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GST AN OVERVIEW & ITS IMPACT ON VARIOUS SECTORS

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ABSTRACT Since 1947, the GST (Goods and Services Tax) has been one of the most significant and biggest indirect tax reforms. GST was introduced to replace current taxes like VAT, service tax, excise duty, and sales tax. GST levied on the production, sale and consumption of goods and services. It is an important milestone in the country's development. It is one of the biggest tax revolutions in Indian history, integrating the state and national economies to boost the country's overall development. Previously, corporations and businesses had to pay a variety of taxes, which increased product costs and lowered profit margins. Multiple taxes and complex tax collection framework were critical barriers for financial progress of the country. GST is a uniform tax system that represents a big step forward in indirect tax reform. Under the GST system, there is only one standard rate on both services and goods. GST has produced a business-friendly environment by lowering prices and controlling inflation. This research paper discusses the goals, features, benefits, drawbacks, and impact of GST in current tax situation in India.

KEYWORDS : Goods and Services Tax (GST), Impact of Goods and Services Tax, Service Tax, Value Added Tax (VAT)

INTRODUCTION:

A country's tax policies have a significant impact on the economy in terms of both efficiency and equity. A fair tax system should consider income distribution issues while also generating tax revenue to support government expenditures on public services and infrastructure development. GST is an indirect tax that applies to the entire country, transforming India into a unified common market. The GST aims to consolidate most indirect taxes into a single tax system. GST is a tax imposed on the sale of products and services from manufacturer to the end user. As credits for input taxes paid at each level are available in later rounds of value addition, GST merely assesses value addition at each stage. With set-off profits at all preceding steps, the end customer bears only the GST levied by the supply chain's last dealer.

CONCEPT:

GST combines all indirect taxes levied by the federal and state governments in single tax. As the name implies, it is imposed on products and services at all stages of value addition. It features a two-tiered tax system, with the Central Goods and Services Tax (CGST) and the State Goods and Services Tax (SGST). Central indirect taxes such as central excise duty, central sales tax, service tax, special additional duty on customs, and counter veiling duties have been absorbed by CGST, whereas state indirect taxes such as state VAT, purchase , luxury, and octroi charge on lottery and betting is supplanted by SGST. GST is not an additional tax because it is a destination-based tax. It's a way of examining interstate goods and service transactions and guaranteeing that the tax is collected by the importer state.

LITERATURE REVIEW:

Shefali Dani (2016), the researcher claims that the Goods and Services Tax regime is a pathetic try to justify the implicit taxation system. The concept of goods and services levy has been adopted by 150 countries throughout the world. The government needs to make every effort to protect India's large poor population from inflation caused by the Goods and Services Tax's implementation. The Goods and services tax has undoubtedly helped to eliminate inefficiencies caused by the current heterogeneous tax structure, but only if consensus is reached on issues like the threshold cap, revenue rate, and the inclusion of oil, energy, alcohol, and commercial real estate.

Girish Garg (2014), The researcher discussed the "Basic Principles and Characteristics of GST in India" in his paper. The GST has been the most rational step towards potential leads tax reform since our country's independence. GST is a tax that applies to all services and goods, as well as mixture of the two. The Goods and services tax influences every field of the economy, including manufacturing, banking, government offices, and the service industry. The Goods and Services Tax would have a direct impact on all segments of the country, including large, medium, and small businesses, intermediaries, retailers, export markets, suppliers, practitioners, and customers.

OBJECTIVES OF THE STUDY:

The research was conducted with the following goals in mind:
a) The primary goal of this study is to comprehend the notion of the Goods and Services Tax
b) To look at the significant highlights of Goods and Services Tax.
c) To assess the benefits and drawbacks of GST.
d) To figure out how GST affects various industries.

RESEARCH METHODOLOGY:

This research paper is a type of exploratory research which investigates existing problems and clarifies it. It is based on secondary data which includes journals, articles, newspapers and websites. In this paper, descriptive research method is adopted. This method gives more precise and rigorous analysis of research study. Accessible secondary data is intensively used for research study.

FEATURES OF GST:

a) GST is a consumption tax which is destination based that uses Value Added method and either the "input tax method" or "subtraction method", with focus on voluntary compliance and an accounts-based system.
b) It is a one-time charge and collection on both goods and services at the same rate, with the advantage of an input tax credit or the value of the penultimate transaction value subtracted.
c) Lowering the tax rate on capital goods and inputs, whether products or services related to production, in order to minimize inventory carrying costs and production costs.
d) It is a single administrative system with a common legislation and regulations throughout the country.

ADVANTAGES OF GST:

a) The Goods and Services Tax (GST) has transformed the country's indirect tax system. It has absorbed a number of indirect taxes, simplifying taxes for businesses and making compliance easier.
b) The GST is intended to simplify the current indirect tax system by eliminating various taxes. It integrates India into a single market.
c) It considers products or services at the same rate, which eliminates many tax issues.
d) Companies will have lower manufacturing costs as a result of the lower tax burden, making exporters more competitive on a national and worldwide basis.

DISADVANTAGES OF GST:

a) There is dual control on every business by Central Government and State Government. So compliance cost has went up.
b) GST on some products became higher than VAT and Service Tax in the previous tax regime.
c) States have no autonomy to change their tax rates.
d) Retail business oppose because their taxes gone up and they now have to deal with Central Government now in addition to States.

IMPACT OF GST ON VARIOUS INDUSTRIES:

- **FAST-MOVING CONSUMER GOODS INDUSTRY (FMCG): -** The FMCG industry is India's fourth largest industry. It is the largest contributor of both direct and indirect taxes in Indian economy. The current overall tax rate for the FMCG business ranges from 0% to 28%. The majority of the items are in the 18 % tax rate or may be lower. The small category is subject to a tax rate of 28%. Lower taxes and lower distribution costs benefit certain companies, who respond by expanding the product volume and reducing prices, while higher taxes disadvantage others, who compensate by raising prices.

- **FOOD INDUSTRY:** As food contributes for a considerable amount of lower-income families' consumer expenditures, any tax on food has a backward effect on the majority of the population. Food is taxed in some nations such as Canada, the United Kingdom, and Australia while it is not taxed at all in others, such as Singapore and Japan. GST has a positive impact on food items, for most items ranging from 0 to 18%.
- **INFRASTRUCTURE SECTOR:** The infrastructure industry plays a major role in Indian economy. The government has attempted to strengthen the industry through various measures and incentives. The GST has a positive impact on the sector. The infrastructure sector now has a tax rate ranging from 5% to 28%. On bricks, marbles, and tiles, the GST rate ranges from 5% to 28%. Also, a person can take benefit of the reduced GST rate on steel.
- **INFORMATION TECHNOLOGY:** The Information Technology (IT) sector in India is the core of the country's numerous IT revolutions and achievements. Most IT services have an 18% tax rate, and an immediate rise in the price of implementation will probably have a substantial long-term impact. Factors such as the availability of ITC, the lack of GST on exports, and the abolition of tax cascading have reduced the cost and increased the overall advantages of the country's IT sector.
- **TRANSPORTATION INDUSTRY:** Previously, all Indian states collected taxes at varying rates on commodities passing across state borders, and that's why the transportation tax was collected numerous times. This resulted in unnecessary delay at various interstate checkpoints as federal authorities verified for the application of necessary taxes and other charges. Around 15 state and federal taxes and tariffs have been replaced with a single tax at the point of sale of goods. GST rates for products and persons moved by road, rail, and air varies from 0 to 18%
- **PHARMACEUTICAL INDUSTRY:** India is the world's largest producer of generic medicines. GST has a favorable impact on the healthcare industry, particularly in the pharmaceutical industry. It assists the industries by simplifying the taxing system, since the pharmaceutical industry was subjected to eight separate types of taxes prior to the implementation of GST. The consolidation of all taxes into a single, consistent tax has made doing business easier. GST has also improved pharmaceutical product shipping and supply chains. Following the implementation of GST, pharmaceuticals and medical supplies in India are taxed at four distinct rates: 0%, 5%, 12%, and 18%.
- **TEXTILES INDUSTRY:** The textile industry is country's oldest and largest manufacturing industries, second only to agriculture in terms of employment. In comparison to the former tax rate, GST rates in the textile business are slightly higher. Textile rates are set at 5% and 12% for cotton fiber and man-made synthetic fiber respectively. Silk and jute, on the other site, are completely excluded from the GST. The textile sector has benefited from GST as it has reduced manufacturing costs by combining multiple taxes such as octroi, entry tax, luxury tax, and so on. There are certain disadvantages as well, but in the long run, GST benefits the sector.
- **SERVICES SECTOR:** In India, the services sector is the most prominent sector. India's services sector accounts for 54.77 %. The government has also implemented a 4-tier tax structure on services, similar to that on commodities. The 5%, 12%, 18%, and 28%. GST levies on services come with a variety of benefits and drawbacks for consumers. Main services like Healthcare and educational services are exempted from the GST. Ultimately, we may conclude that GST has a mixed effect on the services sector.
- **AGRICULTURE SECTOR:** The agricultural industry is a major contributor to India's overall GDP. The GST on agriculture has a favorable effect because all taxes have been consolidated into a single rate. As an outcome, the transfer of agricultural goods between states has become more convenient and hassle-free, saving time by reducing waste in the shipping of perishables. Farmers in India, who contribute the most to GDP, are able to sell their products at the best possible price under GST.

CONCLUSION:

At the end we clearly say that GST had a drastic impact on Indian economy. GST implementation has both positive and negative consequences for our country. The taxation system is critical to the economy because it ensures that all income groups are treated fairly. GST benefits all stakeholders, including industry, government, and consumers. It has been shown that countries that have introduced GST have seen a positive impact on their economies. So finally we conclude that GST has increased the inflation rate of our country but gradually it will come to the normal level. Looking at the current situation majority might have not adopted the GST but in the recent years to come they will accept it surely.

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