COLLISION OF GOODS AND SERVICES TAX ON PRODUCTION INDUSTRY IN INDIA

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ABSTRACT: This paper is an analysis of what the impact of GST (Goods and Services Tax) will be on Indian Tax Scenario. The authors have stated with a brief description of the historical scenario of Indian taxation and its tax structure. Then the need arose for the change in tax structure from traditional to GST model. GST has be detailed discuss in this paper by the authors as the background, silent features and the impact of GST in the present tax scenario in India.

Keywords: GST production industry, Pharmacy, Revenue, Automobile, Consumer.

INTRODUCTION

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion-dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.
2. REVIEW OF LITERATURE

Das and Gupta (2004): They stated that the tax compliance can be improved by implementing simple reforms in personnel policy in Indian income tax. He concluded that the GST will lead to higher tax compliance and lower tax evasion by Indians.

Gang and Ira N (2000): They concluded that the tax structure India, some tax structure changes were implemented to reduce tax evasion.

Thirupathi and Sweta (2011): They examined VAT is a type of indirect tax that is imposed on goods and services, and they advocated the tax impact on budget and revenue.

Sijbren (2013): Sijbren and others suggested, a modern goods and services to alleviate the problems of India’s current indirect tax system.

3. OBJECTIVES OF THE STUDY

The primary objectives of the study are effecteness on different types of manufacturing goods and services. It is a scientific tax system approach. It could be useful to increase the revenue of the country, and enhance the nation’s wealth and abolish the absence of tax payment. The concept of GST is “One tax and one Nation”.

- To reduce the burden of tax between state and the centre
- To enhance of revenue through the GST as one tax
- To encourage to the manufacturing industry in India
- To abolish the absence of tax payment in India

SCOPE OF THE STUDY: Goods and services tax has vast scope. The scope will cover listed number of items under the coverage of tax area only.

HYPOTHESIS: The hypothesis should be to certify whether GST is applicable to production industry. It is useful / support to popularize the make in India.

NULL HYPOTHESIS: The goods and services tax is risk based task and the revenue system has been under the control of central government.

ALTERNATIVE HYPOTHESIS: The burden of risk management should bear the central government the revenue should distribute based on state and central government ratios.
DATA SOURCES AND METHODOLOGY: The data source is based on primary and secondary data. Basically the secondary data has been collected from the concerned departmental records, magazines, journals and newspapers. The primary data information has been gathered from the official of departmental personnel opinions and views. The methodology is based on observation method only.

4. ANALYSIS OF THE GST

The impact of the GST on Production Industry in India

CEMENT INDUSTRY: Contrary to expectations of cement firms, which were hoping for an 18% GST rate, the sector has been categorized in the 28% slab. Despite that, cement makers will see some relief in tax pay out as the effective tax rate for packaged cement is anyway 29-31%. On the raw materials front, taxes on coal, limestone and lignite have been cut to 5%. However, the fuel mix of many cement firms currently has a higher proportion of imported petroleum coke. Meanwhile, a clean energy cess on coal and royalty to states for quarrying limestone remain. Given the already subdued demand and the lack of clarity on the impact of GST, prices are unlikely to surge in the near term.

AUTOMOBILE INDUSTRY: GST adds to the challenges the sector has faced, from demonetization and then implementation of more stringent emission norms. The passenger car segment is expected to see an overall reduction in tax outgo, with bigger cars and sport utility vehicles (SUV) benefiting from lower tax rates. ICRA Ltd has estimated the total tax on small cars at 29% from the current 31.4%, while for an SUV, the tax rate will fall from 55.3% to about 43%. In the near term, however, car dealers have been cutting down on stock levels, which is expected to affect sales growth. The bright spot is that demand growth forecasts are robust, and analysts expect sales growth of 8-12% in FY18 for passenger cars and two-wheelers. GST is not expected to have a significant impact on commercial vehicle sales, according to ICRA. The base tax rate for the segment is 28%, compared with the current rate of 30%.

CONSUMER AND DURABLE SECTOR: Packaged consumer goods makers’ sales growth will be hit in the near term as trade channels have cut purchases in the run-up to GST. Overall impact is seen as neutral as rates have been cut on mass consumption items and hiked on higher-end products. Input tax credit on goods and services such as advertising and
logistics is expected to offset higher rates. Anti-profiteering rules say gains from lower tax and input tax credit are to be passed on to consumers, limiting any immediate gains due to GST. A medium-term worry is how area-based exemptions are treated. In the longer run, organized companies are expected to gain share; reorganized production and distribution will lead to more efficiency and cost benefits.

CONSTRUCTION, REAL STATE: So far, the construction sector, including real estate, has had an effective tax outgo of between 11% and 18%. It varied based on the nature of the contract, the service tax applicable on the services availed and also varied taxes on goods used in construction. For instance, construction of roads, dams and irrigation projects enjoyed a service tax exemption. Under GST, the entire works contract is charged 18% tax. However, in spite of higher rates, the sector is likely to gain from the input tax credit that is available under GST rules. This is only partially available under the existing regime.

LUXURY HOTELS: From a pre-GST tax rate that varied between 18% and 25% based on state levies, GST classifies hotel into four buckets based on room tariffs. Those with room rates below Rs1,000 will be tax-exempt, although the rest will be taxed at 5%, 12%, 18% and 28%. The highest 28% has been slapped on hotels with above Rs7,500 room rates. So, high-end luxury chains will pay more compared with pre-GST levels. Hotels may pass on part of the cost as demand is still not buoyant enough in these categories. In the past two quarters, higher foreign tourist arrivals and business travel has lifted occupancy levels to an average of 77% Pan-India.

MULTIPLEXES: Multiplexes are expected to benefit, primarily owing to input tax credit on fixed costs such as rent and common area maintenance. The GST rate has been fixed at 28% for tickets costing over Rs100. This is higher than what the industry had expected. However, the food and beverage (F&B) segment will attract 12-40% under GST depending on the composition of F&B items. Nevertheless, the negative impact of GST is expected to be offset by input tax credit. On an aggregate basis, rating company ICRA Ltd expects operating margins of industry players to expand by 2.5-2.8%.

IT&IT IS: In the India IT sector 50 percent to 70 percent of the graduates depend on the only IT sector. The net tax rate is 14%. By the implementation of GST, the tax may be 18% to 20% to increase. In IT sector the revenue is mainly depending on only export of IT
products and services revenue of IT export exempted from the GST. So the GST effect is to be Negative.

TELECOM: Telecom companies, already weighed down by high taxes and levies, now need to contend with an additional 3% tax with the shift to GST. A service tax of 15% applied to telecom services earlier. Post-paid subscribers will see a roughly 2.6% additional to their gross bill. But incumbents such as Bharti Airtel Ltd and Idea Cellular Ltd are likely to absorb the additional cost for many of their pre-paid tariff packs. On the other hand, the availability of input tax credit is expected to reduce operating costs and capital expenditure. Thus, the impact on profit margins could be small.

BANKING AND FINANCIAL SERVICES: Banking is heart of financial India (wealth). In India public and private banking industry is the reflection of mixed economy. The banking sector’s net tax rate is 14% by the effect of GST the rate will be increased from 18% to 20. That the differential tax rate causes as Loan fees, debt and credit charges, insurance premium, etc. the financial services charges burden on customers will increase. So the GST will also influence on customer purchasing power. In the banking business transactions will have also effect on share market.

PHARMACY INDUSTRY: The pharmacy sector is getting exemptions regional wise. The excise tax rate is 6%. Till the end of the duration the subsidies will have to continue, then after that they will not available. The new tax pattern the industry could not remain constant it is considerable because the encouragement of pharmacy sector.

VALUE FASHION: The 5% GST rate on apparel priced below Rs1,000 is expected give a fillip to the value fashion business. Post GST, the entire value chain—raw material to the finished product—will come under the tax net. This, according to Ambit Capital Pvt. Ltd, will reduce the price gap between the unorganized sector and organized companies. Also, input credit can help lower costs for organized firms. On the other hand, in the segment where apparel is priced above Rs1,000, the GST rate of 12% may force companies to raise prices. According to ICRA Ltd.’s calculations, the effective tax rate on apparel priced above Rs1,000 right now is less than the 12% GST rate.

DTH/MEDIA COMPANY: DTH and media sector’s average tax payment rate presently 19% to 21% apart from that service tax is 14%, entertainment tax is 5% to 7% Brad costing
companies are paying tax rate is 14% to 15% these two departmental taxes are effect by the GST 18% to 20%. Currently news and print media has been exempted from that taxes, the GST prove to DTH and some Negative to print media and broadcasting. Dish TV may get benefits ZEE sun HT media prakeshjagaran to negative.

AUTOMOBILE AND BATTERIES INDUSTRY: The field of Batteries would have face the throat cut competition by the effect of GST Jumbo feasibilities it has the effect on “the transported vehicles may get the benefits by the GST.

5. CONCLUSIONS OF THE STUDY

Indian business scenario production industry is the playing significant role, in business world. In the world every country has the sum of financial or aid to the production industry. Some companies feel like that Agriculture crop within the duration. Production sector is economic growth of nation. When the country focus on production industry that the country overcomes technological barriers.

- The cemetery industry can enjoy operating and transportation expenses by the impact of GST.
- Automobile industry, also getting benefits by the GST, according to subsume of taxes.
- Consumer and durable sector also reduces where housing expenses by the impact of GST.
- IT and IT IS sector the GST effect is negative.
- Telecom and banking and financial services must face the operating expenses risk.
- The Indian pharmacy seek encouragement from the government, but the excise tax rate is 6% as the date.
- Textile and garment industry face negative impact by the GST.
- Media companies also (DTH) may also have negative scenario.

References

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