

Impact of GST on various sector of Indian economy

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ABSTRACT: GST is a combination of all indirect taxes in India and also a value added tax which is imposed on goods and services by both Centre and state government. The largest tax reform in India is on 1st July 2017 when GST in India is launched and introduced. Thus goods and services tax (GST) was defined as a consumption based tax collected from manufacturer, sale and consumption of goods and service further helps in transforming the country into one integrated common market. After its implementation many imprecise debates were raised on goods and services tax (GST). For the study secondary data has been collected from magazines, journal, article etc. This paper helps in understanding the concept of GST and further discusses its benefits. Also the paper gives insight on the impact of GST after its implementation on Indian economy.

Key Words:

Introduction

Origin of Tax is from the Latin word "taxare" which means "to estimate". A tax is a government imposed contribution under various names like (subsidy, custom, duty, impost, excise, tribute, supply) etc. The first well recognized taxation system was introduced in the Ancient Egypt (3000 BC- 2800 BC) in the empire of the old territory and at that time tax was collected from the people in the form of pharaoh. Presently in India tax is collected in two forms as direct and indirect tax. Direct tax (income tax, corporation tax and wealth tax) is directly collected by the government from the tax payers. Indirect tax (goods and service) is not directly collected from the taxpayer but it is collected from intermediaries such as retailers and from the people or consumers who ultimately bear the burden of tax. Good and Service Tax is an indirect tax which is also called the cover of all indirect state and federal taxes. GST is a single tax which is levied on several product and services. Multiple taxes cover all CENVAT, central sales tax, states sales tax, octroi etc will be included in GST. GST is applied in India with effect from 1st July 2017 in the central hall of parliament.

Literature Review

Shefali dani (2016): in her study "impact of GST on Indian economy" main aim of her study was to understand why the GST rule may slow down the growth and development of Indian economy. She stated that India government should think before implementing GST by studying the failures which occurs in the countries previously implemented GST. Government should also protect the huge poor population from the probable inflation occurs due to implementation of GST.

Shakir et.al. (2015): study entitled "Does Goods and Services Tax (GST) Leads to Indian Economic Development?" aim of their study was to examine the concept and impact of Good and Service Tax on Indian economy and also its challenges. They concluded that slowly India should adopt worldwide standards related to taxation, corporate laws and managerial practices and try to be a leader in these specified fields. GST is not to be considered as a simple tax but it is an improvement over the previous disorganized indirect tax and VAT. A single rate should be applied to entire goods and services rather than giving special treatment to certain good and service.

Jadhav Bhika Lala (2017): in his paper "Impact of GST on Indian economy" discussed GST features and its effect on goods and services. Good and Service Tax is fundamentally restructured to simplify the indirect tax system in India. Many changes occurred after the implementation of GST and also result in many benefits. He concluded GST play an energetic role for the growth and expansion of the country. So a well-planned process of GST is attractive for the existing multiple taxation system and government also promised GST will reduce compliance burden and there is no price variation between imported goods and Indian goods.

Milandeep Kaur et.al (2016): in their study "A Study on impact of GST after its implementation" focused on identifying the impact of GST after its implementation and also the benefits and challenges of GST. GST play a vital role in the growth and development of the country. Goods and Service Tax is a most significant tax

reform in India. GST comprise of all indirect taxes which further helps in progress of economy and proves to be a favorable than the prevailing tax system.

Monika and Upasana (2015): their study “GST in India: A Key Tax Reform” focused on GST advantages and various challenges faced by India in implementation. They also stated that a user friendly and simple GST system is required for implementation. Successful Implementation of GST will result in higher output, increase employment opportunities and also helpful for fiscal policy management. An analytical research is needed in this field for resolving the interest of different stakeholders and to fulfill the obligation for a key reform in tax structure of India.

Objective

1. To study the concept of Goods and Service Tax in India.
2. To analyze the impact of Goods and Service Tax on different sector of India.

Research Methodology

Secondary data has been collected for the study. For collecting the data various magazines, newspaper, journals and articles have been used. Main purpose of the paper is to understand the concept and impact of GST on different sector. Both quantitative and qualitative data have been used for the study.

GST

India is a place where many taxes are collected from people like VAT, Excise duty, entertainment tax, luxury tax, etc and create confusion to the people. Previously, due to the political urge, agricultural economy, low income level and lack of infrastructure facility to identify personal income, India depends largely on indirect taxes. Indian government for making things simpler and to intellectualize indirect tax structure strives for various tax reforms time to time. In 2005 state government introduced VAT which was levied in place of revenue taxes according to the entry list II of seventh schedule of the constitution. VAT was a pleasant change; after some time people find deficiency in the structure by extracting VAT on both the centre and state government and CENVAT also had the drawback of excluding some taxes like VAT, ACD, surcharge etc. As it also ensures that credit of taxes paid on the inputs were available to a tax payer at the time of discharging his output tax liability as it help in minimizing the declining trend in taxes and to simplify the tax structure at state level. Due to multiplicity in taxes at state and central level had made indirect tax structure more difficult in India. So to overcome from the problem of “tax on tax” and to simplify the tax structure GST is introduced. For the first time in 1954 France introduced GST and also became the first country in the world who introduced GST and after that it was adopted by 165 countries.

The largest tax reform in India is on 1st July 2017 in the central hall of Parliament by President, Prime Minister, and Finance Minister Marks the assembly and in front of president and prime minister GST in India is launched and introduced. It is a historic moment for India and would be governed by modern information system (IT) and also awaited by 1.25 cr. GST is a combination of all indirect taxes in India and also a value added tax which is imposed on goods and services by both centre and state government. This inclusive tax will covers all phases from production to sale and will be imposed on value added during the process. Many countries follow integrated Goods and Service Tax though some countries like Canada, Brazil and India follow dual Good and Service Tax system where tax is imposed by both state and Centre government. Government Projected dual GST system conceives taxes on goods and services concurrently by state and Centre. So both centre and state government are allowed to levy tax on goods and services at stages like manufacture of goods to their final consumption. Credit of GST charged on inputs will be available at the time of emancipation of GST liability on the output thus it assure that GST to be charged on the factors of value addition at every step and it also make sure that there is no ‘tax on tax’ in the country. Introduction to Goods and Service Tax will smudge a clear exit from the system of allocation of fiscal powers conceptualize in the legislation. The reason behind the introduction of GST is as; there is no consistency in tax rates and tax system throughout states, falls in taxes and the reason is ‘tax on tax’, while reimbursing the state level sales tax or Value Added Tax (VAT) traders are not left with the credit of excise duty and service tax previously paid at the point of manufacture and also credit of tax paid in one state on sales will not be beneficial in another state. This resulted in unnatural increase in rates of goods and services to the degree of ‘tax on tax’. Its insertion was also necessary because of the high sales tax and tariffs which persuade cheating and smuggling. In India introduction of GST is a disorderly change which is similar to the VAT introduction and facing resistance at its initial stage. With implementation of GST people will get equal opportunities of development. There are following items which are covered in GST are as:

Mechanism of GST how to calculate

- GST covers 1,211 items on which tax rates are applied, a majority of which comes under the 18% slab. Goods and services have four tax slabs 5%, 12%, 18% and 28%. Number of items like gold and diamond has exclusive tax rates while a few has been exempted. With implementation of GST items became costlier and also cheaper.
- Ice cream
- Cheese Masala
- Sweets
- Packed curd and Paneer
- Economy class air travel
- Corn flakes
- Toothpaste
- Soap
- Packaged coffee & tea
- Atta (branded and packed)

Benefit of GST in India

Implementation of GST will bring a change in the tax structure there are benefits which is possible through the implementation of GST. The following benefits are as:

- Various indirect taxes terminated in GST like CST, VAT Service tax, SAD, CAD and excise.
- GST makes the tax structure simplified and transparent which helps in reducing unnecessary lawsuits
- GST reduces the falling effect of taxes by eliminating tax on tax.
- There is reduced tax burden on manufacturing sector due to GST. Now there is less manufacturing cost it will result in quality goods in lower prices.
- GST also benefited the common man to some extent by giving same products costlier before at reduced prices.
- GST also helps in creating demand and increasing consumption by providing quality product at fair prices. Increased demand also increases the supply which proves beneficial to producers.
- Indian economy will improve in long run and black money circulation also reduces with implementation of GST.
- GST makes the tax structure simple and easier which result in increasing foreign direct investment.
- GST also increases the Indian government revenue estimated 15\$ billion and also helps in economic growth by creating employment, increasing export, increasing foreign revenue reserve etc
- For increasing the tax assesses, tax laws are made more consistent under which there is single point taxation for supply of goods and services all over India. It will become possible through GST.

Sector-wise impact of GST in India

1. E-commerce:

E-commerce sector in India is making progress day by day and after implementation of GST there is continuous growth in e-commerce sector's but seeing its long term effect will be interesting because tax collection at source (TCS) mechanism is introduced by GST law for e-companies with which they are not too happy. Introduction of GST will increase administrative cost of e-commerce companies because GST makes it necessary to collect tax collection at source which disrupts the relation between buyer and seller. Current rate prevailing in India for TCS is 1%.

2. Pharma:

Taking about overall impact of GST, pharma and healthcare industries is the most benefiting sector. It will set a degree of performance for generic drug makers, it boost medical tourism and also elucidate tax framework. So a major concern which will arise for pharma sector is pricing tax structure. So this sector is expecting a tax relaxation as it will result in making healthcare services affordable to all at easy rates. The healthcare sector remain exempted from the GST and all the inputs of this sector will be taxed at the rate of 18% which will result in increasing the operating cost of healthcare sector.

3. Telecommunication:

After implementation of GST prices of telecom sector will arrive down. Through effectively managing the inventory and by strengthening their warehouse manufactures will get the benefit of saving on cost. For handset manufacturer it will be more convenient to sell their equipment because GST has revoke

the requirement of setting state specific bodies and transfer stocks as will add on saving the logistics costs. Tax rate under GST on this sector is 18% which was 15% previously. With higher tax credit is unlikely to exceed 1% of the revenue.

4. Textile:

As we know textile industry generate large number of jobs for skilled and unskilled workers in India. It also gives 10% in the total export, and it will continue to grow under GST also. GST would affect small and medium enterprises through affecting the cotton and textile industry because it formerly attracted zero central excise duty (optional). Expected rate is 15% after GST which will have a reasonable impact on the industry. The impact will be neutral or a little negative compared to other present system of taxation. But they will be benefited with reduce cost of transportation, saving etc.

5. Real Estate:

In Indian economy real estate is a most essential sector, and it also has a huge role in employment generation. We can't evaluate the impact of Goods and Service Tax on real estate completely because it heavily depend on prevailing tax rates. This sector has brought a lot of essential transparency and accountability to the industry; it is due to the implementation of GST. Tax rate under GST on under-construction real estate projects will be 12% only and which is not fixed at 18% because it will reduce land cost.

6. Agriculture

Agriculture sector is the base of Indian economy as a large part of population depends on agriculture and it also is also contributing a major part in Indian GDP it has 16% part in overall GDP. Implementation of GST will resolve the major issue of agriculture sector which is transportation of agriculture products. Implementation of Goods and Service Tax is a notch towards building one national agricultural market on account of comprising all type of taxes on marketing of agricultural products. Under GST tax rate is nil in seeds, 12% on tractors, 5% on fertilizers and 12% is on fertilizers.

7. FMCG:

FMCG sector is another most essential sector and it is taking important benefit through saving in logistics and transportation cost and Goods and Service Tax has also terminated the requisite for various sales depots. Under FMCG, by and large tax burden would reduce. The major relief would be in Soap and Hair oil segment.

8. Freelancers:

Freelancer is still a promising industry in India and the rules regulation related to it also very uncertain yet. But due to the GST implementation it will become easy for freelancer to file their taxes online and it is also easy to do. As previously they are taxed as service provider but the new tax format brings lot of transparency and answerability in freelancers.

9. Automobiles:

Automobile industry is a biggest producing sector as it produces a huge number of cars which is mostly used by the giant population of India. In the earlier tax structure, a number of taxes laid on this sector, such as road tax, value added tax, sales tax, motor vehicle tax etc. GST submerged the all taxes previously collected individually by government. There is a decrease in tax burden on majority of manufactured goods after GST implementation. A view at key components of manufacturing like automobile sector discloses that tax rate will be reduced in automobile sector and main advantage would go to SUV segment.

10. Startups:

GST will fit well in Indian startup scene due to the increasing limit of registration; tax credit on purchase etc. previously in India there was different VAT laws in different state which create a lot of confusion to the companies which have PAN India presence. But after the introduction of GST this problem is resolved as a uniform tax structure is followed all over the country.

11. Cement: cement industry is paying tax at the rate of 25% currently and after GST implementation it is expected to pay at the rate of 18% to 20%. This will be a major relief to these industry engaged in cement industry. The cement industry currently pays the tax at the rate of 25% currently. Logistic tax is going to be reduced and it would be a double advantage to industries involved in manufacturing.

Conclusion

Implementation of Goods and service tax (GST) is one of the biggest pronouncements by the government. Goods and service tax, with IT mechanism helps in bringing transparency in government revenue. It is estimated that the mischievous activity related to theft will be eliminated after the implementation of GST,

benefit of which is transferred to both government and consumer. The extra revenue government is expecting to produce will not come from consumers pocket but from reducing the tax theft. GST is a greatest move taken for the inclusive indirect tax reform in our country. Goods and services tax is equally applicable on all sectors of economy whether it is business which includes government departments, industry and service sector. GST is established to assimilate state economies and increase overall development of economy. Change in goods and service tax (GST) rule which is accustomed by 159 countries would not be easy, confusion and difficulties is expected in this process. GST is a greatly recognized and appreciated regime because there is multiple tax rate levied by Centre and state. Currently India is union of twenty nine small tax economies and seven union territories with distinct taxes in each state. However the structure may not be perfect one but this structure will result in making India a superior economy advantageous for foreign investment. Someone who is involved in every kind of business then he should register for goods and service tax (GST) which will not only support Indian government but also provide assistance in keeping record of the business weekly, because in goods and service tax (GST) you have to make your business activity report every week. GST will mend tax collections and helps in advancement of Indian economy through eliminating the tax barriers among states and unify India through steady tax rate. Goods and service tax will not increase tax burden extremely, and in mostly cases total burden of tax will decline due to replenishment of gamut tax system with one tax system. So we can conclude that the overall effect of goods and service tax (GST) will be positive on economy which helps in increasing the overall economic growth.

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