IMPACT OF GST ON INDUSTRIAL SECTOR IN INDIA: A STUDY

Ms. Seema Santosh Mangave
Smt. Kasturbai Walchand Jr. College, Sangli.

ABSTRACT
Undoubtedly, the Goods and Services Tax, popularly referred to as GST, is one of the most remarkable historic reforms in the effort to bring the entire nation under a single tax regime. The earlier taxation system was mainly divided into two major categories- Direct Taxes and Indirect Taxes (Excise Duty, Sales Tax, Local Body Tax, Customs Duty, and Service tax), depending on whether the tax burden is borne by the payer directly or shifted to others in the value chain. This taxation system ultimately led to the tax on tax cycle resulting in increased cost of all goods and services. Thus, GST is a move to merge the taxation system to make it simpler and more effective. So, basically with the notion of 'one nation, one tax, one market', GST will subsume the indirect taxes both at the central level and state level. These alterations have impacted every sector of the economy and have also ensured in bringing every business under the tax net.
The Indian manufacturing industry has emerged as one of the high growth sectors in India, and the launch of 'Make in India' initiative further propelled and gave this sector the necessary boost. According to the Global Manufacturing Competitiveness Index published by Deloitte, India is expected to set its global mark by becoming the fifth largest manufacturing country in the world by the end of the year 2020. In addition, the Government of India has set an ambitious target of increasing the GDP share of manufacturing industry from its current stagnant 16% to 25% by 2025.
Key Words: *Historic, Effective, Subsume, Competitiveness, Stagnant etc.*

1. INTRODUCTION

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 respite 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. For India, becoming a manufacturing hub will need various strategic reformations to simplify the existing system in the country. One of the much-publicized proposed reform "make in India" scheme initiative taken by the government is aligning with the implementation of the GST.

2. OBJECTIVES OF THE STUDY

1. To study the impact of GST on different sectors of Industries in India.
2. To study the impact of GST on Industrial Sector in India.

3. METHODOLOGY OF THE STUDY

The present study has been descriptive; the data for this study were obtained from secondary sources. The secondary data has been collected from various references which already existed in published form; part of the paper is based on literature review the method comprising of collecting all the available papers relating to the theme and selecting relevant papers/books for the review purpose. Selection of the paper is done on the basis of their relevance and contribution to the body of knowledge. The author has made an attempt to do primary reading of the selected papers which will constitute the core of this review study

4. THE EFFECT OF THE GST ON INDUSTRIAL SECTOR IN INDIA

I. CEMENT INDUSTRY: Cement industry is the one of oldest manufacturing industry the industry has the greatest historical background. Where the civilization is there is role of the cement, make in India concept applicable for this industry. The industry has some indirect taxes. By the GST effect the cement industry has indirect tax which might be subsume as 16% to 20% .currently tax burden of indirect taxes from 27% to 32% decrease of tax rate as 16 % to 20% it my create /facilitate as operating expenses such as transportation expenses benefits that the subsume of expenses the industry can claim the above benefits in future.

II. AUTOMOBILE INDUSTRY: At presently automobile industry payment of the tax sum of 30% to 47% the effect of GST the tax rate decrease from 20% to 22% so at least the consumer may get the benefits.

III. CONSUMER AND DURABLE SECTOR: Currently the consumer and durable claiming revenue net tax total tax percent is 7 to30, the sector had been exempted from such taxes so the effect of GST, the industry would have to get the benefits. The defference between organized and un organized Sectors is that the rates gap may sub sum. Warehousing and logistics expenses may reduce C.G.C.E Havel, Voltas, Blue star Bajaj electricalsimfani, Hitachi, etc companies are benefited by the effect of GST.

IV. 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% to20% 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.

V. TELECOM SECTOR: The telecom sectors presently the tax rate is 14%.By the causes of GST the tax rate on telecom sector would have to increase as 18%. So the result of GST on telecom sector will be negative. The public sector is to be critical. In future the concept of "one tax and one nation" caption is not suitable for Telecom sector.

VI. 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.

VII. Pharmacy industry: The pharmacy sector are 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

VIII. Textile and garment industry: Emerging industry has playing key role in textile and garments .That the industry has recipient of tax rate is currently from 6% to 7% that tax rate may or may not be continued it is clear in that process the output of tax rate may hick by the effect of GST which is negative .the textile sector enjoy some of few companies like page industry, Aravind, Raymond etc.

IX. 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 **GST**
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 prakesh jagaran to negative.

X. 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. IMPACT OF GST ON INDUSTRIAL SECTOR IN INDIA

I. REMOVAL OF MULTIPLE VALUATIONS WILL CREATE SIMPLIFICATION

The old tax regime subjects manufactured goods to excise duty, which is calculated differently in different states. While some states calculate excise duty based on transaction value, others calculate it based on quantity. Most manufactured goods' excise duty is currently considered on MRP valuation. This creates great confusion in valuation methods. GST will usher in an era of transaction-based valuation, making calculation of tax much simpler for the manufacturer.

II. ENTRY TAX SUBSUMMATION WILL REDUCE COST OF PRODUCTION

The subsuming of the entry tax for inter-state transfers is a key reason for reducing cost of goods and services. For example, a supplier of cement from Maharashtra to Karnataka was earlier required to pay entry tax when the supply crossed the interstate border. For Karnataka, the entry tax rate was 5% of the value of the goods. The supplier would pass on this additional cost to the customer, resulting in increase in selling price. With entry tax being subsumed, the supplier need not pay the entry tax rate amount and consequently, not charge the customer this amount either.

III. IMPROVED CASH FLOWS

Under the new tax laws, manufacturers can claim input tax credit on input goods, which seems to be a positive sign for cash flow. SMEs are keenly observing the time difference between input tax credit and the credit being available.

IV. SINGLE REGISTRATION PROCESS WILL PROVIDE EASE OF REGISTRATION

The old regime required manufacturers to register each manufacturing facility separately, even those in the same state. GST will simplify the plant registration process by allowing single registration for all manufacturing entities within the same state. Previously, if a brick manufacturer had factories in Bangalore, Hubli and Dharwad, each unit had to be registered separately. Under GST, all of these factories would be jointly registered under the state of Karnataka. Of course, different state-entities will require separate registrations under GST too.

V. REMOVAL OF CASCADING WILL LEAD TO LOWER COST-TO-CONSUMER

The old tax regime does not allow manufacturers to claim tax credit on inter-state transaction taxes such as octroi, central sales tax, entry tax etc. This results in cascading of taxes—an extra cost to the manufacturing company. Manufacturers end up passing on these extra costs to the consumer. The unified GST regime will eliminate multiple taxes and thus lower cost of production; this, in turn, will mean lower pricing for the consumer. For example, prior to 1 July 2017, SMEs in manufacturing used to pay Excise Duty, Central State Tax and sometimes VAT too at 12.5%, 2% and 5.5% respectively. With GST in effect, they are required to pay 18% in taxes.

VI. RESTRUCTURING OF SUPPLY CHAIN

To align with the GST law, businesses will be required to realign their supply chains. However, this is a blessing in disguise. Till date, most supply chain structuring has been designed around how to manage tax regimes. With a single tax regime, this will change, and supply chain structures will focus on driving business efficiencies. An example is that of warehousing. The old regime demands that warehouse management be based on arbitrage between varying VAT rates across states. This is expected to change to bring in economic efficiencies and more customer-centricity going ahead.

VII. REDUCED COST OF PRODUCTION

As GST subsumes various types of taxes, it will directly have its impact on reducing raw material cost and production cost. Additionally, easier tax credit system will drive better accounting and cash flow for the organization.

VIII. REDUCED TRANSPORTATION TIME AND COST

The GST system will result in a smooth and hassle-free flow of goods within the country by removing multiple checkpoints and permits at state border checkpoints. It is anticipated that by unifying the domestic market, almost 60% of logistics time and effort will be saved resulting in faster delivery

7. CONCLUSION

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 respite 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.

8. REFERENCES

1. Eigner, Richard M (1959):" Business And Economics–Public Finance, Taxation, Political Science" in "National Tax Journal",June, 1959 , National Tax Association (Washington)
2. Goode, Richard (1956):"Report of the India taxation enquiry commission "in "National Tax Journal",June, 1956, National Tax Association(Washington)
3. Har Govind (2005):"Important Fiscal Changes and Tax Developments in India through the Finance Act 2005" in "Intertax", November, 2005,Springer Science & Business Media (Deventer).
4. Jayaraman Vijayakumar; Rasheed, Abdul A; Krishnan, V S (2005):"Corruption and taxation: lessons from the indian experience"in "Journal of Public Budgeting, Accounting & Financial Management",Academics Press, Florida Atlantic University(Boca Raton).
5. Ketkar, Kusum W; Murtuza, Athar; Ketkar, Suhas L (2005),:"Impact of corruption on foreign direct investment and tax revenues"in "Journal of Public Budgeting, Accounting & Financial Management",Academics Press, Florida Atlantic University (Boca Raton).