A STUDY ON GST (GOODS AND SERVICES TAX) AND ITS IMPACT ON AUTOMOBILE INDUSTRY IN INDIA

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ABSTRACT

GST or Goods and Services Tax is considered to be a game changer in Indian Economy. India has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make in India and Digital India campaigns. The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. This research paper uses primary sources of data such as survey and analysis of the data collected. The secondary sources such as books, journals and articles are also referred for this research. A total of 305 responses were collected in the survey. The responses were analysed. The survey had found that raising petroleum prices is a barrier to middle class people, government could likely provide relief considering the raising prices. GST especially in automobile industry had proven to be very profitable to both consumers and the profitability of companies. Many changes have been constantly made ensuring simplicity in the GST tax system. Raising petroleum prices is a barrier to middle class people, government could likely provide relief considering the raising prices.

KEY WORDS: GST, Taxation, Automobile, Industry and Petroleum.

INTRODUCTION

GST also known as Goods and Services Tax. More than 150 nations have implemented GST so far. Goods and Service Tax or GST as it is known is a game changer in Indian Economy. (Narayanan G. and Vashisht) Amidst economic crisis across the globe, India
has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make in India and Digital India campaigns (Raj). The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come. The expectation of GST being introduced is high not only within the country, but also within neighboring countries and developed economies of the world.

Despite these and other implementation challenges, the GST is expected by many to deliver substantial benefits over time. Most notably, Finance Minister Jaitley has estimated that GST will increase the country’s economic growth by two percent; external economists and investment professionals place the growth impact in a wider range of .5 percent to more than two percent. Additionally, the GST should increase the ease of conducting business within India (especially across state borders) and between India-based companies and companies based in other countries. From a government perspective, “the GST is expected to improve tax compliance and draw more people into the tax net in a country where tax evasion is common. It will also make India more attractive for foreign investors by simplifying rules for a huge and increasingly attractive market.” (Pasricha)

The Indian Automobile Industry had been paying a tax range between 30-45%. (GST: IMPACT AND IMPLICATIONS ON VARIOUS INDUSTRIES IN INDIAN ECONOMY - ProQuest) The introduction of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on(Dr.Lakshmi T and Rajeshkumar S) goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. (Trishala A, Lakshmi T and Rajeshkumar S) Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.(Ajay Kumar and Kumar). The main aim of this paper is to critically analyse the GST reforms. The specific aims are to compare the past and present tax systems especially the profitability of Indian automobile industry and to analyse GST in consumer perspective.
HYPOTHESIS

- **NULL HYPOTHESIS**
  GST had not made a considerable impact on the profitability of the Indian automobile industry.

- **ALTERNATE HYPOTHESIS**
  GST had made a considerable impact on the profitability of the Indian automobile industry.

MATERIALS AND METHODOLOGY

This research paper uses primary sources of data such as survey and analysis of the data collected. The secondary sources such as books, journals and articles are also referred for this research. This research paper uses empirical type of research and data is collected by random sampling method.

RESULTS

A total of 305 responses were collected in the survey. Among those respondents 72.8% are male whereas rest (27.2%) are female. The age of the respondents are 30.5% below the age of 18, 38.7% between 18-25, 17.4% between 26-30, 9.2% between 31-40 and the rest are aged above 40 years. Most of the respondents (67.9%) reside in Chennai. 43.3% of the respondents aren’t employed but are students, 25.6% are working in private sector, 18.7% are employees of public sector, 7.5% are self-employed and 4.9% are in business.

Among 305 respondents only 56.1% only know about the past and present tax systems followed in India. 66.6% respondents had only heard about GST or Goods and Services Tax. 56.7% respondents own a motorcycle/automobile. Among them 78.2% brought before implementation of GST and the rest (21.8%) brought after implementation of GST. Among the respondents 44.2% think it’s a positive change to the consumers whereas 42.2% otherwise and 13.5% are not sure. Similarly 43.4% think GST is profitable to the industry whereas 40.8% think otherwise and 15.8% aren’t sure.

Respondents 54.6% think petrol and diesel prices would impact the automobile industry. 48.7% people think petroleum not brought under GST isn’t essential whereas 24.3% think it’s important. 88.1% respondents are not planning on changing to bio-gas or electric motor vehicles. The reason is that there is a lack of alternative fuel (31.3%), lack of initiatives (38.5%) and lack of supporting automobiles (30.3%). Raise of petroleum prices would not change the people’s preferred fuel form 71.9% respondents said so.
DISCUSSIONS

The survey indicates that the people’s opinion on the current GST model are on both extremes. The difference between the number of people who think GST is profitable to consumers and the automobile industry and people who don’t is less. However the prices of the automobiles including cars and motorcycles have reduced which indicates the reduced tax burden to the companies which have decided to pass on the benefit of lower taxes to the consumers. (Kharde) The price reduced after the implementation of GST ranges from Rs. 4000 in several smaller cars upto Rs.7,00,000 in several luxury cars (Mercedes Benz Maybach S 500). However prices of several bikes such as Royal Enfield under 350cc have risen after implementation of GST. (“Here’s the Full List of Slashed Prices of Cars and Bikes after GST Rollout”) (Mukherjee)

The main issue raised by both general public, several politicians and scholars is the petroleum and diesel prices which are not brought under GST. (Cnossen) The survey results say that the people are hoping to add petrol and diesel within the proposed GST model. But several newspapers and articles have stated the reason why they may not have possibly be brought under GST. An important reason is the revenue collected by both central and state governments. The international prices of crude oil had been reduced over the past several years but the government had constantly raised the taxes in reason that people would over consume it. The revenue to the government due to petroleum sector alone almost reached Rs.3,40,000 crores. Due to raising petroleum prices central government may likely provide relief by cutting taxes but only to an extend. (Sethi and Jain) (Sharma)

CONCLUSION

Since the implementation of GST, people, Economists and politicians had shown different criticisms to the proposed model. But however GST has without doubt had raised the economic development of the country. It will eliminate cascading effects and generate revenue for both central and state government. Composition of GST as central goods and services tax (CGST), state goods and services tax (SGST), and integrated goods and services tax (IGST) projects scientific and transparent indirect tax system in India. GST is going to reduce tax leakage and prevent corruption in pricing of products. (EBSCOhost | 126613870 | IMPACTS OF PROGRESSIVE TAX REFORM IN INDIA: GOODS AND SERVICES TAX (GST) - AN APPROACH) World Bank had stated that India’s GST model is one of the most complex GST model in the world. (Mathew) “Lessons learned in India’s transition to the
common GST will be important to both the United States and the European Union,” writes Gavin Ekins, a research economist with the Tax Foundation. “If India’s gamble turns out to be a boom to the Indian economy, the West may have to consider similar changes.” (“India Pushes for July 1 Rollout of Common GST - Tax Foundation”) Many changes have been constantly made ensuring simplicity in the GST tax system. Automobile industry had benefited from the GST tax system and the prices of automobiles have also reduced. But the survey had found that raising petroleum prices is a barrier to middle class people, government could likely provide relief considering the raising prices. This would ultimately result in the development of automobile industries in India.

REFERENCES