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Impact of Goods and Services Tax (GST) on Indian Agricultural Sector in India

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Abstract:

The Goods and Services tax is considered as a biggest tax reform since 1947.it define as the giant indirect tax structure designed to support and enhanced the economic growth of country. Goods and Services Tax (GST) has changed the tax system of India drastically. GST is expected to show positive impact on all sectors of Indian economy, as price levels and inflation rates would come down overtime and a uniform tax rate is applied. It improves government's fiscal condition as a tax collection systems would become more transparent, making tax evasion difficult. After implementation of GST, it is expected that taxes would reduced on agricultural products. An attempt is made in this paper to study the impact of GST on Agricultural sectors.

Keyword: GST, Agriculture, Indian Economy.

Introduction:

Goods and Services Tax (GST) has changed the tax system of India drastically GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST play significant role in transforming current tax structure and economy as well. In simple term, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India.

Under the GST regime, the tax is levied at every point of sale. Before implementation of GST. There were many indirect taxes levied by both state and centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations. Interstate sale of goods was taxed by the Centre. CST (Central State Tax) was applicable in case of interstate sale of goods. Other than above there were many indirect taxes like entertainment tax, octroi and local tax that was levied by state and centre. Major advantage of GST has removed this cascading effect as the tax is calculated only on the value-addition at each stage of the transfer of ownership. The Council has broadly approved the GST rates for goods at nil rate, 5%, 12%, 18% and 28% to be levied on certain goods. According to GST slabs, the most essential goods and services fall under the exempt list while commonly used Goods and Services have been put in the lowest tax bracket of 5 per cent. Standard Goods and Services are in 12 per cent tax bracket, the government has kept a large number of items under 18% tax slab. only Special category of Goods and Services including luxury goods fall in the top tax bracket of 28 per cent. Luxury goods and services and certain specific goods and services attract additional cess than 28% GST.

Research Methodology:

This research paper based on secondary data collected from various journal, articles, newspaper, magazines, books, internet and Governments circular issued from time to time considering the objective of study descriptive type research design is adopted to have more accuracy and rigorous analysis study. However Information collected from secondary data is limited up to December 2019.

Literature Review:

1. Dr. D. Amruta (2018) in her research paper Stated that Gst show positive impacts on Indian economy specially Agricultural sectors due to introduction of GST. The paper also discusses the future predictions and obstacles for GST implementation. It states that GST is enormous concept which simplifies current tax system in India. in near time reduction in the rate of Gst will definitely boost the Indian Economy at faster rate.
2. Sehrawat, (2015) in his research paper focus on advantages of GST and challenges faced by India in execution. It also highlights that its implementation stands for a coherent tax system which will subsume most of current indirect taxes which in long term will lead to higher output, and more employment opportunities in the country
3. Dr. Adhana (2015) concluded in her Research paper that Government should implements more clearance for smooth working of GST, the Information Technology/Infrastructure should also be properly developed throughout India. Government should take the state government into assurance to implement the GST. Furthermore all effort should be made to include all the items under GST so that no item wills left outside the preview of GST otherwise the main purpose of introducing GST will defeat.

Objective of Study:

1. To Study the concepts of Goods and Services Tax (GST)
2. To Study the concepts of Goods and Services Tax (GST) ON Indian Agricultural sectors.

Impact of GST on Agriculture Sectors:

The agricultural sector is the largest contributing sector the overall Indian GDP. It covers around 16% of Indian GDP. Most of the agricultural commodities are perishable in nature. GST is important to improve the trustworthiness, transparency and timely delivery under supply chain system an improved supply chain mechanism due to GST would reduce the time taken for inter-state transportation. The benefit of reduction in time would be passed on to the farmers/retailers.GST is essential to improve supply chain mechanism in agricultural sectors. Efficient supply chain mechanism ensures a reduction in wastage and cost for the farmers.GST would also help in reducing the cost of heavy machinery required for producing agricultural commodities. However allied agricultural sectors like dairy farming, poultry farming, and stock breeding are kept out of the definition of agriculture. It also notices that In the GST regime, the tax on fertilizers has been increased to 12%. The same impact is on Tractors.

After the 22ndGST Council Meeting scheduled on 6th October, the new tax rate on pump sets has been reduced to 18 percent from 28 percent. The reduction in tax rates in pumps will encourage the confidence level of pump makers in India and is beneficial for the agricultural industry. The market share of pumps in India is valued nearly at Rs 10,000 crores in the financial year of 2016 and it is anticipated that rise to 8 percent yearly over the coming years[1.] In short GST show positive impact on agricultural sectors in long term .majority of provision are favorable to the agricultural sectors in India. This tax regime provides transparency and certainty in the tax system especially to agricultural sectors.

GST rate on Fruits and Vegetables:

GST provide major benefits to of fruits and vegetables as it ensure stable taxation system which prove for better flow of such supply chain mechanism the fresh fruits and vegetables have been exempted with further processed and frozen fruits and vegetables taxed. Fresh or chilled vegetables, roots and tubers like potatoes, tomatoes, onion, garlic, cabbage, cauliflower, carrot, beetroots etc. have been exempted from GST and also Fresh fruits like coconut, apples, cherries, peaches, bananas, pineapples, guavas, mangoes, citrus fruits such as oranges, mandarins, grapefruit etc. have been exempted from GST. Some of the products like Jari booti and dry flower like herb, dry plant and roots, bark, Frozen vegetables and fruits whether uncooked or cooked by boiling in water or added sugar or sweeting matter, Provisionally preserved vegetables, fruits and nuts but unsuitable for immediate consumption in that condition, Other frozen or dried vegetables, Dried areca nuts, whether shelled or peeled are subject to 5% tax. However products like Dry Fruits fresh or dried, shelled or peeled Fruits and vegetable juices Dry fruits have been taxed at a rate of 12 % which was earlier taxed at a rate of 5% leading to higher prices for dry fruits purchases. GST charge 18 % tax on Fruits, vegetables, nuts and other plants preserved by vinegar or acetic acid or sugar, Tomatoes, mushrooms or other vegetables preserved by other means Fruit jam, jellies, pastes or nut puree. Here goods taxed at a rate of 18% which were earlier taxed under various VAT Acts at a rate of 5%, this again shows a price hike for end user consumers. it show some negative impact of GST on these agricultural products.

GST on Tea Industry:

Tea is considered as a most common item of consumption. Tea will be taxed at 5 percent as India finalized rates for its inaugural goods and services tax (GST) effective July 1. Instant coffee will be charged a higher rate than green and roasted coffee, but it is not clear whether instant tea (and tea concentrates) will be subject to the 5 percent rate or pay 12 percent. Flavored teas will be taxed at 5 percent. India is still sorting out the fine points of applying the levy.

GST on Milk Industries:

India’s milk production in 2015-16 was 160.35millon ton increased from 146.31 million ton in 2014-15.previously only 2% vat tax was charged on milk products but under the GST the rate of fresh milk is nil and skimmed milk is charged at 5% ,whereas condensed milk is taxed at 18 %.it show additional tax burden on farmers and cattle farmers.

Conclusion:

Introduction of GST in India is one of the most crucial tax reform in Indian taxation system since independence. All sectors of economy whether agriculture or industries shall have bear impact of GST.GST show positive as well as negative impacts on these sectors. GST may provide India with its first National Market for the agricultural goods. There are a lot of clarifications which need to be provided for rates for agricultural products. Special reduced rates should be declared for items like tea, coffee, and milk under the GST. In case of agriculture it show mix impacts. Because rate of GST .some products like rice, Fresh Fruits ,fresh vegetables etc are charge at nil rate .GST also reduced Tax on seeds fertilizers .supply chain mechanisms also show major improvements after GST. These are the positive impacts of GST where Agro based industries initially suffered due changes in tax slab. Some industries would show improvements in sales and profitability in future due positive impacts of GST.

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