

Impact of Goods and Services Tax (GST) On Various Sectors in India

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Abstract: GST stands for Goods and services Tax and it is proposed that it will be levied on the manufacturing, sale and consumption of goods as well as services at the national level. The objective of such tax is to consolidate all indirect taxes levies into a single tax except customs (excl. SAD) thus replacing multiple tax levies, to overcome the limitations of existing indirect tax structure and also to create efficient tax administration in India.

GST (Goods and service tax) is effective from July 1 2017 as per the government. The rates of GST are 0%, 5%, 12%, 18% and 28%. GST has been given approval by all state assemblies and consented by all. The government has also made provision to keep 40% tax rate in the extreme cases, wherein the justification given by government is that they don't have to take prior approval from the parliament again.

The objective of this research is to bring out the impact of GST on various sectors and how these sectors would manage their way out to tackle their increased cost. The implementation of the unified tax structure in India would bring tax revolution in the country.

Key words: gst, taxation, indirect tax impact

INTRODUCTION

India is a multi-diverse country having to tax structures namely Direct tax and indirect tax. It is a revolutionary step taken by the government of India to bring reforms in the indirect tax regime. It is indeed a very bold and strategically step taken by the government. Goods and services tax has a very vast list of items that has been included in the tax structure. Indirect taxes which were imposed earlier has been removed and GST has been introduced in their place.

Centre Taxes subsumed in GST- Central Excise Duty, Duty of Excise (Medicinal and toilet preparations), Additional duties of excise (Goods of special importance), Additional duties of excise

(Textile and Textile Products), Additional duties of customs (SAD), Service tax, Central surcharges and cesses (supply of goods and services)

State Taxes subsumed in GST: State VAT, Central state tax (CST), Luxury Tax, Entry tax (All forms), Entertainment & Amusement tax (Except when levied by local bodies) Taxes on administration, Purchase Tax (Taxes on lotteries, betting and gambling), State surcharges and cesses (supply of good and services)

This will make manufacturing sector cheaper and cascading effect of taxes has been removed. Government has a approach to bring more people paying taxes rather than people paying more taxes.

GST Network has also been created to tackle the Information technology issues related with Registration of GST, Return filing and Payment mechanism. Infosys has been appointed as Managed Service provider (MSP). Various sectors / industries have been discussed in the research to bring out the impact of GST on these sectors.

Impact of GST on Various Sectors

1. Fast Moving Consumer Goods (FMCG)

GST imposition on various sectors has impact on number of industries. FMCG is one of them and has to do a lot more with the increased cost. The logistics and distribution cost will substantially come down. Earlier they were paying 24-25% incl excise duty, VAT and entry tax while now they would pay 17-19%. Key beneficiary industries like HUL, Asian Paints, Etc. A negative downfall can be seen in Tobacco products.

2. Media Sector

DTH, film producers and multiplexes players are being benefited the most. Since service tax and entertainment tax has been removed. A downfall of tax by 2-5% can be seen. Moreover, now the Film producers can now claim credit under new tax regime.

3. Airlines

Airline services has become expensive now. Earlier it was around 6% - 9% service tax but now it will be 15% - 18%

4. Telecom Sector

Prices of handsets are likely to come down by the impact of GST. The warehouse cost and transportation cost will eventually come down. It will help them in ease of doing business and more and more people would have access to cheaper and high quality services. It may affect the call charges as it is 18% in GST slab.

5. Textile and Cotton Industry

The textile industry provided employment to large number of skilled and unskilled workforce of India. It contributes to around 10% of the total annual export and this value would increase after GST's introduction. It will affect the Cotton value chain which is chosen by MICRO, small medium enterprises.

6. Real Estate Sector

Real estate is one of the most important sectors of Indian economy and it is one of the top employment generator of economy. Real Estate sector is going to become more transparent and efficient after this step but in the initial phases, the sector is experiencing downfall.

7. Tools and Equipments for Persons with Disability (PWD)

Earlier Pre GST, the tools were not under the ambit of tax, but now this sector is deeply hurt since it is under the tax regime. Persons with disability has approached the GST Council to look into the matter.

8. Cottage and Small Industries

Cottage industries consists of small scale industry often operated from home. GST has imposed tax rates on cottage industries which are labour intensive. It will make the items (handmade) more expensive and the sale of these items would also get affected.

9. Steel Industry

People associated with steel industry feels that more people would have to move from unorganized sector to organized sector. GST has abolished Special additional duty (SAD) on imported goods which was a very cumbersome procedure.

10. Hotel Industry and Travel Industry

Hotel Industry is yet to discover that whether it will have positive impact or negative impact on their business but the owners are optimistic about the new tax regime. Travel industry would be little affected since the rates are marginally increased from 4.5% to 5% but it won't have much impact on the demand.

11. Healthcare and Pharma Sector

India is a home of 125 crore population (approx.) and thus it has multi faced diseases and viral infections like Japanese Encephalitis (JE), Dengue, Malaria, Zika Virus, etc. Moreover, Health and Education sector has been kept out of GST. Pharma Industries are at ease since earlier 8 different type of taxes were imposed but now only 1 (one) tax would be applicable. GST would help the pharma sector in rationalizing their supply chain. The biggest advantage for the companies would be the reduction in the overall transaction costs with the withdrawal of CST (Central sales tax). It is also expected that it will lower the manufacturing costs. However, the Increase in the rates of Life saving drugs (for cancer, kidney ailments, etc). Government allowed the sale of Pre-GST MRP products till the stock lasts. But on the fresh manufacturing of these products, a new rate of 12% (essential medicines) and 5% (insulin and critical care products) would be applicable.

12. References

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