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GST: a boon or bane for Indian Auto Industry

K.Rangaraju[1], Dr.(Lt.Cdr) PK Sureshkumar[2]
Research Scholar, Department of Management
Research Professor, College of Business Management and Commerce, Srinivas University, Mangalore

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ABSTRACT

GST is nothing but merging of indirect taxes under one head. Taxes were levied and collected in the pre GST Regime separately by State and Central governments. The central government levied taxes under CENVAT(Central Value Added Tax and the state government collected under VAT9 Value added Tax).The idea of implementing GST was suggested by the Ministry under then Prime Minister Vajpayee in 2000.GST is the mind child of Dr Vijay Kelkar, chairman of the 13th Finance Commission was launched in India in July 1st 2017. Although GST has certain deficiencies and some cumbersome process in compliance, the tax regime is considered to be a new milestone. The detailed study of this paper will reveal "GST a boon or bane for Industries and Traders in India".

KEYWORDS: Indirect Tax, Tax Reforms, Goods and Service

I. INTRODUCTION

The word tax has been derived from the Latin word "Taxo" which means touch sharply or charge. As per Wikipedia, "A tax is a mandatory financial charge or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by the Government to fund various public expenditure". It may be noted that the tax is a mandatory payment because a failure to pay or evasion of or resistance of taxation, is punishable by law.

History of Taxation

Excise Duty

The industrial revolution in the early 1800 in Europe made European Market stalled with a heavy stock of most prominent machine-made fabric. The market was saturated and the traders found difficult to sell the goods. Finding no other alternatives, the British Government selected India as their trade destination. Traditionally India was strong in producing clothes by handlooms and was self-sufficient. Price also seemed comparatively low and great challenges were ahead in selling machine-made clothes in India owing to other reasons also. Then the British acted with extreme cruelty by imposing tax popularly known as "Excise Duty "on goods manufactured in India. Now the goods imported from Britain reached par with Indian Goods but Indian khadi and handloom industries were hit by imported goods and incurred a heavy loss. This was the immediate cause for the birth of the "Swadeshi Movement "led by Mahatma Gandhi in the early 1900s.

Customs Duty

Even after independence, the government was financially struggling to run the government machinery and the revenue collected under Excise Duty was not sufficient. Customs Duty was imposed under the Indian Customs Act formulated in 1962 by the Constitution of India under Article 265, which states that "no tax shall be levied or collected except by authority of law. So, the Indian Customs Act was introduced that allow the Central Government to collect the taxes under the name of Custom Duty.

Central Sales Tax

The Central Sales Tax Act, 1956 came into existence through the Sixth Constitutional Amendment which introduced entry 92A in List I of Schedule VII. This authorizes the Parliament to levy **tax** on the sale or purchase of goods in the course of inter-state trade.

State Sales Tax

Sales Tax for States was first introduced in the state of Assam; and the Bengal Finance (Sales Tax) Act, 1947, and the West Bengal Sales Tax Act, 1954, in the State of West Bengal. 1976-77, and Tamil Nadu did so in 1980-81. According to a legal basis, the sales tax in India is levied on the dealers.

Value Added Tax

Value Added Tax (VAT) is a major source of revenue for all Indian states and union territories (except Andaman and Nicobar Islands and Lakshadweep).

The VAT was an indirect tax introduced in the Indian taxation system to replace the existing general sales tax. The Value Added Tax Act (2005) and associated VAT rules came into effect beginning April 1, 2005, in many Indian states. A few states (Gujarat, Rajasthan, MP, UP, Jharkhand, and Chhattisgarh) excluded themselves from VAT during its initial introduction but later adopted the tax. Every state has its VAT legislation, rates, taxable base, and list of taxable goods.

Every commodity passes through different stages of production and distribution before finally reaching the consumer. Some value is added at each stage of the production and distribution chain: for instance, a forged metal tool is more valuable than metal, which was itself more valuable than the ore that was originally mined. Value Added Tax (VAT) is a tax on this value addition at each stage.

Under a VAT system, a dealer can take credit for the tax paid on his purchase and pay the balance to the government. Again the dealer collects. It is a consumption tax because it is borne ultimately by the final consumer. The tax paid by the dealer is passed on to the buyer. It is not a charge on the dealer. The VAT is instead a multipoint tax system with provision for collection of tax paid on purchases at each point of sale.

A value-added tax (VAT) is a consumption tax levied on products at every point of sale where value has been added, starting from raw materials and going all the way to the final retail purchase. Ultimately, the consumer pays the VAT; buyers at earlier stages of production receive reimbursements for the previous VAT they've paid.

The VAT is commonly expressed as a percentage of the total cost. For example, if a product costs $100 and there is a 15% VAT, the consumer pays $115 to the merchant. The merchant keeps $100 and remits $15 to the government.

A VAT system is often confused with a national sales tax. With a sales tax, the tax is only collected once – at the final point of purchase by a consumer – and so only the retail customer ever pays it. The VAT system is invoice-based and collected at several points throughout an item's production, each time value is added and a sale is made. Every seller in the production chain charges a VAT tax to the buyer, which then remits to the government. The amount of tax levied at each sale along the chain is based on the value-added by the latest seller.

Example of Value-Added Taxation

To calculate the amount of VAT a consumer or business must pay, take the cost of the goods or service, and subtract any material costs previously taxed. An example of a 10% VAT in sequence through a chain of production can occur as follows:

A manufacturer of electronic components purchases raw materials made out of various metals from a dealer. The metals dealer – the seller at this point in the production chain – charges the manufacturer $1 plus a 10-cent VAT, and then pays the 10% VAT to the government.

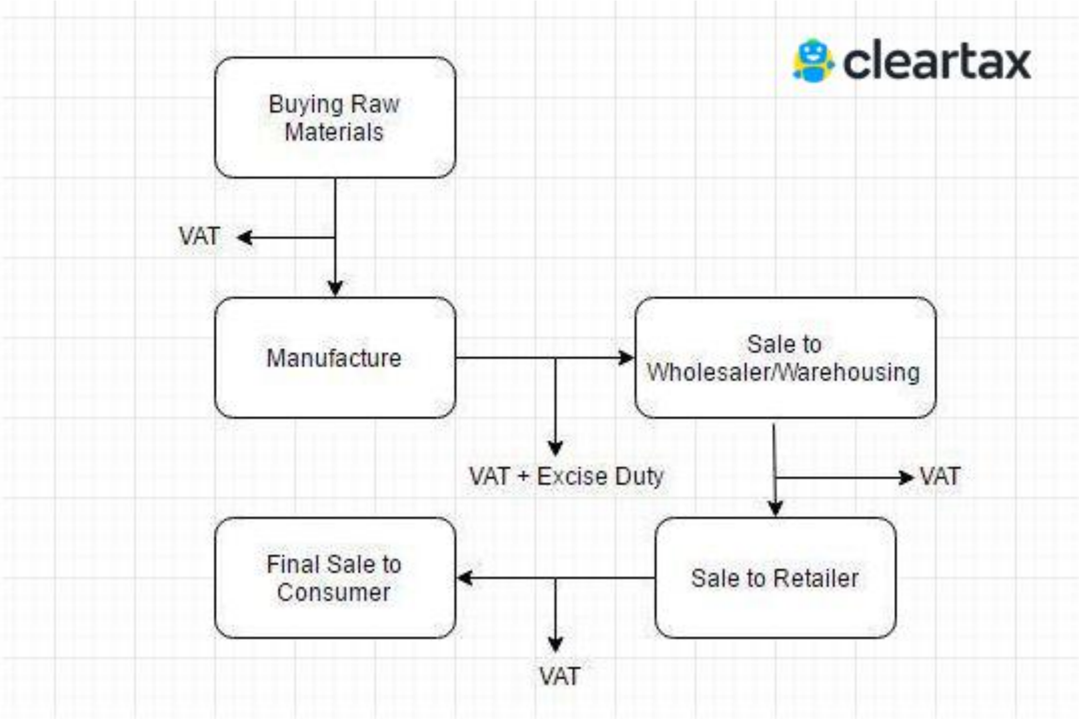
The manufacturer adds value through its manufacturing process of creating the electronic components, which it then sells to a cell phone manufacturing company for $2 plus a 20-cent, VAT. The manufacturer remits 10 cents of the 20-cent VAT it collected to the government, the other 10 cents reimbursing it for the VAT it previously paid to the metals dealer.

The cell phone manufacturer adds value by making its mobiles, which it then sells to a cellphone retailer for $3 plus a 30-cent VAT. It pays 10 cents of this VAT is paid to the government; the other 20 cents reimburse the cell phone manufacturer for the previous VAT it has paid to the electronic component company.

Finally, the retailer sells a phone to a consumer for $5 plus a 50-cent VAT, 20 cents of which is paid to the government.
The VAT paid at each sale point along the way represents 10% of the value added by the seller.

Goods and Service Tax- GST

GST is an indirect levied by both Central and State Governments that has replaced many Taxes existed in India. The Goods and Service Tax was passed in the Parliament on 29th March 2017 and came in to effect on 1st July 2017. Goods and Service Tax is a comprehensive, multistage, destination-based tax. The Unique feature is a tax is levied on every value addition.



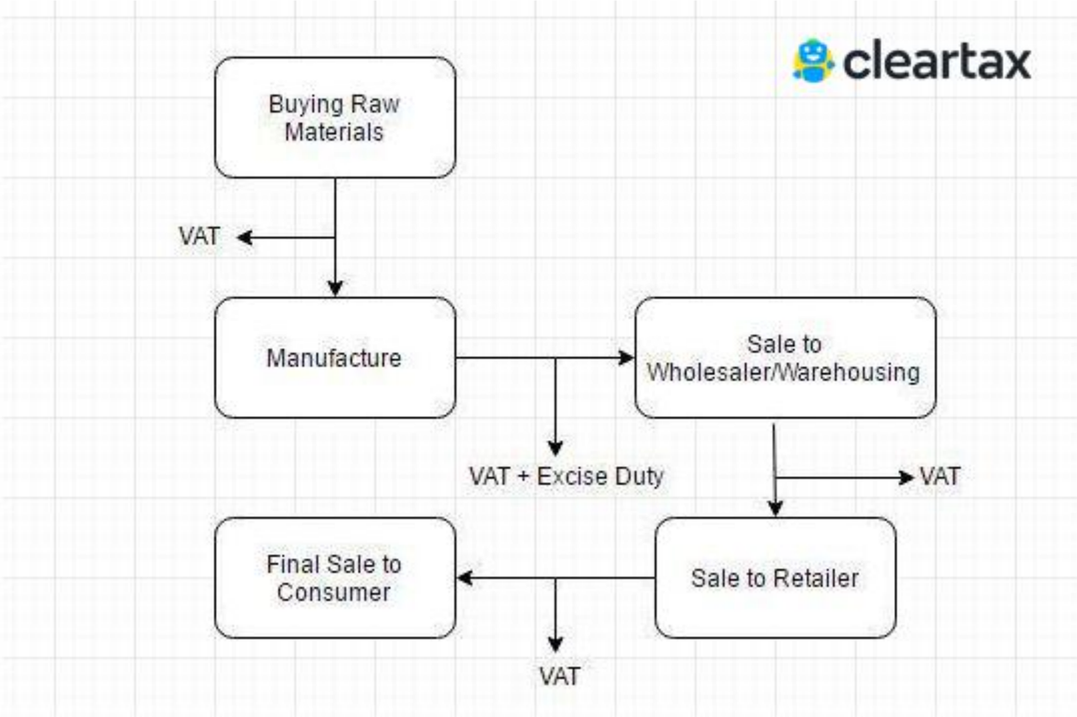
Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. Inter-state sales are chargeable to Integrated GST.

Multi-stage

GST is levied in every stages of change and conversion in the value chain from manufacture to final sale to the consumer.

Let us consider the following case:

· Raw Material Purchase
· Production or manufacture
· Storing Finished Goods
· Sale to wholesaler/ Distributor
· Sale of the product to the retailer
· Sale to the end consumer



Goods and Services Tax is levied on each of these stages which makes it a multi-stage tax.
Value Addition

Flour& Sugar $\xrightarrow{\text{Value Addition}}$ Biscuits $\xrightarrow{\text{Value Addition}}$ Label $\xrightarrow{\text{Value Addition}}$ Biscuits

The manufacturer who makes biscuits buys flour, sugar and other material. The value of the inputs increases when the sugar and flour are mixed and baked into biscuits.

The manufacturer then sells the biscuits to the warehousing agent who packs large quantities of biscuits and labels it. That is another addition of value after which the warehouse sells it to the retailer.

The retailer packages the biscuits in smaller quantities and invests in the marketing of the biscuits thus increasing its value.

GST is levied on these value additions i.e. the monetary value added at each stage to achieve the final sale to the end customer.

Destination-Based

Consider goods manufactured in Maharashtra and are sold to the final consumer in Karnataka. Since Goods & Service Tax is levied at the point of consumption. So, the entire tax revenue will go to Karnataka and not Maharashtra.

The journey of GST in India

The GST journey began in the year 2000 when a committee was set up to draft law. It took 17 years from then for the Law to evolve. In 2017 the GST Bill was passed in the LokSabha and RajyaSabha. On 1st July 2017, the GST Law came into force.

SGST CGST & IGST

Since GST is a destination-based tax, and end-user consuming any goods or services is liable to pay the Goods and Services Tax. The tax is received by the State in which the goods or services are consumed and not by the state in which such goods are manufactured. In cases of exports, the seller of the goods or services is exempted from paying the tax.

To determine whether Central Goods & Services Tax (CGST), State Goods & Services Tax (SGST) or Integrated Goods & Services Tax (IGST) will be applicable in a taxable transaction, it is important to first know if the transaction is an Intra State or an Inter-State supply.

Intra-State supply of goods or services is when the location of the supplier and the place of supply i.e., location of the buyer are in the same state. In Intra-State transactions, a seller has to collect **both CGST and SGST** from the buyer. The CGST gets deposited with Central Government and SGST gets deposited with State Government.

Inter-State supply of goods or services is when the location of the supplier and the place of supply are in different states. Also, in cases of export or import of goods or services or when the supply of goods or services is made to or by an SEZ unit, the transaction is assumed to be Inter-State. In an Inter-State transaction, a seller has to collect **IGST** from the buyer.

Central Goods and Services Tax -CGST

Under GST, CGST is a tax levied on Intra State supplies of both goods and services by the Central Government and will be governed by the CGST Act. SGST will also be levied on the same Intra State supply but will be governed by the State Government.

This implies that both the Central and the State governments will agree on combining their levies with an appropriate proportion for revenue sharing between them. However, it is mentioned in Section 8 of the GST Act that the taxes be levied on all Intra-State supplies of goods and/or services but the rate of tax shall not be exceeding 14%, each.

State Goods and Services Tax -SGST

Under GST, SGST is a tax levied on Intra State supplies of both goods and services by the State Government and will be governed by the SGST Act. As explained above, CGST will also be levied on the same Intra State supply but will be governed by the Central Government.

Note: Any tax liability obtained under SGST can be set off against SGST or IGST input tax credit only.

An example of CGST and SGST:

Let's suppose Rajesh is a dealer in Maharashtra who sold goods to Anand in Maharashtra worth Rs. 10,000. The GST rate is 18% comprising of CGST rate of 9% and an SGST rate of 9%. In such a case, the dealer collects Rs. 1800 of which Rs. 900 will go to the Central Government and Rs. 900 will go to Maharashtra

Integrated Goods and Services Tax -IGST

Under GST, IGST is a tax levied on all Inter-State supplies of goods and/or services and will be governed by the IGST Act. IGST will be applicable on any supply of goods and/or services in both cases of import into India and export from India.

Note: Under IGST,

· Exports would be zero-rated.

· Tax will be shared between the Central and State governments.

An example for IGST:

Consider that a businessman Rajesh from Maharashtra had sold goods to Anand from Gujarat worth Rs. 1, 00,000. The GST rate is 18% comprised of 18% IGST. In such a case, the dealer has to charge Rs. 18,000 as IGST. This IGST will go to the Centre.

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Tax Comparison Pre GST, Post GST and Difference

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Segment	Excise Duty	NCCDandCess	VAT	Road Tax	Motor vehicle tax	Total	CGST	SGST	TOTAL	Difference
SmallCars Less than1200cc	12.50 %	1.10%	14 %	Levied By State	Levied By State	28 %	9%	9%	18%	10%
Mid-SizeCars from 1200cc to 1500cc	24%	1.10%	14 %	Levied By State	Levied By State	39 %	9%	9%	18%	21%
Luxury Cars more than1500cc	27%	1.10%	14 %	Levied By State	Levied By State	42 %	14 %	14%	28%	14%
SUV's more than1500cc, more than170mm ground clearance	30%	1.10%	14 %	Levied By State	Levied By State	45 %	14 %	14%	28%	17%

GST-Salient Features

1. GST is a comprehensive indirect tax on manufacture, sale, and consumption of goods and services throughout India and replaces indirect taxes levied by both Central and State Governments.
2. GST allows the registered firm to take an input credit for the tax paid on the purchase of goods or services in the normal commercial activity.
3. Taxable goods and services are not distinguished from one another and a single and uniform rate of tax will attract until the goods or services reach the end customer.
4. A mechanism to allow a single authority — state or Central — to leavy tax on goods and services and also to sanction and process GST refunds for exporters in a faster and simpler manner.
5. The export of goods or services is considered as zero-rated supply and imports will attract the same taxes as domestic goods and services adhering to the destination principle in addition to the Customs duty which will not be subsumed in the GST.
6. Since GST is a Single Tax after the amalgamation of several Central and State taxes there won't be cascading or double taxation, paving way for a common national market.
7. In GST taxes are merged and simplified and becomes easier for administration and enforcement.
8. A consumer may enjoy the overall price reduction under GST and free movement of goods from one state to another state without stopping. The time delay in the borders for check post entry is eliminated. Also, there would be a reduction in the overall tax burden on goods, which is currently estimated at 25%-30.
9. GST is more digital-oriented and there would be an enormous saving of paper and time in preparing documents.

Impact of GST on Indian Automobile Industry

The constitution (one hundred and twenty-second amendment bill, 2014) related to proposed GST was cleared by RajyaSabha. The GST is likely to have four major implications

1. Alteration in the incidence of effective indirect tax across industries
2. Expand availability on an input tax credit
3. Change business dynamics between the organized and unorganized sectors.
4. Reduce bottleneck and improve efficiency in the supply chain and especially road logistics.

Considering the above insights, the industry would need to do a critical analysis of the law and its repercussions on their business. With regards to the automobile sector which is an important contributor to the Indian economy and manufacturing sector. Decoding the provisions of model GST law for this sector would be worthwhile for the economy.

The Pros and Cons of Model GST Law on Indian Automobile Industry

1. Tax Rates and Price Variation

According to ICRA research, there is no clarity on the rate of taxation but it is predicted that tax benefit can be availed by a small car and a two-wheeler segment and reduced-price would ultimately boost the demand whereas bigger cars and SUVs would have to pay high tax. According to the ICRA viewpoint, there could be an 8-10%decrease in-vehicle rate if GST turns out to be 18%.

2. Input Credit

It means at the time of paying tax on the output you can reduce the tax already paid on input. Under model GST law capital goods cover only those goods which are used at the place of business of supply of goods' thus only goods which are used in place of business of OEMs seem to be eligible for availing input credit. So, this poses a challenge to the OEMs in availing credit to the tools in the vendor premise on which cost is recovered by the vendor. Thus, either cost of tooling would increase for OEMs or they will have to find out some alternatives in the form of in-house development.

3. Market Unification

With the introduction of GST whole country would be treated as one market as the price of the product would be the same everywhere due to the removal of the cascading effect of taxation under model GST law.

4. Impact of GST on Job Work

Job work is processing the goods supplied by the principal to complete a part or whole of the process GST law allow a principal to send taxable goods without paying taxes to job worker and must be bought back to the principal in 180 days.

5. Supply Time for payment of GST

Under GST the liability for payment of CGST and SGST will arise at the time of supply of
Goods at earliest of:
• Date of removal of goods
• The date on which goods are available to the recipient
• Date of invoice
• Date of receipt of payment for a supply
• Date of receipt of goods as shown in the book of account of the recipient

6. Dealer incentive scheme and GST

Dealer incentive schemes are not subject to VAT, but there are issues on the applicability of service tax on dealers, depending on the terms of each scheme. The industry is of the view that these schemes are not an independent service by dealers to the manufacturers, but are like post-sale discounts. The Model GST law does not provide as to whether these incentives or discounts are subject to GST. Further, since the original supply would have already suffered GST and the buyer would have taken the input tax credit, the issue of whether these incentives/ discounts would impact the price and credits, or will these be kept out of GST (in the VAT chain), needs to be addressed.

7. GST and Logistics

Model GST law is expected to ease out the various bottlenecks and complexities involved in the transportation of goods using road logistics.

8. GST is yet to provide clarity on taxation for excise duty or vat exempted manufacturing unit

Under the proposed GST regime treatment of exemption is not clear at present. However, the industry expects that the existing unit would most likely to reap benefit until the scheme expire. Ashok Leyland and hero Moto Corp are burning examples.

9. Stock in the hands of the dealer on the transition date – possible double taxation

The transition provisions provide that credit balances admissible under the present regime can be carried forward under GST. In case of stocks lying with dealer which is procured on payment of excise duty and CST, such excise duty and CST is not admissible as credit under the present regime. Accordingly, the transition of such taxes/ duties included in the stocks lying with the dealer has to be allowed. Otherwise, under the GST regime, such stocks would suffer tax again, i.e. excise duty and CST paid, and CGST and SGST on supply after the appointed date.

10. Lack of clarity on MOU incentives

The investments by automobile companies are significant and have a multiplier effect on the State's economy. Generally, States provide for various incentives including Investment Promotion Subsidies (IPS). A majority of the automobile manufacturers enjoy special benefits from the State Government in the form of State Investment Promotion Subsidies (IPS). This is given in the form of a refund of VAT/ CST paid, or as a loan. With the introduction of GST, taxes move from the Origin State to the Consumption State. This would result in a significant reduction of the flow back of IPS since GST on inter-state sales is not credited to the Origin State. Growth drivers have turned supportive across the segment.

GST Compliances

The number of registered taxpayers is increasing constantly and they started complying with GST timelines promptly. During the first month of GST implementation in July 2017, only 38 Lacs out of 68 lacs taxpayers turned to file GSTR 3B returns and the figure was almost double in April 2019. E-way bill, an anti-evasion mechanism, came into existence from April 1, 2018, and received an overwhelming response among taxpayers. The

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number of e-way bills doubled from 2.8 crore in April 2018 to 5.49 crore in March 2019.

GST Tax Slabs

Over 200 goods were kept in the 28 percent slab when GST Tax slabs were formulated for the first time. Subsequently, the number of goods under 28 percent slab has been cut reduced to eight percent slab along with other goods and services whose tax rates have been reduced. For example, GST on restaurant services has been brought down from 18 percent to 5 percent. Under GST, tax on affordable housing projects have been reduced to 1% from 8% and non-affordable housing projects from 12% to 5%

Number of returns

Filing of returns in the GST regime was found to be a tedious process and there was a provision for three monthly returns - for sales, for purchases and a composite return - and one annual return. When business firms complained about the cumbersome process in the filing of 37 returns being filed in a year, the GST Council did away with the purchase return. Now businesses have to file two returns - GSTR1 for sales and GSTR 3B, a composite return. The GST Council has now given a nod to a new system under which only one return needs to be filed from January 2020.

Benefits of GST in General

GST is believed to create a congenial atmosphere in India and will help the government to improve tax revenues easily. Consumers, as well as dealers in the intermediate in business, also will be benefited.

• **Mitigation of Tax Burden and Cascading effect:** No doubt the final tax is going to be paid by consumers for the goods and services purchased by consumers and there won't be a slumping of taxes as input credit is taken in every stage of billing in the transaction. GST is levied for the value of the goods or service.

• **Abolition of Multiple Layers of Taxation:** One of the advantages of GST is that it integrated different tax lines such as Central Excise, Service Tax, Sales Tax, Luxury Tax, Special Additional Duty of Customs, etc. into one consolidated tax. It prevents multiple tax layers imposed on goods and services.

• **Resourceful Administration by Government:** Previously, the management of indirect taxes was a complicated task for the Government. However, under the GST establishment, the integrated tax rate, simple input of tax credit mechanism and a merged GST Network, where information is available, and administration of resources are well-organized and straightforward for the Government.

• **Enhanced Productivity of Logistics:** the restriction on inter statement movement of goods has reduced. Earlier logistic companies had to maintain multiple warehouses across the country to avoid state entry taxed on interstate movements.

• **Creation of a Common National Market:** GST gave a boost to India's tax to Gross Domestic Product ratio that aids in promoting economic efficiency and sustainable long – term growth. It led to a uniform tax law among different sectors concerning indirect taxes. It facilitates in eliminating economic distortion and forms a common national market.

• **Ease of Doing Business:** with the implementation of GST, the difficulties in indirect tax compliance have been reduced. Earlier companies faced significant problems concerning registration of VAT, excise customs, dealing with tax authorities, etc. The benefit of GST has aided companies to carry out their business with ease.

• **Regulation of the Unorganized Sector under GST:** it has created provisions to bring unregulated and unorganized sectors such as the textile and construction industries to name a few under regulation with continuous accountability.

• **Reduction of Litigation:** GST aids in reducing litigation as it establishes clarity towards the jurisdiction of taxation between the Central and State Governments.GST provides a smooth assessment of tax.

• **Tackling Corruption and Tax Leakages:** with the GST online network portal, the taxpayer can directly register, file returns and make payments of the taxes without having to interact with tax authorities. A mechanism has been devised to match the invoices of the supplier and buyer. This will not only keep a check on tax frauds and evasion but also bring in more businesses into the formal economy.

There are various benefits of GST in India as listed above. However, a tax reform of such magnitude comes with its teething problems.

Disadvantages of GST

• **IT Infrastructure:** Since GST is an IT-driven law, it cannot be sure whether all the states in India are currently equipped with infrastructure and workforce availability to embrace this law. Only a few states have implemented this E-Governance model. Even today some states use the manual VAT returns system.

• **Tax Burden of SMEs:** earlier the small and medium enterprises had to pay excise duty only on a turnover that exceeded Rs. 1.5 crore every financial year. However, under the GST administration, businesses whose turnover exceeds Rs 40 lacs are liable to pay GST.

- **Burdenincrease for Compliance:** The GST administration states that companies are required to register in all the states they operate in. This increases the burden on the business for excessive paperwork and compliance.
- **NO GST for Petroleum Products:** petrol and petroleum products have not been included in the scope of GST until now. States levy their taxes on this sector. Tax credit for inputs will not be available to these industries or those related industries.
- **Training needs of Tax Officers:**There is inadequate training that is provided to the Government officers for practical usage and implementation of such systems since the GST administration heavily banks on information technology.

GST in India was a sweeping reform and benefits of GST and has changed the way businesses are conducted. Businesses are being included in the formal economy through GST implementation. GST and its benefits have provided long term returns for the Indian economy on a large scale which have been welcomed as a new change by all the stakeholders.

The automobile industry accounts for 7.10 percent of the country's GDP. With automobiles being the mode of transportation for personal purpose & commercial purpose this industry in India is growing rapidly. What GST would bring to the automobile sector is enumerated below:-

Benefits

The present levies such as NCCD and automobile cess which are out of credit mechanism would be abolished with the introduction of GST,thus, reducing the additional cost burden.

The practice of rate-buying which means buying a product from the state where less tax is levied as compared to another state would be stopped with the introduction of uniform taxes across the country.

The interstate tax which is currently levied with no credit mechanism adds to the additional cost would now benefit from the introduction of Integrated Goods & Service Tax **(**I-GST) where credit would be available.

It is expected that eco-friendly/Hybrid cars would either be subject to the lower rate of tax or exempted from the environmental point of view.

Demerits

The difference in the rate of luxury cars such as SUVs and small cars such as sedans is expected to continue in GST.

The levy of road tax which is imposed on usage of vehicle by the consumer is not expected to be subsumed into the GST and would continue to be charged in the same old fashion.

Overall the GST would be beneficial for the automobile industry with the government promoting domestic manufacture and taxing the high-end cars with a higher rate. As high-end automobiles imported would be charged by import duty which would not be subsumed in the GST.

Two Years of GST and its Performance

Goods and services tax (GST) has completed and time to evaluate how the new indirect tax system impressed the taxpayers. The GST has been one of the significant and it is common to have teething problems in the implementation stages. It is evident from the fact that tax collections have been increasing and systems are getting streamlined for better results.

Increase registered taxpayers

When the GST was introduced in India, there were only 65 Lacs taxpayers were there and the number has jumped into 1.2 crores within two years with an increased percentage of 85%. Thus GST has widened the tax base and formalized the structure in the Indian economy.

Tax collection

Monthly GST collection was Rs 92,200 crore in for July 2017 in the first month of its introduction subsequently, it dropped to Rs 83,700 crore in November in the same the lowest monthly collection recorded. Second-year onwards GST tax collections got picking up and Rs 96,500 crore was collected in July 2018. In 2018-19, the average monthly collection reached Rs 97,100 crore with collections breaching Rs 1 lakh crore regularly. The collection stood at Rs 1.03 lakh crore in May 2019. The government has a target of at least Rs 1 lakh crore in GST collections every month to meet its revenue estimates.

Of the total collections, central GST stood at Rs 17,582 crore, state GST at Rs 23,674 crore and integrated GST at Rs 46,517 crore, including Rs 21,446 crore collected on imports. Compensation cess collection stood at Rs 7,607 crore, including Rs 774 crore collected on imports.

The Indian economy began the new year 2020 with a positive note with an increased collection of Rs 103184 crore for December 2019.

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SIAM's Viewpoint on GST

The Society of Indian Automobile Manufacturers (SIAM) is a non-profit apex national body representing vehicle and vehicular engine manufacturers in India.

SIAM works and supports Indian Automobile Industry with a vision that India emerges as the destination of choice in the world for the design and manufacture of automobiles. It works to improve the standards of the Indian Auto Industry to compete globally using increased productivity, cost reduction, and better quality.

Society of Indian Automobile Manufacturers (SIAM) welcomed the government's decision to reduce the GST rate on electric vehicles from the present 12% to 5%.

Mr. Rajan Wadhera, President, SIAM said, "Government's vision of increasing electric mobility in the country has been acknowledged by GST council by significantly reducing GST rate on electric vehicles. We are thankful to the GST council for accepting these recommendations which were proposed by SIAM in our white paper which was released last year to promote the growth of electric vehicles in India."

ACMA's View Point on GST

ACMA represents the interest of over 830 auto component manufacturers contributing more than 85% of the auto component industry's turnover in the organized sector. ACMA is an ISO 9001:2015 Certified Association.

ACMA President Mr. Nirmal Minda told "Auto component industry today sought uniform 18 percent GST across the sector stating that low taxation would lead to better compliance and larger tax base.

The industry, which reported a growth of 18.3 percent to Rs 3.45 lakh crore in 2017-18, said the lower tax levy would also help in curtailing the flourishing of grey operations in the aftermarket.

"One of the key demands of the industry has been a uniform 18 percent GST rate across the auto component sector. Currently, 60 percent of the components attract 18 percent GST rate, while the rest 40 percent, majority of which are two-wheelers, and tractor components attract 28 percent," Automotive Component Manufacturers Association of India (ACMA) further sought creation of a fund to support indigenous research and development (R&D) and technology creation in the component industry.

The industry body also advocated for notification for change in the micro, small and medium enterprises (MSME) definition as that would allow for a larger number of companies to avail government incentives.

II. CONCLUSION

Implementation of GST seemed to be positive for automobile industry in terms of improved efficiency in road logistics, lower price of small car and two-wheeler so that now these would not be a thing of luxuries rather would become part and partial of everyday life and lower taxation would likely to be key benefit of GST for automobile industry but still greater clarity is awaited on the multiple facets of draft model of GST law such as treatment of tooling cost, tax for job worker, dealer, exemption issue of vat etc. needs to be addressed. Thus the epitome of the research paper is the expectation of lower taxation is likely to be positive for automobile demand although, in the near term, the customer may hold back on their purchase till more clarity on new taxation emerges, as a result, new vehicles sale may decline in near future. Proper GST administration and dispute resolution (more importantly on inter-state transactions) are very critical. The industry is also expecting the procedural changes to be notified in advance and may require a lead time of at least six months before the introduction of GST.

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