

IMPACT OF GST ON VARIOUS SECTORS OF INDIAN ECONOMY

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Abstract

This paper presents GST and its impact on various sectors of Indian Economy. The main focus of the study was on to understand the role and relevance of GST, how the economy and GDP of our nation affected by this. It is a general study, conducted with secondary data. It is found that GST has had positive and negative impacts in different sectors. We expect to have immediate positive impacts immediately after implementing it. We can see change in GST rates in certain products and services, in certain sectors until the ideal one is being found. But we can expect the growth of GDP (Gross Domestic Product) in a long run with the help of GST.

Key words: GST, CGST, SGST, IGST, Evasion, GDP.

INTRODUCTION

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. will be subsumed under a single regime. Introduction of The Goods and Services Tax (GST) expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth.

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. In other words Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

STATEMENT OF THE PROBLEM

The study of GST has been a challenging work for many. The project aims to study about how the introduction of GST has changed the functioning of different sectors in the Indian Economy. How people have welcomed the concept of GST.

It also focuses on how people have been supported by the GST and how GST has become a burden to various sectors in the country. It also tries to show how GST in the future is going to impact others in the short run and on how GST is going to contribute to the government and the people.

OBJECTIVES

1. To understand the concept of goods and service tax.
2. To know the GST Rate Structure.
3. To find out effect of GST on various sectors of economy.
4. To grasp the impact of GST in Indian economy.
5. To study the challenges for the implementations of GST in India.

METHODOLOGY

In the topic GST and its impact in various sectors in Indian economy, it is difficult to find data in primary format because it is almost impossible to collect data as many sectors are present in India and moreover most companies or people are not interested to provide their companies data. In order to prepare the study secondary data is dependable with the help of Journals, Newspaper reports and Websites.

Tools Used : Table, Diagrams, Charts, Graphs.

SCOPE OF THE STUDY

The study focuses on the change that has happened to the national economy by the introduction of Goods and Service Tax (GST). How GST has influenced or impacted on the people who have been working under the recently formed economic structure like wholesalers, retailers, manufacturers, customers etc.

This study is to reflect on how GST has impacted different sectors and how it has been a support and a burden inside this nation and also to make analysis which could be effective to bring in satisfaction among people.

SIGNIFICANCE OF THE STUDY

The study shows us how GST has impacted the different sectors in India.

- The study reflects on how introduction of GST has influenced the Economy of India.
- The study conveys to us on how GST has influenced the pricing function of goods in India.
- The study helps us in knowing how the people were influenced by GST.

Components of GST

There are three taxes applicable under this system: CGST, SGST & IGST.

1. CGST (Central Goods and Service Tax)

It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Maharashtra)

2. SGST (State Goods and Service Tax)

It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Maharashtra)

3. IGST (Integrated Goods and Service Tax)

It is a tax collected by the Central Government for an inter-state sale (e.g., Maharashtra to Tamil Nadu)

In most cases, the tax structure under the new regime will be as follows:	New Regime	Old Regime	Revenue Distribution
Transaction Sale within the state	CGST+SGST	VAT+ Central Excise/ Service Tax	Revenue will be shared equally between the Centre and the State.
Sale to another state	IGST	Central Sales Tax+ Excise/Service Tax	There will be one type of tax (central) in case of inter-state sale. The centre will

share the IGST
revenue based on the
destination of goods.

The following is the list of indirect taxes in
the pre-GST regime:

- | | |
|---|--|
| <input type="checkbox"/> Central Excise Duty | <input type="checkbox"/> Central Sales Tax |
| <input type="checkbox"/> Duties of Excise | <input type="checkbox"/> Purchase Tax |
| <input type="checkbox"/> Additional Duties of Excise | <input type="checkbox"/> Entertainment Tax |
| <input type="checkbox"/> Additional Duties of Customs | <input type="checkbox"/> Entry Tax |
| <input type="checkbox"/> Special Additional Duty of Customs | <input type="checkbox"/> Taxes on advertisements |
| <input type="checkbox"/> State VAT | <input type="checkbox"/> Luxury Tax |
| <input type="checkbox"/> Cess | <input type="checkbox"/> Taxes on lotteries, betting, and gambling |

RESULT AND DISCUSSION

1. Real Estate

Findings

- Here in real estate sector, there is not much impact by introducing GST.
- Smaller unorganized manufacturers and dealers had the advantage of certain tax exemption/evasion, however those will discontinue and all companies will have to levy uniform taxes on similar products post GST implementation.
- This will result in rise in input costs for all buyers who used to purchase goods from such sources.
- Manufacturing costs will reduce owing to lower tax rate of 5% on the major inputs like coal and iron ore under GST. Additionally, logistics costs will also reduce owing to removal of entry taxes ensuring faster movement of goods.

Suggestions

- Here in real estate sector, it is okay to increase the GST rates of products like cement, bricks etc. People who tend to use these products frequently have a higher income. P
- People who are being engaged to this sector are willing to spend a large amount of money. So it will not be a problem to increase the tax rate in this sector.

2. Textile Industry

Findings

- There has not been much change in the Tax rate by introducing GST compared to the previous tax rate system. And the tax burden eventually will go to the ultimate consumers.
- In case of products of which price up to Rs.1000, the GST rates have only supported the wool and silk materials, while there is no difference in cotton and had a high rate system for synthetic and blended material. The GST rates will impact the buyers
- In case of products of which price exceeds Rs.1000, the GST rates have supported the wool and silk materials synthetic and blended material, while there is no difference in cotton materials only. The GST rates will impact the buyers as a grace

Suggestions

- As we all know, people will lower income level will tend to buy products of lower price. Here we can see that the GST rates of textile material up to Rs.1000 are not supporting the people who necessarily need it. It will be good to reduce the GST rates there
- As in the case of products of price exceeding Rs.1000, there has been reduction in the tax rate by introducing GST. We know that people with good income can afford those materials. It is better to increase the GST rates for materials pricing more than Rs.1000, this will help the government to raise their revenue

3. Automobiles

Findings

- Automobile sectors have had pros and cons by the introduction of GST. It has been a grace for the sale of cars and a non-supportive element in fuel related functioning.
- In case of cars, GST has been a supportive element for the car companies. The rates tax is lower compared to previous tax system. This will help the consumers and dealers in their operations.
- In case of fuel, GST has had no much impact in for companies functioning in fuel industries. There have only been slight changes in GST rates except in case of SUVs and Electric cars.

Suggestions

- As we can say, cars are being purchased by people in different income level. We have to be selective in categorizing GST in different types of cars.
- It is ok to increase the tax rate of cars which are categorized in SUV and Luxury cars compared to the current GST rates as these cars are being purchased by people with high income.
- It will be nice to decrease the GST rate of Small cars and Mid-cars, as these cars are being purchased by people in lower or medium income level group. By reducing the GST rates the burden of tax will be low on the consumers.

4. Entertainment

Findings

- Entertainment tax is something that varies in different places. It is a tax paid for watching movies, attending concerts, watching sporting events etc.
- Entertainment tax is a tax which varies in different states. We can see that the tax rates in Maharashtra (45%) are not the same in Uttar Pradesh (60%) and not as the same in Karnataka. (30%)
- Entertainment tax acts as a big source of income for many states. This shows us that GST in entertainment can act as a grace or a burden based on the rate of SGST put forward by the state government.

Suggestions

- Entertainment is something which is needed for all human beings. It shouldn't be restricted to anyone who wishes to have it. To make it available to all it should be differentiated on the basis of comfort and facilities being provided.
- In theatres, multiplex are being frequently used by people with higher income, it is okay to have high tax rate as they are provided with good facilities and comfort. While in ordinary theatres used by people with low income, it is good to have low tax rate as they are provided with compromised facilities and comfort.

5. Pharmaceuticals

Findings

- Pharmaceuticals is an area where tax has to be decreased upto a limit as it is the one of the biggest necessities in human life. But we can find that after the introduction of GST the tax related to pharmaceuticals industry has increased.
- Check-up machines, Indian lens Rs.1200 to 3000 has surged Rs.1500 to 3500. Foreign machines which used to cost at RS. 5000 to 9000 currently they are hiked at Rs.6000 to 10000. Lenses prices have hiked up to 12% from 9%, while many of the machines are attracting 28%. Along with the lenses, the operations cost has also increased up to 15 to 20%.

- Currently, dialysis is charged at a rate of Rs.1800 to 2200 which will be further increased by Rs.300. According to this, those individuals who are getting dialysis treatment 10 to 12 times per month will be incurring an additional Rs.40,000 as an annual burden.

Suggestions

- It is most important that the GST rates in hospital sectors and pharmaceuticals are being reduced at a huge rate. These rates can impact the patients and moreover the people in the lower income group which may result in inaccessibility of health facilities.
- The GST rates of hospital equipment's can be reduced. It is necessary to reduce it as there is a big difference in the highest GST rate and lowest GST rate. By reducing the GST rate of equipment's having the highest GST rate the burden on people can be reduced.

6. Iron and Steel

Findings

- Before GST was introduced the tax for Iron and Steel was collected on the basis of the following forms. VAT (Value Added Tax) -5%, Excise Duty -12.5% and CST (Central sales tax) -2%.
- The tax rate on kitchen supplies such as the cooker and other iron/steel utensils has decreased to 12% from the previous 19.5%, the rate on some other iron/steel products such as barbecues and sanitary ware has increased to 28%.

Suggestions

- It is ok to increase the tax of TMT bars which are used for construction works. People engaged in construction works are people mainly of high income. This will have less impact in the iron and steel sector.
- The GST rates in iron and steel sector is almost same is satisfying for consumers. But it is to be looked into, in case of manufacturers.

7. Tourism

Findings

- Before GST was introduced the tax for Hotels was collected with 2 forms of tax. The two forms are service tax and luxury tax.
- There has been any much difference in the pre-GST and post-FST rates. The new rates which were introduced were supporting the ordinary people by making them affordable.

Suggestions

- It would be good to increase the GST rate of hotel rooms having a price of Rs.5000. It is mainly because most people affording rooms of this cost have high income. It could not make much problem in the tourism sector.

CONCLUSION

GST has had positive and negative impacts in different sectors. The implementation of GST by abolishing the previous tax rate system has helped a few sectors and also has hindered a few sectors. The introduction of GST has been a big task especially in India where new changes are not easily accepted. GST is a complex system which is not easy to understand at first but later it is coming out as a long-term benefit for the nation. As said before, some sectors have a positive impact, while some other sectors have a negative impact by implementing GST. We expect to have immediate positive impacts immediately after implementing it. We can see change in GST rates in certain products and services, in certain sectors until the ideal one is being found. But we can expect the growth of GDP (Gross Domestic Product) in a long run with the help of GST.

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