



Kidderpore College
Department of Commerce

EMERGING HORIZONS IN COMMERCE

Edited by
Avijit Sikdar

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Avijit Sikdar

Assistant Professor, Department of Commerce
Kidderpore College, Kolkata, India


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Emerging Horizons in Commerce

Edited by Dr. (CA) Avijit Sikdar

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Impact of GST in India: A Study with Special Reference to Agricultural and Automobile Sector

Gourab Das* & Priyanka Jaiswal**

Abstract:

Goods and Service Tax is a kind of comprehensive tax which is levied on manufacture, sale and consumption of goods and services. GST is the biggest tax reform in Indian Tax Structure. There was different tax like CST, VAT, service tax, octroi, state surcharge, luxury tax etc. which became a single comprehensive tax. The purpose of GST is to replace different kind of indirect taxes with single comprehensive tax, bringing it all under single umbrella. The purpose is to eliminate tax on tax. Categorising the tax into different part like SGST, CGST & integrated tax it has avoided the cascading effect. This paper will throw light on GST and its benefits and will also brings out the impact of GST on agricultural and automobile sector.

Keywords : Agricultural, Foreign Investment, GST, Reforms

Introduction:

Presently, the tax structure of Republic of India is extremely complicated. Looking to the worldwide development and tax structure of developed countries, GST is the need of the hour and can be the largest reform in Indian taxation since 1947.

Clause 366(12A) of the Constitution Bill defines GST as "Goods and services tax" which means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Further the clause 366(26A) of the Bill states "Services" means that something apart from product. Thus it may be aforesaid that GST may be a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. Except certain things he proposed tax would be levied on all transactions involving supply of goods and services, Amidst economic crisis across the globe, India has posed a hope with ambitious growth targets, supported by slew of strategic missions like 'Make in India', 'Digital India', etc. Goods and Services Tax (GST) is anticipated to produce a lot of required stimulant for economic process in Republic of India by remodelling the present basis of indirect taxation towards free flow of goods and services among the economy and conjointly eliminating the cascading impact of tax on tax. In view of the necessary role that Republic of India is anticipated to play within the world economy within the years to return, the expectation of GST being introduced is high not solely among the country, however conjointly in neighbouring countries and in developed economies of the planet. It was a long pending issue to introduce a "single taxation" system in India. The existing indirect tax structure is really full of complexities. Goods and Services Tax (GST) is such type of indirect tax merging most of the existing indirect taxes into single system of taxation. Around 10 years ago, first Indian govt. moved one step forward towards implementation of GST.

Excerpts from the speech delivered by Honourable Finance Minister P. Chidambaram at the time of presentation of budget in 2006 - "...that the country should move towards a national level

* Assistant Professor, Vidyanagar College

** Faculty, Acharya Jagadish Chandra Bose College

Goods and Service Tax (GST) that should be shared between the Centre and States. I propose that we set April 1, 2010 as the date for introducing GST..."

But, 6 years later, at the time of delivering speech in the budget session (2012), our hon'ble the then Finance Minister P. Mukherjee said, "Service tax law is complex and sometimes avoidably different from Central Excise. We need to bring the two as close as possible in the light of our eventual goal of transition to GST."

Finally, at last, GST came into force with effect from 1st July, 2017. Probably it is the biggest reform in the indirect tax structure since independence.

Review of Literature:

Thowseaf, Ayisha, Millath (2016) studied that GST will make sure uniformity of taxes in different states in India. GST environment lead to an improved disclosure of tax structure which have a positive impact on Indian tax regime.

Vasanthagopal (2011) found different conflicting interests of various stakeholders with the implication of the constitutional amendment.

Ahmed and Poddar (2009) studied that "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system which will increase efficient taxation system and will take an important part in India's economic development.

Verma and banerjee (2018) stated that government motive should not be to collect more and more taxes to increase revenues but a simple uniform structure of taxation from where business can run smoothly and grow as per requirement of the economy from where automatically tax collection can increase.

Kour, Chaudhary, Singh, Kaur (2016) examined that GST play a dynamic role in the growth and development of our country after making a lot of changes in different industrial sector.

Sankar r (2017) stated that the GST is a very crucial tax reform since independence of India, so it must be better handled with utmost care and analysed well before implementing it. And, the government both central and state have to conduct awareness programmes and various literacy programmes about GST to its various stakeholders.

Tharani, Ahmed (2017) explained the implementation of GST is inevitably linked to successful implementation of National Agricultural Market as it aims at unified tax structure of goods and services which would eventually include agricultural produce.

Objectives of The Study:

The objectives of the study are:

- To give a brief idea of the benefits of GST.
- To analyse the impact of GST on automobile and agricultural sector in India

Research Methodology:

The research paper is based on explanatory research based on different journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax. Available secondary data are extensively used for the study. The research design was adopted for the details analysis and greater analysis for the purpose of study.

GST in India:

In order to introduce GST, Constitutional amendment was necessary since India has been following federal structure of tax system. Basically Constitution empowers both Central and State to impose tax. Under Article 246, Seventh Schedule contains three lists. They are:

- List I – Union List – It empowers the Central Govt. to impose Excise Duty, Customs Duty and service Tax etc.
- List II – State List - It empowers the State Govt. to impose Sales Tax, Entry Tax, Luxury Tax etc.
- List III – Concurrent List – It empowers both Central and State Govt. to levy tax in certain cases.

Naturally, Central Govt. has no power to levy Sales Tax while state Govt. has no power to impose Service Tax. In order to solve these problems, the Constitution needs to be amended. The Constitution (122nd Amendment) Bill, 2014 was introduced in the Lok Sabha on 19th December, 2014. It was passed by both the houses of Parliament and The Constitution (One Hundred and First Amendment) Act, 2016 on 17th September, 2016. Ultimately, The Parliament enacted CGST Act, UTGST Act, GST Compensation Cess Act, IGST Act and all States must enact respective SGST Act.

Benefits of GST:

- GST Will help to create a unified common national market for India which giving a rise in Foreign investment and “Make in India” campaign;
- It will prevent cascading of taxes.
- It helps to harmonization of laws, procedures and rates of tax;
- It will pump up the manufacturing and export activities and create more employment that will subsequently lead to rise in the GDP of the nation;
- This will help reduce poverty as the subsequent impact of employment generation;
- This has lead to neutralisation of the taxes thereby boosting the competitiveness of the national product in the international market;
- It a simple tax structure with easy application and fewer exemptions;
- Since GST doesn't involves the use of multiple calculations and recording, it has reduced the costs involved in its generation;
- It has an automated process that simplifies registration, refunds, tax payments, etc;
- As the medium of interaction is via GSTN portal, the actual person to person interaction between the tax payers and the tax administrator has reduced;
- The final prices of the goods are comparatively lower because of the input tax credit between the manufacturer, retailer, and service providers;
- It is contemplated that the small traders and retailers will be exempted from the tax regime or will face very low tax rates with compounding which will result in lower prices for the customers.

Implication of GST:

GST helps to increase competitiveness and performance in India's agricultural structure. Multiple indirect taxes had also increased the administrative costs for manufacturers and distributors and with GST in place, the compliance burden has eased and this sector will grow more strongly.

Agricultural Sector:

To achieve nationalised market for agricultural produce, it is an important requirement for the synchronisation of the provisions and bye-laws of the APMC (Agricultural Produce Market Committee) ACT, EC ACT, and WDR ACT. The implementation of GST has absorbed all the other taxes and cess, as well as it has made interstate movement of agricultural produce quite efficient and has facilitated the development of virtual market through storehouse and reduced overhead costs.

The application of GST has reduced the transportation cost and wastage of valuable agricultural produce as it was found that the vehicles are mostly parked for 60% of the entire time of its transportation. The implementation of GST is expected to bring uniformity across the states and centre which would make tax support policy of a particular commodity effective.

The impact of GST would also effect the marketing of agriculture. The food is also within the scope of GST, such sale is exempted due to the small business registration limit. The exemption of central VAT and 4% VAT on food items, the GST leads to doubling of tax burden on food which is why the transparency of exemption on food items is quite essential.

Certain states like Maharashtra is applying purchase tax and development cess on sale of agriculture product. It makes a 13,000 crore from octroi charges on an annual basis. Gujarat generates 5,000 crore from CST. Punjab and Haryana earns 2,000 crore from purchase tax. Hence absorbing such taxes would affect the income of the states.

The proceeds of agricultural produce would increase between 0.61% - 1.18%, whereas the overall prices of manufacturing concerns would fall in between 1.22% - 2.53%. The term of trade will move in favour of agriculture between 1.9% - 3.8% (GOI, 2012-2013). The increase in agricultural prices can improve the trade at retail level which is why it is important for efficient agricultural marketing to ensure the proportionate increase in the prices at the producers level. Small scale of operation and low level of processing in agriculture maybe one of the limiting factor for availing the benefits derived from GST.

NAM is thought to boost the size of the businesses and attract big traders in the market which would make the market reach soaring heights. The advantage of such a feat is that it boost the performances of the supply chain mechanism on grounds of transparency, reliability and timeliness. However, agricultural sector has been kept secluded from the GST compliances which hence reduces the time consumed for making inter-state transportation. GST has led to the abolition of the service tax in most of the service related performances on agricultural produce. Since the exemption under VAT is restricted to unprocessed food. The main impact would be an inflation with 4% VAT to 8% on food items.

Fertilizers like urea, DAT, potash will see a spike in the prices. Drip and sprinklers that currently had VAT at 5% will not be taxed at 18% under GST. Tax on pesticide sprayers has gone up from 6% - 18% and electric motor from 7% - 12%.

The implementation of GST is supposed to make uniformity across states and centre which would make tax support policy of a particular commodity effective.

Automobile Sector:

In the automobile industry the excise duty on vehicles is divided into four slab in which the lowest tax rate is on small cars. With the onset of GST, excise duty in Sales Tax are subsumed. If the proposed tax rate of 18-20% is accepted, it would amount to fall in the prices of the vehicles. The entire nation will be "One Market" with the onset OF GST. This will reduce the time consumed and the logjam created at checkpoint for verification and levying of inter-state taxes. The MODEL GST

LAW conceives the idea of "Exchange Esteem" which is battling dismissal forces. The Model treats "work" as administrative concept which looks to keep up for the activity work exchange that is the non-taxability of employment work exchange and providing credit to work labourers, giving 180 days for bringing back products of occupation work.. It is also seen that the car traders creates apparatuses/molds for fabricating the auto parts. This responsibility is exchanged to the OEMs and the cost is recouped from OEMs. Under the model, the capital product is just the item utilised in the place of business of supply of products. Thus the goods used at the business area of OEM is qualified for GST credit in the OEMs hand. This poses a challenge for OEM in availing credit as the cost is recovered by the vendors which adds to the cost of tooling and manufacture. Under the excise law, duty is levied whereas paid at the time of removal of the vehicles manufactured and alongwith the VAT is paid at the time of sale. The Model simplifies and specifies that at the time of supply of goods must be earliest of date of removal of goods, date on which goods made available, invoicing date, date of receipt of goods as shown in books of accounts by recipient. The receipt of advance is not a taxable item under Central Excise and VAT law. The tax levied on two wheelers before GST was 30.2% for the entire capacity less than 350 cc, whereas it is 31% after GST which shows that the new tax structure is quite insignificant and does not affect the buying sentiments. For commercial vehicles before GST was 30.2% and after GST is 28%-29%. For buses with 10-13 passenger capacity is 4.3% after GST in contrast to 30.2% before GST. Before GST the passenger vehicles taxes were 31% which has fallen to 29% after GST.

After the onset of GST, Bajaj auto, HERO, YAMAHA, TVS, SUZUKI, HONDO Bikes are availing GST advantages. Bikes below 350cc will not attract duties of 28% as against 30% in the old structure. American bikes trader have reduced the prices on motorcycle by 12% post GST. Bikes have seen a fall in the prices. However, bikes above 350cc will see a hike in cost that puts an extra cess of 3% boosting the GST to 31%.

Conclusion:

Prior to the implementation of GST, the perception of the Government was that it undoubtedly would have had favourable impact on all the sectors from the viewpoint of Govt. as well as consumers. . The implementation of GST is inevitably linked to successful implementation of NAM as it aims at unified tax structure of goods and services which would eventually include agricultural produce. The National Agricultural Market envisages smooth flow of goods across states leading to competitive and transparent prices with likelihood of increased share to the farmer in the value created in agricultural commodities. GST does have average impact on this sector. Increase in tax rate might increase the overall cost but continuous availing ITC, ease of transportation may have positive impact on this sector. In case of automobile sector, due to application of GST, overall cost gets reduced but working capital requirement gets increased from the viewpoint of dealer. Moreover Automobile dealers charge amounts for sale of vehicles and also for different ancillary services such as insurance, logistics, accessories, registration etc. GST does not have positive impact on this sector from the view point of the consumers but for sure it will help to make the system clear, transparent and thereby generate more revenue to the Government as compared to earlier taxation system.

Limitations of The Study:

- This study is based on agricultural and automobile sector only.
- All the data which are relevant for our study are not available.
- Information's are not readily available.

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