

Analytical Study of GST Perspectives in India

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Abstract

All the essential measures are being taken for the successful execution of much-awaited Goods and Services Tax (GST) from April 2017 in India. GST will eradicate 17 indirect taxes and as a result the Indian economy will get a major push as many economists have predicted a 1.5 - 2 per cent boost for the country's GDP. Apart from manufacturing sector, logistics, warehousing and even the common man will benefit from the amendment. GST will be beneficial to the centre, states, industrialists, manufacturers, the common man and the country at large since it will bring more transparency, better compliance, an increase in GDP growth and revenue collections. Thus, GST has been a recent topic of discussion all over in India. In this connection, this paper is an outcome of an explanatory research which is based on secondary data to understand the concept of GST and its mode of operation. This paper will also focus on the impacts of GST and problem associated with implementation of GST in India.

Keywords—*Goods and Services Tax (GST), Indirect Tax, SGST, CGST, Supply Chain*

Introduction

The word 'Tax' is derived from Latin word 'Taxare' which means 'To Estimate'. A tax is an enforced contribution, exacted pursuant to legislative authority. Taxation System in India includes both Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most debated Indirect Taxation reforms. GST is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. Therefore, the introduction of GST might be a vast step within the reform of indirect taxation in India. Merging several Central and State taxes into a single tax could lessen cascading or double taxation, facilitating a commonplace countrywide market. The simplicity of the tax might lead to less difficult management and

enforcement. From the customer factor of view, the important advantage might be in terms of a reduction within the normal tax burden on goods, that is presently estimated at 25% - 30%, unfastened motion of goods from one kingdom to any other without stopping at country borders for hours for payment of state-tax or access-tax and discount in office work to a big quantity.

Review of Literature

According to Akanksha Khurana (2016) A relief will be provided to producers and consumers by GST by providing wide and comprehensive coverage of input tax credit set-off, service tax set-off and incorporating the several taxes. They also pointed out that an efficient formulation of GST would lead to resource and revenue expansion for both Centre and State governments majorly through widening of tax base and improvement in tax compliance.

Monika Sehrawat (2015) concluded that, GST implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, will generate more employment opportunities and will flourish GDP by 1-1.5%. Further they concluded that, GST will give India a world class tax system by clutching different treatment to manufacturing as well as service sectors.

Nitin Kumar (2014) inferred from his study 'Goods and Service Tax- A Way Forward' that, the implementation of GST in India would help in removing economic distortion by current indirect tax system and this would encourage an unbiased tax structure which is indifferent to geographical locations.

Pradeep Chaurasia et. al., (2016) pointed out that, in India, the unified tax will take the form of a Dual GST, to be levied concurrently by both the Centre and States. They concluded that, GST will be helpful for the development of Indian economy as well it will be very much helpful in improving the GDP of our country higher than 2 percent.

Rizal Palil et. al., (2011) stated that the implementation of GST in Malaysia is of course to increase the efficiency of the tax collection system as well as become a major source of indirect income to the government. They also suggested that the government could use media more to promote GST so that people will be ready to accept its impacts. This study also found that consumption behaviour of people would change significantly with the implementation of GST as they are selective in their purchasing behaviour. This may lead to potentially distort the economic growth particularly on aggregate demand.

Srinivas K. R (2016) concluded in his study that the introduction of GST provides more opportunities to the concept of 'Make in India' which would attract new foreign investment, and it would also reduce the manufacturing cost of the products.

Objectives of the study

The study has the following objectives:

- To understand the concept and supply chain of GST.
- To know the GST Rate Structure.
- To grasp the impacts of GST in Indian Economy.
- To identify the sectors stand to lose or gain from the implementation of GST.
- To study the challenges for the implementation of GST in India.

Scope of the study

The scope of study is extended to understand the concept of GST, its impact and implementation in India.

Research Methodology

Being an explanatory research it is based on the secondary data. The data collection is done through various sources like newspapers, articles from different journals and from different websites. Considering the objectives, the descriptive research design is adopted for the study.

An overview of GST

GST was first delivered throughout 2007-08 finances session. On 17th December 2014, The Modern Union Cabinet Ministry authorized the thought for the advent GST Constitutional Amendment Bill. On 19th December 2014, the invoice was provided on GST in Loksabha. The Bill is offered in Budget session. The modern valuable government may be very decided to enforce GST Constitutional Amendment Bill. At present, there are round a hundred and sixty countries that have carried out GST or VAT in some form or other. In a few nations, VAT is the factitious for GST, but conceptually it is far a vacation spot primarily based tax imposed on intake of goods and services. France was the primary United States of America to introduce GST in 1954. Right now, simplest Canada has a

Twin GST Version (relatively similar to the Dual GST Model that India goes to put into effect). Many specialists have advised that to clear up the issues of various kinds of taxes, there is a need to streamline all oblique taxes and implement a 'Single Taxation' system. This device is entitled as Goods and Services Tax (GST). Goods and Services Tax as the call implies, it's far an indirect tax applied both on items and services at a uniform price. In simple time period, GST is a tax that human needs to pay on deliver of goods and services. Any man or woman, who's imparting or providing items and services, is at risk of fee GST. A single shape of tax called GST might be implemented all through the use of a, changing a number of other oblique taxes like VAT, Service tax, CST, CAD and so forth. Therefore, GST shall be the largest indirect tax reform imparting a uniform and simplified manner of oblique taxation in India. GST is an intake based tax (i.e.) based totally at the 'Destination Principle'. Thus, GST is imposed on items and services at the location in which the real consumption takes place.

Supply Chain of GST

GST is collected on cost-introduced goods and offerings at each stage of sale or purchase within the deliver chain. GST paid at the procurement of products and services may be set-off towards that payable on the supply of products or offerings. The manufacturer or wholesaler or retailer pays the applicable GST charge but will claim lower back via tax credit mechanism. But being the ultimate individual inside the supply chain, the end customer has to undergo this tax and so, GST is going to be gathered at point of Sale.

Figure No: 1 – Supply Chain of GST



This is the case even these days for all indirect taxes however the distinction below the GST is that with streamlining of the multiple taxes the very last value to the consumer will pop out to be decrease at the removal of double charging inside the structure. We could recognize the above deliver chain of GST with the following instance:

Table No: 1 - Supply Chain of GST (Example)

<i>GST Supply Chain Example (Assuming GST Rate @ 8%)</i>				
<i>Supply of Goods</i>	<i>GST Flow</i>	<i>Input Costs (ex-GST)</i>	<i>Sale Price (ex-GST)</i>	<i>GST Collected</i>
A weaver sells a fabric to a tailor for Rs.108 per metre	The weaver pays GST of Rs.8	0	Rs.100	Rs.8
The tailor sells a ready-made completed shirt to a retailer for Rs.270	The tailor pays GST of Rs.12 (After input tax claim. Weaver claims tax credit for Rs.8)	Rs.100	Rs.250	Rs.12
The retailer sells the readymade shirt in his showroom for Rs.540	The retailer pays GST of Rs.20 (After input tax claim. Tailor claims tax credit for Rs.12)	Rs.250	Rs.500	Rs.20
You purchase the shirt for Rs.540	No tax credit claim. You pay entire GST Rs.40 @ 8%	NA	NA	Total Rs.40

Source: <http://www.relakhs.com/gst-goods-services-tax-in-india/>

The modern-day tax shape does no longer permit a business-man to take tax credit. There is lot of possibilities that double taxation takes location at each step of deliver chain. This may additionally set to change with the implementation of GST.

Dual System GST

Indian Government is deciding on for Dual System GST. This structure will have the following contents which will be known as:

- Central Goods and Services Tax (*CGST*) and
- State Goods and Services Tax (*SGST*).

The current taxes like excise duties, service tax, custom duty etc. will be merged under CGST. The taxes like sales tax, entertainment tax, VAT and other state taxes will be included in SGST. GST will be levied on:

- Intra-country distribution and consumption of goods and services;

- Inter-country movement of goods;
- Import of Goods & Services.

This is explained with the help of the following table:

Table No: 2 – Indirect Taxes Integration

Indirect Taxes	GST	Goods / Services Produced & Consumed in same State (Intra-State)	Goods / Services Produced & Consumed in different States (Inter-State)	Goods / Services Exported	Goods / Services Imported
Excise Duty	CGST	CGST Rate + SGST Rate Levied	Integrated GST	GST not Applicable	CGST Rate + SGST Rate Levied
Service Tax					
Custom Duties					
Central Sales Tax					
State Sales Tax	SGST	CGST Rate + SGST Rate Levied	Integrated GST	GST not Applicable	CGST Rate + SGST Rate Levied
Entertainment Tax					
State VAT					
Professional Tax					

Source: <http://www.relakhs.com/gst-goods-services-tax-in-india/>

GST Rate Structure

On 3rd November, 2016 a 4-tier GST charge shape has been passed, the very last slab prices being agreed upon are 5%, 12%, 18% and 28%. The very last GST slab charges are:

1. **Zero Rated Items:** Food grains used by common humans.
2. **5% Rate:** Items of mass consumption consisting of important commodities will have low tax prevalence.
3. **12% and 18 % Rate:** Two widespread quotes were finalized as 12% and 18%.
4. **28% Rate:** White items like air conditioners, washing machines, fridges, soaps and shampoos and many others. Had been taxed at 30 - 31% shall be now taxed at 28%. Demerit items like tobacco, tobacco products, pan-masala, aerated liquids and comfort motors will be charged at the highest rate of 28%. An additional cess on some luxury items shall additionally be imposed. Services that are now taxed at 15% will be taxed at a higher fee of GST @18%. The tax fee on Gold is yet to be determined.

Impacts of GST: Actually, it is far in fact too early to expect the actual impact of GST.

Positive Impacts of GST

- A unified tax device getting rid of a package of indirect taxes like VAT, CST, Service tax, CAD, Excise and many others.
- A simplified tax policy in comparison to earlier tax structure.
- Tax evasion will become hard.
- Removes cascading effect of taxes (i.e.) gets rid of tax on tax.
- Due to decrease burden of taxes on the manufacturing zone, the manufacturing prices may be decreased, consequently fees of purchaser goods probably to come back down.
- Due to reduced expenses, a few merchandise like automobiles, FMCG and so forth becomes low cost.
- This will help in reducing the burden at the common guy (i.e.) you may should spend less money to shop for the same products which have been in advance highly-priced.
- The low charges will similarly cause a growth in the demand of goods.
- Increased call for will lead to increase in deliver. Hence, this could in the long run result in increase within the manufacturing of products.
- The increased manufacturing will result in more activity opportunities in the end. But, this will manifest handiest if consumers clearly get affordable items.
- More enterprise entities will come under the tax system accordingly widening the tax base. This may additionally result in better and more tax revenue collections.
- E-Commerce will get a lift by means of increasing market penetration.
- Increase in Foreign Direct Investment and development in international investors' self belief.
- Companies which can be below unorganized area will come beneath tax regime.
- The whole Indian marketplace might be a unified marketplace which may additionally translate into decrease business costs. It can help seamless motion of goods throughout states and decrease the transaction charges of corporations.

- It is right for export orientated corporations. Because it is not always applied for goods or services which are exported out of India.
- Procedure of GST registration would also be made simple, thereby improving the ease of starting a business in India.
- Less developed states such as Bihar, Odisha will benefit as the present 2 per cent inter-state tax will be dispersed.

As goods, will move in and out of states without any hurdle, it will lower down the logistics and inventory management costs of corporates, which is quite high in India. GST is expected to boost Indian economy by nearly 2 per cent as movement of goods will be quicker, simpler and cheaper. But, this is possible only if the actual benefit of GST is passed on to the final consumers. There are also various other factors like the seller's profit margin that determine the final rate of goods. This shows that, GST alone does not determine the final price of goods.

Negative Impacts of GST

Service tax charge @ 15% is currently charged at the offerings. So, if GST is introduced at a better price that's probable to be seen in the close to future, the price of offerings will growth (i.e.) all of the offerings like telecom, banking, airline and so on. Becomes greater high-priced.

- Increased value of offerings approach, an upload-on for your monthly prices.
- You will should reorganize your budgets to endure the additional services cost.
- Growth in inflation might be seen first of all.

If real benefit is not handed to the consumer and the vendor will increase his income margin, the charges of goods also can see a growing fashion. But the charge of GST and the way efficaciously GST is added in all of the States and at the Centre additionally performs a crucial function in finding out the real effect of GST.

The Sectors stand to lose / gain from the Implementation of GST

Sectors stand to gain

- **Logistics:** Logistics with 'Make in India' ground are likely to be gainers. In this regard, the companies which will receive a boost are Container

Corporation of India, All Cargo, Inter globe Aviation, Adani SEZ, Aegis Logistics.

- **Consumer Durables:** Like FMCG, companies which manufacture consumer durables are also likely to be benefited more from lower taxes and logistics cost and especially manufacturer of electrical appliances are mostly expected to be benefited.
- **FMCG:** Large companies manufacturing FMCG products like Hindustan Unilevers, ITC, Godrej and Procter & Gamble are likely to be benefited more from lower taxes and logistics cost.
- **Automobiles:** As costs are likely to drop significantly, two-wheeler manufacturing companies like Hero-Motors, Eicher and Bajaj Auto as well as companies manufacturing small cars like Maruti, Hyundai and Tata-Motors will be the big beneficiaries.
- **Cement:** With the implementation of GST, most cement companies will have more demand and thereby going to lower down the overall cost of infrastructure in India.

Sectors stand to lose

- **Mobile Phones:** With the implementation of GST, the mobile phones are going to become costlier and the buyers are expected to pay more for their phones.
- **Luxury Cars:** Luxury cars are going to become costlier and this would lead to the pressure of the existing low sales.
- **Branded Jewellery:** Companies like Titan are already suffering due to high cost of gold imports and these companies are going to be affected more as the branded jewellerys are going to become more expensive.
- **Restaurants:** Implementation of GST will hit the salaried class at the maximum as eating out is going to cost more.
- **Oil and Gas:** If dual indirect taxes are not removed, then the products like High Speed Diesel, Aviation Turbine Fuel, Crude Oil and other petroleum will see a rise in costs as these products are excluded from GST.

- **Pharmaceutical:** Patients will have to pay more than existing prices for their medicines as most of the pharmacy companies are likely to see an increase in indirect taxes with consumers and this is likely to see protests in forth- coming days.
- **Utilities:** With sale of electricity being kept out of GST, companies using coal-based power and renewable energy are likely to see an increase in costs.

Challenges for implementing GST System

- To implement the bill there has to be lot of changes at administration level, Information Technology integration has to happen, sound IT infrastructure is needed, the state governments has to be compensated for the loss of revenues (*if any*) and many more.
- GST, being a consumption-based tax, states with higher consumption of goods and services will have better revenues. So, the co-operation from state governments would be one of the key factors for the successful implementation of GST.
- Since it is consumption based tax, in case of offerings the region wherein provider is supplied desires to be determined.
- A strict test on exploiting activities will need to be accomplished, in order that the final consumer can enjoy the real benefits of GST.

Although, a big quantity of officers are being educated and systematic IT software is being advanced for the a hit implementation of GST, it's going to take the time for the persons which includes the manufacturers, the wholesalers, the retailers or the final consumers to understand the entire system and observe it efficiently.

Conclusion

India is all set to introduce Goods and services tax after crossing the various hurdles in its way. GST is a long-time period method deliberate by using the Government and its effective impact will be seen ultimately most effective. Also, this will manifest if GST is introduced at a nominal charge to reduce the overall tax burden of the final customers. Let us desire GST will leave a positive effect and will assist to enhance-up the Indian economy and could convert India right into a unified national marketplace with simplified tax regime.

A rising Indian economic system will in any case help inside the financial boom of the not normal person. Let us hope this ‘One Nation - One Tax’ proves to be a game changer in a high quality manner and proves to be beneficial no longer best to the common place man however to the use of as a whole. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the fighting interest of various stake-holders and accomplish the commitment for a fundamental reform of tax structure in India.

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