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A STUDY ON GST LAW AND ITS IMPACT ON FMCG SECTOR IN INDIA

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Abstract—*The objective of this paper to study about the GST is having what all are different kinds of product, manufacturing, selling this between comes under before GST different taxes. Now is all being activities, all whatever taxes there in Indian rules all are taxes are equal, that is the GST. Constitution act of 2017 by the section of constitution 122nd change it is administered by fund poster of India ARUN Jaitley. This GST is introduced by Narendra Modhi, of Indian government on July 1st, 2017 this rule following on July 6th, 2017 that GST in India. Merchant's service tax applies throughout India and is indirect tax. Moreover, from now GST replaces many taxes. Generally, State, and central governments levy taxes. But after many meetings, finance minister of India and Indian government introduced GST on July 1st, 2017. Government of India introduced goods and services tax as the constitution act 2017. FMCG sector would also benefit from GST in the form of saving a considerable amount of expenses on logistics. Distribution cost of the FMCG sector currently amounts to 2-7% of total cost, which is expected to drop to 1.5% after implementation of GST. Due to the smoother supply chain management, payments of tax, claiming inputs credit, removal of CST under the GST regime there will be a cost reduction in terms of transportation and storage of goods. It is expected that the reduction in cost and taxes would make the consumer goods cheaper.*

Keywords—*Direct Tax, Indirect Tax, FMCG, GST, Sales Tax.*

INTRODUCTION

India's GST council and minister of finance governs GST and its legislation. India 's President is the next finance minister. It is also because many other taxes in GST are included in GST. It thus becomes 'one nation, one tax.' Knowing about the rules and regulations governing GST registration, GST would also check an unmistakable take-off of the financial forces conveying the plan envisaged in the constitution. The proposed double GST envies age's tax assessment of the same valuable opportunity provided both by the center and by the state of products and businesses. Consequently, both the center and the state will be involved in demanding GST over the chain of appreciation from the manufacturing phase to be used. GST 's loan paid on commitment to yield, ensuring that GST is charged on a fragment of significant expansion value at each stage only. This would ensure that the nation's GST applies to various transactions without an on-charge assessment. And that list includes the transfer, sale or purchase, deal, import or rent of goods and administrations. India, on the other hand, took shelter, SGST, CGST: Full form SGST is state GST or goods and services tax. Whereas complete CGST form is central to GST or central goods and service tax. That means the central and state governments levy CGST and SGST on transactions. This is only when transactions take place in a single state. IGST: The full form is Integrated Goods and Service Tax, or Integrated GST. Furthermore, central government levies IGST on bury, state exchanges, and imported merchandise and administration. Give us an opportunity to use some examples to grasp that. You can find those examples below. So, read on to get to know about it. Know more about the official GST enrolment process. The (CBEC) CENTRAL BOARD OF EXCISE & COSTUMS will be responsible for the state-imposed organizations' separate updating of SGST & CGST. A solid and coordinated evaluation organization will be required to track the merchandise stream and the nation's enterprises over finished as well as speak to the associated charges to execute double GSTs. Any type of hazard management framework will yield essential results precisely when there is a competent assessment organization. A wasteful spending organization will not be able to provide a basic level of prevention which ultimately prompts resistance and execution under duty administration. The joint venture for GST continues to release four reports on the GST expense procedure, GST registration, GST repayment and GST reappearance for open remarks a year ago. According to the CRISIL analysis, GST can reduce the organization's logistics cost of delivering non-mass items transported by railroads-coal, press metal, bond, steel, feed grains, composts, and so on. The GST council has yet to come to an agreement regarding GST rates.

Example case 1: Calculation of GST and CGST

A is Karnataka merchant. In Karnataka sold merchandise worth Rs. 5000 to B. The GST rate is 18 per cent. Nine per cent is CGST here, and nine per cent is IGST. Consequently, Rs.450 goes to the government of Karnataka, while Rs.450 goes to the central government. And total tax is as high as Rs.900.

Example case 2: Calculation of IGST

We can take an example above where CGST was 9% and SGST 9%. But here the goods sold to Maharashtra by A form Bihar. Total taxes thus fall under IGST. And these charges for taxes only go to center. Thus, you know how to use examples to calculate SGST, CGST, and IGST. You see differences between SGST and CGST and IGST even now. Both the state and central have their revenue in this way. Furthermore, there will be no check posts from now on.

Thus, goods move quickly from one place to another, without any disturbance. So, India's government makes transition to GST easy and simple. You know, finally, about new 2017 GST taxes.

REVIEW OF LITERATURE

1. **Milandeep kaur, kajal chaudary, surjan singh, Baijinder kaur (2016)**.

“A study on impact of GST after its implementation” IJISSH volume 1 issue 2.

The above research focuses primarily on what impact GST will have after its implementation, the difference between the current indirect tax and GST and the benefits and challenges GST will have after its implementation. Research being qualitative research on how GST taxes different goods and services. Research uses the consumer price index which is a statistical estimate constructed using regularly collected item prices. Using CPI research analysis, the significant impact of GST on different items is 20-25%. Research concludes that GST would reduce the tax burden and also play a part in our country's growth and development.

2. **Aurobindha panda (KNT school of law), Atul Patel (KIIT school of law)**, “The impact on GST on the Indian tax scene (2010) at SSRN”.

The research paper analyzes how GST would affect the tax scenario in India. The authors provided a short history of Indian taxation and its structure. The background of GST is also discussed outside India, as well as in India. The authors concluded that GST would benefit industry and consumers alike. It would lead to higher government revenues. Through this analysis, the GST, whatever taxes in the tax scene in India such as the introduction of GST tax rates, will defiantly give more advantage to country income and also to consumers, paying more taxes on different products and now paying the one tax on goods and services after the GST.

3. **Dr. Mohan Kumar, CA yogesh Kumar**, “GST and its impact on the FMCG sector in India” (2017) for the international journal of research in finance and marketing.

This paper analyzed FMCG industry impacts. India 's rapidly moving consumer goods (FMCG) sector is compromising over 50 percent of the food and beverage industry and another 30 percent of personal and household care. Currently, the peak tax cost to industry player’s amounts to approximately 27% that, under the GST regime, revenue would be neutral between 16 and 19%.

4. **R. Hiremani Naik, Sudhina TA**, “A study on impact of GST on the FMCG sector in India and Indian Tax system” (December 2017) for international journal of research in business studies.

The fast-moving segments of consumer goods are the Indian economy 's biggest sector. The sector is like seeing a significant impact once the bills for goods and services tax (GST) are passed as the companies are setting warehouses across the states to have a more tax-efficient system. FMCG is one such sector that has a direct impact on the public at large. Studying the possible positive and impact of GST implementation on the FMCG sector is extremely important.

NEED FOR THE STUDY:

The Goods and Service Tax is a proposed national comprehensive indirect tax levy on the manufacture, sale, and consumption of goods as well as services. It replaces all indirect taxes levied by the Indian central and state governments on goods and services. According to this content, the main reason for this study is to know what and exactly how to place the goods and service tax on the central government in India as well as on the state government. And showing how exactly the GST (goods and services tax) will be kept on Indian retailers.

OBJECTIVES OF THE STUDY:

1. To know the exact tax rates and structure in India.
2. To know the removal of cascading effect goods in the country.
3. To know the GST and central-state financial relations.
4. To study the dual system of tax rates on both central and state in India.

SCOPE OF THE STUDY:

Similarly, a crucial joint effort started late between Sri PRANAB MUHARJEE, the union finance minister and the authorized group (19 October 2009) on the linked reward dispute because of the CST (Central Sales Tax) provision. Currently the authorized group has held a separate opinion on the references of the employed authorities' assembly and additional related issues. The extent to which the first conversation newspaper, close by an annexation to regularly requested queries and answers on Goods and Service Tax, has now been shown to converse with manufacturing trade, farming and people who are free to move around at will, is this natty abrasive view. Since the Center and Level Goods and Service Tax would be an additional change the VALUE ADDED TAX has ended, a short exploration as to whether the VALUE ADDED TAX introduction strategy in India is profitable. According to this information and the implementation of GST in India, removing cascading effect on the tax system and paying the one tax on goods and services as well.

LIMITATIONS FOR THE STUDY:

1. Transitional credits: FMCG companies previously had to set up units to trade within them in different states. The companies received are also based on the tax exemptions.
2. Changing rates frequently: the lack of clarity in tax treatment has led to huge confusion for various FMCG goods.
3. Anti-profit issues: Transitional credits and tax rate changes have resulted in anti-profit issues in the FMCG sector.
4. Input tax credit fraud unravelling: it has led to the introduction of stringent verification standards, delaying refunds.

RESEARCH METHODOLOGY:

Data collection is arranged and tabulated as it identifies the most important facts in the crisis according to the study's objectives. Analysis of quantitative data will be carried out through statistical tools and will be as follows: graphs, average and percentage, charts of pie. It will also show this analysis of the collected information in the form of graphical representation. Focus group observations and interviews are among some of the most used techniques and personal meetings with business traders, as well as data collection in newspaper articles on the impact of GST on the FMCG sector in India. The process that is used in an analysis where a predetermined number of observations from a larger population is taken. The methodology used to sample from a larger population depends on the type of analysis being performed, but it may include simple random sampling, as the sampling system will be taken as a random sampling as per this GST and its impact on the FMCG sector in India.

According the above review of literature of few articles, those completely represents the previous tax rate was around 22-24% at overall level for the FMCG industry. Under GST now, the tax rate comes on an average at 18-20%. The FMCG industry received the benefit from GST because of saving in considerable amount of logistics expenses. The distribution expenditure of the FMCG industry was 2-7% of the total expenses previously, which came down to 1.5% after implementation of GST. In GST regime, there is decrease in transportation cost and storage of goods cost due to removal of CST, smooth supply chain management, tax payment, input tax credit claim. This resulted in making the consumer goods available at cheaper prices. Goods transported outside the state will be taxable under GST. GST valuation rules states that if the transaction value is not available then the value of the same kind of goods and services will be taken as the transaction value. The articles show the information that, if the GST law has been implemented in India, the main thing is maximum FMCG industries will get so many benefits in the way of input tax credit, the state and central GST taxes and they can remove the cascading effect in the business and tax system in India. Basic food products like milk, fresh vegetables and wheat have been added under the 0% tax slab which is expected by FMCG experts. Branded paneer, mother dairy paneer or Nestle paneer are added under the 5% tax slab. According to the article of “Dr. Mohan Kumar, CA Yogesh Kumar”, which clearly shows the GST impact on the FMCG sector in India, is that every end consumer and the FMCG sector industries will get the different tax rate slabs and it is beneficial to the both.

DATA ANALYSIS AND INTERPRETATION

The FMCG sector contributes significant direct and indirect taxes worth USD 6.5 billion. India's fast-moving consumer goods (FMCG) sector comprises over 50 percent of the food and beverage industry, and another 30 percent of personal and household care, spanning the country's entire rural and urban areas.

Reports suggest the sector contributes significant direct and indirect taxes of USD 6.5 billion. Therefore, the sector is likely to have a significant impact once the goods and service tax (GST) bill is passed as the companies establish warehouses across the states in a bid to have a more tax-efficient system. Even from the fast-moving consumer goods (FMCG) industry, the sheer efficiency of the goods and service tax (GST) if the design is such that the credits do not stick to the business and are passed on in the value chain; an FMCG industry will also benefit from an efficiency perspective. The second fact is that FMCG industry today has a network design that is also driven entirely by the concept of stock transfer and then selling through depots. In the FMCG industry, there are several procurements made from tax units that are in places like Himachal and Uttaranchal where there is a full excise benefit. What will be the future treatment of those units? Will they move on to reimburse merchandise and hence what could be the trapped cash flow, working capital requirements, and so on, and so on, net of the potential input credit? Secondly, many of the processed foods that are in the FMCG regime are currently in the VAT regime as an example in the lower tax bracket 4-5 percent. The main question in the future is whether we are going to go for a two-speed structure or a single rate structure. It is going to be a two-rate structure in India from my analysis.

GST is clearly a long-term strategy; it would lead to higher output, greater opportunities for employment and economic inclusion. Initially, however, due to the loss of autonomy, it is likely to cause high inflation rates, administrative costs, and stiff state opposition. The consumer pays the final tax in GST, but an efficient input tax credit system ensures there is no tax cascading. At each stage of production GST is levied only on the value-added.

Example:

Let us say GST is kept at 15% then for company XYZ pvt. ltd, following scene would arise.

Material cost	Manufacturing cost	Profit	Final cost
Rs.1,15,000/-	Rs. 20,000/-	Rs. 30,000	1,15,000+20,000+30,000 = 1,65,000/-
Tax @ 15% = 15,000	No Tax	No tax	Tax @ 15%= 24,750/-

From Rs. 24,750 tax of Rs. 15000 is already paid hence remaining tax is Rs.9750.

PERSPECTIVE IMPACT OF GST ON FMCG SECTOR:

Positive: The FMCG sector contributes substantial direct and indirect taxes of USD 6.5 billion. India's fast-moving consumer goods (FMCG) sector comprises over 50 percent of the food and beverage industry, and another 30 percent of personal and household care, spanning the country's entire rural and urban areas. Reports suggest the sector contributes significant direct and indirect taxes of USD 6.5 billion. Therefore, the sector is likely to have a significant impact once the goods and service tax (GST) bill is passed as the companies establish warehouses across the states in a bid to have a more tax-efficient system Even from the fast-moving consumer goods (FMCG) industry, the sheer efficiency of the goods and service tax (GST), if the design is such that the credits do not stick to the business and are passed on in the value chain; an FMCG industry will also benefit from an efficiency perspective. The second fact is that today's FMCG industry has a network design which is also driven entirely by the concept of stock transfer and then selling through depots.

Negative: There are several procurements in the FMCG industry that are made from fiscal units in places such as Himachal and Uttaranchal where there is a complete excise benefit. What is going to be the future treatment of those units? Will they move on to reimburse merchandise, and hence what could be the trapped cash flow, working capital requirements, and so on, and so on, net of the potential input credit? Second, many of the processed foods that are in the FMCG regime are currently in the lower tax bracket 4-5 percent as an example in the VAT regime.

IV. FINDINGS

The biggest change in India is the implementation of GST across India, including Jammu and Kashmir. A comprehensive Indirect tax reform in India is an outstanding step. Implementing GST has had a mixed impact on the FMCG sector, those companies in the FMCG sector whose tax incidence fell like, Dabur, HUL, ITC have begun to pass on the effect in the form of low prices. Changes in GST rates at regular intervals are very fruitful for some companies but no other companies in the FMCG industry. In the long run, GST may become a game-changer for the FMCG sector and may also have a profound impact on the Indian economy. But the short-term impact reveals that GST has failed to reduce overall commodity costs, some products' interesting cost has increased significantly more than the pre-GST regime's cost. As the GST law regime has its ways of charging the tax rates on the goods and services of the FMCG in India, such as CGST, SGST and IGST, a consumer or business person must pay the dual taxes to the government as a state and the central GST (Goods and Service Tax).

CONCLUSION

According to the paper there will be those efficiencies that will come from the input side, from a cascading removal point of view. How much of that removal of efficiency cascading and thus efficiency is offset by rates is something that will have to be seen because if the rates are also in the lower rate of say 12 percent basket, it could be possible for the efficiencies to flow through the value chain. Some of them are 18 per cent higher, then that is where the problems are. And on the input side too, there are raw materials for a processed food that are non-processed, agro-produced raw materials that can be exempt today. What will happen in the future for them? Will they go on remaining exempt? All of these will need to be factored to really come to an understanding of what is happening to a product, whether the price falls, remains constant or is rising marginally. GST will have a significant impact on this sector, according to the analysis on the GST tax rates for the FMCG sector in India. The FMCG (Fast Moving Consuming Goods) sector company will benefit from a simple regime under GST. It will also affect the FMCG companies' pricing strategies, sales, costs, and tax compliances.

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