

A STUDY ON IMPACT OF GST ON DIFFERENT SECTORS OF INDIAN ECONOMY

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ABSTRACT

The GST is said to absolutely influence the economy all in all. However, when it comes to sectoral-wise preparation, the GST have two affirmative and also negative effect on each one of the areas. Here are an only some parts given and its GST is given underside Innovation. The GST agreement of roundabout tax collection has made the obligation on the assembling merchandise from 14% to 18-20%. Therefore, the costs of the product items will be at high which will give either an impartial or marginally negative effect on the Technology Sector all in all. Be that as it may, they will be profited through the diminishment of evaluation and reward of different ventures and can to some degree improve it. GST is based on the dual tax concept which is apportioned between central government and state government in equivalent share. There is proper method of gathering of GST through perspective legislation. The article as focused on impact of GST on different sectors of Indian economy through available data on GST.

KEYWORDS: *GST, Fiscal Budget, Indirect Tax, Indian Economy, Dual Tax.*

Introduction

GST stands for Goods and Services Tax levied by the Government in a move to replace all of the indirect taxes. The Kelkar Committee was influenced that a twofold GST system shall be able to tax practically all the goods and services and the Indian economy shall be able to have broader market of tax base, recover revenue collection through charging and collection of indirect tax and more logical approach of efficient resource allocation. Under the Goods and Service Tax mechanism, every person is be responsible to pay tax on output and shall be entitled to enjoy credit on input tax paid and tax shall be only on the volume of value added. The primary aim of GST is to abolish cascading effect i.e., tax on tax and it will lead to bringing about cost attractiveness of the products and services both at the national and international market. GST System is constructed on addition of different taxes and is likely to give full credit for input taxes. GST is an inclusive model of levying and collection of indirect tax in India and it has replaced taxes levied both by the Central and State Governments. GST be levied and collected at each stage of sale or purchase of goods or services based on input tax credit method. Under this system, GST-registered commercial houses shall be allowed to claim credit of the tax they paid on purchase of goods and services as a part of their day-to-day businesses.

The historic GST or goods and services tax has become a reality. For corporates, the elimination of multiple taxes will improve the ease of doing business. And for consumers, the biggest advantage would be in terms of a reduction in the overall tax burden on goods. "Inflation will come down, tax avoidance will be difficult, India's GDP will be benefitted and extra resources will be used for welfare of poor and weaker section," Finance Minister Arun Jaitley said at GST launch event in Parliament. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%. Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is

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no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods. In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of credits. The current system taxes production, whereas the GST will aim to tax consumption.

The GST is governed by a GST Council. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28% and there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. Further in addition a Cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Expert viewed it as biggest tax reform in India founded on the notion of "one nation, one market, one tax". The GST rollout has rehabilitated India into a unified market of 1.3 billion citizens. The rollout has an optimistic hope of India's fiscal improvement program retrieval momentum and spreading the economy of the nation. The idea behind applying GST in the country in 29 states and 7 Union Territories is that it would offer a win-win condition for every citizen. The entire taxation base will be shared between the assessment mechanism of the centre and the states who would get to collect tax on the economic activities charming place in Indian territorial waters. At the ninth GST council meeting the centre made important concessions to bring states,

including the disobedient ones. The administrative choices will be as follows. The state will manage 90 percent of the tax players, counting service providers with annual turnover up to rupees 1.5 crore with inspection, and audit powers and the balanced 10 Percent will be measured by the Centre.

Literature Review

From below literature survey I got the idea of my research area that it is very important to know about GST and its features along with its impact on Indian Economy.

In the Research Gate Publication, In November 2018, an article was published regarding "Impact of GST on Indian Economy".

Namita Mishra has studied that GST is a sole national unchanging tax charged diagonally India on all goods and services. The Study is Exploratory in countryside and Secondary Data has been used for the study. The data will be collected from different Journals, Periodicals, Newspapers and Internets.

In Business and Economics Journal, Volume 7 • Issue 4 • 1000264, 2016, 7:4, An article was published regarding "A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy"

Shefali Dani has identified that GST also recognized as the Goods and Services Tax is distinct as the enormous indirect tax construction designed to sustenance and improve the economic development of a country. More than 150 countries have applied GST so far.

In International Journal of Advance Research in Science and Engineering, Volume No.7, Issue No.4, April 2018, the research paper was published on "A Research Paper on Impact of GST on Indian Economy"

Amandeep Kaur have identified that In India, the idea of GST was contemplated in 2004 by the Task Force on implementation of the Fiscal Responsibility and Budget Management Act, 2003, named Kelkar Committee.

In International Journal of Pure and Applied Mathematics, Volume 120 No. 5 2018, 1371-1389, The research paper is published that "Effect of GST on Indian Economy (Agricultural And Insurance)"

M.Sankaran & Dr. A.Sreelatha have studied that The Goods and Services Tax (GST) is an esteem added duty to be executed in India, the decision on which is pending. GST is the main abnormal expense that frankly influences all parts what's more, areas of our economy. The products and enterprises charge (GST) remains gone for production a single, brought composed market that will benefit both corporate and the economy. Under the GST plot, no qualification is made between produce and services for assembling of assessment. As such, merchandise and enterprises inducement in a similar rate of responsibility.

GST is a multi-level assess where extreme weight of expense falls on the shopper of merchandise/administrations. It is called as esteem included duty in light of the fact that at each stage, assess is being paid on the esteem expansion.

In IOSR Journal of Business and Management, Volume 19, Issue 10. Ver. VI. (October, 2017), PP 26-30, a research article was published on “Goods and Services Tax and Its Impact on Indian Economy”

Yogesh Kailash chandra Agrawal have studied that with the overview of GST there is a disorder chaos and misperception among common man. The aim this research paper is to explain the mechanism of GST and its effects on Indian economy.

In Research Review International Journal of Multidisciplinary, Volume-04, Issue-03, March-2019, and the research paper was published on “Impact of GST on Various Sectors of Indian Economy”

Nidhi Garg has studied that GST is an indirect or consumption tax levied in India on the supply of goods and services. It is considered as the biggest tax reform in India since independence. Data has been composed from the several secondary sources like research papers, books, journals and websites.

IMR (Indira Management Review), Volume XIII, July 2019, An Article was published regarding “Study of the Leading Sectors of Indian Economy after GST Implementation - A Literature Review”

Megha Agrawal has studied and understand the concept of GST and also discuss the effect of GST on leading sectors of Indian Economy. This research paper is based on literature review wherein secondary data is collected from various websites, newspaper, journals and different publications. The paper brings to light the challenges, positive and negative effects on different sectors in last one and half year (till Dec 2018) after implementation of GST. The aim of research paper is to consolidate all the details at one place so if anyone want to study the impact of GST on leading sectors, they will have all the relevant details available at one place instead of searching different sources.

In International Journal of Management Studies, Vol.-V, Issue –3(3), July 2018 [92] ,The article was published regarding “ GST-An Implications to An Indian Economy”

Natika Poddar & Reema Mishra have studied that GST is one of the most essential tax reforms in India. It is considered and even stated as Giant Indirect Tax. It was supposed to be implemented from April 2010. However, it was long pending due to some political issues and conflicting interests of various stakeholders and hence the date for implementation of GST was shifted to 1st July 2017.

Research Objectives

- To comprehend the concept of goods and service tax
- To find out short effect of GST on Economy.
- To study the impact of GST on various sectors of Indian economy.

Research Design Data Collection

This article is expressive in nature as it pronounces the impact of GST on several sectors of Indian economy.

Data Collection

The data for the research paper can be collected through several secondary sources like magazines, articles and research papers published online and offline, newspapers and websites.

Benefits of GST

- It would present two-tiered One-Country-One-Tax government.
- It would include altogether indirect taxes at the centre and the state level.
- It would not only broaden the tax regime by cover goods and services but also make it transparent.
- It would free the industrial sector from cascading effect of taxes, thus by recover the cost-keenness of goods and services.
- It would transport down the prices of goods and services and thus by, increase ingesting.
- It would make business-friendly situation, thus by increase tax-GDP ratio.

Before the GST

GST or Goods and Services Tax supplanted a huge number of local and state demands from July 1. In the midst of this, the Central Board of Excise and Customs has indeed recorded some normal utilize things – and their pre-GST assess rates - where the duty occurrence is lower or equivalent as far back as GST happened. It has said a few "things of regular utilize" contrasting GST rates and the prior roundabout expenses.

Additionally, things, for example, UTH (ultra high temperature) drain, tea, drain powder, sugar, vegetable eatable oils, flavours and footwear (evaluated up to Rs. 500) will pull in assessments of 5 for every penny under GST, contrasted and the prior duty frequency of 6-10 for each penny.

Features of GST

- GST is based on the dual tax concept which is apportioned between central government and state government in equal proportion.
- 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 GST through perspective legislation.
- All the taxable entities above threshold limits are required to obtain GST registration number.

Importance of GST

- **Removing Cascading Effect:** Before the application of GST, several types of taxes were imposed by central and state government. Around 17 types of taxes were imposed resulting in multiplier impact on the tax and on cost of the product. This resulted in high cost of goods due to the cascading effect. These taxes were replaced by GST which caused in removing the cascading effect.
- **Helps in removing the difference between sale and service:** Several items and services were difficult to divide in goods and services at the point of sale. As a result, the suppliers were charges VAT as well as service tax on purchase of these items which results in double taxation. Under GST, there is no alteration among goods and services. This helps in eliminating the double tax on same item.
- **Easiness in doing business:** Earlier a businessman has to maintain the records as per the several different acts like VAT, Central Excise Duty etc. There was different tax assessment under different acts which makes the activities of business difficult and cumbersome. With subsuming of all indirect taxes into GST, it is easy to maintain records and results in easiness in business. It may be a reason of improvement of Indian ranking from 130 to 100 in the year 2018 in ease of doing business index.
- **Uniformity of tax rates:** Rates of taxes under different acts were not same in all the states. For example, the VAT rates were different in U.P., Delhi, Haryana for the same item of goods or services. It creates a doubt among the purchaser regarding the purchase from a particular state. Due to GST, the rates are uniform in whole country and it is easy to understand and implement.
- **Reduced litigation:** There were several pending cases in central excise and service tax appellate tribunal, several were pending under finance ministry and several cases under several acts for a ailment of values, taxes, appeals etc. Conversion of all these taxes into GST has helped in reducing the litigation process.

Several other advantages like strengthening the tax base, removal of road blockage, easiness in tax payment etc. are the benefits of GST.

Impact of GST on Numerous Sectors

GST has been imposed by the government in order to enhance the economic growth. Since its implementation it is influencing various sectors of Indian economy. Indian economy consists of mainly three sectors comprising agriculture, industry and service sector. The impact of GST will be discussed on these sectors in following points:

- **Pharma sector:** As per the reports of Shri Mansukh Mandaviya (minister of chemicals and fertilizers), Pharmaceutical sector has seen a positive growth after GST. Before implementation of GST, annual turnover was 114231 crores as on 31.5.2017 in Pharma sector which increased to 131312 crores in May 2018. This shows around 6% growth in this sector. Exports in pharma sectors were increased nearly 10% from 275852 cores to 303526 cores after implementation of GST. Drug approvals were also increased from 7857 to 10446 post GST. Thus, we can say that pharma sector has positively grown after implementation of GST.
- **IT/ ITes Sector:** Although the tax rate in IT sector has been increased under GST, yet there is positive growth in this sector. IT industry was paying 15% service tax as opposite to 18% under GST, leading to immediate increment in the price of application. However, claim of tax under ITC was not available under VAT which is available in GST. This has benefitted the IT sector.
- **Logistic Industry:** It is the mainstay of Indian economy and most positively affected by GST. India has positively jumped 19 locations in logistics performance index from 54th to 35th. Also, the concept of E-Way bill has simplified the clearance process and helped in reduction of corruption activities.
- **Entertainment Industry:** Impact of GST on entertainment industry is positive as well as negative depending on the states. The main reason behind this is the different rates of service tax in different states ranging from 0 to 110%. The rate of GST is 18 to 28%. Hence the states where the entertainment tax and vat were lesser than the 28% rate has negatively impacted whereas the states where the rate was above 30%, has positively affected through GST. Also, the entertainment service providers can claim ITC under GST. Thus, we can say that GST has positively impacted the entertainment industry.
- **Banking Sector:** The impact of GST on banking industry is quite complicated. The main aim is that the rate of GST on banking services like ATM services, insurance services etc. has increased from 15% to 18%. Along with this, the activities like adjudication and assessment, Input tax credit etc. are also cumbersome and created a burden on banking sector. Thus, we can say that Banking sector is not positively affected by GST.
- **Automobile Sector:** The automobile sector is positively impacted through GST. It is due to reduction of tax rates for manufacturer of automobiles and ultimately will benefit the customers. The following diagram will show the positive impact of GST on automobile sector:
- **Textile Sector:** Textile industry is negatively affected by the GST. Earlier the textile sector was out of tax regime but under GST the textile industry was included under 5% rate, this has made the clothes costlier. Also, the GST has adversely affected the export of textile industry. The small traders are confused due to GST implementation. Thus, we can say that GST has negatively impacted the textile sector.
- **Real Estate and Property:** GST has simplified this process and made it easier for the buyer. Also the input tax credits helps in reduction of purchase price of the property. In this way, positive impact of GST on real estate and property industry.

Effect of GST on Manufacturer, Retailer and Distributors

GST is relied upon to support intensity and execution in India's producing area. Declining fares and high framework spending are only a portion of the worries of this division.

Effect of GST on Service Provider

As of March 2014, there were 12, 76,861 administration charge evaluates in the nation out of which just the best 50 paid over half of the assessment gathered across the nation. The vast majority of the taxation rate is borne by spaces.

Future Scope 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, the government is making efforts to continuously reduce the tax rates for necessity goods and simplifying the GST procedure of return filling. Enhancement of limits of registration and

composition schemes has positively benefited the tax payers as well as government (in the form of revenue). 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.

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 minimize the complexity of taxation. It will also beneficial to individuals as the prices will go down due to GST and decrease in price leads to increase in consumption and directly increase the GDP.As GST implementation applied at a time for all states lack of policy barrier will removed. Directly GST will increase the investment in FDIs which increase the foreign exchequer of the country and indirectly increase the employment opportunities. It will promote new start ups in India for its business-friendly tax structure.

If talk about impact of GST on manufacturers, distributor and retailers It is believe GST is expected to boost competitiveness and performance in India"s manufacturer due to tax structure. High infrastructure spending and declining export are just some of the concerns of this sector. Single tax system will decrease the administrative costs for manufacturers and distributors and this sector will grow more strongly.

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