



An Empirical Study to Find out the Impact of GST on GDP and National Economy of Indian Income

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Abstract

India stands as a republic, embracing both socialism and democracy. Its governmental structure operates on two levels: national and state. Each of these governments plays a crucial role in meeting the ever-growing development needs of the country. When it comes to generating revenue, taxation serves as the primary means. In fact, taxes are seen as the most vital source of income for the government, essential for fostering economic growth and achieving social and economic objectives. Taxes are collected from the citizens to generate funds for various programs designed to enhance the nation's economy and improve the quality of life for its people. In India, the authority to collect taxes is granted by the constitution, which empowers both the Central and State governments to impose these taxes. Moreover, any tax collected in India must be backed by specific legislation that has been approved by either Parliament or the State Legislature. These tax payments play a crucial role in various areas, including national development, upgrading infrastructure, social improvements, and providing welfare services for the country.

Key words: GST, Taxes, GDP, National Income

Introduction

There are various types of taxes in India

Direct Taxes	Indirect Taxes	Other Taxes
Income Tax	Service Tax	Property tax
Capital Online	Custom Duty	Professional Tax
Transaction Tax	Value Added Tax	Registration Fees



Perquisite Tax	Entertainment Tax	Entry Tax
Corporate Tax	Stamp Duty	Road Tax and Toll Tax
Wealth Tax	Excise Duty	Occupational Tax
Gift Tax	Sales Tax	Tax on Admission
Estate Duty	Purchase Tax	Cessation of Education
Fringe Benefit Tax	Luxury Tax	Minimum Alternate Tax

The Indian Constitution establishes a federal system that operates on three distinct levels: (a) the Government of the Union, (b) the Government of the State, and (c) Local Government. According to the framework laid out by the Constitution, the power to levy taxes and duties is distributed among these three tiers of government.

The Constitution itself is composed of a preamble, along with 25 parts that encompass 448 sections and 12 schedules. Article 265 states that no tax can be imposed or collected without the authority of law, effectively prohibiting the collection of arbitrary taxes. Article 246 outlines the powers for creating laws related to taxes and duties. It grants the Parliament the authority to legislate for the entire country or any specific region within India, while the State legislature can also enact laws for all or parts of the state. The Seventh Schedule, as referenced in Article 246, features three lists that delineate the legislative powers of the Union and State Governments. List I (Union List): This list includes subjects where only the central government has the authority to legislate. List II (State List): This list comprises subjects exclusively under the State Government's jurisdiction for law-making. List III (Concurrent List): This list contains subjects where both the Central and State governments can create laws.

VAT rates and regulations differ significantly from one state to another. It has been observed that governments often tweak these rates as a strategy to boost or hinder investment. This can ultimately result in decreased revenue for both the central and state governments. On the flip side, the GST aims to establish uniform tax regulations across various sectors nationwide. Under this system, tax revenue would be divided based on a clear and agreed-upon formula between the Central and State governments. In July 2000, under the Vajpayee Government in India GST was first suggested. An empowered committee of government finance ministers specifically designed for this purpose was tasked with the work of developing a GST model. GST has since been a lengthy journey with its own peak and trough trajectories. Finally, GST came into being in July 2017.

The Goods and Services Tax (GST) is a unified tax applied to the supply and sale of goods and services. Essentially, it operates as a value-added tax, which means that suppliers pay tax on the inputs they purchase, whether they are materials or services. This tax is applicable at every stage of the delivery and sales process, spanning from manufacturing right through to retail



Bhatnagar, 2010 The implementation of GST, according to the study, is a part of a bigger tax restructuring initiative in India that aims to bring the nation into compliance with generally accepted tax principles and organise the Indian side of the system to avoid the cascading effects of several indirect taxes. The Goods and Services Tax should initially comprise the following Central Taxes: Excise Duty under the Act on Preparing Medicinal and Toiletry Substances Excise duty, additional excise duties, and additional customs duty are listed in order from I to III (also known as Countervailing Duty) Service Tax (CVD) (iv) (vi) 4 percent of a special additional customs duty (SAD) Cession and fees are item 7 on the list. The following state taxes and levies will initially be covered by the GST: Value-added taxes and sales taxes (VAT) Exists a tax on entertainment? (Unless the local bodies levy it.) State cesses and levies on the sale of goods and services as well as lottery, wagering, and gaming taxes, luxury goods and the luxury tax (vi) The Octroi cannot be replaced by the admission fee. We may infer that introducing GST is beneficial to the warehouse business since warehouses will gain from it. In the country's taxation framework, there are still many unfavorable practices/procedures that directly harm commerce and industry. Commerce and industry are debating the implementation of GST as a free trade system inside Indian borders on the basis of the idea of "one India, one tax."

Literature Review

H.R. Manjunatha, November 2018 The current study investigates how goods and service taxes affect traders. Efficiency and equality in the economy are significantly impacted by tax policy. The distribution of income should be a consideration in a smart tax system. Make every attempt to increase tax revenue to pay for government spending on infrastructure and public services. Businesses are affected differently by cascading tax revenues, with those who don't get full offsets paying a disproportionately high price. Retailers benefit more from the goods and service tax regime. In the long term, GST benefits India's economy, and it will also reduce tax burdens. GST will have a good impact on India's retail business while also increasing income for both the national and state governments. GST would give assistance to merchants by combining India's many indirect taxes. It also creates a good atmosphere for taxpayers while somewhat lowering the cost of goods and services. All of this is true if the GST tax system is implemented properly, with a single rate that covers all products and services with the bare minimum of exemptions. The GST benefits merchants, either directly or indirectly. The adoption of the Products and Services Tax would undoubtedly alter our country's government structure, which now allows states to collect taxes on goods as well.

Objectives of the study

- To investigate the challenges and hindrances faced during the implementation of GST in India
- To evaluate the impact of GST on GDP and the National Income of India

Research Methodology

For this study researcher collected the data from FY2017 to FY 2024 from various secondary sources. SPSS v 21 was used to analyse the data

H01– There is no significant impact of GST on GDP and National Economy of Indian Income.

Table : Showing the Coefficient Tables of Regression Analysis

Model	S.D.	Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	12.247	(Constant)	120.288	.000	.000
		GST Collection	3.956	.000	1.000
Dependent Variable: GDP and National Income of India					

The table depicts the goods and services tax (GST) and gross domestic product (GDP) of the Indian economy's relationship. The size of the Indian economy and its tax revenue are dependent variables whereas the effective GST collection is an independent variable. From the table above, the equation of the regression is calculated as follows

$$Y=120.288+3.956X_1$$

Y represents the gross domestic product of India, whereas X₁ represents the amount of goods and services tax (GST) that was collected during the year. To that end, it can be

seen that GST collection has a positive connection with GDP of the Indian economy, based on the data from the beta test.

. The connection between GDP of the Indian economy and GST collection is very significant.

Conclusion:

The null hypothesis is rejected and an alternative hypothesis is accepted since the calculated value of 0.00 is less than the significance threshold at 1% significance. Growth in the Indian economy is slowing down gradually. Because of the consequences of taxes on the economy, this is the case. In the face of rising tax rates on one side and an unceasing flow of money in the economy, the Indian economy had an unfavorable effect.

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