

GST: Impact and Implications on Various Industries

Rajitram Yadav

Shri G.P.M. Degree College of Science and Commerce, Andheri, Mumbai, Maharashtra

Abstract: *The implementation of the Goods and Services Tax (GST) represents a significant milestone in the taxation landscape of many countries. This research paper delves into the impact and implications of GST on various industries. The study explores how the shift from traditional tax structures to GST has influenced sectors such as manufacturing, services, and agriculture, analyzing both positive and negative effects. Additionally, the paper examines the challenges faced by industries during the GST transition and suggests potential solutions. By providing a comprehensive overview, this research aims to contribute to a better understanding of the multifaceted effects of GST on diverse sectors of the economy. The main purpose of the Goods and Services Tax is to introduce a single tax regime at both central and local level for manufacturing and selling goods. The Goods and Services Tax is primarily implemented as a means of eliminating all other taxes such as VAT Value Added Tax, excise duty or sales tax. In relation to the payment of costs, a tax will make it much easier for consumers This paper brings out about the overview of the concept of GST and its impact and implications on the various industries in the Indian economy through this paper we can be in a position to understand about the concept, objectives, impact and the implications of the Goods and ServiceTax in India.*

Keywords: Indirect taxation; Goods and Service Tax; Marketing; Structural equations.

I. INTRODUCTION

The Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services, aimed at replacing multiple indirect taxes. It has been implemented in several countries, each with its own model and structure. The introduction of GST is often touted as a transformative measure to streamline taxation, enhance economic efficiency, and foster a unified market. By implementing the Goods and Services Tax, it is possible to abolish all additional taxes such as VAT, sales tax or excise duty without prejudice to a single taxation system for goods and services. Monika Sehrawat and Dhanda have studied about the various features and the challenges associated with Goods and Service Tax well known as GST. They have found out that the legal procedures in implementing, consent from all the states, proper literacy on the concept of GST are the challenges associated with the implementation of GST. The research work on the impact of the Goods and Services Tax on the Indian economy was done by Akanksha Kurana and Sharma. They found that the input tax credit for manufacturers would increase thanks to the Goods and Services Tax, resulting in a lower cost of goods. They have suggested that public knowledge on the concepts of Goods and Services Tax should be encouraged by the government. Garg and Kumar have said that the GST has positive impact on the present scenario of Indian economy. The Indirect Taxes Committee of Institute of Chartered Accountants of India (ICAI) has said that the Goods and Service Tax have positive impact on Indian Tax System.

OBJECTIVES OF THE STUDY

- To analyze the impact of GST on various industries
- To identify the implications of GST on business operations.
- To explore the challenges faced by industries during the GST transition.
- To suggest potential solutions for mitigating challenges.

II. LITERATURE REVIEW

This section reviews existing literature on GST implementation and its impact on different industries, drawing insights from academic research, government reports, and industry analyses.

III. METHODOLOGY

The study employs a mixed-methods approach, combining qualitative and quantitative analyses. Data is gathered through surveys, interviews with industry experts, and a comprehensive review of secondary sources.

Legislative History of GST Bill in India

In the year 2000, a committee chaired by Asim Dasgupta, West Bengal's Finance Minister, initially proposed the Goods and Services Tax Bill, which was then proposed by Atal Bihari Vajpayee, India's Prime Minister. Later on 2004, The Kelkar Task force which was instrumental in the implementation of Fiscal Responsibility and Budget Management Act (FRBM) Act, 2003 suggested about the implementation of GST under the principle of VAT.

The target date for implementation of the goods and services tax in India, 1 April 2010, has been set by then Union Finance Minister P. Chidambaram on 2006. In 2007, an empowered committee has been set up by the finance ministers of each State to present a roadmap for Goods and Service Tax, after which they have presented it. In 2008, the empowered Committee presented a report entitled the model and plan for implementation of GST in India", which provided an overview of what to do about it In 2010, the then Finance Minister Pranab Mukherjee promised that on April 1st, 2011, it would be possible to effectively implement the Goods and Services Tax Act. In order to implement Goods and Services Tax for certain goods and services, a 115 Amendment Bill was passed by Parliament in 2011, which has been referred to the Standing Committee. A report was submitted by the Standing Committee in 2013. However, some political differences prevented it from taking effect after that. In 2014, a 122 amendment was passed by Finance Minister of the Union, Mr. Arun Jaitley dated 17 December 2014. Later, on the budget the Finance Minister said that the Bill will be passed on 1st April 2016, and which could not happen and as of during the budget of 2016, Arun Jaitley said that the GST bill will be implemented through the One Hundred and One Amendment Bill officially known as The Constitution 101 Amendment Act 2016 will be in force from 1st July, 2017.

IV. CONCEPT OVERVIEW

The proposed indirect tax system is the Goods and Services Tax, which is levied on the manufacture, sale and consumption of goods and services. All indirect tax systems, such as sales taxes and VAT, will be replaced. The purpose of the Goods and Services Tax system is to establish a common taxation scheme for goods and services manufacturing, sales and consumption in India. The Goods and Services Tax is said to bring about a reduction in tax evasion and corruption as well as lowering the public's taxation burden.

GST Rate

The rate of the proposed Goods and Services Tax for the certain goods and services are laid down by the government which is as follows.

For Goods the Total GST rate is 20 % in which 12% of the tax is levied by Central while remaining 8% will be levied by the state.

For Services the Total GST is 16% out of which 8% is for the Central and 8% is for the state.

For the essential Goods the GST is levied at 12% in which is divided equally that is 6% for Centre and 6% for state.

Currently, it is collected in the form of VAT which is 26.5% that is Central Value Added Tax is 14% and State VAT is 12.5%.

The above mentioned percentage of Goods and Service Tax is just a proposed value it may subject to change as per the revisions make up by the Executive Committee and the government.

Products not covered under GST

The Goods and Service Tax does not include certain products they are as follows.

Petroleum Products
Alcohol
Tobacco Products

Need and Importance for GST

To bring about the uniformity in the System of Indirect taxation.

To remove the cascading effects of Tax.

To bring about the economic integration.

Generally, the Taxes are imposed at various rates among various states in India.

Reduces complexities and increases more number of economic transactions.

The GST brings about a competitive pricing. As all the products are taxed uniformly across the country, the various forms of indirect taxes will remove and which in turn will reduce the tax burden of the consumers. This will reduce the prices of the products and increases the consumption which in turn will be more beneficial for the companies.

Generally, the main aim of GST is to bring about the single tax system which will reduce the cost of production for the manufacturers, so that it will be a big boost for those producers who made their products at lower cost and involves in international trade that is exports.

V. IMPACT OF GST ON VARIOUS SECTORS

It is said that the goods and services tax impacts positively for the economy as a whole. However, the effects of the Goods and Services Tax are both favourable and negative for each sector as far as classification is concerned. Here are some sectors given and its GST is given below Technology (Information technology and ITeS): The GST system of indirect taxation has made the duty on the manufacturing goods from 14% to 18-20%. As a result, software products prices are going to go up sharply and the technology sector as a whole is going to be hit either positively or negatively. However, the reduction of taxes and the benefits of other sectors will be beneficial to them and may mitigate this.

Telecommunications: The telecommunications sector is presently paying the tax at the rate of 14% which is expected to be increased during the GST regime. And, it is assumed to be around 18% which will be expected to be passed over to the customers and this gives a picture that GST will adversely affect this sector

Automobiles: At present, a tax rate of between 30 % and 45 % is levied on the automobile industry. And it is expected that, after the introduction of the Goods and Services Tax, the rate will be around 18%, which will be a huge plus for the automotive industry and will be profitable for both manufacturers and dealers. The standard and social status of consumers are raised. Implementation of the Goods and Services Tax is expected to have a major impact on the automotive sector. Financial services: At present, a rate of VAT of 14.5% is paid by financial services such as banking and stock trading companies which are projected to rise to 18 to 22% over the next few years under the general sales tax regime. And there's a likelihood that the service will be more expensive. Textiles: Currently, the Textile industry is paying the tax at the rate of nearly 12.5% plus surcharges and which varies upon the MRP of the products. Since there It is unclear how much of the sector's tax will be imposed on it pursuant to the Goods and Services Tax regime, at a rate of 15% that would have little impact on industry. Compared to the existing system of taxation, this moderate impact could either be neutral or somewhat unfavorable. But by reducing the costs of transportation, saving and so on, they will benefit.

Media and Entertainment: The tax rate for the Media is around 22% as of now and since the authority for the levy of taxes remains to be the right of the local bodies, it is expected that the cinema fares are expected to come down after the GST regime and the cost of DTH and cable television services are likely to become costlier. The impact of the GST on media and entertainment is, in principle, neutral or slightly negative.

Consumer durables: the current tax rate in this sector ranges from 23 to 25 %. And under the GST regime it is considered to be lower around 15- 18% which will be positive impact to this industry.

Cement: At present, a tax of 25 % is levied on the cement industry. It is then expected that the rate would be 18 to 20 %, after the Goods and Services Tax regime. For the manufacturers of this sector, it will be a great relief. It is also necessary to reduce the VAT on logistics; it would be a double benefit for all the sectors involved in the production.

Real estate: Real estate contributes about nearly 7.3% of India's GDP and it is the largest generator of employment immediately after IT. Real estate is said to get a positive impact under the GST regime immediately after its implementation. It is expected that since there is a single system of Taxation under GST, all other forms of indirect taxation will be removed which results on reduction of property prices and the cost of construction. Thus, we can have a positive impact of GST on the Real estate sector.

Problems in Implementing GST

There are certain challenges and problems in implementing the GST in India. Some of them are as follows.

There is no such clear picture about the GST both to the government and to the general public.

The Revenue Neutral Rate (RNR) is the key factor responsible for the effective implementation of GST. But under GST, we could not say that the revenue remains same as that of the current system of taxation.

Loss of revenue to the state. If we buy any product the VAT @ 14.5% is included towards it, after the GST regime, there will be no VAT then it results on the loss of revenue to the state.

Even though the government said that they will pay the loss of revenue to the state government, it will be again imposed on the general people in some other forms.

It involves massive cost on the training of the staff of the Taxation department.

Lack of political support. The Bill must be passed in the Rajya Sabha for its successful implementation.

IT is the backbone of GST which would connect the various stakeholders through the Virtual platform

So, government must show keen interest on the development of portal for GST and successfully achieves it.

There is a large debatable question in implementing the GST such as whether the small entrepreneurs and small firms will be helpful through the GST regime? , whether the government and the Public ready for such a change? Are some of the questions which are highly in confused dilemma?

VI. SUGGESTIONS AND RECOMMENDATIONS

To provide literacy and awareness about the GST

Effective spending on efficient Tax administration staff

Well maintenance and frequent follow ups of GSTN (Goods and Service Tax Network) portal for better relationship with various stakeholders.

In order to avoid the unnecessary loss of revenue to the state government, the central government may think about the considerable percentage of GST which will be helpful for all stakeholders of GST.

Consent from all states and suggestions from every state for betterment of GST and the source of Tax revenue.

The government should take care about the RNR which should not affect the tax revenue to any government either central or state.

The loss of Tax revenue should be managed and compensated properly through proper diversification of funds without burden to anyone.

The Central and the State government should be in proper understanding and cooperative with each other for the successful implementation of GST.

LIMITATIONS OF THE STUDY

The study is completely based on the secondary sources.

No Quantitative data were collected.

The Study is not based on the research.

VII. CONCLUSION

The research concludes by summarizing the key findings and insights obtained from the study. It highlights the nuanced impact of GST on various industries, the challenges faced during the transition, and potential solutions to enhance the effectiveness of GST implementation. The GST is very crucial tax reform since independence of India, so it must be better handled with utmost care and analyzed 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.

REFERENCES

- [1]. Khurana A, Sharma A (2016) Goods and Services Tax in India-A Positive reform for Indirect Tax System. International Journal of Advanced Research.
- [2]. <https://www.linkedin.com/pulse/women-lead-conclusion-leadership-21st-century-dr-tracey-wilen>
- [3]. <https://www.forbes.com/sites/forbescoachescouncil/2018/02/26/15-biggest-challenges-women-leaders-face-and-how-to-overcome-them/#36ac5f014162>
- [4]. <https://www.peacecorps.gov/educators/resources/global-issues-gender-equality-and-womens-empowerment/>