

A STUDY ON MAJOR SIGNIFICANCE AND IMPACT OF GST ON DIFFERENT SECTORS IN INDIA

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Abstract—India is going through a lot of change right now; first demonetization attempts to curb the black money and eradicate corruption and now a few months before GST bill came into force to make sure there should be no space for the reasons of corruption which will directly boost our Indian economy. We have written this article to make you aware of the effects and impacts of GST on various aspects of our lives. Now a new and unified tax structure are followed for indirect taxation on the place of various existing tax laws like Excise duty, Service Tax, VAT, CST etc. and for sure the new tax regime will eliminate the cascading effect of tax on transaction of products and services, and it will result in availability of product and services to consumers at lower price. It is expected that it will be helpful in increasing production and the purchasing power of the buyer which may increase the GDP by 1% to 3%. Recently, India accounted 7.1 percent growth for the financial year of 2016-17 while for the March quarter; it was behind the china at 6.1 percent in front of 6.9 percent of china's statistics.

Keywords—CGST, Financial Independence, GST, MSME Sector, VAT.

INTRODUCTION

The Goods and Services Tax (GST) regime which was introduced in India on July 1 will unify India as a homogenous market. Consumers may have better access to goods and services as bottlenecks are eliminated and supply chain is re-organised. This is an opportune moment to assess the impact of GST on key sectors in the Indian economy.

GST is emerging as the tax of the future that changes the architecture between the state and center. It unifies all the current indirect taxes under the Dual tax structure of GST. The implementation of GST impacts the structure, computation of indirect taxes leading to comprehensive restoration of the current tax regime. GST council finalized tax rates on 19th/20th May 2017 meeting in Srinagar. Out of 1211 goods and services,

- 48% of the goods and services taxed at 18%
- 8% of the goods and services taxed at 0%
- 19% of the goods and services taxed at 15%
- 16% of the goods and services taxed at the 28% slab rate
- 12% of the goods taxed at 5%

For every industry verticals, the whole payment process would become very convenient for the buyer if there is a clear uniform rate for one tax. It includes everything that they need to pay in taxes to authorities.

GST is the most significant tax reform that India is set to witness post-independence. With the many lessons learnt from international experiences in GST, the objective of the Indian Government is introducing anti-inflationary measures from the very start. While in some sectors the tax incidence seems to have increased, they will also benefit from input credit claims that were previously not available. The message from the Government is very clear. While GST creates a unified and homogenous market, the ordinary consumer should not have to bear any extra tax burden. Business organisations

across the sector are expected to pass on benefits they receive in the form of input credits, to the end consumer. This may take a time to turn into a reality for the consumer.

MAJOR SIGNIFICANCE OF GST

High GDP: GDP is more comprehensively covered in consumption based taxation regime and thus leads to high GDP growth.

High Tax to GDP ratio: as tax compliance increases, tax to GDP ratio increases.

Ease of Doing Business: complexity of taxation regime reduces and this helps in easing business practices.

Common economic market: There will be no transport delays at state borders. This will contribute to efficiency of businesses.

Low inflation: due to elimination of Cascading of taxes.

Though GST promises to be a greatest taxation reforms in the independent India, the multiple rate slabs can cause few problems. There can be controversies in classification of goods and services among these slabs. Multiple rate slabs also would lead to complexity. Despite these fault lines, it has to be appreciated that India started reforming its taxation regime.

BENEFITS OF GST

To the Market/Industry

1. Conformity in the structural procedures and architecture of taxation.
2. Digitalizing will benefit in efficient record-keeping and maintenance of data for activities like enrollments, payment, returns etc. and providing an easy access to the taxpayers through online portals.
3. There will be immense improvement of competition in the market with reduction in transaction costs for trading.
4. Removal of cascading.
5. Reduces the cost of locally manufactured goods and services.

To the Potential Consumer

1. Transparent form of tax proportionates to the true value of goods and services without any manipulation.
2. The total and overall tax burden is reduced – increasing gains and decreasing leakage rates – benefitting the potential consumers.

To the Government

1. Easy administration and access to tax-related data with the help of unique and robust, end-to-end IT systems.
2. The government will save the cost of tax collection, significantly leading to higher revenue efficiency.

The elements of a GST Compliance Rating include the name of taxpayer, along with his identification number (GSTIN) which is altogether uploaded, preserved and maintained in the public domain of the official GST Network website. This will reduce chaos, although the taxpayer will have to advance a high compliance rating.

ADMINISTRATIVE TREATMENT

- The higher compliance rating you possess, the more likely are you to be prioritized in the GSTN System.
- Scrutiny & Auditing: Compliance ratings are bound to keep the things in order, maintaining consistent functioning.

OPPORTUNITIES IN THE MARKET

The system provides transparency between the potential partners and the taxpayer. This helps individuals to grasp the right opportunities and forgo the wrong decisions. For instance, the new law states invoice matching for ITC (Input Tax Credits) and hence no potential business partner or associate would want confederation with an individual who causes disrupted problems with their ITC cycle, increasing expenses.

Hence, GST and its compliance ratings will affect the economy of our country in a positive manner, thus efficiently producing better cash flow as it is stated as the most high-reaching, zealous & ambitious tax reforms in the history of India post-independence.

THE IMPACT OF GST ON VARIOUS INDUSTRIES SECTOR ON THE BASIS OF A DIFFERENCE IN GST RATES

Impact of GST over musical instruments

Western musical instruments are placed in higher slab rate category i.e. 28 percent under the Goods and Services Tax Regime in order to promote the native instruments. The newly implemented GST is imposing 28 per cent tax rates on western musical instruments including piano, humble mouth organ, guitar, and saxophone, as per the latest meeting conducted by the GST Council. Whereas, the Sitar has been exempted under the new indirect tax regime. Though, Store owners, as well as musicians, have been adversely influenced by 28 per cent GST rates on western musical instruments. Apart from these, domestic handmade instruments do not levy any tax rates in the new tax regime.

Under the Previous tax regime, many states such as Karnataka was imposing up to 14 -14.5% value added tax (VAT) on musical instruments whereas the musical instruments of domestic origin were taxed at 5.5 per cent GST.

Musical lovers are being worrisome on the high tax rates of musical instruments and nearly doubled if one wants to play the Spanish or the Hawaiian guitar. It is strange that damru or dhol buyers will not be required to pay taxes, whereas those are buying a set of drums will have to pay 28 percent GST.

Impact of GST Over Indian Handicraft Industries

But tax officials warned against offering several tax exemptions on domestic musical instruments. Bipin Sapra, indirect tax partner at consulting firm Ernst & Young said: "While exempting indigenous musical equipment will indeed be beneficial in keeping the cost of these products low and give a fillip to their use, the design of GST is based on minimal exemptions and wider base. More the exemptions, the rate on other commodities will continue to be high."

The government has decided to put the everyday used household musical items in the nil or low tax rate especially those are available in the domestic market. While, abroad music equipments will be categorized under luxury goods and will be levied 28 per cent tax rates under GST

A move was taken by the government, zero levying or nil tax rate on some of the handmade musical equipment to keep the artisan away from the filing and payment of taxes under GST, specifically when a lot of goods sourced from the unorganized sector. Apart from these, various handmade musical instruments are manufactured in domestic countries, which do not want to indulge in complicated compliance requirements.

Impacts of GST on Airlines, Telecom Industries

Costly transportation and communication services: Airlines traveling will be expensive after GST Act, the tax rate for the current airline is 9 percent which will change to 12 percent. Although, GST on economy class traveling is set to 5% from 6%.

Telecom Industry: Reliance Jio being a headache, poaching customers of other telcos by providing services at cheap rate has put large telecom industries in a dilemma, and with the GST Telecom services will be taxed at 18% to previous 15%.

Impact of GST on Cars/Automobiles

Four-wheeler vehicle is somewhat a milestone for every person in their life as it gives easy of transportation but mostly prestige. Cars are considered as luxury goods under GST. Therefore, cars fall under 28% slab of GST. Apart from daily private transportation, there will be a problem for the farmers whose daily work depends on the tractor vehicles. After GST there will be a hike from 6-7% to 12% in tractors. Not only that but the hike in insurance and loans for cars is to be expected as well. Hybrid cars will be taxed 28% whereas the tax on Electric cars will remain at 12%.

Impact of GST on Real Estate

Real estate will get costlier, but buyers will be happy to pay more because instead of paying numerous taxes like VAT tax, service tax, Cess tax, etc. They have one direct tax GST which gives clear knowledge of the amount they are paying to the developer. GST on real estates will extend up to 12% that is 6.5% more than the current tax. Developers have to

face the burden of paying the tax of the unsold flats which then can be recovered quickly, but this might be bad for buyers as developers may increase their costs of the property.

Impact of GST on Electronics like Mobile Phones and Laptops

A mobile phone is a necessity for each nowadays. Electronics are getting cheaper except for mobiles which will get costlier except for imported mobile phones which will be cheaper compared to the mobiles manufactured in INDIA. There is 4-7% rise of tax on mobile phones making them costlier. Same with laptops and desktops they fall under 18% GST slab that's a 4-5% hike. But all these hikes in cost can be brought down if India starts mass producing laptops and other peripherals.

Impact of GST on Manufacturing Sector

Suppose a manufacturer buys raw material for 100 Rs where he/she pays tax of 10% that means 10rs goes to the government and when the manufacturer sells the product with added value of 20 Rs making it $100+20=120$ rs, government collect tax of 12rs, but the manufacturer has already paid 10rs which makes him liable to pay only 2rs to the government. This transparency of taxation system is likely to enhance economic growth and make corruption free tax system. Goods and services prices are likely to come down if the majority of manufacturing is done in India.

Impact of GST on Logistics

Logistics plays an integral role in supplying goods from one corner to another its the sole reason for the growth in manufacturing and consumption. Because of GST goods can move freely from one state to another.

What is the impact of GST on Common Man?

The ordinary man can take a big sigh of relief because there will be many opportunities for making significant savings on GST.

Personal care: Products like oil, soap, kajal tissue prices will come down by 6% to 10%.

Hotels: If you are avid traveller great news for you. Accommodation under 1000rs will be exempted from GST tax, and 18% tax will be levied on above 5000rs accommodation. Taxes on hotels have been reduced from 22% to 18%.

Air Travelling: Economy class fares have been reduced as it only attracts 5% tax of GST.

Branded Goods: Most branded goods that were taxed at 23-25% is reduced to 18% which means more shopping of branded goods at reasonable rates.

BENEFITS OF GST TO THE INDIAN ECONOMY

- Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise.
- Less tax compliance and a simplified tax policy compared to current tax structure.
- Removal of cascading effect of taxes i.e. removes tax on tax.
- Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down.
- Lower the burden on the common man i.e. public will have to shed less money to buy the same products that were costly earlier.
- Increased demand and consumption of goods.
- Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.
- Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check.
- Boost to the Indian economy in the long run.

These are possible only if the actual benefit of GST is passed on to the final consumer. There are other factors, such as the seller's profit margin, that determines the final price of goods. GST alone does not determine the final price of goods.

HOW WILL GST IMPACT THE INDIAN ECONOMY?

- Reduces tax burden on producers and fosters growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers.
- Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
- There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
- GST will add to the government revenues by extending the tax base.
- GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.
- GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

CONCLUSION

Implementation of GST is one of the best decisions taken by the Indian government. For the same reason, July 1 was celebrated as Financial Independence Day in India when all the Members of Parliament attended the function in Parliament House. The transition to the GST regime which is accepted by 159 countries would not be easy. Confusions and complexities were expected and it was happened. India, at some point, had to comply with such regime. Though the structure might not be a perfect one but once in place, such a tax structure will make India a better economy favourable for foreign investments. Until now India was a union of 29 small tax economies and 7 union territories with different levies unique to each state. It is a much accepted and appreciated regime because it does away with multiple tax rates by Centre and States.

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