

EFFECT OF GST ON SELECTIVE INDUSTRY IN INDIA

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Abstract: This study is designed to access the Impact of GST in India. This is the biggest tax reform that took place in India which was founded on the notion of “one nation, one market, one tax”. The GST scheme is aimed at reforming the indirect tax and as well dismantling all the inter-state barriers with respect to trade. The study is going to examine how the reform process of the indirect tax started in India which gave birth to the current GST scheme we have today. The Objectives and benefits of the Goods and service tax will be stated in the study and a detailed description of how GST works and operate in India will be discussed. GST is known to be a type of Value added Tax which is imposed on various goods and services, with that, several countries impose it on goods and services in various forms, and the taxes charged on the goods and services differ amongst countries, in that case the study will discuss the main characteristics of GST in India. The study will also examine the advantages and disadvantages of implementing GST and also the impact of GST on the final consumer.

Keywords: Goods and Services Tax, Indirect tax, Consumer.

INTRODUCTION

The goods and services tax (GST) is an indirect federal sales tax that is applied to the cost of certain goods and services. The business adds the GST to the price of the product; a customer who buys the product pays the sales price plus GST; and the GST portion is collected by the business or seller and forwarded to the government.

France was the first country to implement the GST in 1954, and since then an estimated

160 countries have adopted this tax system in some form or another. Some of the countries with GST include Canada, Vietnam, Australia, Singapore, UK, Monaco, Spain, Italy, Nigeria, Brazil, and South Korea. India is set to join the GST group on July 1, 2017.

WHY GST IN INDIA?

Worldwide, GST is followed in almost 150 countries. Maximum countries have a unified GST system. Some

countries have a dual system which India is going to implement from 1st of July this year. GST is being presented in India mainly because of 2 reasons:

1. The present unintended tax arrangement is alive with insecurities because of numerous rates.
2. Because of manifold rates, there are numerous forms.

OBJECTIVES OF THE STUDY

The primary objective of the study is describing the impact of GST on important manufacturing goods and services industries. GST is a scientific approach of Tax. The main aim of the GST is increase the revenue of the country, and enhances the nation’s wealth and abolishes the absence of tax payment. The concept of GST is “**One tax and one Nation**”.

- ✓ To reduce the burden of tax between state and the center

- ✓ To enhance of revenue through the GST as one tax
- ✓ To encourage to the manufacturing industry in India
- ✓ To abolish the absence of tax payment in India

But, This is study is the modest attempt to highlight the impact of GST in some of the Manufacturing Industry and Service Industry.

Scope of the study: Goods and services tax has vast scope. The scope will cover listed number of items under the coverage of tax area only.

Data sources and methodology: The data source is based on primary and secondary data. Basically the secondary data has been collected from the concerned departmental records, magazines, journals and news papers. The primary data information has been gathered from the official of departmental personnel opinions and views. The methodology is based on observation method only.

ANALYSIS OF IMPACT OF GST IN INDIA

Cement industry: Cement industry is the one of oldest manufacturing industry the industry has the greatest historical background. Where the civilization is there is role of the cement, make in India concept applicable for this industry. The industry has some indirect taxes. By the GST effect the cement industry has indirect tax which might be subsume as 16% to 20% .currently tax burden of indirect taxes from 27% to 32%. It should be decreased to the tax rate to 18 %. It may create / facilitate as operating expenses such as transportation expenses benefits that the subsume of expenses the industry can claim the above benefits in future.

AUTOMOBILE INDUSTRY:

Before the introduction of GST, the tax rate prevailed in Automobile industry was between 30% to 47%. Due to the introduction of GST the tax rate decreased to 28%. So, the benefit may pass on to the consumers in all states. Because before the introduction of GST, the tax rate was different from one state to another state. Due to the implementation of GST, at least the consumer may get the benefits.

Consumer and Durable Sector: Currently the consumer and durable sector Tax rate is between

8% to 28%. Few of the Consumer durables are exempted from such taxes. So the effect of GST in this industry is beneficial to manufacturer as well as consumer. The difference between organized and unorganized Sectors in this industry is to be addressed immediately. The rates gap may sub sum. Warehousing and logistics expenses may reduce C.G.C.E Havel, Voltas, Blue star Bajaj electrical simfani, Hitachi etc. companies are benefited by the effect of GST.

IT&IT IS: In the Indian IT sector, 50 percent to 70 percent of the graduates depend only on IT sector. The net tax rate was 14 %. By the implementation of GST the tax may be increased to 18% to 20%. In IT sector, the revenue is mainly depending on export of IT products and services. Revenue of IT export exempted from the GST which is already the same even before the introduction of GST. So the GST effect may be Negative with in India.

Telecom sector: The telecom sectors presently the tax rate is 14%. By the implementation of GST the tax rate on telecom sector would have to increase as 18%. So the result of GST on telecom sector will be negative. Already the public sector Telecom is in the critical state. In future the concept of “one tax and one nation” caption is not suitable for Telecom sector.

Banking and Financial services: Banking is heart of financial aspect of India (wealth). In India public and private banking industry is the reflection of mixed economy. The banking sector's net tax rate is 14% by the effect of GST the rate will be increased to 18% to 24%. That the differential tax rate causes as Loan fees, debt and credit charges, insurance premium, etc the financial services charges burden on customers will increase. So the GST will also influence on customer purchasing power. Impact of GST in banking business transactions will also have effect on share market.

Pharmacy industry: The pharmacy sector is getting exemptions region wise. The excise tax rate was 6%. Till the end of the duration the subsidies will have to continue, then after that they will not available. The new tax pattern the industry could not remain constant it is considerable because the encouragement to pharmacy sector

TEXTILE AND GARMENT INDUSTRY:

Among the **key industry in India**, Textile and garments industry is playing vital role. That the industry has the rate of 6% to 7%. The tax rate may or may not be continued same. It is very clear that, the process of output tax rate may be hiked. Due to the effect of GST which is negative for some process and tax benefit to some process. Some of the textile companies enjoy tax benefits are Aravind, Raymond etc.

DTH/Media company: DTH and media sector's average tax payment rate presently 19% to 21% apart from that service tax is 14%, entertainment tax is 5% to 7%. Broadcasting companies are paying tax rate is 14% to 15%. The GST for this industry is 18% to 20%. Currently news and print media has been exempted from that taxes, the GST may be negative to Print media and Broadcasting companies but DTH companies are the beneficiaries.

Automobile and Batteries industry: The field of Batteries would have face the throat cut competition by the effect of GST. Jumbo feasibilities it has the effect on "the transported vehicles may get the benefits by the GST.

CONCLUSION

In Indian business scenario, manufacturing and service industry is playing significant role. In the world every country is providing some assistance either financially or through some tax relief. Ease of doing business is one of the criteria always verified by the multinational companies and the tax rate prevailing in the country is important for both Multinational as well as Local business community. Due to the introduction of GST, what are the immediate effect on some of the important industry were discussed in this paper. It will give broader idea to those who are having link with business as well as Tax.

- ✓ The cement industry can enjoy some benefits in operating and transportation expenses by way of introduction of GST.
- ✓ Automobile industry, also getting benefits by the GST, due to subsumed of taxes.
- ✓ Consumer and durable sector benefited by reduction of GST on warehousing expenses

- ✓ In IT and ITES sector the GST effect is negative.
- ✓ Telecom and banking and financial services will face the problem due to increase in operating expenses because of GST.
- ✓ The pharmacy industry will get encouragement from the government, but the Indian pharmacy industry will face the stiff competition due to change in GST.
- ✓ Textile and garment industry will have negative impact by the implementation of GST.
- ✓ Media companies also may also have negative scenario.

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