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IMPACT OF GST IN BOOSTING THE TRADE ACROSS INDIAN

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ABSTRACT

The Goods and Service Tax is one of the biggest and significant tax reforms since independence in Indian economy. GST is the effort from the Government to fetch a new tax regime in Indian economy. The main aim or target of GST is to make changes in the existing tax system in India like VAT, excise duty and sales tax etc. It is tax system which will subsume all the indirect taxes of both Central and State Govt. It will eliminate all the problems of the existing indirect tax system and will lead to the growth of the Indian economy. The implementation of GST will lead to substantial increase in the GDP of the country. This paper is study of the effect of GST on various sectors and how the implementation of GST will lead in enchasing the trade across the country in India. This paper is more focused on the emerge of GST in India, its scope, dual tax model, benefits to various sectors and also the positive and negative effect on the various sectors of the trade. The paper further explores various benefits and opportunities of GST. Finally, the paper examines and draws out a conclusion.

KEY WORDS- GST, SGST, CGST, IGST

INTRODUCTION

The Goods and service tax is playing a significant role in indirect tax reforms, it merged the a large number of the central and sales tax into one and also laying a concrete platform for common national market by preventing the double taxation. GST was first introduced in France in the year 1954 and presently there are more than 150 countries following the GST. It will help to reduce the tax burden on the customer from 30% to 17% and also reduced the cost of product for the end users of the product. The reduced cost of the product will make the product more competitive and viable in the national as well as international market. The new tax regime will stimulate the economic growth and will increase the GDP growth of the country from 1% to 2%.

GST IN INDIA

GST was first introduced in India during 2007-08 budget sessions. The constitution amendment Bill for GST was introduced and passed by Lok Sabha in May 2015. The final stumbling block has been cleared when it was passed in the Rajya Sabha on 3rd August 2016. The Finance Ministry is aiming for the final implementation of the Goods and Services Tax in the country from 01 April 2017.

“GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefit from the producer’s /service provider’s point up to the retailer’s level where only the final consumer should bear the tax”

GST is the single tax system followed in the supply chain from the manufacturer to the consumer. The manufacturer or the retailer will pay the GST applicable on the goods and later claim it back through the tax mechanism. Like indirect tax in GST also the consumer will bear the tax burden. But the

difference is that the multiple taxes are streamlined and the final cost of the customers on a product will be comparatively less as the double charging is eliminated.

Indian Government is opting for Dual System of GST.

Table 1: Reforms in Indirect Taxation System

Year	Reforms
1974	Report of introduction of VAT by LK Jha Committee
1986	Introduction of a restricted VAT called MODVAT
1991	Report by the Chelliah Committee recommended either VAT or GST which was accepted by Government
1994	Introduction of Service Tax @ 5%
1999	Formation of Empowered Committee on State VAT
2000	Implementation of uniform floor Sales tax rates
2003	VAT implemented in Haryana in April 2003
2004	Significant progress towards CENVAT, MODVAT was abolished and credit account was merged with service tax and excise to provide for cross utilization.
2005-06	VAT implemented in 26 more states
2007	First GST released By Mr. P. Shome in January Finance Minister announces for GST in budget Speech and CST phase out starts in April 2007. Then, Joint Working Group formed and submitted report
2008	EC finalizes the view on GST structure in April 2008
2009	First discussion paper on GST was released and commission submitted report proposing GST to be implemented from 1.4.2010
2010	Department of Revenue commented on GST discussion paper and Finance Minister suggested probable GST rate.
2011	Team was set up to lay down road map for GST and 115th Constitutional Amendment Bill for GST was laid down in Parliament
2012	Negative list regime for service tax was implemented
2013	Parliamentary Standing Committee submitted its report on the Bill
2014	115th Amendment Bill lapsed and was reintroduced in 122nd Constitutional Amendment Bill

Dual GST model

- SGST – State GST, collected by the State Govt
- CGST – Central GST, collected by the Central Govt
- IGST- Integrated GST, collected by the Central Govt

CGST is the combination current taxes like Excise duties, service tax, custom duty etc and SGST is for sales tax, entertainment tax, VAT and other state taxes. GST will be levied on

- Intra- state supply and consumption
- Inter -state movement of goods
- Import of Goods and services

Table 2: changes in tax system due to implementation GST

Indirect taxes	GST	Intra- state and supply and consumption	Inter -state movement of goods	Goods & services exported	Goods & services imported
<ul style="list-style-type: none"> Excise duty Service tax Customs duties Central sales tax 	CGST	CGST + SGST rate levied	Integrated GST	GST not applicable	CGST + SGST rate levied
<ul style="list-style-type: none"> State sales tax Entertainment tax State VAT Professional tax 	SGST				

Key features of the proposed GST model

- **Inter-state transaction and IGST model**
– The Central Govt will collect the Integrated Goods and Service Tax on all inter-state supply of goods and services. It is designed in such a way that easy flow of the input tax credit from the state to another. The inter- state seller will pay IGST on the sale to the Central Govt after adjusting credit of IGST, CGST and SGST on his purchase.
- **Destination-Based Consumption Tax:** GST would be a destination-based tax, which entails that all SGST collected will be accrued to the State where the customer of the goods or services sold resides.
- **Payment of GST:** The CGST and SGST will be paid to the respective accounts of Central and State Govt.
- **GST on Imports:** central Govt will levy the IGST inter- state supply of the goods and service and IGST and basic customs duty will be charged for the import.
- **Maintenance of Records:** The Tax payer or the exporter have to maintain a separate detailed books of accounts to avail or refund of the A taxpayer or exporter would have to maintain separate details in books of account for availment, utilization or refund of Input Tax Credit of CGST, SGST and IGST
- **Administration of GST:** GST will be administered by the GST Council, which will be the apex policy making body of the GST. GST Council comprised members of the Central and State ministers in charge of the finance portfolio.
- **Goods and Service Tax Council:** The GST Council will be a joint forum of the

Centre and the States. Major recommendations to the Union and the States on important for issues like tax rates, exemption list, threshold limits, etc will be made by the council

OBJECTIVE

The objective of the study is

- To know the mechanism of the GST.
- The impact GST on the Indian economy
- The impact of GST on enchasing the trade in Indian economy

Considering the above objective the scope of the study is extended to only the impact on of GST on the trade of Indian economy. It reveals the importance and influence of GST to various sectors.

METHODOLOGY

The research is an exploratory research and the data is done mainly from the secondary data source of the statistical data is from the official web site of Finance Ministry of India, Books published on GST and various contemporary journals ,articles and news.

The data are collected to understand the impact of GST on the Indian economy, benefit and how it enchases the growth in trade

SCOPE OF GST

All the goods and services are covered under the GST except Alcoholic liquor for Human Consumption. Tobacco products are GST is levied and the central Govt will charge excise duty.GST Council yet to decide the incidence and levy of GST on following;

- Crude Petroleum
- High Speed Diesel (HSD)
- Motor Spirit (Petrol)
- Natural Gas
- Aviation Turbine Fuel

IMPACT ON GST ON VARIOUS SECTORS

Automobiles:-

Automobile is one of the important sectors of the Indian economy. The major part of revenue for Government is from this sector. Currently the tax rate in this sector is between 30% to 47%. After the implication of GST the tax rate is expected to fluctuate between 30 to 47 %. This will increase demand and reduce cost for the end users by about 10%. Apart from this the cost for logistic and supply chain inventory will be cut down by almost 30 to 40%. The overall transportation cost and time will be reduced as the goods will be transferred from one state to another easily by avoiding octroi and check points. According to various source GST is encouraging the automobile sector and the main beneficiaries are Maruti Suzuki, bajaj Auto , Ashok Leyland etc.

Consumer durables

The current tax rate prevailing in this sector ranges from 7% to 30%. Studies shows that the implementation of GST will benefit companies and leads to reduce the price gap between organized and unorganized sectors. The operational profitability will improve due to reduction in warehouse/ logistic cost across the operational and non- operational segments. The key beneficiaries will be CGCE, Havells, Voltas, Blue Star etc

Furnishing and home décor:-

Currently the tax rate ranges from 205 in this sector. After the GST the paints and other construction chemicals companies will have the benefit of low tax rate. The gap between the price differences among the organized and unorganized sectors will be minimized. The overall cost and competitiveness in products such as like ceramic tiles, faucets, sanitary ware and plywood & laminates manufacturer will be cramped. Implementation of GST is expected to bring the unorganized sector under a uniform tax base and improve growth opportunities for the organized sector. The main beneficiaries Asian Paints, Berger Paints, Johnson (Prism Cements), Kajaria Ceramics etc.

Cement:-

The present tax rate of cement sector is between 27% to 35%. The tax rate for the cement sector is expected to decline to 18-20 per cent under the GST regime. This is expected to lead to savings in the transportation cost, which currently comprises up to 20-25 per cent of total revenue. The impact of GST will be positive, as the companies will also be able to save on their logistic costs, due to rationalization of warehouses and lower transportation costs (due to decline transit time). Key beneficiaries: ACC, Ultratech, JK Cement, Shree Cement etc

Entertainment:-

Multiplexes: This category attracts different taxes such as service tax, entertainment tax and VAT among others. Currently, the effective tax ranges between 22-24% It is expected GST tax rate will trickle down to 18-20%. Reduction in taxes will lead to an increase in average ticket price (ATP) and higher revenue. . The overall impact is expected to be positive and the margins of the players are expected to increase by 250-350 bps. Currently, in media the effective tax rate for the DTH providers ranges between 20-21 % (this includes service tax of 14 % and entertainment tax of around 5-7 %) and the effective tax range for the broadcasters is around 14-15 %. On implementation of GST, a blanket rate of around 18-20 per cent will apply, which is lower than current tax rate for the DTH provider and higher for the broadcaster. Currently the news and print sector is exempted from all indirect taxes. Post GST, we expect concessional rates to be introduced in this sector. Implementation of GST will be healthy for the DTH providers and downbeat for broadcasters. The overall impact on the news and print sector will be neutral.

Textiles/garments:-

The effective tax rate for the sector currently ranges between 6-7 % . Under the GST regime, there is no clarity whether a lower rate will continue for the readymade garments. Companies may be negatively impacted in case the output tax rate is high. Going forward, several export companies may also avail duty drawback benefits.

Pharmaceuticals:-

This sector enjoys various location-based tax incentives. The effective tax rate (excise duty) for most companies is much below the statutory tax rate (6 per cent). The concessional tax bracket for the sector is expected to continue. The existing tax exemptions will continue until expiry of the tax exemption period. Going forward it will be difficult to bring forth the new exemptions. GST is also expected to address inverted duty structure and lower logistic costs for the sector.

Information technology:-

The IT industry is subject to an effective tax rate of 14 per cent. The tax rate under GST is expected to increase to 18-20 per cent. The industry earns a large part of its revenue from exports, which will continue to be exempt under GST. Litigation around taxability of canned software will probably end under GST regime as there will be no distinction between goods and services.

Telecom:-

Currently, telecommunication services are subject to service tax of 14 per cent. The tax rate is expected to increase to 18 per cent under GST. It is

expected that the telecom companies may pass the increased tax burden on postpaid subscribers. Availability of input tax credit will lower the sector's capex cost. Increase in effective tax rate may be marginally negative for the sector

Banking and financial services:-

Currently the effective tax rate is 14 %, which is levied only on fee component (and not interest) of the transaction. Under GST, effective tax rate on fee-based transactions is expected to increase to 18-20%. As the taxes on the input services will increase, operating expenses (comprising of rent, legal & professional fee, advertisement, insurance, telecommunication and other expenses) will also increase marginally.

BENEFITS OF GST

The Goods and Services Tax have many benefits and will create various opportunities on various stakeholders like business, industry, government and consumers.

Benefit for business

GST will replace all the taxes for the businessmen, currently they have to pay various taxes, file returns and reply for the scrutiny. They can avoid the annoying situation of visiting the tax offices.

- It is very easy to compliance
- It removes the cascading
- Improves the competition

For Centre and State Governments:

The GST is also benefit for the Govt in many ways as the various taxes prevailing in Indian economy will be avoided with the help of GST.

- Simple and easy to administer
- Better controls on leakage
- Consolidation of Tax base
- Higher Revenue Efficiency

For the consumer:

- Single and Transparent tax proportionate to the value of goods and services
- Reduction of Prices

BENEFITS OF IGCST

- Maintenance of uninterrupted Input Tax Credit (ITC) chain on inter-State Transactions.
- No upfront payment of tax or substantial blockage of funds for the inter-state seller or buyer.

- No refund claim in exporting State, as Input Tax Credit (ITC). It is used up while paying the tax.
- Self monitoring model
- Level of computerization is limited to inter-State dealers. Central and State Government will be able to computerize their process expeditiously.
- As all inter-State dealers will be e-registered and correspondence with them will be by e-mail, thus compliance will improve substantially.
- Model can take „Business to Business“ as well as „Business to Consumer“ transactions into account.

KEY FINDINGS AND SUGGESTIONS

Finding

GST will perk up tax collections and enhance India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. It is anticipated that India will gain more than 15 billion a year by implementing the Goods and Services Tax. The introduction of GST will remove the unhealthy competition among the state and will lead to the improvement of the trade. It will make the redistribution of the tax burden equally among manufacturing and services It will build a transparent and corruption-free tax administration, by simplifying procedures of taxations and reducing the tax burden, though increasing the ambit of taxation. Since, both Centre and State GST will be collected at the place of sale of a product, it will be charged on the manufacturing cost only, and hence, the cost of the product will come down. It creates a uniformity of the tax system through across the state. ITC will result in the reduction of cost of goods and services. It will avoid the double taxation and will lead to a transparency in the tax system resulting of tax evasion. The study shows that the implementation of GST will lead

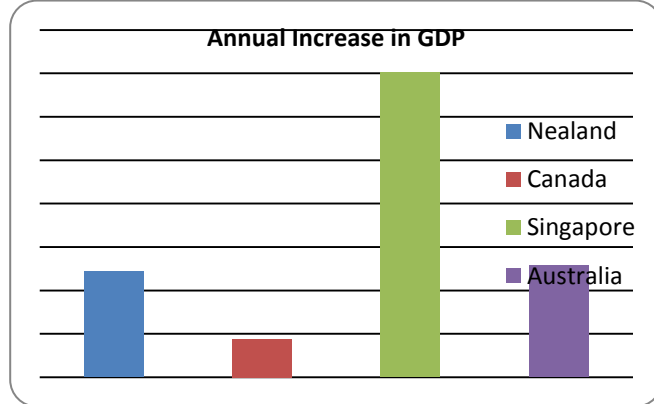
In the corporate normally excise duties are paid and GST will replace the excise duty as well as transporters has to pay the octroi duty / entry taxes which will be included in the GST. For the distributors and retailers the VAT and the service tax will be replaced by GST.

Table3: Subsuming of Existing Taxes

<p>Central Tax</p> <ul style="list-style-type: none"> • Central Excise duty • Additional Customs duty • Special Additional Duty of Customs • Service Tax • Central Sales tax • Central surcharge 	<p>State Tax</p> <ul style="list-style-type: none"> • VAT / Sales tax • State Entry Tax • Purchase Tax • State Surcharges/ Cesses • Entertainment Tax • Luxury taxes • Taxes on lottery, betting , gambling
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Table 4: Growth in GDP after implementation of GST

Countries	GST implemented year	Annual Increase in GDP
New Zealand	1986	2.44
Canada	1991	0.88
Singapore	1994	7.02
Australia	2000	2.58



Source: IMF

The suggestions are drawn from the study carried are as follows:

- Public awareness and campaign should be carried out for the GST by the Central state and State Govt to improve the knowledge of the people about GST and its benefits.
- States must examine and figure out their revenue under neutral rates, revenue implications as well as compensation packages.
- Government should build a proper monitoring system for examining the mannequin registrations and refunds problems.

CONCLUSION

Tax reforms are one of the important elements of any economy. The study shows that the implementation of GST in Indian economy will enhance the trade not only in Indian market, but in international market also. As stated by Mr. P.K Jain chief commissioner Central excise, customs and service tax GST will benefit the trade and industry in big way. . GST is not only benefiting the manufacturer, consumer it is advantageous for the Govt also. The finding shows that the implementation of GST in other countries has led to the growth in GDP of the country.

In country like Singapore there is large improvement in the annual GDP growth of the economy.

The introduction of the GST in Indian economy will lead to the improvement in the growth and development of the economy. The tax burden will reduce from the customer in the rate wise. Which will improve the demand for the goods and services; this will lead to the improvement in the trade across the country. The demand for the goods and service will increase due to the reduction in the cost of the goods and service. The subsuming of the major Central and State taxes in GST will set off the input goods and service and phasing out of the central Sales Tax would reduce the cost of locally manufactured goods and services. This will improve the competitiveness of Indian goods and services in the international market and give enhance to the Indian export.

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