

A STUDY ON IMPACT OF GST ON AUTOMOBILE SECTOR IN INDIA

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ABSTRACT

Under the Pre GST regime, central and state government have levied multiple taxes on the same supply chain. There was cascading effect of taxes, as taxes levied by the central government, were not allowed as set off against the taxes levied by state government. In the view of the above difficulties, the certain taxes have been subsumed in a one tax called the goods and service tax (GST). The Automobile sector in India is one of the greatest effective and developing manufacturing industry after liberalization. The industry has potential to grow and become a major contributor for the economic expansion and employment creation. The Government of India has also known the implication of Automobile industry in the Indian economy and is presently occupied on Automotive Mission 2026 to be at equivalence with the greatest nation of the world. India is also a protuberant auto exporter and automobiles companies also discovering the rural markets which will also boost the progress of the sector in near future. By the outline of GST, where all the taxes are subsumed into one, it becomes necessary to foresee the impact of GST on this industry. This paper covers the overall impact of GST on Automobile sector in India.

Keywords: Goods and Service Tax, Automobile sector, Taxation, Indian Economy.

Introduction

Goods and Service tax (GST) is wide-ranging indirect tax on manufacture, sale and consumption of goods and services in all over India, to substitute tax levied by the Central and State government. Goods and Service tax (GST) is measured as the biggest taxation modification in the history of Indian economy. It is single uniform taxation system where all the taxes are subsumed into one. It has subsumed taxes like Service tax, VAT, Excise duty, Central sales tax, Entertainment and luxury taxes etc. GST will help in abolishing cost, time and effort. Goods and service Tax is game modifier in the Indian economy. The Goods and service tax (GST) is another such task that is expected to provide the much-needed stimulating for economic progress in India by transmuting the current base of indirect taxation on the way to the free flow of goods and services. GST is also expected to abolish the cascading effect of taxes. India is anticipated to play a substantial role in the world economy in the years to come. The anticipation of GST being introduced is high not only within the country, but also within neighbouring countries and technologically advanced economies of the world.

The Goods and Service tax is presented as The Constitution amendment act 2016 and it is structured by the Union Finance Ministry of India. It is consumption-based tax which is imposed on the supply of goods and services and will be executed at each stage of sale or purchase of goods or services based on the input tax credit method. GST is consumption-based tax charged. It is based on the "Destination Principle". GST is applied on goods and services at the place where final/actual consumption chances.

Features of GST

- GST is based on the dual tax concept which is apportioned between central government and state government in equal proportion.

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- GST will cover up almost all items except petroleum, alcoholic drinks and electricity.
- GST is based on the destination based multi imposition of tax subject to the input tax credits at specific levels.
- GST is calculated on the basis of invoice credit method so that the ITC claim can be claimed properly and tax is calculated on final consumption of goods and services.
- There is proper procedure of collection of GSTs through perspective legislation.
- All the taxable entities above threshold limits are required to obtain GST registration number.

Need of GST

Professionals have registered the aids of GST as under:

In order to reduce the demerits of prior indirect taxation system in India, Goods and Service tax (GST) Law is measured to be most significant transformation.

Under GST regime, the VAT at state level and CENVAT at state level is combined into Common Law, and thus an unremitting chain of set-off from the original producer's point and service provider's point upon the retailer's level is established which decreases the burden of all cascading effects. This is the essence of GST, and this is why GST is not simply State-VAT (including Service tax) but an enhancement over the previous system of VAT and disjointed service tax.

Automobile Sector in India

The progress pattern of India is very high and by 2030 it moving forward to convert the 3rd major economy of the world. Government is taking significant initiatives to increase the overall economic growth of the country. The Automobile sector in India is one of the major in the world. The industry role to country's Gross Domestic Product (GDP) for 7.1%. India turn into the fourth largest auto market in 2018 with sales increasing 8.3 %every year to 3.99 million units. India is one of the largest tractor manufacturers in the world, second largest two-wheeler manufacturers, second largest bus manufacturers, fifth largest heavy truck manufacturers, sixth largest car manufacturers, and eight largest commercial vehicle manufacturers. Under automotive mission plan 2026, the goal is to make Indian automotive industry between topmost three in the manufacturing, engineering and exportation of vehicles and components in the world and anticipated to accounts for 12% of India GDP during the next decade. The automobile sector is mainly encompassed of commercial and non-commercial vehicles, with the earlier comprising of vehicles like three-wheelers, minibuses, and the final containing of personal vehicles like two wheelers, small and luxury cars, SUVs etc.

Rational of the Study

GST has mixed impact on the Indian economy. Some sectors are positively impacted by it whereas some sectors are negatively affected by it. Main sectors that were adversely affected by GST were agriculture and textile sector, the reason being outside the tax regime before GST. As government has narrowed down the exempted items list, the sectors coming under GST area are showing slight resistance. However certain rules and regulation regarding return filling and input tax credits are still unclear and these should be properly analyzed so that the tax area can be enhanced. GST is at the infant stage in Indian economy. It will take some time to experience its effects on Indian economy. GST mechanism is designed in such a way that it is expected to generate good amount of returns for both central and state government. As per above discussion it is important to study that weather this implementation of GST can solve various problems of different sectors of India Economy.

Review of Literature

From below literature survey I got the idea of my research that innovative service process and strategies plays strong role in maintaining customer relationship by their experience with the provider.

Kumar R (2016) has identified the Impact of GST on Indian Economy with an evaluation of GST and preceding taxation system, and determined that after implementation of GST, manufacturers, wholesalers and retailers can recover easily input taxes in the form of tax credits.

Lourdunathan F and Xavier P (2016) has exposed that the challenges prospects of implementing GST, finishing that GST will fetch one nation one tax that will discharge producers and consumers from several taxes.

Neelavathi K., Sharma R (2017) identified impact of GST on automobile industry, the study concluded that automobile industry can developed one of the important contributors for the economic growth of the country as well as it helps in growing the employment opportunity. They were fruitfully able to analyse different tax rate levied on vehicles during pre and post period of GST.

Jain T., Agrawal, Goyal A (2017) asserted that impact of GST on real estate and automobile sector, the study recommends that the real estate and automobile sector can increase from GST if they are appropriately furnished for the transformations in the business environment.

Chaudhri K., Kour M., Singh S. (2016) stressed that study on impact of GST after its implementation, the study rewarded that GST helps to dispose of multiple taxation, it will reduce the burden at present, imported and Indian goods would be taxed at the same rate. Many indirect taxes like sales tax, VAT are abolished because there will be one tax system.

Kharde S.D. (2017) has noted that impact of GST on Indian automobile industry, the paper enclosed the overall impact of GST on automobile sectors in India and made comparative study between pre-tax policy and GST policy on Automobile industry. Author also concluded on GST impact on the economic development of the country.

Research Gap

The above literature review clearly brings out that through there are various studies on VAT and GST in India these studies were undertaken when the GST framework was evolving. These studies primarily enrich the debate about the way GST Law should be shaped. Therefore, various assumptions have been taken under these studies which may or may not form the basis of GST Laws. To the best of our knowledge and belief, no such exclusive study has been undertaken to analyse the impact of actual GST Laws on Automobile sector in India. The present study is a modest effort to bridge the gap.

Research Objectives

The main objectives of the study are:

- To find out the specific issues and the probable financial impact of GST on automobile sector in India
- To Suggest the definite procedures to discourse the issues of Automobile Sector
- To analyse tax levied on different category of vehicles
- Examine the impact of GST on approved future investments of Automobile sector.

Research Design

This Research is descriptive in nature as it designates the impact of GST on Automobile sector in India.

Data Collection

The study will be based mainly on the secondary data. Various sources will be tried to obtain these data like government website, research journals, newspaper etc. Primary data will be collected using planned questionnaire from numerous shareholders.

Data Analysis

From the above table, researcher has analyzed following things:

Classification of tax on vehicles Before GST and After GST

GST will impact several sectors of automobile sectors, some in a positive or negative way.

Let us check the summary of impact of GST on automobile industry:

• Two-wheeler segment	Before GST	After GST
	Engine size less than 350cc	28%
	30.2%	31%
	30.2%	
• Commercial vehicles	Before GST	After GST
	Three wheelers	28%
	Minibus with 10 to 13	
	Passenger capacity	31%
	30-33%	28%
	28%	28%
	28%	
• Car Segments	Before GST	After GST
	Small cars (below 1200 cc)	29%
	Mid-size cars (1200-1500cc)	31%
	Luxury cars (over 1500cc)	43%
	SUVs (over 1500cc, over 170mm	
Ground Clearance)	43%	
	50-54%	

Conclusion

A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. GST levied only on consumption of goods or services. This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimizes the complexity of taxation.

It will also beneficial to individuals as the prices will go down owing to GST and diminution in price mains to increase in consumption and directly intensification the GDP. As GST implementation functional at a time for all states absence of policy blockade will removed.

Since the implementation of GST, People, Economists and Politicians had shown different criticisms to the proposed model. But however, without doubt, GST had raised the economic development of the country. It will abolish cascading effects and produce revenue for both central and state government.

The study concludes that there has been a decrease in the tax rates of luxury cars which would probably increase the sale of luxury cars. While in the case of small vehicles it has an opposite effect. GST may have a positive impact on automobile industry in a long run, since government has already received the tax rate in the current financial budget. There are chances of same to happen in future which will bring a growth in Automobile sector.

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