A COMPREHENSIVE STUDY ON GST, IT'S ADOPTION ALONG WITH ITS ASSOCIATED IMPACTS & SHORTCOMINGS ON THE ECONOMIC SECTORS IN INDIA

Dissertation submitted in partial fulfilment of the requirement for the award of

Bachelor Degree in Commerce

Submitted by

AADARSH BIJOY
Reg. No. 170021083212)

AKASH JOHN MATHEW
Reg. No. 170021083217)

ASHWIN MATHEW ABRAHAM
Reg. No. 170021083235)

CHERIN BABU
Reg. No. 170021083243)

JERIL GEORGE VARGHESE
(Reg. No. 170021083259)

Under the supervision of

Mr. PHILSON PHILIP

(ASSISTANT PROFESSOR)

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SAINTGITS
COLLEGE OF APPLIED SCIENCES
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PG DEPARTMENT OF COMMERCE

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SAINTGITS COLLEGE OF APPLIED SCIENCES
KOTTAYAM, KERALA, INDIA

Pathamuttom,
Kottayam
Kerala, India-686532
Te:0481-2433787

Date:

CERTIFICATE

*Certified that this is a bonafide report of the project work undertaken by **MR. AADARSH BIJOY** (Register No: 170021083212) ,**MR. AKASH JOHN MATHEW**(Register No: 170021083217),**MR. ASHWIN MATHEW ABRAHAM**(Register No: 170021083235), **MR. CHERIN BABU** (Register No: 170021083243), and **MR. JERIL GEORGE VARGHESE** (Register No: 170021083259) of B. Com Semester VI, in partial fulfilment of the requirements for the award of the Bachelors' Degree in Commerce of Mahatma Gandhi University, Kottayam under my supervision and guidance.*

Faculty - in- Charge

Countersigned

Principal **Head of the Department**

DECLARATION

*I do hereby declare that the project titled "**A Comprehensive Study On Gst, It's Adoption Along with Its Associated Impacts & Shortcomings On the Economic Sectors in India"** is a bonafide report of the project work undertaken by me in partial fulfilment of the requirements for the award of the Bachelor of Commerce (Computer Applications) of Mahatma Gandhi University, under the guidance of Mr.* **Philson Philip,** *Lecturer, Department of Commerce, Saintgits College of Applied Sciences, Pathamuttom, Kottayam. I also declare that this project report has not been submitted by me anywhere, fully or partially for the award of any degree, diploma, fellowship or other similar title or recognition of any university/institute to the best of my knowledge and belief.*

Pathamuttom
31- 03 -2018

AADARSH BIJOY
Reg. No. 170021083212)

AKASH JOHN MATHEW
Reg. No. 170021083217)

ASHWIN MATHEW ABRAHAM
Reg. No. 170021083235)

CHERIN BABU
Reg. No. 170021083243)

JERIL GEORGE VARGHESE
(Reg. No. 170021083259)

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Pathamuttom
31 -03-2018

AADARSH BIJOY
Reg. No. 170021083212)

AKASH JOHN MATHEW
Reg. No. 170021083217)

ASHWIN MATHEW ABRAHAM
Reg. No. 170021083235)

CHERIN BABU
Reg. No. 170021083243)

JERIL GEORGE VARGHESE
(Reg. No. 170021083259)

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CHAPTER 1

INTRODUCTION

INTRODUCTION

WHAT IS GST?

Goods and Services Tax (GST) is a value-added tax levied at all points in the supply chain, with credit allowed for any tax paid on input acquired for use in making the supply. It would apply to both goods and services in a comprehensive manner, with exemptions restricted to a minimum. Introduction of GST is considered to be a significant step in the reform of indirect taxation in India. Amalgamating of various Central and State taxes into a single tax would help mitigate the double taxation, cascading, multiplicity of taxes, classification issues, taxable event, and etc., and leading to a common national market.

VAT rates and regulations differ from state to state. On the other hand, GST brings in uniform tax system across all the states. Here, the taxes would be divided between the Central and State government. GST will bring in transparent and corruption-free tax administration, removing the current shortcomings in indirect tax structure. GST is business friendly as well as consumer friendly. GST in India is poised to drastically improve the positions of each of these stakeholders. We need a change in the taxation system which is better than earlier taxation. GST was brought in as a revolutionary change and India’s biggest tax system overhaul since Independence. GST replaced a plethora of indirect taxes such as states’ sales tax, service tax, excise, etc., with a single central tax regime applied uniformly on all products and services. However, the biggest benefit of GST was that it opened up entire India as a single unified market allowing for free movement of goods across states’ borders, as opposed to the earlier scenario where state borders became barriers. GST allowed for faster movement of trucks and led to requirements for fewer warehouses across several states. However, GST has multiple tax rate slabs for different categories of products – a fact that still makes it more complicated than many expected.

GST will allow India to better negotiate its terms in the international trade forums. GST aimed at increasing the taxpayer base by bringing SMEs and the unorganized sector under its compliance. This will make the Indian market more stable than before and Indian companies can compete with foreign companies

STATEMENT OF THE PROBLEM

The study aims to analyse the adoption of GST in Indian economy and understand its impacts in various sectors of the economy

OBJECTIVES OF THE STUDY

The main objective of the study is to develop a detailed understanding on GST and its implications and its impacts.

The other objectives of the study are as follows:

1. Understanding the adoption of GST
2. Understanding GST before and after its implementation.
3. Comparison between Indian and International GST
4. Limitations of GST

SCOPE OF THE STUDY

The study mainly focuses on:

1. Understanding the impact of GST on various sectors of the Indian economy
2. Limitations of GST

METHODOLOGY OF THE STUDY

The research design for the study is quantitative and analytical in nature.
This study involves data collected from Secondary data.

- Research Design:
- Data Collection:

(Secondary data is analysed for the study. Data is collected from Ministry of Statistics and Programme Implementation (2018-2019) and national statistical office)

SIGNIFICANCE OF THE STUDY

The study is significant for the following:

1. Understanding the need to have an equitable, effective, simple and transparent tax system.
2. Acknowledging a simplified tax policy as opposed to the previous tax system that involved various indirect taxes.
3. It develops an idea of the adoption of GST by other countries and its contrast from that of India.

LIMITATIONS OF THE STUDY

The study is subject to the following limitations:

1. Lack of updated information on GST
2. Complexity in available information
3. Lack of overall awareness of GST in general population

CHAPTER SCHEME

The study is divided into four chapters.

Chapter 1: Introduction

Chapter 2: Theoretical Background

Chapter 3: Data Analysis and Interpretation

Chapter 4: Findings and Conclusion

CHAPTER 2

THEORATICAL BACKGROUND

THEORATICAL BACKGROUND

HISTORY OF GST IN INDIA

India's biggest tax reform in the 70 years of independence is implementation of GST (Goods and Services Tax), which will help modernise India as Asia's third largest economy. The 17year-old dream of GST in India unify the US $2 trillion economy with 1.3 billion people into a single market. Nationwide Goods and Services Tax (GST) has came into effect from 1 July, 2017. This is the marvellous way for a new Common National Market and replaced several cascading indirect taxes levied by the central and state governments. World's first country implemented GST is France (in the year 1954). More than 160 countries have implemented GST system. Framework of GST in India had formed 17 years ago. The first move on GST implementation in India was began on July 17, 2000, under Vajpayee Government. In 12 August 2016, Assam became the first state to pass GST. On September 23, 2016, GST Network was formed, it is an online network designed to solve the problems and questions of consumers and businessmen.

The Goods and Services Tax was implemented in India on 1 July 2017. However, the process of implementing the new tax regime commenced a long time ago. In 2000, Atal Bihari Vajpayee, then Prime Minister of India, set up a committee to draft the GST law. In 2004, a task force came to the conclusion that the new tax structure should be implemented to enhance the tax regime at the time.

In 2006, P. Chidambaram, then Finance Minister of India, proposed the introduction of GST on 1 April 2010, and the Constitution Amendment Bill was passed in 2011 to enable the introduction of the GST law. In 2012, the Standing Committee started discussions regarding GST, and tabled its report on GST a year later. In 2014, the new Finance Minister at the time, Arun Jaitley, reintroduced the GST Bill in Parliament, and the bill was passed in Lok Sabha in 2015. However, the implementation of the law was delayed as it was not passed in Rajya Sabha.

GSTN went live in 2016, and the amended model GST law was passed in both the Lok Sabha as well as the Rajya Sabha. The President of India also gave assent to the law in 2016. 2017 saw the passing of 4 supplementary GST Bills in Lok Sabha as well as the approval of the same by the Cabinet. Rajya Sabha then passed 4 supplementary GST Bills and the new tax regime was implemented on 1 July, 2017.

WHAT ARE THE PROCESSING STAGES OF GST BILL?

1) GST was the tax levied on manufacture, sale and consumption of goods and also services at national level.
2) The Constitution Bill, 2014 was introduced in Lok Sabha on December 19, 2014 by Finance Minister Arun Jaitley.
3) The Bill was then passed on May 6, 2015.
4) Then the Bill was referred to a Select Committee on May 14, 2015.
5) A report was then submitted by Select Committee to Rajya Sabha on July 22, 2015. The Bill was then passed by Rajya Sabha on August 3, 2016 which then amended by Lok Sabha on August 8, 2016.
6) The bill received approval from the President Pranab Mukherjee on September 8, 2016 after the approval was made by the States.
7) The Bill was notified in The Gazette of India on September 8, 2016.

WHO INTRODUCED GST IN INDIA?

Prime Minister Narendra Modi launched GST into operation on the midnight of 1 July 2017. But GST was almost two decades in the making since the concept was first proposed under the Atal Bihari Vajpayee government. The development of GST took many consultations, negotiations and revisions before it was launched in its final form in 2017. The launch of GST was also made difficult by the fact that it required a Constitutional Amendment, and hence, a two-thirds majority approval in the Parliament, and a nod of more than at least half of the states.

WHAT ARE THE DIVISIONS OF GST?

Based on the kind of transaction, there are four types of GST

1. Central Goods and Services Tax (CGST)
2. State Goods and Services Tax (SGST)
3. Integrated Goods and Services Tax (IGST)
4. Union Territory Goods and Services Tax (UTGST).

1. CENTRAL GOODS AND SERVICES TAX

CGST is charged on the intra state supply of products and services. The Central Government levies CGST and it is governed by the Central Goods and Services Tax Act. CGST has effectively replaced all the previous Central taxes such as Central Excise Duty, Customs Duty, Service Tax, SAD, CST, etc. It is charged to taxpayers along with SGST. The rate at which CGST is charged is usually the same as the SGST rate, and the revenue collected under CGST is remitted to the Central Government.

2. STATE GOODS AND SERVICES TAX

SGST, like CGST, is charged on the sale of products or services within a state. The State Government is responsible for the levy of SGST. This tax replaces all the previous taxes such as Entry Tax, Value Added Tax, Entertainment Tax, State Sales Tax, cesses, and surcharges. The revenue collected under SGST is remitted to the State Government.

3. INTEGRATED GOODS AND SERVICES TAX

IGST is charged on inter-state transactions of products and services. It is also levied on imports. The Central Government collects IGST and distributes it among states. IGST is levied when goods or services are transferred from one state to another. The tax was implemented so that states would only have to deal with the Union Government rather than dealing with each state.

4. UNION TERRITORY GOODS AND SERVICES TAX

UTGST is levied on the supply of products and services in any of the Union Territories in the country, viz. Andaman and Nicobar Islands, Daman and Diu, Dadra and Nagar Haveli, Lakshadweep, and Chandigarh. UTGST is levied along with CGST.

GST RATES IN INDIA

The GST Council has assigned GST rates to different goods and services. While some products can be purchased without any GST, there are others that come at 5% GST, 12% GST, 18% GST, and 28% GST. GST rates for goods and services have been changed a few time since the new tax regime was implemented in July 2017.

LAWS BEFORE THE IMPLEMENTATION OF GST

- The main of implementing the GST was to implement a much simpler tax structure in the country. The concept of Goods and Service Tax was to implement the concept of one tax across all parts of the country.

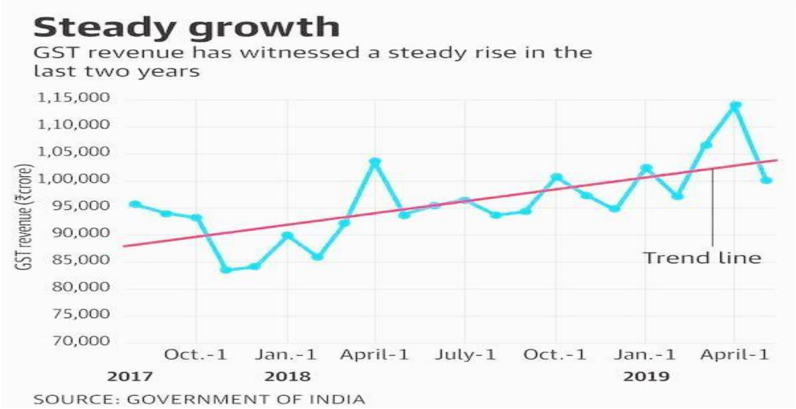
- There was a lot of speculation at the time of implementation as some of the previous tax systems did not work out as well as it was anticipated. Listed below are some of the important difference between Goods and Service Tax and the tax system that was followed prior to the implementation of GST:

- The tax system before the GST had separate rates for different services. There was a separate rate for service tax and excise duty. With the implementation of GST, there is uniform SGST across all the states and one common CGST rate.

- Central Sales Tax (CST) and a number of indirect taxes were levied in the previous tax structure. After the implementation of GST, the entire concept of CST was eliminated. A new concept of IGST was introduced to replace the previous system.

- There were a number of indirect taxes that were levied by both the centre and the state. This resulted in the collection of tax by both the centre and the state. This concept of tax levied on tax is called as the cascading effect of taxes. The implementation of GST negated the overlapping of taxes collected by the centre and the state.

- In the previous tax rules, there was a separate tax levied both at the time of consumption and production. With the implementation of GST, tax will be levied only at the final point of consumption and not during different parts of manufacturing and selling a product. This has helped bring some transparency to the tax collection process.



RATIONALITY OF GST ADOPTION IN INDIA

1. **PRICE REDUCTION**:
   Unification of different indirect taxes under GST will give boost to the existing taxcredit system, which will drive tax efficiency for manufacturers, wholesalers and also for consumers of goods. This will decrease the overall cost incurred by manufacturing sector which will reflect in various inflation indices in long-term.

2. **LESS COMPLIANCE AND PROCEDURAL COST:**
   The cost of collecting various taxes, maintaining big records and their respective reports by the government bodies would see a definite decrease as these taxes would come under one big umbrella of GST.

3. **PRICING AND PROFITABILITY:**
   The resultant tax expenditure after GST bill being passed would have a direct impact on pricing and profitability of different goods and services which will vary across different sectors. Given that Margin and Price Bands would also be re-examined, decline in prices is probable, which will have direct impact on consumer demand.

4. **GOVERNMENT REVENUE:**
   Despite the expected change in pricing, the government is expected to set GST @ revenue neutral rate, so there might be no significant change in Government Revenue.

5. **CASH FLOW:**
   Goods and Service Tax is set to boost cash flows through the removal of concept of excise duty. Being a consumption-based tax, GST would now be collected at the time of sale/supply over current tax predicament of tax being collected at the production/removal of goods.

6. **REDRESS LOCATION BIAS:**

This would enable uniformity through states and would not let investors discriminate states on basis of tax advantage. The only thing that would drive investor's capital will be profitability, cash flows, and performances promoting smaller businesses and entrepreneurship without location bias.

7. **UNIFORM PER CAPITA TAXATION:**
   As mentioned above, Goods and Service Tax being destination-based consumption tax would allow poverty-stricken states like Bihar to increase its tax revenue. As GST would be paid to states where the consumption of goods takes place, the states' tax revenue would be driven by population (more the population, more the consumption) rather than number of businesses/industries. This would ultimately even out the tax per capita of each state.

8. **FIGHT TAX EVASION:**
   Another perk of being destination-based system, Goods and Service Tax Framework would ideally reduce tax evasion by large extent and promote use of bills and invoices.

UNDERSTANDING THE DIFFERENCE BETWEEN VAT AND GST

GST and VAT are both counter approach taxation systems by the government to charge taxes on goods and services across the nation. The old tax system, i.e. value added tax, was the method of applying taxes on goods while the goods and services tax is set to change this course of action towards consumers.

COMPARATIVE STUDY BETWEEN GST AND VAT

Point of Difference	VAT	GST
Applicability	Goods	Both goods and services
Taxable event	Sale of goods	Supply of goods and services
Tax b/w state and central govt.	The whole share of tax collected goes to the state which collects it	Collected tax is bifurcated b/w state and central govt.
Calculation of input credit	Net tax liability = VAT on output – VAT on input	Net tax liability = GST on output – GST on input
Input tax credit	Cannot be claimed for services	Can be claimed for both goods as well as services
Tax on services	Not applicable	Applicable
Return filing	20th of succeeding month	10th, 15th and 20th of succeeding month
Registration	Mandatory if turnover exceeds Rs 5 lakh (varies from state to state)	Mandatory if turnover exceeds Rs 20 lakh
Mode of payment of tax	Offline	Online if the amount exceeds Rs 10,000

Tax distribution between state and centre	Under VAT the revenue was collected by the seller state	Under GST the revenue is collected by consumer state
Flow of credit	Excise duty paid was not available to be claimed as credit	Seamless flow of credit

HOW IS GST WORKING?

- In India, GST would work on dual model which will include – C-GST collected by Central Government + S-GST collected by State Government on intra-state sales. GST reform would also feature an Integrated GST (IGST) collected by Central government on inter-state sales, which is to-be divided between Central and States Government in a manner decided by the Parliament on recommendations by GST Council.

Current System (Cascading taxes)	GST (avoidance of double taxation)
Machine Manufactured in Mumbai and sold in Pune @ Rs 10,000/-	Machine Manufactured in Mumbai and sold in Pune @ Rs 10,000/-
VAT 10% = ₹ 1000	CGST 5% = ₹ 500 SGST 5% = ₹ 500
Same Machine sold from Pune to Delhi @ Rs. 25,000/-	Same Machine sold from Pune to Delhi @ Rs. 25,000/-
Central Sales Tax @ 10% = **₹ 2500**	IGST = 10% = ₹ 1500 (i.e. ₹ 2500 – CGST – SGST)

- By doing away with several Central and State Taxes, GST would diminish the cascading effect of tax (or double taxation, whereby the same product is taxed at the stage of manufacturing as excise, then as VAT/ sales tax on sale and so on..), which is prevalent in the current tax framework. Being a consumption-destination-based tax, GST would be levied and **collected at each stage of sale or purchase of goods or services based on the existing input tax credit method**. Current tax structure works on production-origin-based system i.e. goods and services are taxed differently on each stage of production.

LIMITATION OF GST

• **IT Infrastructure:** since GST is an IT-driven law, it cannot be sure whether all the states in India are currently equipped with infrastructure and workforce availability to embrace this law. Only a few states have implemented this E- Governance model. Even today some states use the manual VAT returns system.

• **Higher Tax Burden of SME's:** earlier the small and medium enterprises had to pay excise duty only on a turnover that exceeded Rs. 1.5 crore every financial year. However, under the GST administration, businesses whose turnover exceeds Rs 40 lacs are liable to pay GST.

• **Increase Burden of Compliance:** The GST administration states that companies are required to register in all the states they operate in. This increases the burden on the business for excessive paperwork and compliance.

• **Petroleum Products don't fall under the GST Slab:** petrol and petroleum products have not been included in the scope of GST until now. States levy their taxes on this sector. Tax credit for inputs will not be available to these industries or those related industries.

• **Coaching of Tax Officers:** there is inadequate training that is provided to the Government officers for practical usage and implementation of such systems since the GST administration heavily banks on information technology.

GST in India was a sweeping reform and benefits of GST and has changed the way businesses are conducted. Businesses are being included in the formal economy through GST implementation. GST and its benefits have provided long term returns for the Indian economy on a large scale which have been welcomed as a new change by all the stakeholders.

DIFFERENCE BETWEEN INDIAN GST AND GST OF OTHER COUNTRIES

In India we do not follow an ideal VAT. In central, we follow central VAT. In state, we follow state level VAT. Same is the case with GST. We do not follow ideal GST which all indirect taxes will be subsumed in to one. We follow an Indian version of Goods and services tax called as all India goods and services tax. Central sales tax which the central imposed on the sale of goods from one state to another will continue in the different form called Integrated GST.

France was the first country to implement GST to reduce tax- evasion. Since then, more than 140 countries have implemented GST with some countries having Dual-GST (e.g. Brazil, Canada etc. model. India has chosen the Canadian model of dual GST.

NEW ZEALAND:

GST in New Zealand was introduced in 1986 at a rate of 10%. However, the rates were changed twice later – 12.5% in the year 1989 and 15% in 2010 in a move to mobilize higher revenue while removing distortions in the tax structure.

CANADA:

Canada introduced GST in the form of a multi-level VAT in 1991 on supplies of goods and services purchased in the country – included almost all products except certain essentials like groceries, residential rent and medical services.

SINGAPORE:

The country introduced the bill in April 1194 at a tax rate of 3% to make it acceptable to the public and to minimize inflation. The government committed not to raise tax for next 5 years which came in as a important decision in reviving consumer spending.

AUSTRALIA:

Though the GST concept was first seeked in the year 1975, it was implemented in Australia after 25 years on July 2000 at a tax rate starting at 10%.

WHAT DIFFERENTIATES INDIA FROM OTHER COUNTRIES

- Indian government has structured GST for efficient tax collection, reduction in corruption, easy inter-state movement of goods etc.

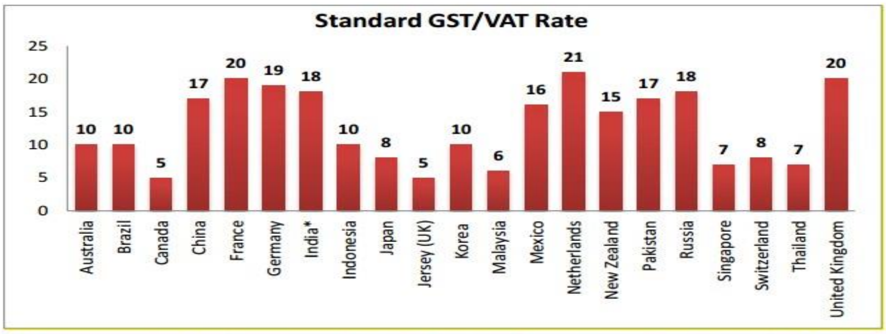
- India does not follow an ideal VAT. Central sales tax which the central imposed on the sale of goods from one state to another will continue in the different form called Integrated GST.

- One big differentiation between GST in India and GST in other countries is that, in India two types of GST is charged - hence called as duel GST.

- Explaining the impact of GST, analysts at Care Ratings cited few reasons. Firstly the impact of GST on price levels is difficult to ascertain as there are various factors other than tax rates that drive price levels.

- Main issue in GST is tax evasion arising out of small businesses not registering, underreporting of actual sales by traders; traders collecting tax but not remitting to the government; and traders making false claims for refunds.

- Clear Tax in its report said, "Unlike India, other countries have a much higher threshold for GST applicability thus reducing the burden for small businesses. This will bring in challenges for our SMEs."



*Note: * The GST structure ranges between 5%-28% with majority to commodities falling under 18% bracket.*
Source: OECD (2016) and CBEC

HOW INDIAN GST MODEL COMPARED WITH GST IN OTHER COUNTRIES

Particulars	**India (proposed)**	**Canada**	**UK**
Name of GST in the country	Goods and Service tax	Federal Goods and Service Tax & Harmonized Sales Tax	Value Added Tax
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28%(+cess for luxury items)	GST 5% and HST varies from 0% to 15%	20 % Reduced rates- 5 %, exempt, zero rated
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	Canadian $ 30,000 (Approx Rs. 15.6 lakhs in INR)	£ 73,000 (Approx Rs. 61.32 lakhs)
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment -earlier	Accrual basis: The date of issue of invoice OR the date of receipt of payment- earlier.	Accrual Basis: Invoice OR Payment OR Supply -earliest Cash basis (T/O upto 1.35mn): Payment
Returns and payments	Monthly and 1 annual return	Monthly, quarterly or annually based on turnover	Usually quarterly. Small business option- annual

CHAPTER 3

DATA ANALYSIS AND INTERPREATION

PRIMARY SECTOR: CONSTANT PRICE

Figure 3.1

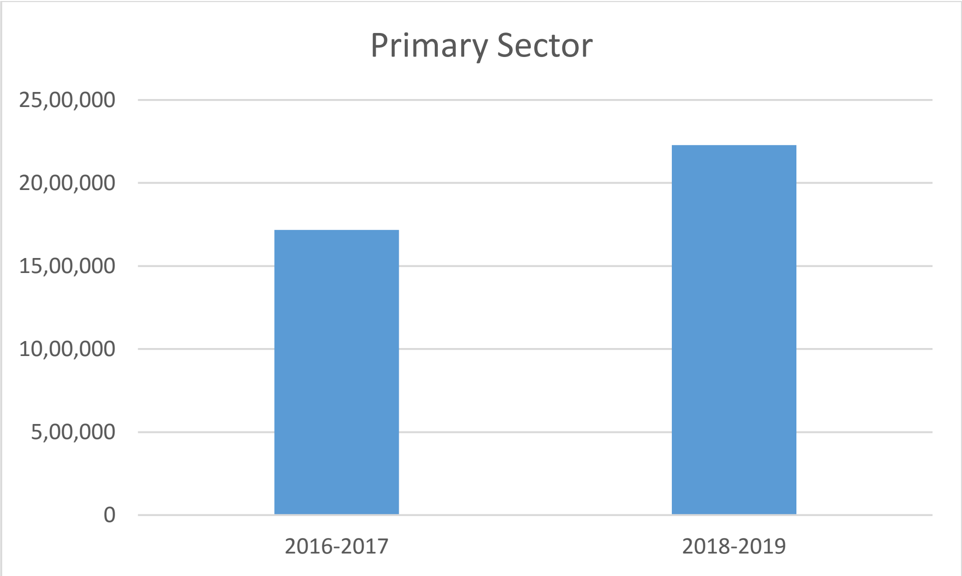


Table 3.1

CONSTANT PRICE		
	2016-17	2018-2019
Primary Sector	17,16,746	22,28,008

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Primary sector (constant price): From the table 3.1, it can be concluded that the price of Rs.17,16,746 in the year 16/17 has increased to Rs.22,28,008 in 18/19. The details contained in table 3.1 is depicted in fig 3.1.

PRIMARY SECTOR: CONSTANT % SHARE

Figure 3.2

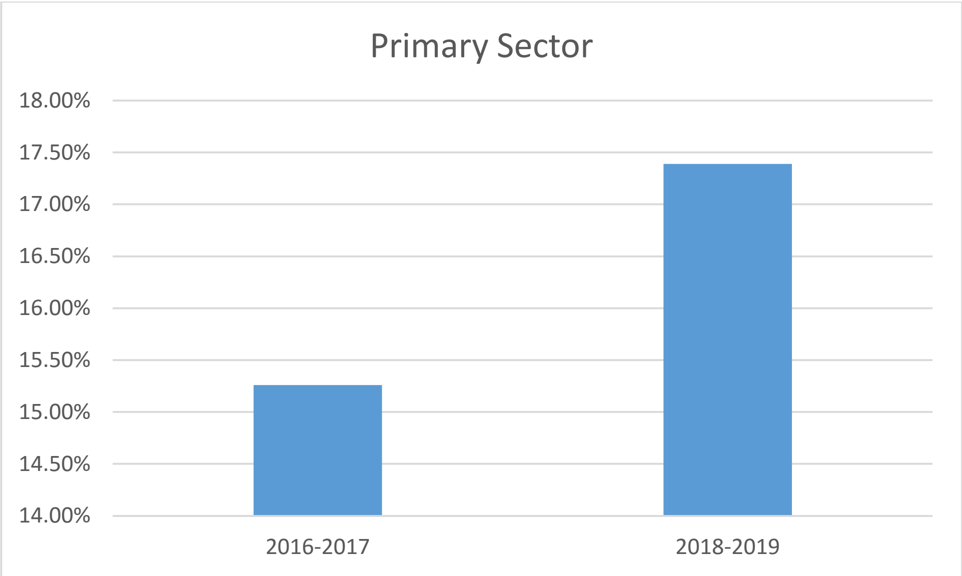


Table 3.2

CONSTANT % SHARE		
	2016-2017	2018-2019
Primary Sector	15.26%	17.39%

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Primary sector (constant % share): From the table 3.2, it can be concluded that 15.26% of the respondents agreed with the system in the year 16/17 while 17.39% of respondents increased in 18/19. The details contained in table 3.2 is depicted in fig 3.2.

SECONDARY SECTOR: CONSTANT PRICE

Figure 3.3

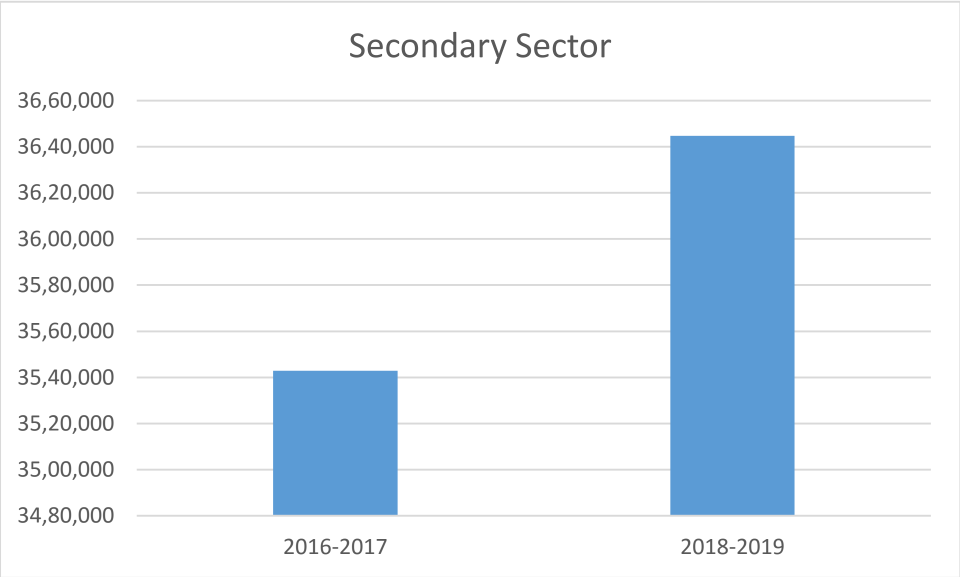


Table 3.3

CONSTANT PRICE		
	2016-17	2018-2019
Secondary Sector	35,42,821	36,44,647

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Secondary sector (constant price): From the table 3.3, it can be concluded that the price of Rs.35,42,821 in the year 16/17 has increased to Rs.36,44,647 in 18/19. The details contained in table 3.3 is depicted in fig 3.3.

SECONDARY SECTOR: CONSTANT % SHARE

Figure 3.4

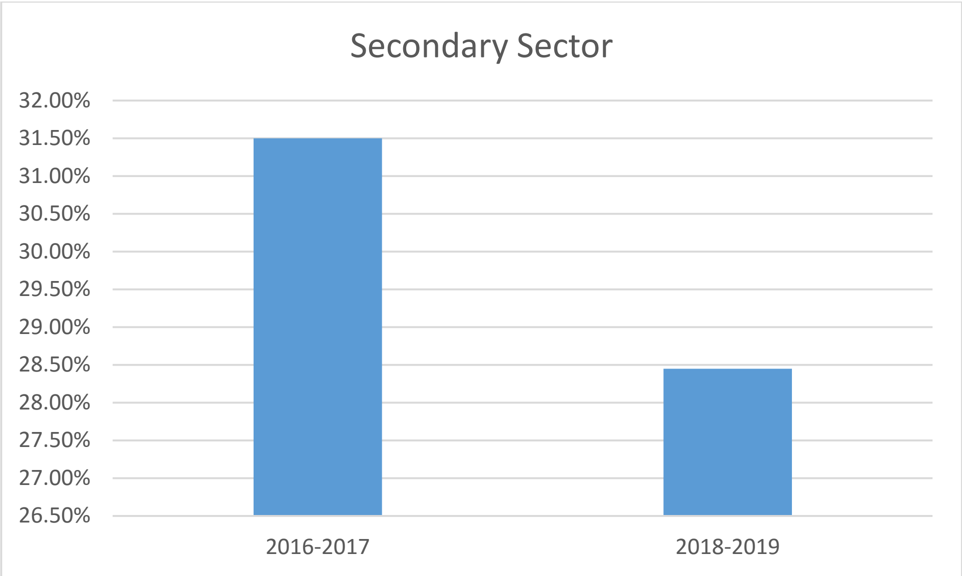


Table 3.4

CONSTANT % SHARE		
	2016-2017	2018-2019
Secondary Sector	31.50%	28.45%

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Secondary sector (constant % share): From the table 3.4, it can be concluded that 31.50% of the respondents agreed with the system in the year 16/17 while 28.45% of respondents increased in 18/19. The details contained in table 3.4 is depicted in fig 3.4.

TERTIARY SECTOR: CONSTANT PRICE

Figure 3.5

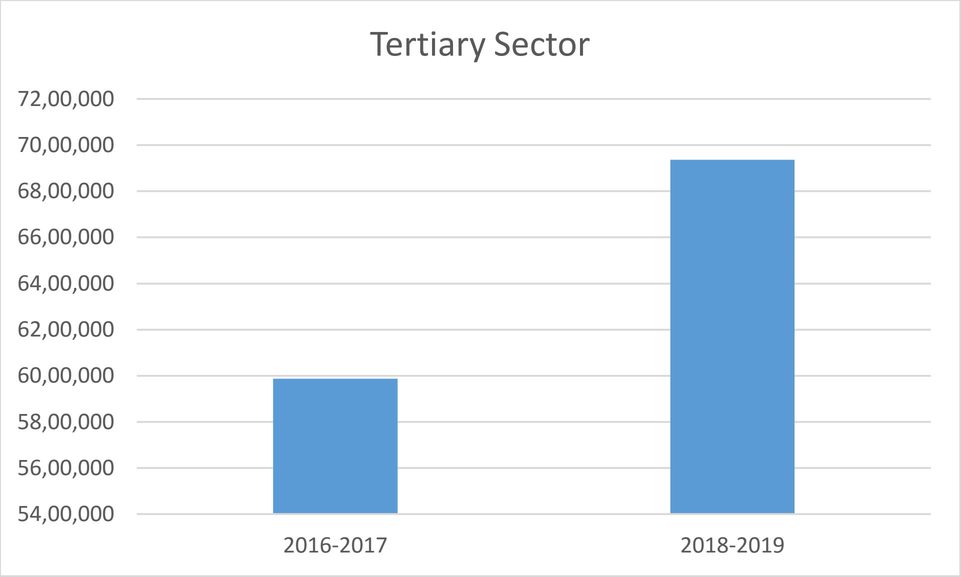


Table 3.5

CONSTANT PRICE		
	2016-17	2018-2019
Tertiary Sector	59,88,062	69,36,122

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Tertiary sector (constant price): From the table 3.5, it can be concluded that the price of Rs.59,88,062 in the year 16/17 has increased to Rs.69,36,122 in 18/19. The details contained in table 3.5 is depicted in fig 3.5.

TERTIARY SECTOR: CONSTANT % SHARE

Figure 3.6

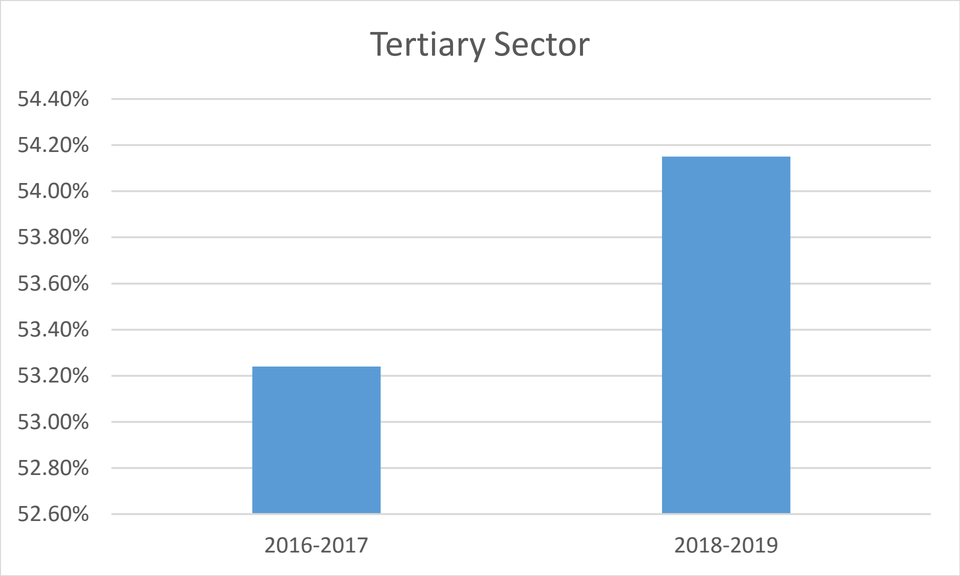


Table 3.6

CONSTANT % SHARE		
	2016-2017	2018-2019
Tertiary Sector	53.24%	54.15%

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Tertiary sector (constant % share): From the table 3.6, it can be concluded that 53.24% of the respondents agreed with the system in the year 16/17 while 54.15% of respondents increased in 18/19. The details contained in table 3.6 is depicted in fig. 3.6.

PRIMARY SECTOR: CURRENT PRICE

Figure 3.7

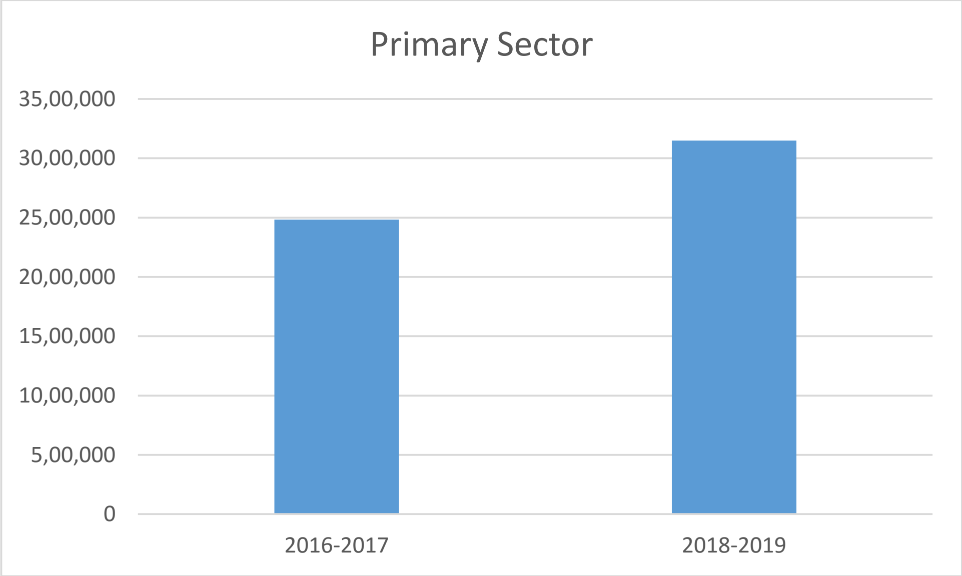


Table 3.7

CURRENT PRICE		
	2016-2017	2018-2019
Primary Sector	24,84,005	31,49,734

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Primary sector (current price): In the table 3.7, it can be concluded that the price of Rs.24,84,005 in the year 16/17 has increased to Rs.31,49,734 in 18/19. The details contained in table 3.7 is depicted in fig.3.7.

PRIMARY SECTOR: CURRENT % SHARE

Figure 3.8

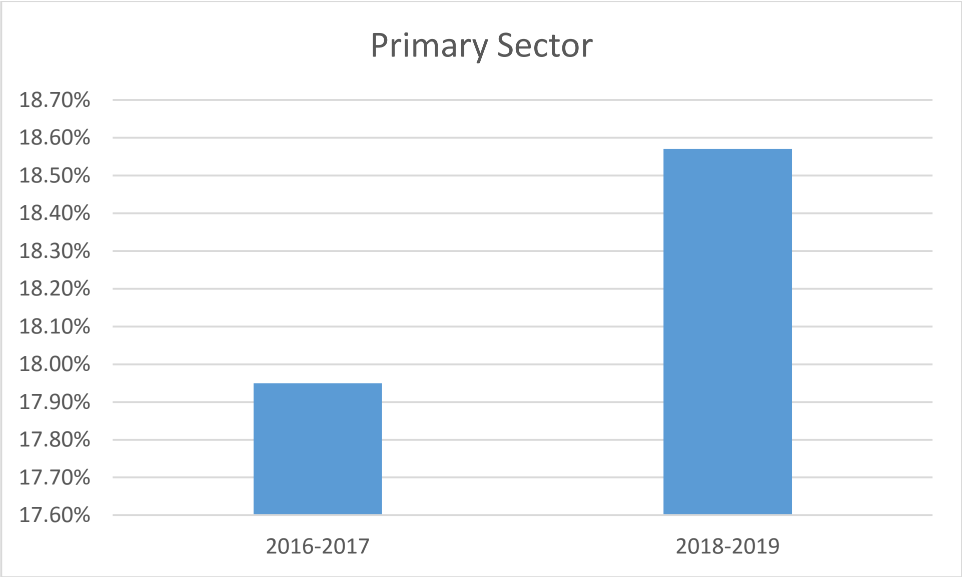


Table 3.8

CURRENT % SHARE		
	2016-2017	2018-2019
Primary Sector	17.95%	18.57%

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Primary sector (current % share): In the table 3.8, it can be concluded that 17.95% of the respondents agreed with the system in the year 16/17 while 18.57% of respondents increased in 18/19. The details contained in table 3.8 is depicted in fig 3.8.

SECONDARY SECTOR: CURRENT PRICE

Figure 3.9

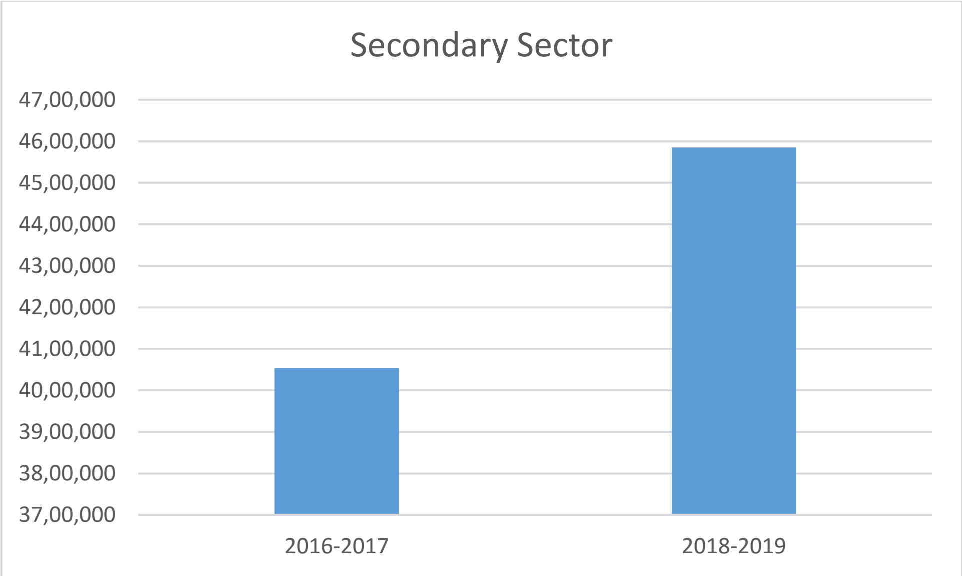


Table 3.9

CURRENT PRICE		
	2016-2017	2018-2019
Secondary Sector	40,54,112	45,85,286

S

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Secondary sector (current price): In the table 3.9, it can be concluded that the price of Rs.40,54,112 in the year 16/17 has increased to Rs.45,85,286 in 18/19. The details contained in table 3.9 is depicted in fig 3.9.

SECONDARY SECTOR: CURRENT % SHARE

Figure 3.10

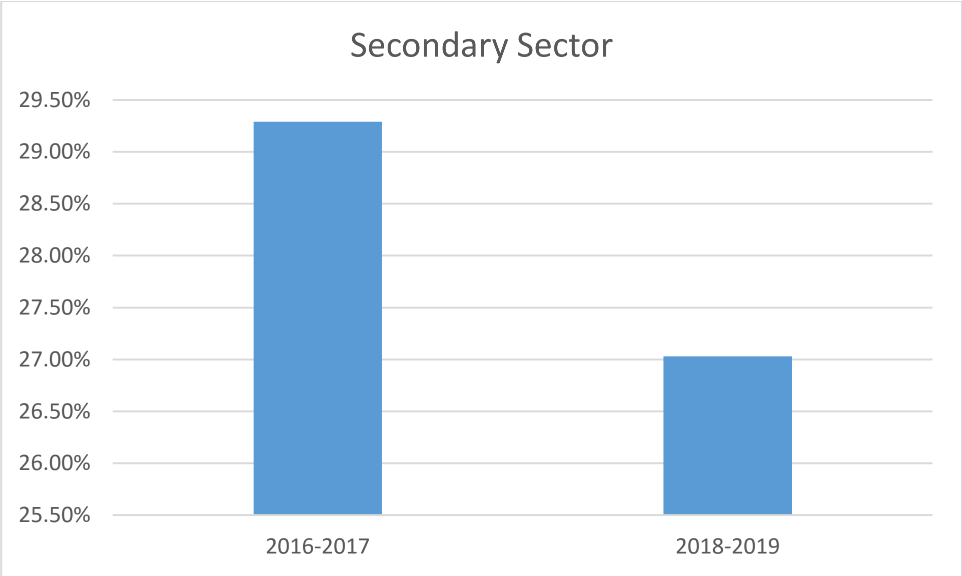


Table 3.10

CURRENT % SHARE		
	2016-2017	2018-2019
Secondary Sector	29.29%	27.03%

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Secondary sector (current % share): In the table 3.10, it can be concluded that 29.29% of the respondents agreed with the system in the year 16/17 while 27.03% of respondents decreased in 18/19. The details contained in table 3.10 is depicted in fig 3.10.

TERTIARY SECTOR: CURRENT PRICE

Figure 3.11

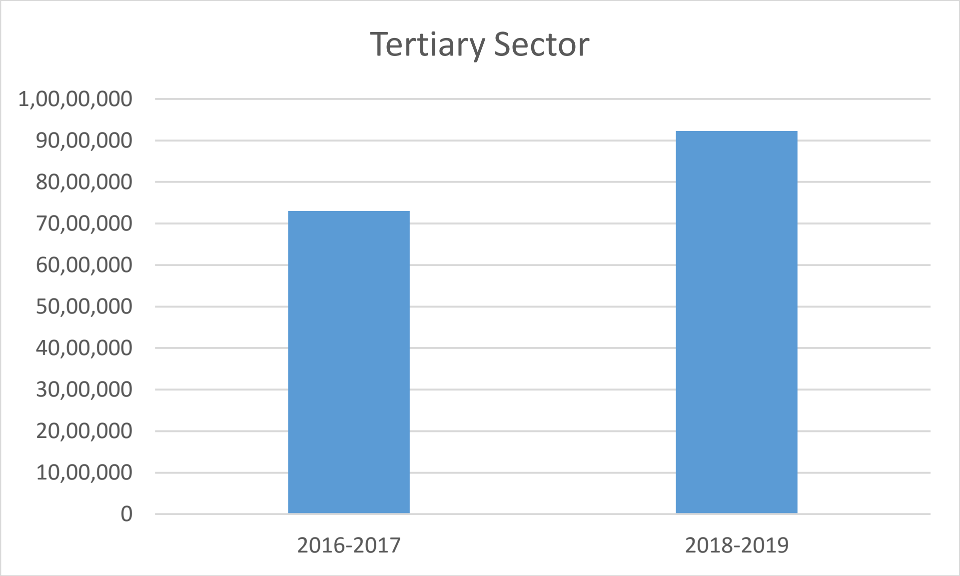


Table 3.11

CURRENT PRICE		
	2016-2017	2018-2019
Tertiary Sector	73,03,474	92,26,346

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Tertiary sector (current price): In the table 3.11, it can be concluded that the price of Rs.73,03,474 in the year 16/17 has increased to Rs.92,26,346 in 18/19. The details contained in table 3.11 is depicted in fig.3.11.

TERTIARY SECTOR: CURRENT % SHARE

Figure 3.12

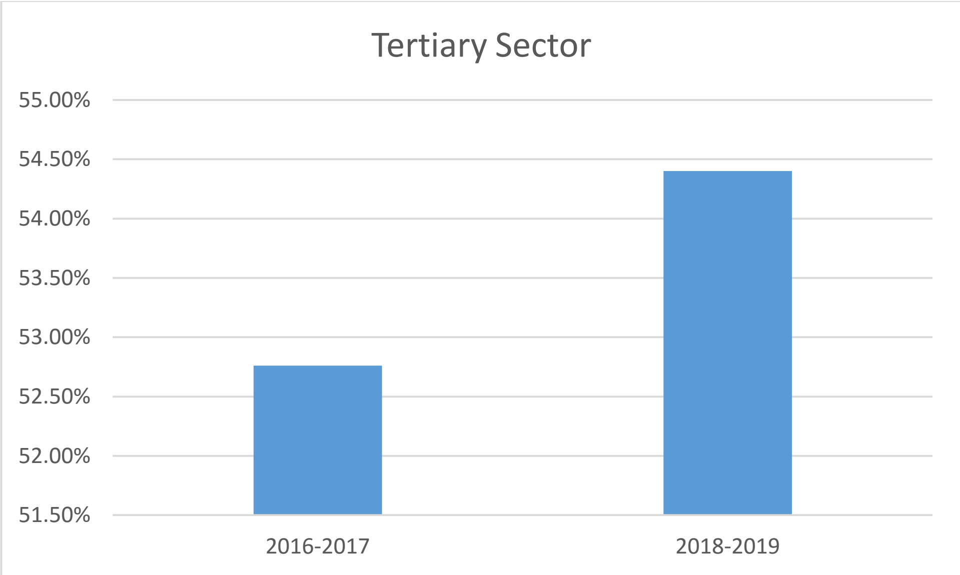


Table 3.12

CURRENT % SHARE		
	2016-2017	2018-2019
Tertiary Sector	52.76%	54.40%

Source: Ministry of Statistics and Programme Implementation (2018-2019)

INFERENCE: Tertiary sector (current % share): In the table 3.12, it can be concluded that 52.76% of the respondents agreed with the system in the year 16/17 while 54.40% of respondents increased in 18/19. The details contained in table 3.12 is depicted in fig.3.12.

CHAPTER 4

FINDINGS AND CONCLUSION

FINDINGS

SECTOR-WISE IMPACT ANALYSIS

1. LOGISTICS

At first, there will be a rise in compliance and adjustment costs with the rise in the frequency of filing returns and the input tax credit will require compliance of each and every player in the entire value chain. Thus resulting in uncertainties and affect the profitability of the sector but in the long run, the operational efficiency will improve.

2. E-COMMERCE

The e-commerce sector in India has been growing by leaps and bounds. In many ways, GST will help the e-com sector's continued growth but the long-term effects will be particularly interesting because the GST law specifically proposes a Tax Collection at Source (TCS) mechanism, which e-com companies are not too happy with. The current rate of TCS is at 1%.

3. PHARMA

GST eradicates the cascading effect of multiple taxes applied on One Product.
GST will replace the conventional cost and delivery model with the supply chain efficiencies due to discontinuance of the Central Sales tax and interstate transactions between two dealers will become tax neutral, resulting in cost reduction. GST offers companies with the ability to discover strategic supply chain and distribution channel.

4. **TELECOMMUNICATIONS**

In the telecom sector, prices will come down after GST. Manufacturers will save on costs through efficient management of inventory and by consolidating their warehouses. Handset manufacturers will find it easier to sell their equipment as GST has negated the need to set up state-specific entities, and transfer stocks. They will also save up on logistics costs.

5. TEXTILE

The Indian textile industry provides employment to a large number of skilled and unskilled workers in the country. It contributes about 10% of the total annual export, and this value is likely to increase under GST. GST would affect the cotton value chain of the textile industry which is chosen by smallest medium enterprises as it previously attracted zero central excise duty (under optional route).

6. REAL ESTATE

Before GST, multiple taxes were applicable to real estate namely VAT, stamp duty charges, registration charges and service tax each of which featured different rates and also varied from one state to another. Implementation of GST has played a significant role in simplifying the taxation can range from 5% to 18% depending upon some key factors. However, the resale market was severely hit with prices reportedly plummeting by 15%-20%. This, even though, GST is not applicable to resale properties. Thus the impact of GST cannot be accurately be assessed as of yet but over time it may be.

7. FMCG

GST is a mixed bag for the FMCG sector in the country. Post-GST, logistics cost for FMCG goods has reduced by more than 2%, and for some products, by 5% due to the subsumption of VAT, octroi and entry taxes. GST has also positively impacted the efficiency of supply chain management. However, GST has increased the anti-profiteering issues in the sector due to the transitional credits and frequent changes in tax rates. Moreover, there exists ambiguity on computation of the manufacturer's profit and tax refunds.

8. AGRICULTURE

Under GST, agricultural activities of "agriculturists" will be non-taxable, unlike its allied industries, including contract farming, dairy farming, frozen foods, poultry and stock breeding, seed raising, food processing, etc. At first a rise in prices of few agricultural products is anticipated due to inflation. But thereafter, GST will benefit the farmers/distributors by a single unified National Agriculture Market. By that means, Indian farmers who contribute the most to GDP, will be able to sell their produce for the best available price. Transporting goods across state borders will be easier with the removal of octroi and entry tax.

9. AUTOMOBILES

The automobile industry in India is a vast business producing a large number of cars annually, fuelled mostly by the huge population of the country. Under the previous tax system, there were several taxes applicable to this sector like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty which will be subsumed by GST. Besides subsuming of several previous taxes to the consumers as well as the manufacturers, GST has also benefited Importers and dealers in the automobile industry as they now, can claim the tax paid.

CONCLUSION

The Introduction of GST into the Indian Economy has had its merits and demerits. The sudden introduction of the tax system has taken a toll on the growth rate of each of the economic sectors. The economy also received a shock due to the withdrawal of high denomination notes prior to the introduction of GST. But it is certain that in the long run, it will prove to be a vital element to our economy with reduction to the extent of hidden and embedded taxes in the system. This results in an increase in opportunities for investment in order to capitalize on the altered tax regime. In addition to this, several researchers have suggested that GST would be a key revolution in Indian Economy and it could increase the GDP and reduce inflation in the long run, even though initial post-GST reports suggest otherwise. GST reduces tax burden on producers and fosters growth through more production. The previous taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST has taken care of this problem by providing tax credit to manufacturers. Provision of tax credit to producers encourages them to buy raw material from different registered dealers and is expected to bring in more vendors and suppliers under the purview of taxation. GST is often criticized on its influence on the final price of goods. However, there are other factors such as the seller’s profit margin that determines the final price of goods. The control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check. GST ensures more transparency as the customers will know exactly how much taxes they are being charged. GST can be deemed a true success only if the actual benefit is passed on to the final consumer.

Amidst economic crisis across the globe, the introduction of GST expresses the country's ambitious growth targets. India is expected to play a significant role in the world economy in the years to come.

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