty eight months was around 2%. Year on year average growth of 6.6% was recorded in the FY 2020-21 compared with the FY2019-20 a year ago

#### **INDIRECT TAX COLLECTION FY 2016-17 (BEFORE GST)**

FY 2016-17	Central Excise	3.83 lakh crore
FY 2016-17	Service Tax	2.54 lakh crore
FY 2016-17	CUSTOM DUTY	2.26 lakh crore
TOTAL INDIRECT TAX COLLECTION		8.63 lakh crore

#### **GST COLLECTION FY 2020-21**

MONTH	SGST	CGST	IGST	CESS	TOTAL GST
JAN.	29,014 crore	21,923 crore	60,288 crore	8,622 crore	1,19,847 crore
FEB.	27,273 crore	21,092 crore	55,253 crore	9,525 crore	1,13,143 crore
MARCH	29,329 crore	22,973 crore	62,842 crore	8,757 crore	1,23,902 crore
APRIL	35,621 crore	27,837 crore	68,481 crore	9,445 crore	1,41,384 crore
MAY	22,653 crore	17,592 crore	53,199 crore	9,265 crore	1,02,709 crore
JUNE	20,397 crore	16,424 crore	49,079 crore	6,949 crore	92,849 crore
JULY	28,541 crore	22,197 crore	57,864 crore.	7,790 crore	1,16,393 crore

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AUGUST	26,605 crore	20,522 crore	56,247 crore	26,605 crore	1,12,020 crore
SEPT.	26,767 crore	20,578 crore	60,911 crore	8,754 crore	1,17,010 crore
OCT.	26,767 crore	20,578 crore	67,361 crore	8,484 crore	1,30,127 crore
NOV.	31,127 crore	23,978 crore	66,815 crore	9,606 crore	1,31,526 crore
DEC.	28,658 crore	22,578 crore	69,155 crore	9,389 crore	1,29,780 crore
<b>TOTAL</b>					<b>1430690 crore</b>

#### **An overview of GST and Its impact on different sectors:**

If talk about impact of GST on manufacturers, distributor and retailers It is believe GST is expected to boost competitiveness and performance in India"s manufacturer due to tax structure. High infrastructure spending and declining export are just some of the concerns of this sector. Single tax system will decrease the administrative costs for manufacturers and distributors and this sector will grow more strongly.

If thrown glance on impact of GST on Service Providers it is observe that most of the tax burden is borne by domains such as telecommunication **services**, Insurance industry, business support services, Banking and Financial services , IT services etc. Introduction of GST will decrease burden The Logistic industry forms the backbone of the economy. We can fairly assume that a well organized and mature logistics industry has the potential to shoot ahead the "Make In India" initiative

of the Government of India and has positive impact on economy. Simultaneously GST will help the Telecom sector"s growth but the long-term effects will be particularly interesting because the model GST law specifically proposes a tax collection at source (TCS) mechanism, If talk about Pharma industry GST is expected to benefit the pharma and healthcare industries. It boost medical tourism with simplified tax structure. *Telecommunications* sector prices are expected to come down after GST. Manufacturers will save on costs through efficient management of inventory. Handset manufacturers will find it easier to sell their equipment as GST will negate the need of the state and will also save upon logistics costs.

#### **An analysis on GST and its impact on Indian Economy:**

The implementation of goods and service Tax (GST) coupled with a digitized economy ushered in by demonstration, will make India economy" look much cleaner and bigger "said union finance minister Arun Jaitley at the vibrant Gujarat global Summit. Further he said, it is going to be a major step towards the integration of informal economy and this it is going to increase the transactions, which are covered within the Banking system transactions and may lead to higher revenue in the future. He said "A new India Has Emerged". It is inevitable that with the increase in level of demand, the level of supply would respond likewise. The GST council is being asked by the ministry of Commerce to keep

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exporters of the plantation, leather and cement out of its framework and suggested to impose lower tax on them to boost output and increase employment generation. With this the producers increase productivity and perform better in global market's council retained its proposed definition of Agriculturist to allow a land to have been personally cultivated only if its farmed by individuals and family members of HUF and its exempted under GST. Manufacturers and traders would benefit from fewer tax filings, transparent rules and overall a sound book keeping system. Consumers would be paying less for the goods and services and lead to change their expenditure pattern and livelihood, The government would generate more revenues as revenue leaks would be plugged by GST implementation. How has GST really impacted India in current economy situation and in future.

To understand how GST has impacted the overall Indian economy, we need to understand what is GST applied to and its types. We will also discuss the various effects of GST. 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. 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.

With this brief idea, let's go through the impacts of GST on the Indian economy -

### **1. Simpler tax structure**

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.

### **2. 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.

### **3. Support for small and medium enterprises**

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 50lakhs have to pay 6% GST whereas enterprises with 1.5crore worth of turnover have to pay 1% GST.

### **4. Increased volume of export**

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.

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This two-way savings has lured many production units to export their goods, increasing the export quantity.

#### **5. Enhanced operations throughout India**

With a unified taxation system, transporting goods around India has now become easy, boosting operations throughout the country.

#### **6. No more cascading effect**

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.

#### **Conclusion:**

A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of taxation. It will also beneficial to individuals as the prices will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP. As GST implementation applied at a time for all states lack of policy barrier will removed. Directly GST will increase the investment in FDIs which increase the foreign exchequer of the country and indirectly increase the employment opportunities. It will promote new startups in India for its business-friendly tax structure.

**\*\*Research Scholar  
Raj Rishi Bhartrihari Matsya University  
Alwar, Rajasthan**

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