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A REVIEW OF GOODS AND SERVICES TAX (GST) ON VARIOUS SECTORS IN INDIA

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ABSTRACT

The Goods and Services Tax (GST), also known as the Goods and Services Tax, is a massive Indirect tax system intended to promote and boost a country's economic development.GST is referred to as the most significant tax reform in the Indian Tax System. It will not be an extra tax; it will include central excise duty, service tax, VAT, central sales tax, entertainment tax, octroi, state surcharge, luxury tax, lottery tax, and other surcharges on the supply of goods and services. The GST's key feature is to transform India into a single market by removing the current fiscal barriers between states, which should result in better tax enforcement. There would be only one levy, and it would be levied at the national level, with the central government overseeing it. The aim of GST is to replace all of these taxes with a single comprehensive tax that covers everything. The aim is to abolish taxation on taxation. This paper will discuss GST and its impact on various sectors. With the introduction of GST, there is turmoil and confusion among common man. The GST bill would serve as a vehicle for India's economic integration.

KEYWORDS*: GST, VAT, Excise Duty, Indian Tax System, India's Economic Integration.*

Introduction

Taxation is a major source of revenue for every country, so having a good taxation system is essential for the country's economic growth. In the year 1980, India began its journey toward a tax regime. GST will be a significant step forward for the Indian economy, as it has been since the country's independence. Due to the complexities of the indirect tax system, some problems have arisen; however, this complexity is expected to be overcome by the current GST framework, which replaces all state and central indirect taxes with a single, simple tax. GST is a national indirect tax that applies to the production, selling, and use of goods and services. The (GST) is one of India's most significant tax reforms, with the aim of integrating state economies and boosting overall growth. Companies and corporations are currently subjected to a variety of indirect taxes, including VAT, service tax, income tax, entertainment tax, octroi, and luxury tax. There would be only one levy, and it would be levied at the national level, with the central government overseeing it. The final tax is paid by the customer in this scheme, but there is no tax cascading because of an effective input tax credit system. In the 1950s, a French tax official came up with the idea for this tax. In 1954, France became the first nation in the world to introduce GST. More than 160 countries, including the European Union and Asian countries including Sri Lanka, Singapore, and China, use this method of taxation today.

Research Methodology

The thesis makes an attempt at descriptive analysis using secondary data gathered from journal articles and news stories. The research made extensive use of secondary data that was readily available.

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Result and Discussion

Impact of GST on Indian economic: GST would have an effect on the Indian economy's overall taxation structure. It will boost the country's GDP ratio and, to a certain degree, monitor inflation. However, although the change would primarily benefit the manufacturing industry, it will present some challenges for the service sector. Following the implementation of GST, the cost of production in the domestic sector has decreased, which has a positive impact on increasing competition in the international market. The GST is projected to boost GDP growth from 1% to 2%, but these estimates will only be available after the implementation is complete. GST is also unique in that it is imposed at the point of final use rather than at the manufacturing level.

Separate tax rates are currently applied to products and services. Some countries have experienced a mixed response to growth, such as New Zealand, which has a higher GDP than China, Thailand, Australia, and Canada. The GST rate is enforced in different slabs, such as 5%, 12%, 18%, and 28%, which would automatically provide significant tax increases to the government, while the manufacturing sector will experience significant growth due to the reduction in tax rate. There is unquestionably something enjoyable for everyone. Various unorganised industries that benefit from a cost advantage equal to the tax rate would be subject to GST. This will bring numerous industries, such as hardware, paint, and electronics, into the tax net.

GST necessitates careful planning to ensure an organised rate of taxation. There are still several sectors to be addressed under GST, which necessitates careful planning. The collection of Central and State taxes will be performed at the point of sale for the average person and various businesses; all elements will be paid on production costs, lowering the price of the commodity and increasing demand. Customers will know exactly how much tax they are being paid and on what basis, resulting in greater system accountability. Impact of GST on various sectors: The Goods and Services Tax (GST) would bring the Indian economy together under a single set of taxation rates, making it easier to start and run enterprises, as well as increasing savings and lowering costs across the board. Some sectors will benefit from GST because of lower tax rates, while others will suffer because of higher GST interest rates.

- **Real Estate**: According to a study by PTI citing tax consultant EY, the effective GST rate on under construction real estate projects would be just 12%, not 18%, since there will be land cost abatement.
- **Impact on Transportation**: Cab and taxi journeys are charged at a lower rate under the GST, from 6% to 5%. The GST is beneficial to air travellers because the tax rate has been reduced to 5% for economy class and 12% for business class. Meanwhile, train fares are largely unchanged due to the small increase from 4.5 percent to 5%. The tax rate adjustment has no effect on those who fly by sleeper, but those who travel first class will be charged higher.
- **Construction material:** GST on under-construction flats and condominiums has been updated by the government. Property will be levied at a rate of 18 percent, which includes 9% SGST and 9% CGST. The government has also allowed a land value deduction equal to one-third of the total amount paid by a developer, lowering the effective tax rate to 12%. The 12% slab provided to the real estate sector would not impact the price of the flat, but it will affect the cost of construction materials.
- **FMCG GOODS:** Because of the current large unorganised market, the fast moving consumer goods industry would benefit from the GST. The GST rate on hair oil, soaps, and toothpaste has been reduced by 500-600 basis points from previous levels. The change would help companies including Colgate-Palmolive, HUL, Britanina, Heritage Foods, and others.
- **Automobile Sector:** The car industry is adapting to the GST system, as the government is wary of this sector in particular. The automotive industry is enormous, producing a huge number of cars and motorcycles each year. Overall, owing to the lower tax scenario, the GST has a lower effect on the car sector than the previous tax scheme. Since the automotive industry has already been through some difficult times, such as demonetization, and then the pollution norms regulation, the industry can now profit from GST with minimal Procedures that are simple to follow and rates that are consistent across the country.

- **Cement Industry:** The introduction of GST in the country would pose a threat to the cement industry. The GST council has agreed to levy a 28 percent tax on the cement industry, which appears to overburden the sector with already existing tax agencies and underdeveloped areas of urbanisation. Between FY 2011 and FY 2017, the Indian cement industry is projected to expand at a CAGR of 11.14 percent in volume terms, reaching 407 million tonnes by March 2017. Cement manufacturers such as Ultratech, JK Cement, and Shree Cement are likely to suffer a setback as a result of India's latest tax reform. According to research, the implementation of a 28 percent Goods and Services Tax on the cement industry in India would make expansion difficult and have a negative impact on profitability. The GST in India is expected to have a negative effect on the cement industry, as well as the concrete admixtures manufacturing industry.

Conclusion

The introduction of GST would result in a straightforward and understandable tax structure, as well as a reduction in tax evasion at all levels. After all has been said and done, an effective implementation would enable us to determine if GST is a blessing or a curse. GST will affect all sectors in India, including manufacturing, services, telecommunications, and automobiles. When weighing the benefits and drawbacks of GST, it is clear that the benefits outnumber the drawbacks; GST would provide the Indian economy with a strong and smart tax system for economic growth. However, in order to reap these advantages, the country would need to put in place strong mechanisms.

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