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'Impact of GST on Indian Economy'

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KeyWords : *Need For GST, Benefits Of GST To The Indian Economy, Impact Of Goods And Service Tax, Impact Of GST On The Indian Economy, Benefits Of Gst.*

Introduction: GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Lok Sabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

The word tax is derived from Latin word "taxare" which means to estimate. A tax is an enforced contribution, exacted pursuant to legislative authority. Indian Taxation System comprise of- Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. So, GST is the need of the hour. Initially the idea was that there would be a national level Goods and Services tax. But as the release of first discussion by the empowered committee of the state Finance Ministers on 10.11.2009, it has been made certain that there would be a "Dual GST" in the country. Centre and state both governments are entitled to charge taxes on the goods and services. Almost 150 countries have introduced GST in some form. France was the first country to introduce GST in 1954. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below in Table

Rate of GST (Some Countries)

Country	Sweden	France	Germany	New Zealand	Australia	Singapore	Canada	Japan
Rate of GST	25%	19%	19%	15%	10%	07%	05%	05%

World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. This means that goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax falls on the consumer of goods/services. It is called as value added tax because at every stage, tax is being paid on the value addition. Under the GST scheme, a person who was liable to pay tax on output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on

chemical or other technical uses; ceramic troughs, tubs and similar receptacles of a kind used in agriculture; ceramic pots, jars and similar articles of a kind used for the conveyance or packing of goods

Benefit to Farmers from GST : India is among the top farming countries in the world, producing a wide array of produce for consumption by the people of India and exports. India is the second largest producer of rice and wheat in the world after China. With the GST set to change the indirect tax system of India, farmers will be impacted by GST rollout. In this article, we look at the benefits to farmers from GST implementation in India.

How Agriculture is Placed under GST: As per the Model GST law "agriculture" with all its grammatical variations and cognate expressions, includes floriculture, horticulture, sericulture, the raising of crops, grass or garden produce and also grazing, but does not include dairy farming, poultry farming, stock breeding, the mere cutting of wood or grass, gathering of fruit, raising of man-made forest or rearing of seedlings or plants. This definition of agriculture under the Model GST Law is similar to the definition under the Maharashtra Value Added Tax Act (i.e. MVAT Act). However, under the Service Tax law, agriculture has been defined as "agriculture" means the cultivation of plants and rearing of all life-forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products'. The new definitions of agriculture and agriculturist are provided by GST in section 2(7) and 2(8) respectively.

GST RATES ON AGRICULTURE SECTOR :

Agriculture			
Goods	Old Rate	GST	Diff (%)
Seed, Organic compost without brand	0	0	0
Headpump and its parts	12.5	05	-7.5
Tractor	12.5	12	-5
chemical fertilizer	12.5	05	-7
Expensive			
Tractor Tire & Rim	12.5	18	+5.5
Other tractor parts	12.5	18	+5.5
Harvester, Earth, Grader, Parts	00	12	+12
Insecticide	5.5	18	+11.5

Merits of GST in Agricultural Sector :

1. Agricultural sector has been kept outside from undertaking GST compliances.
2. GST implementation will play a favourable role for National Agricultural Market on merging all the different taxations on agricultural products. Once transportation facilitated, it will improve the marketing efficiency and create access to virtual world.
3. Service tax will also be exempted in various services related to agricultural produce.
4. An agriculturist would come under non-taxable person.
5. As the exemption under VAT is limited to unprocessed food, the main impact that GST in agriculture would bring is the inflation with currently 4% VAT being increased to 8% on many food items including cereals and grains.
6. GST is vital to enhance the performance of supply chain mechanism in terms of transparency, reliability and timeliness, which in turn will ensure reduction in waste and cost of agricultural produce.
7. Will reduce the time taken for inter-state transportation.
8. Service tax will also be exempted in various services related to agricultural produce.
9. All basic agriculture goods (not processed) which are not chargeable under current VAT Laws would not be charged to tax in GST.

Demerits of GST in Agricultural Sector:

1. Because custom duty will not subsume GST, it will continue to impose on agricultural imports.
2. Also as GST being single source of tax across nation will not allow farmers any more to take advantage of inter-state price variations. Similarly they will find difficult to get cheaper inputs due to constant pricing across states unlike in previous states laws.
3. Drip and sprinkler irrigation equipment, which currently attracts a VAT rate of 5%, will be taxed at 18% under GST. Similarly

the tax rate on pesticide sprayers has gone up from 6% to 18% and electric motors from 7% to 12%. Tractors will be taxed at a rate of either 12% or 28%, up from the current 5%.

4. GST is all set to increase the prices of most agricultural inputs like seeds, pesticides and farm equipments resulting into increase in cost of production for farmers.

5. Fertilizers like Urea, DAT, Potash, will bear a spike tax rate in GST.

GST is expected to reduce incidence of suppressed sales since billing and payment of tax would be necessary for availing set-off of taxes at each stage. The same standard would apply to transactions between traders in agricultural commodities where there is significant amount of suppressed sale

The present system often, makes it difficult to implement tax support provided by the centre for an agro-commodity due to diverse policies adopted by the different states. The implementation of GST is predicted to bring uniformity across states and centre which would make tax support policy of a particular commodity effective.

The ease of availing tax credit under GST regime is expected to lift inter-state trade leading to achieving the objectives of National Agricultural Market

Conclusion: An increase in the cost of few agricultural products is anticipated due to the rise in inflation index for lesser period. Though, implementation of GST is going to benefit a lot, the farmers/distributors in the long run as there will a single unified national agriculture market. GST would certify that farmers in India, who contribute the most to GDP, will be able to sell their produce for the best available price.

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