THE IMPACT OF GST IN VARIOUS SECTORS

Dr.S.Ramamoorthy
Associate Professor, Department of Economics
N.M.S.S. Vellaichamy Nadar College, Nagamalai, Madurai

Abstract
The final worth of products and services generated inside a country's geographic limits for a specific period of time, usually a year, is referred to as GDP. The GDP growth rate is a key indicator of a country's economic performance. The most significant tax reform is on the way, and the Goods and Services Tax will soon be a part of the Indian economy. For indirect taxation, a new and unified tax structure will take the place of various existing tax laws such as excise duty, service tax, VAT, CST, and so on. The new tax regime will undoubtedly eliminate the cascading effect of tax on product and service transactions, resulting in product and service availability to consumers.
According to a Morgan Stanley analysis, economic activity in the country slowed due to GST-related delays, but underlying growth momentum remains strong, and the economy might increase by 6.7 percent this fiscal year. In April-June, India's economic growth slowed to a three-year low of 5.7 percent, highlighting the disruptions caused by uncertainty around the GST rollout, as well as a decrease in industrial activity.
***Keywords**: Gross Domestic Product, GST, tax rate, value-added, supply chain*

Introduction
GST was adopted to provide a single tax system for the manufacture of products and services across the country, both at the federal and state levels. GST, a long-awaited tax, was responsible for the most significant changes in the indirect tax structure. GST is a value-added tax on products and services that is applied at each stage of the journey to the final destination. There would be four different tax rates: 5%, 12 percent, 18 percent, and 28 percent. The tax rates for various goods and services have been established and communicated to the public.

Impact on Supply Chain Management
Differential taxes based on geographic location have an impact on supply chain structure. Logistics companies are encouraged to consolidate their warehouses rather than maintaining one in each state to avoid the central tax by removing several state fees. As inventory costs and inventory carrying costs decrease, the overall cost of the product decreases.

This has a direct impact on the product's final cost, lowering the selling price. The money saved by businesses as a result of the GST can be put towards improving serviceability. Following the implementation of GST, supply chain architecture will be centred on customer service and logistics costs. It also allows for demand and supply matching flexibility. GST would also allow businesses to improve prediction accuracy. Smaller warehouses can also be consolidated into one larger warehouse, resulting in space savings.

The following are some of the advantages that businesses have reaped since the establishment of GST:

- Obtaining raw materials from across state lines
- Negotiation of the price
- Better forecasting and quality improvement
- Inventory control has been improved.
- Better cost-benefit analysis and client service
- augmentation of capacity
- Manufacturing with more flexibility

FMCG (Fast Moving Consumer Goods)

The fast-moving consumer goods and retail industries applauded the Budget proposal to implement GST in April of next year, claiming that the measure will boost the FMCG business significantly. The Budget expresses a long-term vision for economic growth, one that envisions improved facilities, infrastructure, skill development, and job opportunities. The FMCG business will profit from the focus on broad-based growth. A definite roadmap for corporate tax reduction, ease of doing business, and GST, along with increasing investments in MGNREGA (Mahatma Gandhi national rural employment guarantee act) and social security, is highly reassuring for long-term balanced growth and augurs well for the sector.

The Budget is a serious attempt to reach out to people from all walks of life and get the economy back on track. Through social sector schemes such as farm loans, rural infrastructure funding allocation, MNREGA allocation, and growing agricultural area and production, more money is in the hands of the masses. This budget offers a number of structural adjustments while avoiding the customary high-decibel measures such as tax exemption limit increases.

GST and Its Impact on Banks

The GST would replace at least 17 federal and state levies with a single, unified taxation system that will affect nearly every industry. The GST will provide regions that will benefit customers while also introducing areas where customers would have to pay more. After the implementation of GST, it is expected that the banking and financial industry will become slightly more expensive for consumers than it currently is.

For banks and financial services, GST will necessitate a move from centralised to state-based compliance, with significant implications for financial products and IT systems. Although the total impact may be minor, existing and new policyholders will be responsible for the higher cost once it is implemented. If a term plan's current premium is Rs10,000 (without service tax of 15%), the GST impact will raise the premium including tax by Rs 300, bringing it to Rs11,500.

When evaluating premiums, especially for term plans, make sure you compare premiums for all insurers, including or excluding GST. The selection process remains unchanged because the GST impact will be the same for all insurers. When looking for the correct insurance policy, stick to a suitable selection process. The approaching adoption of GST would likely have a minimal influence on one's personal finances, particularly when it comes to financial services. The GST on banking, insurance, and investments such as real estate and mutual funds would increase by 3%, to 18%, from the current rate of 15%.

Financial transaction fees are likely to rise as a result of the government's decision to tax them at 18 percent under the new GST regime. These services have previously been taxed at a rate of 15%, and the increase in the tax rate means that individuals would have to pay Rs 3 extra for every Rs 100 spent on banking charges/fees. It should be noted that, beginning with SBI, a number of banks have recently implemented or increased service costs for multiple banking transactions, such as cash withdrawals made more than a set number of times per month.

The Effect on Small Businesses

In the GST system, there will be three types of small businesses. Those who do not meet the criteria are not required to register for GST. Those with turnovers between the threshold and composition will have the choice of paying a turnover-based tax or joining the GST regime. Those who exceed the threshold limit must operate inside the GST framework. Various dealers may have obligations as a result of possible downward revisions in the threshold as a result of the adoption of GST in some states. In this instance, a great deal of aid is required. The situation is slightly more complicated when it comes to the Central GST. Excise exemptions of up to Rs. 1.5 crore are available to small scale manufacturers of specified commodities. These businesses may be forced to register for GST and consider it an additional expenditure.

Textile Industry in India

Textile industries contribute significantly to the growth of the Indian economy in terms of GDP, export promotion, employment, and so on. It is one of India's oldest industrial industries. The textile sector, which employs both skilled and unskilled workers, is the second largest. The government allows 100 percent FDI in this area under the Automatic Route. Textile exports account for more than 10% of total exports.

The current structure of the Textile Industries would unavoidably change as a result of GST. GST will increase transparency and shift the tax burden to the final consumer by allowing businesses to claim credits for taxes paid on inputs. Although the GST rate has yet to be established, it is possible that it may result in a larger tax burden for textile units. However, the effect on demand will be minor or non-existent. It will promote the development and growth of the Indian textile industry. The textile industry appears to have a bright future, backed by both robust home and export demand.

Education Sector in India

The Goods and Services Tax (GST) is beginning to have an influence on the education industry. The GST on colouring books, exercise books, notebooks, and crayons will be 12%, while the GST on pens and school bags would be 18%, according to the long-awaited adjustment. When it comes to services, some educational institutions will be exempt from the GST, and conventional courses will follow a similar pattern. The impact on competitive test coaching schools will be significant, as they will be subject to a GST of up to 18%. Certainly, the reduced tax on education-related commodities may increase as a result of the GST applied to some education-related services.

However, according to the GST Act, the following services are excluded from the GST: By way of assessments under the Skill Development Initiative Scheme, the Directorate General of Training, Ministry of Skill Development and Entrepreneurship, has empanelled the services of assessing bodies.

Transport Sector in India

Taxing the transportation sector at the national level will result in more efficient cross-state transit and fewer paperwork for road haulers, lowering logistical costs. Currently, all 29 states collect taxes on commodities that traverse their boundaries at various rates. As a result, freight tax is collected several times. There are also substantial waits at interstate checkpoints due to state officials examining and applying applicable taxes and other levies. At interstate checkpoints, truck delays average 5 to 7 hours. The proposed GST system for the transportation sector aims to replace around 15 state and federal taxes and tariffs with a single point-of-sale tax. As a result, GST will outperform the current system in the transportation industry.

Roadways

Customers may be able to save a little money on cab rides. For bookings made through cab aggregators like Ola and Uber, the tax rate would be reduced to 5% from 6%.

For services of Radio taxi or Passenger Transport Services given by a Taxi driver or Rent-a-cab operator to any person, an E-commerce aggregator will be required to pay 100% tax under the reverse charge method.

Furthermore, buses (including minibuses) and pick-up vans transporting more than 10 people would not be charged an additional cess.

Airways

The tax rate on economy class aircraft tickets has been reduced to 5% under the new regime.

- Business-class tickets will be subject to a higher tax of 12%.
- Budget travel will undoubtedly improve as a result of the drop in domestic air travel rates.
- For instance, the base ticket in Economy Class is Rs. 2000.
- Business-class travel, on the other hand, will be slightly more expensive, with a minor increase from 9% to 12%.
- For instance, the base fare in Business Class is Rs. 8000.
- Business-class travel, on the other hand, will be slightly more expensive, with a minor increase from 9% to 12%.
- For instance, the base fare in Business Class is Rs. 8000.

The impact of GST on airfares will be obvious to frequent flyers. Furthermore, because economic travellers account for a large amount of airline income, the fall in tax rates is a beneficial move for low-cost domestic carriers. Input Tax Credit can only be claimed on input services for economy class passengers. Apart from fuel, business class passengers can claim ITC only for spare parts, food, and other inputs.

FARE(before GST)	AMOUNT	FARE (after GST)	AMOUNT
Base fare	2000	Base fare	2000
Airline fuel charge	700	Airline fuel charge	700
CUTE charge	50	CUTE charge	50
Passenger service fee	239	Passenger service fee	239
User development fee	150	User development fee	150
Airline service tax@5.6%	154	Airline service tax@5%	137.5
Other surcharge	12	Other surcharge	12
Total fare	3305	Total fare	3288.5

Railways

The transportation sector is the most important link in the supply chain. Short-distance travel will benefit from the GST, but long-distance travel will be impacted by the tax.

Non-AC train travel has been exempted (including local trains and metro), whereas AC train travel would receive a 5% surcharge. Due to the current 4.5 percent service tax, ticket rates for AC trains may increase somewhat.

Retail Sectors in India

From a taxation and operational standpoint, the impact of GST on the retail industry will be good. Retail firms will increase at a faster rate, adding to India's total economic growth. GST will lower overall indirect taxes, improve supply chain efficiency, and make seamless input tax credit possible. Because of GST, the final price for consumers will be lower. Except for a few exceptions, GST will largely favour the retail sector.

The Goods and Services Tax (GST) is one of the most significant tax reforms since independence. GST would replace practically all indirect taxes collected by the states and the federal government, having a huge impact across industries.

For various commodities and services, the government has proposed four tax slabs of 5%, 12 percent, 18 percent, and 28 percent. GST will have a favourable influence on the retail industry since it will lower total indirect taxes, improve supply chain efficiency, and allow for seamless input tax credit. State borders will be irrelevant in terms of taxation and documentation after the GST is implemented. Retailers will benefit from the disappearance of state borders since it will lower the amount of work they have to do and expand the reach and efficiency of their distribution.

IT Sector in India

The Goods and Services Tax (GST) was implemented in India, and it has had an impact on practically every large and minor economic sector in the country, as planned. This includes India's well-known Information Technology (IT) industry, which is the source of many of the country's IT revolutions and breakthroughs. However, GST has streamlined India's tax structure by replacing different indirect taxes with a single GST tax system, which eliminates tax cascading.

The Indian economy's connection with information technology (IT) is well aware of all the changes coming with the GST and has issued a caution not to take information technology lightly because it contributes to the economy in a significant way.

Following the advent of GST, the tax rates for IT services and items have increased slightly. However, the numerous tax structure and cascading of taxes have been abolished.

Instead of paying a service tax, VAT, and excise duty on IT software purchases, consumers would now simply have to pay a single GST tax, which will be roughly the same in amount.

Real Estate in India

The Goods and Services Tax (GST) is without a doubt India's most innovative tax reform in decades, since it would abolish the conflicting and cascading taxing structures that have befuddled various businesses in recent decades. It will undoubtedly have a significant impact on India's economic prospects.

Despite the fact that the GST tax structure has been established, there is still a lot of speculation about which tax rate would apply to the real estate and construction industries.

The composition plan, which allows for a 75 percent cost of land abatement for residential units priced under INR 1 crore and less than 2000 sq. ft., effectively reduces the effective rate to 3.75 percent. In other circumstances, the reduction is reduced to 70%, bringing the effective rate down to 4%. This will help determine whether GST is tax neutral or tax unfavourable in the real estate market.

The government has clarified the regulations for abatement of under-construction houses and the benefits of input tax credits for developers.

Buyers, investors, and developers are naturally concerned that, even if the government imposes a 12 percent GST, the final ticket size of residences will increase when compared to current service tax rates.

Developers are still waiting for further information on this, but they understand that keeping ticket sizes in a range is in their best interests. The way developers work has already changed as market realities have changed. The most reasonable and plausible way for them to pursue is to remain customer-centric and delivery-focused in order to develop a differentiated identity.

Manufacturing Sectors in India

GST, India's unified tax system that is expected to transform indirect taxation, is now live. Streamlining tax payments, reducing tax fraud, and making business easier are just a few of the anticipated benefits. Here's how they will play out in the manufacturing industry. India's manufacturing sector accounts for only 16 percent of the country's total GDP. However, there is a lot of room for this to become a high-growth, high-GDP sector.

Prime Minister Narendra Modi's "Make in India" initiative gives the sector a boost, making this a reality. PwC also predicts that by the end of 2020, India would be the world's fifth-largest manufacturing country. It'll be fascinating to see how the Goods and Services Tax, or GST, affects this plan. The Goods and Services Tax (GST) is one of the major legislative reforms that will have a direct impact on manufacturing businesses. Until now, the sector's modest expansion has been hampered by the existing convoluted tax structure. By integrating tax regimes across states, the GST is projected to liberate the sector.

Overall, the impact of GST on the manufacturing sector may be described as good. It offers a once-in-a-lifetime opportunity to streamline corporate processes so that they are more focused on compliance and profitability than on taxes. It gives business leaders the ability to effect good change and set their companies on a growth path, thanks to GST compliance.

Healthcare & Paramedical Sectors in India

The goods and services tax is a crucial factor that has the capacity to cover the country's economic base as well as its margins. In addition, India is not just one of the best-performing countries for generics, but it is also experiencing a surge in medical tourism, which generates additional revenue for the healthcare industry. India's pharmaceutical industry is currently the third-largest in terms of volume and the fourteenth greatest in terms of overall esteem. As the population grows, so does the demand for effective healthcare services, necessitating the development of more competent employees to cover the current void in the sector and provide patients with state-of-the-art facilities and innovations.

While the healthcare sector can relax because it accounts for about 5% of India's overall GDP, the pharmaceutical sector may encounter some issues because medicine rates will be slightly higher under the GST regime than they are now. Until now, life-saving drugs to treat diseases like malaria, HIV/AIDS, tuberculosis, and diabetes were exempt from excise and customs duties, and only a few states charged a 5% tax on them; however, the GST has now mandated that they fall under the 5% slab, while formulations fall under the 12 percent slab (up from 9%), and Active Pharmaceutical Ingredients (APIs) fall under the 18 percent slab. Furthermore, the impact of GST on free drug samples, existing bonus programmes, and inter-state movement of expired products or stock transfers has not been determined.

Luxury Products in India

From tonight, India's historic tax reform, the Goods and Services Tax, or GST, will be implemented. Following the implementation of the GST, the new tax system will have an irreversible impact on the prices of a wide range of goods. Since July 1, the GST has absorbed both central and state levies, radically altering India's indirect tax structure. While the whole impact and effect of the huge reform will take time to assess, the immediate effect will be cheaper, more expensive, and the same priced products. And some things will put a strain on your wallet, some will calm your anxieties while others will remain unchanged.

For various commodities, the GST Council has established four primary tax rate slabs: a low rate of 5%, standard rates of 12% and 18%, and a high rate of 28 percent. Before the GST, some of these products had higher effective tax rates, but the new tax policy will ease the burden on consumers. Meanwhile, other products will be taxed at a greater rate, resulting in higher pricing. However, it should be emphasised that the government has kept basic daily-use items tax-free, either at a zero tax rate or fully exempt from GST. There are a lot of things that fall into the tax brackets (1,211 products and 600 services), and keeping track of them all can be difficult. Here are a few things whose prices will increase, drop, or remain the same after the GST is implemented.

Conclusion

Every invoice with a taxable value of more than INR 50,000 may be required to include the buyer's address under GST law. In the case of post-sale discounts, GST law may define what constitutes a sale price. The legislation may also include appropriate restrictions regarding the admissibility of post-supply discounts. Non-filers may be subject to automatic late costs under GST rules, which can also be included in the notices. It may also include suitable penalties for failure to file taxes.

Reference

1. Sijbren Cnossen. Preparing the way for a modern GST in India. *International Tax and Public Finance*, vol. 20, 2013, pp. 715-723.
2. Shakir Shaik, S.A.Sameera and Sk.C. Firoz. Does Goods and Services Tax (GST) Leads to Indian Economic Development. *IOSR Journal of Business and Management*, vol. 17, 2015, pp. 1-5.
3. Girish Garg. Basic Concepts and Features of Good and Service Tax in India. *International Journal of Scientific Research and Management,* vol. 2, no. 2, 2014, pp. 542-549.
4. Satya Poddar and Amaresh Bagchi. Revenue-neutral rate for GST, *The Economic Times*, 2007.
5. R. Vasanthagopal. GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, vol. 2, no. 2, 2011, pp. 144-146.
6. Rumani Saikia Phukan. What is GST: How will it change India. *Maps of India*, 2015.
7. Nihar Kothari. *GST and Development of Single National Market*, 2011.