"Impact of GST on Export and Import"

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ABSTRACT *:*

All the necessary steps are being taken for the effective implementation of much-awaited Goods and Services Tax (GST) from April 2017 in India. GST will eradicate 17 indirect taxes and as a result the Indian economy will get a major push as many economists have predicted a 2 – 2.5 per cent boost for the country's GDP. Apart from manufacturing sector, logistics, warehousing and even the common man will benefit from the amendment. GST will be beneficial to the Centre, states, industrialists, manufacturers, the common man and the country at large since it will bring more transparency, better compliance, an increase in GDP growth and revenue collections. Thus, GST has been an essential topic of discussion everywhere in India. Therefore, we need to be aware of different aspects of GST. In this connection, this paper is an outcome of an explanatory research which is based on secondary data to understand the concept of GST and its mode of operation. This paper will also focus on the impacts of GST and problem associated with the export & import sectors and its implementation of GST in India.

Keywords— *CGST, Goods and Services Tax (GST), Indirect Tax, SGST and Supply Chain*

Introduction:

The current Indirect tax regime in India is complex as there are multiplicity of taxes, sophisticated compliance obligations and tax cascading. The Information Technology enabled Services sector has been fraught with disputes due to ambiguity in provisions as well as multiple taxation including dual taxation. Under the proposed GST regime all the key Indirect tax legislations would be subsumed and hence it is expected that it would result in a simpler tax regime especially for the Information Technology Enabled Services.

GST is a target based tax on consumption of goods or services. It is also the policy of the Government of India to export the goods and services not the taxes out of India. Thus, exports will become cheaper making Indian products or services will be more competitive in the international markets. This part would cover in-depth impact of GST on export and import of goods and services under GST. GST was first introduced during 2007-08 budget session. On 17th December 2014, the current Union Cabinet Ministry approved the proposal for the introduction GST Constitutional Amendment Bill. On 19th December 2014, the bill was presented on GST in Loksabha. At present, there are around 160 countries that have implemented GST. In some countries, VAT is the substitute for GST, but theoretically it is a destination based tax imposed on consumption of goods and services. France was the first country to introduce GST in 1954. now, only Canada has a dual GST model (somewhat similar to the Dual GST Model that India is going to implement).

Many experts have suggested that to resolve the issues of different types of taxes, there is a need to streamline all indirect taxes and implement a 'single taxation' system. This system is entitled as Goods and Services Tax (GST). Goods and Services Tax as the name implies, it is an indirect tax applied both on goods and services at a uniform rate. In simple term, GST is a tax that people need to pay on supply of goods and services. Any person, who is providing or supplying goods and services is liable to charge GST. A single form of tax known as GST will be applied throughout the country, replacing a number of other indirect taxes like VAT, Service tax, CST, CAD etc. Therefore, GST shall be the biggest indirect tax reform providing a uniform and simplified way of indirect taxation in India. GST is a consumption based tax (i.e) based on the 'Destination Principle'. Thus, GST is imposed on goods and services at the place where the actual consumption happens.

OBJECTIVES OF THE STUDY

1. To understand the concept and supply chain of GST.
2. To known the positive and negative impacts of GST.
3. To classify the sectors stand to lose or gain from the implementation of GST.
4. To study the Impact of GST on Importers and Exporters GST in India.

SCOPE OF THE STUDY:

The scope of the study is extended to understand the concept of GST, its impact on Export and Import sector in India.

RESEARCH METHODOLOGY:

Researcher has collected the data through secondary sources like newspapers, articles, magazine, and different journals and from different websites. Considering the objectives, the descriptive research design is adopted for the study.

SUPPLY CHAIN OF GST:

GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and services can be set-off against that payable on the supply of goods or services. The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism. But being the last person in the supply chain, the end consumer has to bear this tax and so, GST is going to be collected at point of Sale.

IMPACTS OF GST:

Positive Impact of GST

- A unified tax system abolished of indirect taxes like VAT, CST, Service tax, CAD, Excise etc. It came on one single tax.
- it is easy tax policy as compared to earlier tax structure.
- Tax evasion will become difficult.
- Removes cascading effect of taxes (i.e) removes tax on tax.
- Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
- cost reduced, some products like cars, FMCG etc. will become low-priced.
- This will help in lowering the burden on the common man (i.e) you will have to spend less money to buy the same products which were earlier costly.
- The low prices will further lead to an increase in the demand of goods.

- Increased demand will lead to increase in supply. The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get low-priced goods.

Negative Impact of GST

- Service tax rate @ 15% is presently charged on the services. So, if GST is introduced at a higher rate which is likely to be seen in the near future, the cost of services will increase all the services like telecom, banking, airline etc. will become more expensive.
- Increased cost of services means an add-on to your monthly expenses.
- You will have to reorganize your budgets to bear the additional services cost.
- If actual benefit is not passed to the consumer and the seller increases his profit margin, the prices of goods can also see a rising trend.

The sectors stand to lose / gain from the implementation of GST Sectors:

- **FMCG:** Large companies manufacturing FMCG products like Hindustan Unilevers, ITC, Godrej and Procter & Gamble are likely to be benefited more from lower taxes and logistics cost.
- **Cement:** With the implementation of GST, most cement companies will have more demand and thereby going to lower down the overall cost of infrastructure in India.
- **Logistics:** Logistics with 'Make in India' ground are likely to be gainers. In this regard, the companies which will receive a boost are Container Corporation of India, Allcargo, Interglobe Aviation, Adani SEZ, Aegis Logistics and Gujarat Pipavav.
- **Consumer Durables:** Like FMCG, companies which manufacture consumer durables are also likely to be benefited more from lower taxes and logistics cost and especially manufacturer of electrical appliances are mostly expected to be benefited.
- **Automobiles:** As costs are likely to drop significantly, two-wheeler manufacturing companies like Hero-Motors, Eicher and Bajaj Auto as well as companies manufacturing small cars like Maruti, Hyundai and Tata-Motors will be the big beneficiaries.

Impact of GST on Importers and Exporters

GST is been postponed by our Hon'ble Finance Minister, however it is still a constant matter of worry for importers and exporters in Indian continent. Through this article, I try to analyze and present before you a analysis on impact of GST on our imports and exports.

IMPORT:

The GST could be levied on imports only after necessary Constitutional Amendments as currently power to levy GST on imported goods is non-existent in Constitution of India. International imports should be subject to both CGST and SGST at the time of importation irrespective of whether or not the imported goods are produced domestically. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the CGST and SGST paid on imported goods and services.

India has also entered into a large number of free trade agreements In general, not be possible for India to use customs duty as a means to providing protection playing field. Efforts are made to treat foreign goods on the same footing, as they are domestic goods. Earlier benefits of lower or no custom duties were given to importers who use such imported goods in manufacture of export goods, such benefits may not be continued in new legislature of GST and GST would continue to be same even though goods are imported for re exportation. The 'flawless' GST will ensure this by subjecting the imports to both CGST and SGST. This will provide a level playing field to the domestic industry and in particular the manufacturing sector vis-à-vis imports.

GST legislature would be drafted on objective based principle:

1. SGST on Business to Business imports should be collected and remitted to the state (i.e. place of destination) in which the imports is located regardless of the fact from where the goods entered the country. However, the place of destination may be defined to mean the address of the importer on the import invoice.
2. SGST on Business to Consumer imports should be collected and remitted to the state in which the place of residence of the person importing the goods is located regardless of the fact from where the goods entered the country.

Import taxes that would carry on:

Even after introduction of GST following duties may not be subsumed under GST regime and they may continue to be levied as usual. These duties are:

1. Basic Customs Duty
2. Anti-Dumping Duty
3. Safeguard Duties

After the introduction of full and complete GST major import gaining sectors include leather and leather products; furniture and fixtures; agricultural sectors; coal and lignite; agricultural machinery; industrial machinery; other machinery; iron and steel; railway transport equipment; printing and publishing; and tobacco products. The moderate gainers include metal products; non-ferrous metals; and transport equipment other than railways. Imports are expected to decline in textiles and readymade garments; minerals other than coal, crude petroleum, gas and iron ore; and beverages.

EXPORT:

GST would be structured on the destination principle; as a result, exports would be relieved of the burden of GST by zero rating. Zero-rating of exports means that when goods are exported, no VAT is charged on the goods . At the same time, VAT paid on the inputs is also refunded. So the goods exported are shorn of all taxes. The countries, which have, VAT usually resort to zero-rating of exports.

Export taxes that would carry on:

Even after introduction of GST, Export duty might not be subsumed under GST regime

Special economic zone:

GST is designed to ensure that all producers and distributors are treated as complete pass- through and exports are zero-rated, thereby no direct exemption may be allowed to the developers of, or units in, the SEZ. However, the purposes of setting up of SEZ was to encourage production of goods which are to be exported out of India, thereby even after withdrawing this direct benefit, units in SEZ would continue to enjoy exemption in respect of goods or services exported by it. Any sale by SEZ to Domestic Tariff Area (i.e. within India) would be taxable, as other goods and services are taxed in India. Present law with regard to exemption of SEZ is almost similar, only change would be that technical jargons and complexities are removed.

Foreign trade policy

Presently in India, exemption schemes are available under the Foreign Trade Policy 2009-2014 and also under the relevant central excise and customs legislation. Though, there is some discussion in the government prepared documents (with respect to GST) on exemption currently available under the excise and custom legislation. Howsoever the doom of the exemption schemes currently under the Foreign Trade Policy has not been discussed at all in these documents. It will be interesting to ascertain the continued relevance of various schemes (under the Foreign Trade Policy) under the proposed GST.

The current incentives can be classified into

(a) Pre-export schemes (e.g. advance authorization, EPCG etc);

(b) Post-export schemes (for example DEPB, SFIS, etc); and

(c) Industry specific schemes (for example EOU, STP, etc.).

The incentives under these schemes are mostly by way of exemptions with parallel notifications under relevant legislations (customs and excise). It is most likely expected that no such notifications would be imported into GST legislation. Applying this logic to the export schemes, it will not be erroneous to assume that its validity under GST may get limited to the extent of basic customs duty only.

Impact of GST on Exports in India:-

- Do exporters require paying GST?
- How to get the refund of GST payment made to exporters?

These are the fundamental questions that exporters need to know. Following the GST legislation, exporters are exempted from GST charges. According to the Section 16 of IGST legislation, in zero rated supply the procedures are directed, and the goods can be exported either without the payment of IGST or Input tax credit (ITC).

Another alternative is that the exporters may export goods or services or both on the payment of integrated tax and later claim a refund in the provision of CGST Act 2017. The GST payment made for any transfer of goods for the mission of exports can be redeemed. The exporters must be aware of the steps to be exercised for export of goods in compliance with GST, or it may end in loss of revenue.

Implications for imports and importers by virtue of GST implementation in India:

- **Import as Inter-State Supply** :– Import into India will be considered as Inter-State supply under Model GST Law and accordingly will attract Integrated Goods and Services Tax (IGST) along with BCD and other surcharges.
- **Import of Services :–** GST law accord liability of payment of tax on the service receiver, if such services are provided by a person residing outside India. This is similar to the current provision of reverse charge, wherein service receiver is required to pay tax and file return.
- **Transaction Value based Valuation Principal**: – Model GST law has borrowed the concept of transaction value based valuation principal from current customs law for charging GST. This will have implication at the time of tax liability determination as currently CVD is charged on MRP valuation principle. Under the new regime IGST which subsumes CVD will be charged on transaction value. This may also require working capital restructuring. This may also reveal the margin of Service Provider which is currently not the case.

- **Refund of Duty: –** Under the new law, tax paid during import will be available as a credit under "Import and Sale" model, whereas no such credit is available presently. Also refund of SAD which is available now, after doing specific compliance, no such restrictions are placed under GST.
- **Withdrawal of Current Exemptions:** – The current customs import tariff is loaded with multiple exemption notifications which are likely to reviewed and possibly withdrawn or converted into a refund mechanism.

Conclusion:

India is all set to introduce Goods and services tax after crossing the various way. GST is a long-term strategy planned by the Government and its positive impact shall be seen in the long run only. Also, this can happen if GST is introduced at a nominal rate to reduce the overall tax burden of the final consumers. impact of GST on the various set of industries including Logistics, Food and Restaurants, E-Commerce Marketplace Sellers to mention a few. Continuing our agenda, we are now extending our discussion on Impact of GST on Import and Importer's Business. GST will leave a positive impact and will help to boost-up the Indian economy and will convert India into a unified national market with simplified tax regime. A rising Indian economy will anyways help in the financial growth of the common man. the ensuing uniformity in taxation across the country are expected to reduce the costs of imports and exports and result in easier compliance. India is one of the fastest growing global economy and in the way to becoming the new global manufacturing hub. While manufacturing activities are on rising, we are also witnessing expansion in foreign trade both imports and exports.

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