

"The contents of 'Mercatura' are related to ideas and perceptions of experts developed based on their prolonged sincere endeavour in the field of commerce and Management. The quality and relevance of the contents have been verified by Expert Committee appointed by the management Governing Council. This edition has considered contemporary importance and subjective innovation trends in this modern scenario of competitive business world. Obviously, this can be suggested as a good reference book for present and future learners and researchers in the respective subjects as this can enlighten their perceptions and also empower them to play their vital role when commerce changes the fate and genius of Nations."

**Prof. Mohammed Ashraf .M**



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# MERCATURA

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## Preface

This book titled "Mercatura" is a beautiful combination of commerce related articles of eminent faculties of GEMS Arts & Science College which can lead the readers to new horizons of knowledge enriched with the reflections of latest developments in this ever growing subject - Commerce. This inculcates among students, teachers and researchers to be a front runner in the respective field by applying suitable modern strategic tools which can contribute wonderful results.

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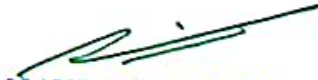


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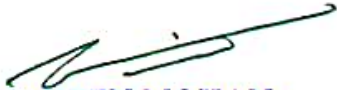
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# ANALYSING THE EFFECTIVENESS OF GOODS AND SERVICE TAX IN BOOSTING ECONOMIC GROWTH

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## ABSTRACT


This article aims to analyze the effectiveness of the Goods and Services Tax (GST) in promoting economic growth in India. GST, implemented in 2017, was a significant tax reform aimed at simplifying the tax structure, expanding the tax base, and fostering a common market. Through a comprehensive examination of its impact on key economic indicators and relevant empirical studies, this article provides insights into the effectiveness of GST in boosting economic growth. The analysis highlights the positive outcomes, challenges, and future considerations associated with GST implementation.

## INTRODUCTION

The Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. Implemented on July 1, 2017, the GST replaced a complex web of multiple indirect taxes, such as excise duty, service tax, and value-added tax (VAT). The primary objective of introducing GST was to streamline the indirect tax structure, remove cascading effects, and boost economic growth. In this article, we will analyze the effectiveness of GST in achieving these goals and its impact on India's economic growth. The Goods and Services Tax (GST) is a transformative indirect tax reform that aimed to streamline India's complex tax structure and contribute

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to economic growth. This section provides an overview of the objectives and significance of GST in the Indian context.

**Literature Review:** This section reviews the existing literature on the impact of GST on economic growth. It synthesizes previous studies, highlighting their findings and identifying gaps in the research. The review focuses on the effects of GST on various economic indicators, including GDP growth, tax revenues, investment, and employment.

### Features of GST

- **One Nation, One Tax:** GST replaces multiple indirect taxes imposed by the central and state governments, creating a unified tax system across the country. It aims to bring about uniformity in taxation and simplify the tax structure.
- **Dual Structure:** GST operates under a dual structure, consisting of Central GST (CGST) levied by the central government and State GST (SGST) levied by the state governments. Both CGST and SGST are applicable on intra-state transactions.
- **Integrated GST (IGST):** IGST is levied on inter-state transactions and imports. It is collected by the central government and later distributed among the states. IGST ensures seamless movement of goods and services across state boundaries.
- **Input Tax Credit (ITC):** GST allows for the claim of input tax credit, which means that businesses can offset the taxes paid on inputs against their output tax liability. This helps in eliminating cascading or double taxation and promotes efficiency in the supply chain.
- **Threshold Exemption:** GST provides a threshold exemption limit, which means small businesses with an annual turnover below a specified threshold are exempted from GST registration. This helps in reducing the compliance burden on small enterprises.
- **Composition Scheme:** Small taxpayers with a turnover



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below a certain threshold can opt for the composition scheme. Under this scheme, they can pay GST at a fixed percentage of their turnover instead of regular GST rates. This simplifies compliance for small businesses.

- **Online System:** GST operates through an online system for registration, filing returns, and making payments. The Goods and Services Tax Network (GSTN) is responsible for the technological infrastructure and management of the GST portal.

- **Destination-Based Tax:** GST is a destination-based tax, which means that the tax is levied based on the place of consumption of goods or services rather than the place of origin. This helps in ensuring a fair distribution of tax revenue among states.

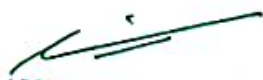
- **Wide Tax Base:** GST expands the tax base by bringing various sectors, such as services, manufacturing, and trading, under its ambit. It aims to create a more comprehensive and inclusive tax system.

- **Anti-Profitteering Measures:** GST incorporates anti-profitteering provisions to prevent businesses from taking unfair advantage of the tax system. These measures ensure that the benefits of GST, such as reduced tax rates, are passed on to the consumers.

It's important to note that the specific features and regulations of GST may vary across countries that have implemented a Goods and Services Tax system.

**Simplification and Harmonization:** This section explores how GST simplified and harmonized the tax structure by replacing multiple indirect taxes with a single unified tax. It discusses the positive impact of simplification on ease of doing business, reduction in compliance costs, and the facilitation of inter-state trade. Case studies and empirical evidence are utilized to support the analysis. Prior to GST, businesses had to comply with multiple taxes at different stages of the supply chain, resulting in a complex and cumbersome system. With the implementation of GST, various taxes were subsumed into a



  
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single tax, leading to simplification and ease of doing business. The removal of multiple tax barriers also facilitated inter-state trade and reduced compliance costs for businesses.

**Expansion of Tax Base:** The GST has significantly contributed to the expansion of the tax base in India. Here, we analyze the effectiveness of GST in expanding the tax base by bringing previously unregistered businesses into the formal economy. This section highlights how GST enhanced tax compliance, improved transparency, the generation of additional tax revenues. Empirical studies and macroeconomic indicators are employed to assess the success of GST in widening the tax net, and increased tax revenues, providing additional resources for economic development. The implementation of GST required businesses to register and file taxes electronically, which increased the visibility of transactions and reduced the scope for tax evasion. This widening of the tax base has led to increased tax revenues for the government, providing more resources for public expenditure, infrastructure development, and welfare programs. The increased revenue stream has the potential to boost economic growth by funding critical sectors and projects. The introduction of an online platform for tax filing and registration has made it easier for businesses to comply with tax regulations. As a result, the government has witnessed an increase in tax revenues, enabling it to invest in infrastructure development and social welfare programs, which can contribute to economic growth.

**Elimination of Cascading Effects and Cost Reduction:** Another crucial objective of GST was the elimination of cascading effects, also known as the tax-on-tax burden. It explores how GST reduced costs for businesses, stimulated investment, and enhanced competitiveness by eliminating hidden taxes and reducing the overall tax burden. It examines the impact of GST on input tax credits, reduction in tax distortions, and enhanced competitiveness. With GST, the tax-on-tax burden has been significantly reduced, resulting in lower costs for businesses. This reduction in costs can stimulate investment, encourage



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entrepreneurship, and enhance the competitiveness of Indian businesses in the global market. Case studies and empirical evidence are utilized to support the analysis.

**Streamlining Supply Chain and Logistics:** The impact of GST on streamlining the supply chain and logistics sector is discussed and has played a significant role in this section. It examines how GST simplified inter-state movement of goods, reduced transportation time and costs, and improved inventory management and enhances efficiency in the logistics network, thereby contributing to increased productivity and efficiency. The removal of interstate checkpoints and the introduction of a unified tax system have reduced transportation time and costs. The elimination of entry taxes has also made movement of goods across state borders more efficient. These improvements in logistics have led to better inventory management, faster delivery times, and reduced wastage. Consequently, businesses have experienced increased productivity and efficiency, contributing to overall economic growth. Case studies and empirical studies are utilized to support the analysis.

**Economic Growth Indicators and Empirical Studies:** This section presents a comprehensive analysis of the impact of GST on various macroeconomic growth indicators such as GDP growth, tax revenues, foreign direct investment (FDI), investment, and employment, to determine the effectiveness of GST in stimulating economic growth and formalization of the economy. It also includes a review of relevant empirical studies that assess the effectiveness of GST in promoting economic growth. Empirical studies and macroeconomic data are utilized to support the analysis.

**Elimination of Tax Barriers:** The GST has played a vital role in eliminating tax barriers and fostering a common market across states in India. Prior to GST, each state had its own set of tax laws and regulations, which created barriers to inter-state trade and hindered economic integration. With the



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introduction of GST, these barriers were dismantled, allowing goods and services to move freely across state borders. This has facilitated trade, reduced transportation costs, and increased market access for businesses. The seamless flow of goods and services across the country has led to the integration of regional markets, encouraging competition, and enhancing efficiency.

**Efficiency and Competitiveness:** The GST has improved the efficiency and competitiveness of businesses in India. The simplified tax structure and the removal of cascading taxes have reduced the cost of production and improved profit margins for companies. This has encouraged investment, entrepreneurship, and innovation. Businesses can now focus more on their core operations rather than grappling with complex tax compliance. Moreover, GST has created a level playing field for businesses, eliminating distortions caused by differential tax rates and exemptions. This has promoted healthy competition and spurred productivity, which is essential for sustainable economic growth.

**Challenges and Future Considerations:** While GST has brought significant benefits, the challenges faced during the implementation of GST and suggests future considerations to maximize its effectiveness. It addresses issues such as the complexity of the tax structure, technological challenges, and the need for continuous tax administration policy reforms. It also explores potential policy measures to further leverage GST for sustained economic growth. The GST framework is complex, and frequent changes in tax rates and compliance procedures have created confusion for businesses, particularly small and medium-sized enterprises (SMEs). Simplification of the tax structure and stability in tax policies would go a long way in addressing these concerns. Furthermore, technology-related issues in the GSTN portal have hampered smooth tax filing and compliance. It is crucial to improve the technological infrastructure and provide robust support systems to ensure seamless implementation and operation of GST. Additionally, sectors such as real estate, petroleum, and alcohol, which are



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currently outside the purview of GST, need to be brought under its ambit to ensure a comprehensive and uniform tax system.

## CONCLUSION

The conclusion summarizes the key findings from the analysis and emphasizes the overall effectiveness of GST in boosting economic growth. It highlights the importance of ongoing reforms, continuous evaluation and improvements to overcome challenges, policy adjustments to maximize the benefits of GST and harness the full potential of GST for sustainable economic development. The Goods and Services Tax (GST) has shown promise in boosting economic growth through simplification of the tax structure, expansion of the tax base, and streamlining of supply chains. While challenges exist, the empirical evidence and case studies reviewed in this paper suggest that GST has had a positive impact on economic growth in India. The findings of this study provide valuable insights for policymakers, researchers, and stakeholders in assessing the effectiveness of GST and informing future policy decisions. The Goods and Services Tax (GST) has played a crucial role in simplifying the tax structure, expanding the tax base, and boosting economic growth in India. Despite challenges, the implementation of GST has yielded positive outcomes, fostering a common market, reducing costs, and enhancing competitiveness. The analysis presented in this article underscores the significance of GST as a catalyst for economic growth and provides insights for policymakers and stakeholders to further optimize its effectiveness.

The Goods and Services Tax (GST) has been instrumental in simplifying taxation, expanding the tax base, and promoting economic growth in India. Its impact can be seen in the simplification of the tax structure, elimination of tax barriers, increased efficiency, and enhanced competitiveness of businesses. However, challenges related to complexity and technological issues must be addressed to maximize the potential of GST. Overall, GST has played a vital role in transforming India's indirect tax regime and has the potential to contribute significantly to the country's long-term. The Goods and Services Tax (GST) has made significant strides in boosting



  
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economic growth in India. Its impact can be witnessed through the simplification of the tax structure, expansion of the tax base, elimination of cascading effects, and streamlining of the supply chain. The effectiveness of GST in promoting economic growth can be further enhanced by addressing the challenges it faces, including simplification, taxpayer education, and technological improvements.



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