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Impact on Gst in Indian Economy

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ABSTRACT

"GST is one of the most crucial tax reforms in India which has been the long pending bill. This has to come across the various hurdle to get implemented in 2017, April session. It is a uniform tax system for the overall country which subsumes all the indirect tax which is presently existing, whereby to put an umbrella tax procedure in a country. It is expected to be impact the economy and reduce price to the consumer, also the overall burden of end user. In India GST will be implemented in two components Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST), in the former case center would levy and collect and in the later states would levy and collect on all transactions within a state. In case of inter-state transactions, the center would levy and collect the integrated Goods and Services Tax (IGST).However certain industries benefit from the implementation of this if not all, also the expectation is this will showcase our international trade because of the common tax regime. Therefore the paper is more focused on advantages of GST and its impact on selected industries like Automobile, E-Commerce, FMCG, Financial Services, Realty and Tourism & Hotel in India's execution."

Key words: SGST, CGST, IGST, FMCG, REALTY, TOURISMINDUSTRIES.

INTRODUCTION

The current burning issue of the Indian economy is their fiscal policy. The nature of one country and one tax rate could not be implemented and remains a big hurdle since 1947 independence of India. The present indirect tax structure is more complicated that any measure on the economy is difficult. There is an expectation of change in the scenario from next financial year, after meeting GST council, the group of ministries and experts on fixed tax rate. Experts say that implementing GST would benefit every sector and also on the count of the country's GDP to go up. The first country in the world to introduce the GST is France in the year 1954, after those more than 140 countries followed it. The present tax systems have so many obstacles with the state and union where it finally burdens the end user. However, India moving to change of policy introduced GST concept with dual aspect (i.e. CGST AND SGST), separately leviedon the consumption base of tax same rate.

LITERATURE REVIEW

Vasantha gopal(2011) studied, GST India: A Big leap in the indirect taxation system states that the present indirect tax structure is so complicated that implementing GST could be boost up for economy. More than 140 countries all over the world have implemented and it acts as a catalyst to make the country good FDI destination. Agogo Mawuli (2014) criticized, GST is not good for low income countries, still if these countries are interested to implement, and the rate of GST should be

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below 10% country growth rate. Monika sehrwat (2015) stated, due to dissent environment of Indian economy; it is demand implement of GST. The current tax likely to tax terrorism so that there is a liberal trade between Indian products vs. foreign products. But it is silent for special tax incentives in specific areas like SEZ, EPZ, and EEZ etc. Shakir shaik (2015) GST is comprehensive indirect tax on manufacture sale and consumption on goods and service at national level. It would lead to distortions of different manufacturing and service sector with the present speculations about GST. Yogita Beri (2011) - the advantage of implication of GST get relief on trades, also reduced tax or removing cascading of tax i.e. (tax on tax). That means not levied on excise duty again on the same transaction value, is not like VAT. McLure (2003) outlines characteristics of a well-designed indirect tax regime in the content of Canada. While consumers should be taxed at single rate sale of input to business should not carry any tax liability. But if indirect taxes implications adventure taxations that is state and center without proper understanding results will be pain to final consumer. Sharma Manpreet & neha (2014) study explained the current scenarios of GST in India and various short comings of GST, they concluded stating reduction of tax liability to so many industries facing cascading and tax evasion. Nishin gupta (2014) studied "GST impact on Indian economy" the country insertion tax system with world tax system. It will create business friendly environment; price level and inflation rather would come down over a period due to uniform tax rates. Bhawna manyal & Aonchal nagapal (2016) studied that the short coming of gdp is not turned out, but still its long-term move could benefit all sectors. They raised one of sector E –commerce more benefit bale, if centralized registration would be operation cost burden on supply place but entry, octroi tax is sub summed in that it could curb inflation at a constant level. Tan sukhchnenda &Kevl shah studied as the GST impact over all positive industrial growth along with FDI, Easy norms, GDP would be some slide changes but ultimately increase all the sectors of an economy. This study intends to understand the concept of GST, advantages of GST and ultimately criticize the impact on various industries.

OBJECTIVE OF STUDY

1. Is GST will help full for economy in our country?
2. How it will impact on a few industries.
3. Relation between domestic goods and foreign goods in market.

DATA AND METHODOLGY

The data collected from overall these paper secondary sources like magazines, newspapers, research journals, professional reports etc. This paper is only main focus theoretical study on selected industries.

CONCEPT

GST is an indirect tax, all the Centre and state indirect taxes subsumed on levying an unified tax system in India. While levying, the tax is dual mode in the CGST like excise, additional excise, counter veiling duty etc., while levied under state wise vat, like SGST, while interstate truncations like CST like subsumed under IGST while sharing the both center and state proper understanding the revenues and administration. The GST main destination is to establish a base tax system.

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ADVANTAGES OF GST

Under GST regime lower level of taxes levied on the manufacturer to consumer lesser burden on the minimize corruption and administration process. It is expected to remove cascading effect on present tax system on vat create common national market in country.

- The GST will provide unbiased tax structure that is neutral to business process and geo-graphical locations.
- GST would ensure that India provides a tax regime that is almost like the rest of world. It will also improve the international cost competitiveness of native goods and services.
- Revenue will get a boost, tax evasion to stop, giving input tax credits increase tax transparency.
- Logistics and inventory cost will fall, i.e., due to interstate check posts delay slow much of trucks speed India a day 280 km while US in 800 km.
- In present indirect tax regime, there is no input tax credits on certain capital goods but the GST regime gives input tax credits to investors so that it boost up this investment sector.
- Biggest benefit will be that multiple taxes like octroi, central sales tax, state sales tax, entry tax, license fees, turnover tax etc., will no longer be present and all that will be brought under the GST. Doing Business now will be easier and more comfortable as various hidden taxation will not be present.
- GST is a transparent Tax and also reduces numbers of indirect taxes. With GST implementation a business premises can show the tax applied in the sales invoice. Customer will know exactly how much tax they are paying on the product they bought or services they consumed.

IMPACT ON THE VARIOUS INDUSTRIES

AUTOMOBILE:

The Indian auto industry is one of the largest in the world, the industry accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). The Two Wheelers segment with 81 per cent market share is the leader of the Indian Automobile market owing to a growing middle class and a young population. In addition, several initiatives like GST reform by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the two-wheeler (2W) and four-wheeler (4W) market in the world by 2020.The market size of the same in India is 16.9% in 2015. If implemented GST impact would increase 2020 auto mobile mission plan government. The main problem in the investments by automobile companies will be solved, and have a multiplier effect on the State's economy. Generally, States provide for various incentives including Investment Promotion Subsidies (IPS). A majority of the automobile manufacturers enjoy special benefits from the State Government in the form of State Investment Promotion Subsidies (IPS). This is given in the form of refund of VAT/ CST paid, or as a loan the introduction of GST, taxes move from the Origin State to the Consumption State. This would result in significant reduction of flow-back of IPS, since GST on inter-state sales is not credited to the Origin State. Industry operates in some areas like wise states of Gujarat, Tamil nadu, etc. Where there is more incentives. So now implementing GST reduces tax burden of 35% of the indirect tax

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in RNR base government cup rate. It will boost this sector and benefits to lower and middle man going to buy two and four wheelers. Now there is no clarity in dealer incentive scheme is excluding or not i.e., at present, dealer incentive schemes are not subject to VAT, but there are issues on applicability of service tax on dealers, depending on the terms of each scheme. The industry is of the view that these schemes are not an independent service by dealers to the manufacturers, but are in the nature of post-sale discounts. The Model GST law does not provide as to whether these incentives or discounts are subject to GST. Further, since the original supply would have already suffered GST and the buyer would have taken the input tax credit, the issue of whether these incentives/ discounts would impact the price and credits, or will these be kept out of GST (in the VAT chain), needs to be addressed. The transition provisions provide that credit balances admissible under the present regime can be carried forward under GST. In case of stocks lying with dealer which are procured on payment of excise duty and CST, such excise duty and CST is not admissible as credit under the present regime. Accordingly, the transition of such taxes/ duties included in the stocks lying with the dealer must be allowed. Otherwise, under the GST regime, such stocks would suffer tax again, i.e. excise duty and CST paid, and CGST and SGST on supply after the appointed date.

REAL ESTATE

In India, the agriculture sector had largely contributed to the realty sector and India's GDP. Nowadays not only tier-I cities are growing up, tier-II, tier-III cities are also. The Indian real estate sector has witnessed high growth in recent times with the rise in demand for office as well as residential spaces. According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received Foreign Direct Investment (FDI) equity inflows to the tune of US$ 24.19 billion in the period April 2000-March 2016. India in future, real estate market is expected to touch US$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). Indian real estate market has become one of the most preferred destinations in the Asia Pacific as overseas funds accounted for more than 50 per cent of all investment activity in India in 2014, compared with just 26 per cent in 2013.The realty sector divided into three parts land, under construction property, Transfer of property. The land acquisition bill will be implemented to link the GST, but nothing to change stamp duty, added to our finance minister to buying land from state government. In the world, some countries like Australia, New Zealand, Canada, GST is outside the subject of land. However, under construction property present buyer will pay both VAT, and to the vendor it increases the cost, and third case transferred of ready property included stamp duty not yet sub summed in GST bill. Now basic problem in this area Is pricing policy differ to different metro cities rules for example, Haryana government impose a EDC, IDC but other states there is nothing like that, there is no uniformity in rules to this sector. In current lease rental base no tax credits availed, if GST implemented, the credits given to lease sector base in boosting of this sectaries. ISD which means all types of CGST, SGST, IGST taxes availed to service distributors the present GST regime.

FMCG

The food industry, which is currently valued at US$ 39.71 billion, is expected to grow at a Compounded Annual Growth Rate (CAGR) of 11 per cent to US$65.4 billion by 2018. Food and grocery account for around 31 per cent of India's consumption basket. Apart from simplification of tax compliances, the rate of tax will also have a significant impact on the FMCG sector. Presently the peak tax costs for industry players amount to approximately 27% (i.e. Excise Duty of 12.5%

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and VAT ranging from 12% to 15%). Under the GST regime, it is proposed that the revenue neutral rate would be in the range of 17% to 19%, thereby resulting in significant benefit for the sector. But some provisions not continued with present CENVAT regime like area based exemptions wise legislation and industrial policy refund mechanism. Valuation of stock level in supply chain basis registration across country like IGST, CGST, SGST now not exist in this system of tax regime. The truncation value includes free supplies and free bees included, deem to consider as sale it would be cost of promotion expenses to FMCG Company. There is no clarity as to whether the present system of waybills and check-posts would continue. The Model GST Law grants power to the Government to prescribe documents for consignment of goods exceeding INR 50,000 in value. In the light of these provisions, it is important that the FMCG Industry represent for the removal of waybills and check-posts related compliances, with the objective of optimization of delivery schedules, lowering operational costs of and consequently enabling competitive pricing. If giving input tax credits to IGST would be considered as a better relief to this sector for all vendors.

FINANCIAL SERVICES

Globally the trend for the Financial Services (FS) sector has been either complete exemption or partially subject to GST. In jurisdictions where it is partially taxed, the approach has largely been to tax fee-based activities with restricted input tax credits, while keeping the Fund based-activities outside the tax net. In the GST regime, the FS sector is expecting the partial basis of taxation, as prevailing in the present regime, to continue, with clarity on place of supply of services and seamless credits across the country's for the FS sector would be a major transformation as it would have an impact on the financial products, the IT system, processes and a shift from centralized compliance to State-wise compliance. The industry would need to analyze the provisions of the Model GST Law and its impact on their business. This is essential to ensure that timely representations are made to the Government, and to identify implementation requirements for smooth transition to GST regime. The place of supply of banking and NBFC companies across the world trade operations. So far not mentioned to the GST regime the provision determined to the banking and financial service location. Interest income because advance, deposit way of consideration in discount, fine all the provisions to present negative list of service tax, and free of supply services to the customer zero balance, service tax because customer. Sale of securities is presently excluded to vat regime, now will be included in GST Regime. In addition to that presently, the definition of the term, 'service' specifically excludes actionable claim, whereas under the Model GST Law, the term, 'service' specifically includes actionable claim. The BOFS sector is facing significant NPA challenges, and securitization is critical to address the NPA issue. It seems that by including actionable claim, transactions such as securitization could be subjected to GST. However, it is possible that securitization could get covered in the negative list. The input tax credit regime. Presently, as per CENVAT Credit Rules, Banks/ NBFCs have options to reverse CENVAT credit either to the extent of 50%, or on proportionate basis to the extent of exempt turnover. Under the Model GST Law, there is no such provision for availment of 50% credit. If such option is not available, then Banks/ NBFCs would be required to reverse input tax credit to the extent attributable to non-taxable supplies. Proportionate basis of reversal has scope for alternative interpretations and/ or verification from authorities. Hence, it should be represented that the option of reversal on the basis of a fixed ratio should also be available. Life insurance products now paying low taxable endowment polices but GST regime that equal provisions in place of supply service provider. For any service relating to Jammu and Kashmir which was excluded is now included or not its debate to this all common market India. Ordinarily, FS players centrally procure

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certain goods, viz. assets, ATM machines, printing stationery, etc., such goods are then distributed to its various branches located across India. FS players would need to review their procurement and distribution model so as to optimize the input tax credit.

E-COMMERCE

The e-commerce is one of the fastest growing sectors in Indian today, bringing with it complex indirect tax issues which is still in a nascent resolution. The GST regime would pave the way for a uniform approach to taxation of this sector. The GST would bring in clear uniformity tax bracket in this sector; consumption states levied entry tax equally to double taxation of this sector. The GST registration under new regime every state based service provider compulsory each state it would leads to operation cost burden to the firm present regime only central registration on VAT regime and tax imposed to free bees also one of the biggest drawback this sector. The moving of all transportation goods whether entry check posts is there or not, so moving of goods and services to saving time. The stock transfers to other state charges to CST regime it would led by cost of working capital.

TOURSIM AND HOSPITALITY

The one of key drive growth of service sector India contributed nearly US$ 295.7 billion or 19.2 percent to the Gross Domestic Product (GDP) in 2015-16.At present the hotel and tourism are impacted by multiple and cascading of taxes. The three taxes are VAT, Luxury and Service. The VAT differs state to state, and service tax time to time. The service tax varies to type of service. For example, room tariffs 60%, food and beverage 40%, of value. The marriage ceremony, conference meeting in hotel 30%. The vat and service tax lie between 20-27%, whereas implementing GST would reduce the burden to 18-19%. This attracts more tourists to India, while growing at 8.9 percent year-on-year. The number of Foreign Tourist Arrivals (FTAs) has grown at a CAGR of 3.7 per cent to 5.29 lakh year-on-year in May 2016. Foreign Exchange Earnings (FEEs) during the month of May 2016 grew at a rate of 8.2 per cent year-on-year to Rs 10,285 cores (US$ 1.52 billion).

CONCLUSION AND FINDINGS.

Having reviewed the concepts, advantages and the sector wise tax regime, implementation of GST would be more benefits to the end user or consumer. Initial hurdles will be there between the states and central government who will impose and collect revenue and what rate should be finalized in the level. The uniformity in the tax regime will certainly attract the foreign direct investment to most of the sectors and evenly to all the states whereby it would reduce the disparity among the states. Finally its short term pain and long term gain for market. The reduction in inequality among the states will automatically boost the Indian economy. It will implement in July this financial year.

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