



## **AN IMPACT OF GOODS AND SERVICE TAX (GST) ON VARIOUS SECTORS OF INDIAN ECONOMY**

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### **ABSTRACT**

*Goods and Service Tax is one of the most crucial tax reforms in India. It is a comprehensive tax levy on manufacture, sale and consumption of goods and services. It includes central excise duty, VAT, central sales tax, entertainment tax, octroi, state surcharge, luxury tax, lottery tax and other surcharge on supply of goods and services. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing it all under single umbrella. The purpose is to eliminate tax on tax. In India, there are different indirect taxes applied on goods and services by central and state government. GST is expected to have numerous benefits like reduction in compliances in the long run. Goods and Service Tax came in to force from July, 2017. The present paper is an exploratory study which shows the impact of Good and Service Tax on Various sector of Indian Economy. The findings shows that tax rates has significantly affected various sectors of Indian economy but still it has reduced the burden of tax on final consumer by removing cascading effect on consumer. This study would contribute to a more comprehensive understanding on GST and their impacts on various sectors of Indian economy*

**Keywords:** Goods and Service Tax, Indian Economy, Impact etc.

#### **INTRODUCTION:**

Goods and Service Tax is a comprehensive tax levied on manufacturing, sales and consumption of goods and services at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-off benefit from the producers point up to the retailer's level where only the final consumer should bear the tax. It has deeply impacted our Indian taxation system.

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‘Goods and Services Tax’ (GST) is the one and only indirect tax which is being levied to replace all the indirect taxes present in India such as sales tax, Value Added Tax (VAT), entertainment tax and service tax. Recently the tax rate varies from state to state, but the types of tax were also not consistent. Our taxation system has always been seen as one of the major obstacle in growth of economy. Multi National Companies faced huge problems in tackling their tax payables. They also faced difficulties as payment of double taxation. This becomes the reason of tax evasion in our country. So to cope with all the problems discussed GST was implemented.

As parts of business community, it is no doubt that GST implementation would also affect the various sectors in India. They play vital roles in the Indian economy. GST has a wide impact on various sectors such as Food and Industry, Construction Industry, Manufacturing, Retail etc. Thus, this paper tried to focus on the impact of GST on various sectors of Indian economy.

## REVIEW OF LITERATURE:

**Monika Sehrawat and Dhanda (2015)** the researchers have studied about the various features and the challenges associated with Goods and Service Tax. The researcher also stated in their research that the legal procedures in implementing, consent from all the states, proper literacy on the concept of GST are the challenges associated with the implementation of GST.

**Poonam, (2017)**, stated in her research that the biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. A single rate would help to maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some ‘special’ goods and/or services. The launch of GST would transform Asia’s third largest economy into a single market for the first time.

**Nasir, (2015)** the researcher concluded that tax morale is the most influence factors to tax awareness. This means government need intense focus on publics’ knowledge and attitude towards the implementation of GST.

**Das and Gupta (2004)**, the researchers stated that the tax compliance can be improved by implementing simple reforms in personnel policy in Indian income tax .researcher also mentioned in their conclusion that the GST will lead to higher tax compliance and lower tax evasion by Indians.

**Bhavana Khanna, Panveet Kaur (2017)**,have studied about impact of GST on various sectors of Indian economy. The research also stated in his conclusion that the current GST system is a multi stage, destination based effect on goods and services but it will be a major source of revenue for Govt. as it shows significant impact on each and every sector of economy.

## OBJECTIVES OF THE STUDY:

This study is based on the following objectives:

1. To study the concept of GST.
2. To study the impact of GST on various sectors of Indian economy.
3. To examine the role of GST.

## RESEARCH METHODOLOGY:

The present research paper is based on secondary source of data. The secondary information has been collected from published books, articles published in different journals; news papers various reports and websites etc.

## DISCUSSION:

### Concept of GST:

GST is an Indirect tax which has replaced many Indirect taxes in India. Goods and Service Tax law in India is a comprehensive, multi-stage, destination based tax that is levied on every value addition.

In simple words GST is one indirect tax for the entire country.

### Components of GST:

The following are three components of GST:

1. **CGST:** it is collected by the Central Government on an intra-state sale (i.e. within Maharashtra)
2. **SGST:** it is collected by the State Government on an intra-state sale (i.e. within Maharashtra)
3. **IGST:** it is collected by the Central Government for inter-state sale (i.e. Maharashtra to Tamil Nadu)

### GST Tax Slab Rates for different Goods:

<b>5% GST Tax Slab Items</b>	Sugar, Tea, Sliced Mango, Ayurvedic Medicine, Skimmed Milk, ICDS Food Packages, Milk Food for Babies, Edible Oils, Khakra & Plain Chapati, Roasted coffee beans, Packed Paneer, Frozen Vegetables, Cashew nuts, Spices, Unbranded Namkeen, Pizza bread, Rusk, Sabudana, Fish Fillet, Packed Food Items, Fertilizers, Footwear up to Rs.500, Apparels up to Rs.1000, Real Zari, Agarbatti, Domestic LPG, Floor Covering, Plastic Waste, Coir mats, Rubber Waste, Matting, Insulin, Paper Waste, Medicines, Stents, Braille watches, Braille typewriters, Scrap of Glass, Postage Stamp, Revenue Stamps etc.
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<b>12% GST Tax Slab Items</b>	Ghee, Butter, Fruit Juice, Almonds, Packed coconut water, Preparations of vegetables, Fruits, Nuts, Pickles, Murabba, Chutney, Jam, Jelly, Namkeen, Frozen meat product, Packed dry fruits, Non-AC restaurants, State run Lotteries, Exercise books, Note books, Work Contract, Apparel above Rs.1000, Tooth Powder, Spoons, Umbrella, Cake Servers, Sewing Machine, Ladles, Forks, Skimmers, Fish Knives, Mobile, Manmade Yarn, Playing Cards, Ludo, Carom board, Chess board etc.
<b>18% GST Tax Slab Items</b>	Biscuits, Flavoured refined sugar, Cake, Pastries, Preserved vegetables, Soups, Suitcase, Vanity case, Brief Case, Chocolates, Ice creams, Chewing Gum, Pasta, Instant Food mixes, Corn flakes, Curry paste, Salad dressing, Branded Garments, Footwear above Rs.500, Soap, Hair Oil, Deodorants, Shaving, After shave items, Shampoo, Toothpaste, Toiletries, Tissues, Computers, Printed, Circuits, Printers, Monitors, Camera, CCTV, Electrical Transformer, Optical Fiber, Mineral Water, Tissues, Poster Colours, Envelopes, Steel Products, Stationary, Safety glass, Glassware, Mirror, Fans, Pumps, Leather clothing, Wrist watches, Stoves, Cookers, Telescope, Goggles, Artificial Flowers and Fruits, Physical Exercise equipments, Musical Instruments, Aluminium Frames, Door and Windows etc
<b>28% GST Tax Slab Items</b>	Waffles and wafers coated with chocolate, Waffles and wafers coated with chocolate, Sunscreens, Dye, Hair Clippers, Ceramic tiles, Paints, Wallpapers, Washing Machine, Water heater, Vacuum cleaner, Dishwasher, Aircraft for personal use, Pan masala, Bidis, Weighing machine ATM, Vending machines, Auto mobile, motorcycles etc.

**GST Tax Slab Rates for different Services:**

<b>12% GST Tax Slab Items</b>	Ac & Non AC Restaurants, Restaurants in hotels with a room tariff less than Rs.7500(no input credit), Takeaway Food, Transport Service, Selling of spaces for advertisements, small restaurant with turnover of Rs.50 lakhs,
<b>18% GST Tax Slab Items</b>	Business class air tickets, Hotels, inns, guest houses which have room tariff of Rs. 1000 and above but less than Rs.2500 per room per night.
<b>28% GST Tax Slab Items</b>	Restaurants in hotels with a room tariff over Rs.7500 outdoor catering(with input credit), hotels, inn, guest houses which have tariff of Rs.2500 and less than Rs.5000 per room per night, IT service, Telecom Services.
<b>12% GST Tax</b>	Race club betting & gambling, five-star hotels, Entertainment & Cinema, Hotels, inns, guest houses which have room tariff of Rs.5000

<b>Slab Items</b>	and above per room night
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## IMPACT OF GST ON VARIOUS SECTORS OF INDIAN ECONOMY:

### Real Estate Sector:

Real estate sector is one of the most pivotal sectors of the Indian economy. It plays a vital role in employment generation in India. It ranks second just behind agriculture. GST would bring lot of transparency in the real estate sector. In pre-GST scenario the rate of service tax was 15%. The post GST rate on under-construction real estate projects is 12% which is lower than earlier. Buyer of real estate property is expected to pay for two main criteria; for the cost of land and for the construction of the house. Real estate is said to get a positive impact under the GST.

Thus, we can have a positive impact of GST on the Real estate sector.

### FMCG Sector:

Fast moving consumer goods are popularly known as consumer packed goods. It is the fourth largest sector of the Indian economy which has witnessed the change that GST has made. In pre-GST scenario the total tax rate was around 22-24%. The post GST tax rate for the FMCG industry is around 18 to 20 %. All major players in the industry have welcomed GST with open arms. Some products from the FMCG sector like aerated drinks have been given the highest tax slab rate of 28% of GST. Most of the products like health supplements, liquid soap and skin care have been put under the rate of 28%. However these products will not be impacting the FMCG sector negatively as they were paying taxes at the similar rate even during the pre-GST regime.

### Airlines Sector:

The travelling in business class is expensive as after the implementation of GST, tax rate has been increased from 9 % to 12 %. However, GST on economy class is fixed at 5 % which is quite lower than the previous 6%. Lower tax rate on economy travel is positive for companies like Inter Globe Aviation, Jet Airways and Spice Jet.

### Pharmaceutical Industry:

In pre –GST scenario the tax rate in the Pharmaceutical companies was around 15 to 20%. While in GST regime most of the drugs mentioned under 5% tax bracket which were previously charged around 4%. There are two key things that have changed are the manufacturing price have moved from 5% VAT bracket to 12% GST bracket and a lot of medicine salts/compounds have moved from 5% to 12% GST brackets. Also there are more medicine supplements which have moved from 12.5% to 18% and 28% brackets marking in a record hiking in price. As the GST sets in, pharmaceutical companies have to pay more in manufacturing cost as raw material cost has goes up by 7% and hence MRP of the product need to be changed to absorb this impact. This will cause some slight negative impact.

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## **Financial Services Sector:**

The financial sector which touches the life of every Indian is one of the largest industries in the country. The GST rate on financial services has been raised from 15% to 18% with the execution of this reform from 1<sup>st</sup> July, 2017. What this mean is that a person must pay Rs.3 extra per Rs.100 for financial services. Most banks have now applied transaction charges on cash withdrawals from different bank ATMs or Cash withdrawals from branch.

Banks having branches in different states must register in each state under GST regime. However, the costs of financial services have been slightly higher compliance cost due to registration of bank branches and inter branch services.

## **Telecom Industry:**

In pre-GST scenario tax rate in telecommunications sector was 15% which has been increased up to 18% during the GST regime so the difference is of 3%. The hike in taxes may have a varied impact on the pricing policies of the telecom industries.

## **Cement Industry:**

The Indian cement industry is the second largest cement producer in the world right after China. In Pre -GST scenario there were various rates and specific duties of excise applicable on different types of cement depending on whether they are supplied in bulk form or in packed form or whether for industrial purpose. The tax rate was up to around 14 to 25%.

And, after the GST regime, Cement attracted 28% GST, a higher rate of tax which means increased costs for the infrastructure sector. While refractory cement, concretes mainly used for building industry attracted 18% tax. Previously there were multiple excise duties applicable to cement manufacturers. All these multiple taxes have been removed under GST. This will result in lesser compliances and less complexity.

## **Automobile Industry:**

The automobile industry in India is a vast business producing a large number of cars and bikes annually. Under the pre-GST tax system there were several taxes applicable on the sector like excise, VAT, sales tax, road tax, motor vehicle tax which has been subsumed by GST. In pre GST scenario the average combined rate of taxes was 26.50 to 44% while the current GST on automobile industry is 28% which is lower than pre GST rate. Therefore, there will less burden of tax on the end consumer under GST. GST is beneficial for the people in the market for small family cars like Alto, Santro, and Nano as minimum cess of 1% has been charged over and above the GST rate of 28%.

Tractors category is taxed with higher rate with 12 per cent which was earlier only 6-7 per cent which will be negative for the tractor companies.

## **Textiles Industry:**



The Indian textile industry provides employment to a large number of skilled and unskilled workers in the country. It contributes about 10% of the total annual export and this value is likely to increase under GST.

In pre GST scenario, the tax rate in Textile industry was nearly 12.5% plus surcharges and which varies upon the MRP of the products. Under the regime of GST the tax rate for cotton fibre is 5% and 18% for manmade synthetic fibre which is having a moderate impact on the industry.

There may be few drawbacks for the textile industry due to the higher tax rate and removal of benefits under cotton value chain, but it is safe to say that GST will help this industry in long run by getting more registered taxpayers under well regulated system and will create more opportunities for sustainable long-term growth.

### **Media and Entertainment Industry:**

The Indian media and entertainment industry has witnessed blistering growth in the past few years and now media and entertainment industry in India is globally the fifth largest media and entertainment market. In pre GST scenario services like broadcasting, DTH etc. attracted an entrainment tax, the rate of which varies by state such as Andhra Pradesh 20%, Bihar 50%, Delhi 20%, Maharashtra 45% (Nil for Marathi Film, Uttar Pradesh 30 to 40% etc. the service tax in pre-GST was 15%.

In post GST TV and DTH, circus, theatre and Indian classical dance, cinematography, Movie tickets etc. are comes under 18% and 28% tax rate. GST is having a mixed effect differs from one state to another. States that were having a high entertainment tax in the previous tax regime are enjoying the price reduction. However, GST is having a negative effect on state that had levied low entertainment tax. In short, there is somewhat either neutral or slightly negative impact of GST on the Media and Entertainment Industry.

### **CONCLUSION:**

As per the study it is clear that the Implementation of GST is a significant step towards a comprehensive indirect tax reform in India. It is a single national uniform tax levied across India on all goods and services. All sectors of the Indian economy have benefits and impact with GST. There is a need to conduct awareness programmes and various literacy programmes about GST to its various stakeholders in India. The industries are required to assess the impact of GST on their businesses and functions and develop a suitable sketch for the future.

From the study is also concluded that the current GST system is a multi stage, destination based effect on goods and services and it shows significant impact on each and every sector of Indian economy.



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