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Impact of GST



✦ Editor ✦

Prof. Virag S. Gawande

Dr. Sanjay j. Kothari

Dr. Dinesh W. Nichit

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Sant Gadge Maharaj Art's Comm, Sci Collage Walgaon, Dist. Amravati
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system but for that there should be effective mechanism for implementation.

11) Social awareness, formation of infrastructural facility, training to tax officer, co-ordination between central and state government is important. So that proper steps should be take in this regard.

Significant Challenges of GST in Future :-

- Impact of prices
- Non Harmonization of Tax rates
- Lack of automation.
- Lack of procedural manuals.
- Poor quality of tax returns.
- Lack of cross verifications with other tax Administration.
- Lack of mechanism to control evasion.

Apart from various challenges GST is good opportunity for Indian Tax structure economy.

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IMPACT OF GOODS AND SERVICE TAX (GST) ON END CONSUMERS OF MANUFACTURING

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Research Scholar

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Abstract :

Goods and Services Tax (GST) is an Indirect tax levied in on India the sale of goods and services. Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. Petroleum products and Alcoholic drinks are taxed separately by the individual state governments. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

The tax came into effect from July 1, 2017 through the implementation of One hundred and first amendment by the Government of India. The tax replaced existing multiple cascading taxes levied by the Central and state governments. The tax rates, rules and regulations are governed by the Goods and Services Tax Council which comprises of finance ministers of centre and all the states. GST simplified a slew of indirect taxes with a unified tax and is therefore expected to dramatically reshape the country's 2 trillion dollar economy.

Keyword :- GST, Manufacturing Goods.

Introduction

comprehensive tax levied on manufacturing, sales and consumption of goods and services at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-off benefits from the producer's/service provider's point up to the retailer's level where only the final consumer should bear the tax. In 2000, the discussion on GST Bill was started. During the Central Budget of 2007-08 it was announced to be introduced on April 1, 2010, but the Empowered Committee missed its deadline. In 2014, Constitution Amendment Bill introduced in the Lok Sabha and taken up for discussion. On 6 May, 2015, Lok Sabha passed the bill and it is introduced in Rajya Sabha with minor amendments and it is still pending in Rajya Sabha for the winter session of the Parliament to be passed.

The manufacturing sector of any country is a major economic driver for the developing economies across the globe. However, unlike others, India's manufacturing industry is still scrambling with the others and the performance is been lackluster.

In spite of having favorable demographic and geographic position as an advantage, it has not been able to capitalize. A complex tax structure, inadequate infrastructure, and bureaucracy diminishing its capability to perform well on a global scale engulf the manufacturing sector in India. As per the sources, the manufacturing industry in India has been close to stagnant for the last two decades with only a 16% share of GDP. However, the manufacturing sector might be revived under the focused efforts of government and by an implementation of GST regime that could even lead to experience a paradigm shift from an agrarian economy to manufacture and service based economy. becoming a manufacturing hub will need various strategic reformations to simplify the existing system in the country.

Literature Review

Garg (2014) studied "Basic Concepts Features of Good and Service Tax in India" found that a tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is a contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name. The challenges faced for implementation of GST bill are with respect to tax threshold, nature of taxes, number of enactments of statutes, rates of taxation, tax management and infrastructure where opportunities are – end to cascading effect, growth of revenue in States and Union, reduction in transaction costs and unnecessary wastage, one point single tax, avoids the multiplicity of taxes, reduces average tax burden and reduces corruption. All sectors of economy whether industry, business including Govt. department and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST.

Experts have enlisted the benefits of GST as under:

- It would introduce two-tiered One Country-One-Tax regime.
- It would subsume all indirect taxes at the center and the state level.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost-competitiveness of goods and services.
- It would bring down the prices of goods and services and thus by, increase consumption.
- It would create business-friendly environment, thus by increase tax-GDP ratio.
- It would enhance the ease of doing business in India.

Objective of the study :-

- 1) To understand the concept of GST and its policies.
- 2) To analyze the impact of GST on end consumers of manufacturing goods

Methods and Materials

Over research work is done on base of Secondary data for the study includes provisions discussed about GST under Article, Journals, Newspaper.

GST

The proposed GST Bill which seeks to amend the constitution provides for subsuming of various indirect taxes levied at state and central level under a single tax regime. This is expected to broaden the tax base, reduce economic distortion, increase tax compliance and reduce cascading effect. GST will be levied on supply of goods and services on the consumer tax base with full input tax credit mechanism. It is also expected to create a common market across the country by improving the efficiency in factors of production and distribution in respect of all intra and inter-state transactions. The ideal GST structure will not differentiate between goods and service and are subjected to one tax at the point of final consumption. Goods include all materials, commodities and articles-Article 366(12). Services means anything other than goods proposed-Article 366(26A). But it excludes the following:

1. Exempted goods and services which include alcohol, electricity and real estate. Petroleum products are to be brought under GST from a later date.
2. Goods and services outside the purview of GST.
3. Transaction below threshold limit.

Three prime model of GST

Central GST State GST Dual GST

- o GST to be levied by center
- o GST to be levied by state
- o GST to be levied by center and state concurrently

(Sources –www.gstindia.com)

HSN code in GST

HSN (Harmonized System of Nomenclature) is an 8-digit code for identifying the applicable rate of GST on different products as per CGST rules. If a company has turnover up to RS. 1.5 Crore in the preceding financial year then they need not mention the HSN code while supplying goods on invoices. If a company has turnover more than 1.5 Cr but up to 5 Cr then they need to mention the 2 digit HSN code while supplying goods on invoices. If turnover crosses 5 Cr then they shall mention the 4 digit HSN code on invoices

The GST Bill to the consumer of Manufacturing Goods

Introduction of GST is expected to simplify our present Tax system in which only a single uniform Tax will be levied on both goods and services at state and central level. This tax will amalgamate several other indirect taxes like Customs Duty, Service Tax levied by Centre, Sales Tax and VAT levied by respective states into a single tax. This will actually reduce the cascading effect of Tax on production and distribution of goods and services which in turn will lead to decline in the prices of goods and services. The proposed Goods and Services Tax (GST) would reduce manufacturing cost and benefit end-consumers. The elimination of multiple tax structure at Central and State levels would make the manufacturing sector viable and globally competitive.

A slight percentage reduction in the production cost will increase the profit by a comparative higher percentage which will create way for reduction in the price of goods and benefiting the end consumers. Roughly more than half of trucks transit time is wasted due to material scrutiny and local based tax compliances which negatively impact the overall production and logistics time. These unproductive transit hours along with regulatory impediments cause in efficiency in the working

of Indian manufacturers. To overcome the above problem, an integrated GST (IGST) will be levied by the Centre for all inter-state transactions involving supply of goods and services. Thus abolition of CST and Entry Tax would reduce the cost of production of goods and services and also it is considered as a great boon to the consumers because the movement of goods between inter-states is faster and the consumers can obtain the goods at a reduced cost. It is observed that inter-state sale of goods and services may avail input tax credit which will lead to removal of extra level warehousing in the supply chain, thereby leading to greater cost benefits which will be passed on to the consumers.

Comparison of Tax under the Current Indirect Tax System and the GST regime

Transaction	Current System	GST
Cost of Raw Materials	100	100
Tax on Raw Material @ 10%	10	10
Value added by Manufacture	20	20
Tax payable by Manufacturer	2 (CENVAT: 10% of 20)	2 (GST: 10% of 20)
Retailers Cost	132	132
Value added by Retailer	20	20
Tax Payable	15.2 (Sales tax: 10% of 152)	2 (GST: 10% of 20)
Final price paid including Taxes	167.2	154
Of which taxes	27.2	14

Source: The Constitution (122nd Amendment) (GST) Bill, 2014.

Conclusion

1) Introduction of a uniform tax rate for both goods and services will lead to a harmonize system in terms of process and procedures between CGST/IGST/SGST law. It will lead to reduction in multiplicity of taxes along with mitigation of cascading/double taxation and help in development of common national market.

2) Under GST there is no differentiation between a good or service whether as an input or as a finished product.

3) The tax paid on inputs is deducted from the tax payable on the output produced. Thus input credit set off operates through the manufacturing and distribution stage of production. The tax is collected only at the place of consumption that is the end users. This addresses the cascading effect of "tax on tax".

- 4) GST will significantly improve competitiveness of indigenous goods and services leading to accelerated GDP growth.
- 5) GST will also remove tax distortion from the economy and will lead to sustainable high growth based on competitive strength of the country.
- 6) It will also attract more productive investments for growth because of simple tax system.

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