Goods and Service Tax and Its Impact on Various Sector
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Abstract-

GST that is Goods and Service Tax is the latest kind of Indirect Tax which is proposed to be in force from 1st July, 2017 which is already in force on many countries around the world and they all were considering it as their sales Tax system. The GST will be the levied on the manufacture, sale and the consumption of goods and services in India. It is said to be the biggest form of reform in the indirect taxation aspect ever since 1947. The council of the GST will be headed by the Union Finance Minister that is currently Arun Jaitely. The main purpose of GST is to bring about the single tax system for the manufacture and the sale of goods at the both central and the state level in the country. The GST is mainly implemented to remove all other taxes like VAT (Value-Added Tax), Excise duty and Sales Tax. GST is the significance step in the field of indirect tax reforms in India. One tax for manufacturing, training and services.GST is termed as biggest tax reform in Indian tax structure.GST stands for “Goods and services tax”, and is proposed to be a comprehensive indirect levy on manufacture, sale and consumption of goods as well as services at the national level. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing tax it all under single umbrella. The purpose is to eliminate tax on tax. The paper purpose is to highlights the impact of GST on various sectors.

Keyword- GST, Tax, Manufacturing

Introduction-

The introduction of Goods and Services Tax on the 1st of July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which was estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self policing character, would be easier to administer.

GST rates in India-

GST have multiple rates ranging from 0% to 28 % with lower rates of 5%, 12%,18%, and 28% with lower rates for essential items and the highest for luxury.

Service tax will go up from 15% to 18% the lowest rate of 5% would be for common use items. Besides that, new category too have been launched with tax slab pegged at anywhere between 40 to 65% and that will be levied only on luxury goods and items like pan masala, high-end cars, tobacco products and aerated drinks. The 0% slab include only fewer items which are essential in every household such as Fresh Vegetables, Salt, Eggs, Milk and unbranded atta among others.
Taxes that GST replaces-

1) Central excise duty
2) Service tax
3) Countervailing duty
4) Special countervailing duty
5) VAT
6) Central sales tax (CST)
7) Entertainment tax
8) Entry tax
9) Purchase tax
10) Luxury
11) Advertisement taxes
12) Taxes applicable on lotteries.

Constitutional amendment-

A constitutional amendment as the name suggest is any change in the constitution. A democracy like India derives all its rules and laws from constitution and hence any change in the fabric of the country. The GST is the one hundred and twenty second amendment bill 2014.

The concept of GST was visualized for the 1st time in the 1999 on 8 August 2016. The constitutional amendment bill for roll out of GST was passed by the parliament followed by ratification of the bill by more than is states and enactment of the bill in early September. On 12 April 2017 the central government enacted 4 GST bills.

- Central GST
- Integrated GST
- Union territory GST
- Bill to compensate states

Benefits of GST-

1. Eliminating the cascading effects of taxes
2. Tax rates would be comparatively lower
3. Reduce tax evasion and increase the revenue and GDP by widening the tax base
4. There would be seamless flow of the input tax credit
5. Price of the goods and the services would fall
6. There would efficient supply chain management
7. It would promote the shift from unorganized sector to organized sector.
8. It would eliminate 17 indirect taxes and therefore the compliance cost would fall

Impact of goods and service tax-
1. **Food Industry** –
   The application of GST to food items will have a significant impact on those who are living under subsistence levels. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish, and poultry, milk and dairy products, fruits and vegetables, candy and confectionery snacks, prepared meals for home consumption, restaurant meals, and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration thresholds. Given the exemption of food from CENVAT and 40% VAT on food items, the GST under a single rate would lead to a doubling of tax burden on food.

2. **FMCG sector** -
   Here again, the scenario will be either neutral or negative for those companies who fall under any concessional tax bracket or taking some kind of exemptions. The companies who are likely to get any benefit would be Havells, Blue Star, Bajaj Electricals, Symphony, Hitachi etc. The FMCG sector is also taking big steps in consolidation with the upcoming GST and has been working round the clock to meet the deadline of GST. Although some rough ideas came after the prime minister gave a speech and asked the states to clear the remaining bills as soon as possible. All the related Central, Integrated, Union Territory GST and GST Compensation to States Bills were cleared by the parliament but still have pending status with the states.

3. **Real estate** -
   Under the new tax structure, due to the input credit benefits that most builders will get on the key raw materials they buy, the base price of property projects launched post 1 July 2017 will be comparatively cheaper. Buying under-construction properties will attract a net effective rate of 12% as against the earlier rate of 5.5% (including value added tax and service tax). Real estate players such as Proptiger and Quikr want to pass this cost benefit on to property buyers. “For new projects with 100% input credit passed to the buyer and land cost being 50% of the project cost, we expect property prices to fall by around 1% in western and northern markets and around 3% in southern markets,” said a report by Edelweiss. However, prices of ready-to-move-in apartments with completion certificates, before implementation of GST on 1 July, would remain steady as these properties are out of the GST ambit. Any price change in the segment will depend purely on demand and supply.

4. **E-Commerce** -
   E-commerce websites such as Flipkart and Amazon.in will have to collect TCS (tax collected at source) at a fixed 1% rate, and pay this collection to the sellers listed on their websites. This is likely to impact prices and make online shopping more expensive. Though the latest notification issued by the government stated that the provisions of “TDS (Section 51 of the CGST/SGST Act 2017) and TCS (Section 52 of the CGST/SGST Act, 2017) will be brought into force from a date which will be communicated later.”
Also to deal effectively with GST, e-commerce platforms are regularly engaging and training the sellers on their stores. Commenting on GST’s impact Rajiv Kumar, Founder, e-commerce website StoreHippo has stated: “We are thrilled to announce the reformation of our tax engine in accordance to GST. E-Commerce platforms need to provide flexible and powerful tax solutions after the implementation of GST and StoreHippo facilitates this through its new move, aimed at simplifying GST for all involved."

**Conclusion**-

The proposed GST regime is a half hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime setup by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to Implementation of GST. No, doubt, GST simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion FMCG, Real estate, petroleum, products and electricity.

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