

## **Goods and Services Tax: GST Bill Impact In India**

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### **ABSTRACT**

*Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level under which no distinction is made between goods and services for levying of tax. It will mostly substitute all indirect taxes levies on goods and services by the Central and State governments in India. It is basically a tax on final consumption. Several countries implemented this tax system followed by France, the first country introduced GST. As of now, more than 150 countries of the world have implemented GST to minimize the complexity of multiple taxes. The deadline for the introduction of GST kept getting postponed due to the slow resolution of the challenging issues. Finally, it was tabled in the Parliament as the 122nd Constitutional Amendment Bill (CAB) in December 2014. Then finally it was introduced in India on 1<sup>st</sup> July 2017. The introduction of goods and services tax would be a significant step in the reform of indirect taxation in India. GST is replacing most of the existing indirect taxes. Earlier there were lot of indirect taxes such as VAT, service tax, sales tax, entertainment tax, octroi and luxury tax. The goods and services Tax will indeed be a further significant improvement towards a comprehensive indirect tax reforms in the country. GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. The basic purpose of introducing GST is to eliminate the cascading effect of all indirect taxes in valuation of goods and services. GST is expected to create a business friendly environment, as price levels and hence inflation rates would come down overtime as a uniform tax rate is applied. The primary goal of this study is to examine how the implementation of Goods & Service Tax in India is in the interest of various stakeholders for accelerating Indian Economy. In this article, I have started with the introduction, in general of GST and have tried to highlight the objectives the proposed GST is trying to achieve. Thereafter, I have discussed the possible challenges and threats; and then, opportunities that GST brings before us to strengthen our free market economy.*

**Key Words:** *Goods and service tax, economic development, Indian economy and value added tax.*

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### **I. Introduction**

Taxes are the only means for financing the public goods because they cannot be priced appropriately in the market. They can only be provided by governments, funded by taxes. It is important the tax regime is designed in such a way that it does not become a source of distortion in the market or result in market failures. The tax laws should be such that they raise a given amount of revenue in an efficient, effective and equitable manner. Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also Endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. GST stands for Goods and Service Tax. Goods and Services Tax (GST) will include one tax one nation; this statement was given by the honorable Prime Minister Mr. Narendra Modi of India. There are two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted. Domestic trade tax will be levied in the form of a value added tax on all goods and services, in practice with some exemptions. VAT exempts all inputs including capital goods. Moreover it is general tax is on domestic consumption. Basically there is need to change the taxation pattern, as double taxation system demotivates the consumer from consumption of products. It also impacts spending pattern of public. Development of the economy depends on the purchasing power of the country. GST is convenient and economically efficient way of taxing the consumption. Basically there are very few exemptions because it has single rate and it becomes a proportional tax on consumption. One level of tax is efficient way of collection, because it either goes to the state or central level. Multiple level of tax is distortion in case of destination of tax collection.

The GST is expected to change the whole scenario of current Indirect Tax. GST will merge all Indirect Taxes under an umbrella and will help in creation of smooth market. Experts say that GST will help in economic growth of the country. It is estimated that GST will help in creation of single, uniform market that will benefit both corporate sector and the Indian economy. Both the State and the Central Government will levy GST on almost all goods and services produced in India or imported into the country. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will make Indian's tax structure, elaborate and create a similar market across states. GST will replace different Indirect Tax levies i.e. Sales Tax, Service Tax, VAT, Excise Duty, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entry Tax, Tax and Duties on electricity, Tax on Goods and Passengers and compliance cost will fall which will lead in getting life simpler. This process will help to increase India's tax-to-gross domestic product ratio. According to experts GST is regarded to increase economic growth by between 0.9% and 1.7%. Exports are expected to increase economic growth by between 3.2% and 6.3%, were as imports will likely raise 2.4% – 4.7%. On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

**History of GST**

1. Amaresh Baghchi Report, 1994 suggests that the introduction of “Value Added Tax (VAT)” will act as root for implementation of Goods and Services Tax in India.
2. Ashim Dasgupta, 2000 empowered committee, which introduces VAT system in 2005, which has replaced old age taxation system in India.
3. Vijay Kelkar Task Force 2004, it strongly recommended that the integration of indirect taxes into the form of GST in India.
4. Announcement of GST to be implemented by 1<sup>st</sup> April, 2010 after successfully implementation of VAT system in India and suggestion of various committees and task forces on GST, the Union Government first time in Union Budget 2006-07 announced that the GST would be applicable from 1<sup>st</sup> April, 2010.
5. The government has formed various Joint Working Groups of state finance ministers to study the impact of GST on the revenue of various states.
6. The empowered committee of State Finance Ministers after various meetings reached on amicable formula for implementation of GST in India.
7. Task Force of Finance Ministers has submitted their report in December, 2009 on structure of GST in India.
8. Government of India has issued first discussion paper in November, 2009.
9. Constitution (115<sup>th</sup> Amendment) Bill introduced on 22<sup>nd</sup> March, 2011 and same was referred to Parliamentary standing Committee on Finance for discussion.
10. Finance Minister in his speech announced that the GST will be rolled out by April, 2011
11. Constitution (122<sup>nd</sup> Amendment) Bill introduced in the Parliament in December, 2014; since 115<sup>th</sup> Amendment Bill has been lapsed due completion of parliamentary terms. The Government of India has introduced Constitution (122<sup>nd</sup> Amendment) Bill on 19<sup>th</sup> December, 2014 the Lok Sabha has passed the bill on 6<sup>th</sup> May, 2015. Then GST Bill passed in Rajya Sabha on 3<sup>rd</sup> August 2016.
12. When GST was introduced –finally, it was introduced in India on 1<sup>st</sup> July 2017 and is applicable since then.

**Worldwide GST:**

France was the first country to introduce GST in 1954. Worldwide, Almost 150 countries have introduced GST in one or the other form since now. Most of the countries have a unified GST system. Brazil and Canada follow a dual system just like India is going to introduce. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below-

Country	Rate of GST
➤ Australia	➤ 10%
➤ France	➤ 19.6%
➤ Canada	➤ 5%
➤ Germany	➤ 19%
➤ Japan	➤ 5%
➤ Singapore	➤ 7%
➤ New Zealand	➤ 15%

### **Rate of GST:**

There would be two-rate structure –a lower rate for necessary items and items of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items. For goods in general, Government is considering pegging the rate of GST from 20% to 23% that is well above the global average rate of 16.4% for similar taxes, however below the revenue neutral rate of 27%.

## **II. Literature Review**

**Nishitha Gupta (2014)** in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government.

**Agogo Mawuli (May 2014)** studied, “Goods and Service Tax- An Appraisal” and found that GST is not good for low income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

**Jaiprakash (2014)** in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Responses of industry and also of trade have been indeed encouraging. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunities to introduce it when the circumstances are quite favorable and economy is enjoying steady growth with only mild inflation.

**Dr. R. Vasanthagopal (2011)** studied, “GST in India: A Big Leap in the Indirect Taxation System” and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

**Poonam, 2017** in her study, she had cleared that GST would be a very important step in the field of indirect taxation. The cascading and double taxation effects can be reduced by combining central and state taxes. Consumer’s tax burden will approximately reduce to 25% to 30% when GST is introduced. After introduction of GST concept, Indian manufactured products would become more and more competitive in the domestic and international markets. This taxation system would instantly encourage economic growth. GST with its transparent features will prove easier to administer. In this paper the author has tried to attempt to spot the concept of GST & its current status in India. Paper has tried to give information about GST system. The study also aims to be familiar with the advantages and challenges of GST in Indian scenario.

**Shefali Dani** has proposed that GST regime is a half-hearted attempt to rationalize indirect tax structure. Approximately more than 150 countries have implemented GST concept. As per researcher government of India must study the GST regime set up by various countries and also their fallouts before implementing GST. It is the need of hour that, the government must make an attempt to insulate the vast poor population of India, against the inflation due to implementation of GST. There is no doubt, GST will simplify its existing indirect tax system and will have to help to remove inefficiencies created by the existing current heterogeneous tax system, only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.

**Nitin Kumar (2014)** studied, “Goods and Service Tax-A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

**Pinki, Supriya Kamma and Richa Verma (July 2014)** studied, “Goods and Service Tax-Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run.

## **III. Research Methodology**

Being an explanatory research the study focuses on extensive study of Secondary data collected from various books, annual reports, articles, newspapers and magazines, National & international Journals, government reports, publications from various websites which has been published and focused on various aspects of Goods and Service tax. According to the objectives of the study, the research design is of descriptive in nature.

### **Objectives Of The Study**

- To study the concept of Goods and Services Tax (GST) and its impact on Indian Economy.
- To study the features of GST.
- To know the advantages and challenges of GST in Indian context.

- To study the inexplicit opinions among the Manufactures, traders and society about the Goods and Services Tax (GST).
- To study about the Challenges of Introduction of Goods and Service Tax (GST in India).

### **Features of GST**

- GST subsumes central indirect taxes like excise duty, services tax etc and also state levies like VAT, Octroi, entry tax, luxury tax etc.
- It has two components, central GST levied by Centre and State GST levied by the States.
- Only Centre may levy and collect GST on supplies incase of inter-state trade and collection of tax will be divided between centre and state.
- A two-rate structure will be adopted. It means lower rate for necessary items and goods of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items.
- Over-lapping of tax, tax on tax will be eliminated with GST.
- Both Goods and Services are taxed in same manner in chain of supply till they are reached to consumer. They are not distinguished under GST.
- The power to make laws in respect of supplies in the course of inter-state trade or commerce will remain with the central government. The states will have the right to levy GST on intrastate transactions, including on services.
- The administration of GST will be the responsibility of the GST Council, which will be the apex policy-making body for GST, Members of GST council will comprise central and state ministers in charge of the finance portfolio.
- The threshold for levy of GST is a turnover of Rs. 1 million. For a taxpayer who conducts business in a northeastern state of India the threshold is Rs. 500,000.
- The central government will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- Entertainment tax, imposed by states on movies, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue to levied.

### **Benefits Associated With GST**

- It offers a wider tax base, necessary for lowering tax rates and eliminating classification disputes.
- Eliminates the multiplicity of taxation: The reduction in the number of taxation applicable in a chain of transactions will help to reduce the paper work and clean up the current mess that is brought by existing indirect taxation laws.
- Rationalizes the tax structure and simplifies compliance procedures
- Automates compliance procedures to reduce errors and increase efficiency
- Reduces transaction costs and unnecessary wastages: A single registration and a single compliance will suffice for both SGST and CGST provided government produces effective IT infrastructure and integration of states level with the union.
- One Point Single Tax: They would be focus on business rather than worrying about their taxation that may crop at later stages. This will help the business community to decide their supply chain, pricing modalities and in the long run helps the consumers being goods competitive as price will no longer be the function of tax components but function of sheer business intelligence and innovation.
- Reduces average tax burdens: The cost of tax that consumers have to bear will be certain and it is expected that GST would reduce the average tax burdens on the consumers.
- Reduces the corruption: As the number of taxes reduces so does the number of visits to multiple departments reduces and hence the reduction in corruption.

### **Exemption Scheme Under GST:**

- The small Taxpayer: The small taxpayers whose gross annual turnover is less than 1.5 Crores will not be covered by GST law and no need to pay tax.
- Scope of composition and compounding scheme under GST to be provided for this purpose, an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover should be provided.
- Treatment for goods exempt under one state and taxable under the other to be provided.
- List of exempt items which shall be outside the purview of GST shall be provided.
- GST on export would be zero rated

- Both CGST and SGST will be levied on import of goods and services into India. The incidence of tax will follow the destination principle i.e. SGST goes to the state where it is consumed. Complete set-off will be available on the GST paid on import on goods and services.

#### **Documents That Are Required To Be Registered With The Application For Registration For GST:**

Documents required are as follows-

- PAN card of the Company
- Proof of constitution like partnership deed, Memorandum of Association (MOA)/ Articles of Association (AOA), certificate of incorporation.
- Details and proof of place of +business like rent agreement or electricity bill
- Cancelled cheque of your bank account showing name of account holder, MICR code, IFSC code and bank ranch details.

#### **Impact of GST on organized Sector:**

Another major regime is that it will shift trade from unorganized to organized sector and improve efficiency in the system. India has significant presence of unorganized sector. According to some estimates in 2005, out of 485 million persons employed in India, 86% to 395 million worked in unorganized sector, generating 50.6% of GDP. Implementation of GST is expected to narrow the large indirect tax difference between organized and unorganized segments. This would be achieved by ensuring better compliance and enforcement by reducing the thresh-hold limit for exemption from indirect taxes, tracking the flow of GST in entire chain.

#### **Impact of GST On consumers:**

- Uniformity in Computing Taxes for Goods and Service-GST will lead to the elimination of multiple excises, CST, VAT, service tax calculations.
- Uniform Tax Regime-For both goods and services and less confusion in determining what constitutes a good or what is a service.
- Elimination of Double Taxation-Double taxation means the consumer pays tax on an item, on which already government has collected tax from the manufacturer under some other head.
- More Transparent Pricing- There will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.
- It is expected to result in reduction of prices of certain goods, commodities and services which are of prime importance to consumers.
- Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss that translated into major costs through higher need of buffer stocks and warehousing costs as well. A single taxation system could eliminate this roadblock for them and items used for day to day consumption will be easily available at a affordable price.
- A single taxation on producers would also translate into a lower final selling price for the consumer.
- Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
- Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.
- Increase in employment opportunities.

#### **Impact Of GST On Business And Industry**

- Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
- Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
- Mitigation of cascading /double taxation: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
- Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

- Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services.
- Development of common national market.
- Simpler tax regime—fewer rates exemption.
- It would create business-friendly environment, thus by increase tax-GDP ratio.
- It would enhance the ease of doing business in India.

#### **Impact Of GST On Central And State Governments**

- Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.
- Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.
- Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.
- A unified common national market to boost Foreign Investment and “Make In India” campaign
- Boost to export /manufacture activity, generation of more employment, leading to reduced poverty and increased GDP growth.
- Improving the overall investment climate in the country which will benefit the development of the states.
- Uniform SGST and IGST rates to reduce the incentives for tax evasion.
- Reduction in compliance costs as no requirement of multiple records keeping.

#### **Impact Of GST on Indian Economy**

The Goods and Service Tax (GST) bill is expected to have wide ranging ramifications for the complicated taxation system in the country. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. However, the reform is likely to benefit the manufacturing sector but may make things difficult for the services sector. Though there are expectations that the GDP growth is likely to go up by 1 to 2 %. The response is mixed from countries around the world. While the New Zealand economy had a higher GDP growth, it was lower in case of Canada, Australia and Thailand after the GST was implemented. The GS Tax rate is expected to be around 17-18% and can be assumed as a tax neutral rate. This tax rate is not likely to give any incremental tax revenue to the government. The rate will prove beneficial for the manufacturing sector where the tax rate is around 24% at present. The major manufacturing sectors that will benefit the most are FMCG, Auto and Cement. This is because they are currently reeling under 24 to 38 per cent tax. The sector which is going to be adversely affected is the services sector. Already there has been a hike from 12 to 14% from the 1st of June this year. Another 4 per cent increase will break their backs. The uniformity in the taxation rate is fine but it should not result in disparity for the goods and services sectors. Nobody has thought of the implications it will have in the services sector if the government moots a higher GS Tax rate like 20% or 24%. The higher GST rate will definitely boost the tax to GDP ratio, while giving financial muscle to the government for increasing the capital expenditure. This is likely to spur growth in the economy. There is definitely a silver lining to the whole exercise. The unorganized sector which enjoys the cost advantage equal to the taxation rate can be brought under the GST bill. This will bring a lot of unorganized players in the fields like electrical, paints, hardware etc. under the tax net. It is easier said than done. It will take a lot of meticulous planning in the implementation of the GST reform for capturing the unorganized sector under its ambit. For one it will widen the tax reach and secondly it will benefit the organized players who lose out revenue to the unorganized sector at present. There are still a lot of uncharted territories which need to be looked into through parliamentary discussions in the sessions. This will bring sanctity to the taxation system without hurting any of the sectors adversely.

#### **Challenges Of GST in Indian Context:**

At Present, lots of speculations are going as to whether the GST will actually work in India or not. Looking into the political environment of India, it seems that a little more time will be required to ensure that everybody is satisfied. The states are confused as to whether the GST will hamper their revenues. Although the Central Government has assured the states about compensation in case the revenue falls down, still a little mistrust can be a severe draw back. The GST is a very good type of tax. However, for the successful implementation of the same, there are few challenges which have to face to implement GST In India. Following are some of the factors that must be kept in mind about GST:

- For smooth functioning, it is important that the GST clearly sets out the taxable event. Presently, the CENVAT credit rules, the Point of Taxation Rules are amended/ introduced for this purpose only. However, the rules should be more refined and free from ambiguity.
- The GST is a destination based tax, not the origin one. In such circumstances, it should be clearly identifiable as to where the goods are going. This shall be difficult in case of services, because it is not easy to identify where a service is provided, thus this should be properly dealt with.
- More awareness about GST and its advantages have to be made.
- Revenue Neutral Rate (RNR): It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.
- Threshold Limit in GST: While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country
- Robust IT Network: Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for GST Registration, GST return filing, tax payments, IGST settlements etc. Thus there should be a robust IT backbone.
- Extensive Training to Tax Administration Staff: GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.
- Additional Levy on GST: The Purpose of additional Levy is to compensate states for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make “INDIA” as one state where inter-state movement of goods is common. In this situation, it would defeat the very purpose of GST in the country.
- Service sector may retaliate as they would be required have a registered tax system in every state with central and state government. So every business at all India level will have around sixty registration while they are having just one each day. Furthermore, their rates will rise up.
- A retail business may oppose because their taxes will go up and they will also have to deal with Central Government now in addition to States.
- Goods and Services Tax Network (GSTN) may not work optimally for quite some time due to various factors that could be ascertained only after its implementation.

#### **IV. Conclusion**

Tax policies play an important role on the economy through their impact on both efficiency and equity. It is expected that a good system should control income distribution and at the same time it will also endeavor to generate tax revenue which will support government expenditure on public services and development of infrastructure. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simple, user-friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. GST is not only Vat plus service tax but it is major improvement over previous VAT system. A single of tax will help maintain simplicity and transparency by treating all goods and services equal without giving a special treatment to some types of goods and services. Now Indian consumer need to have professionalism to acknowledge the GST. It is expected that India will join the international standards of taxation, corporate laws and managerial practices and also be among the world leaders. It can also be used as an effective tool for fiscal policy management. There has been a good deal of criticism as well as appraisal of the proposed Goods and Services Tax regime. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, the new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. It is also expected that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system. Its execution will also result in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. There are various challenges in way of GST implementation as discussed above in paper.

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