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Reviving Business across Sectors in India in COVID-19: A GST Perspective

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ABSTRACT

Goods and Services Tax (GST) has been introduced in India to curb the limitations of earlier indirect tax laws. It was expected to bring down the cost by removing cascading effects, improve ease of doing business through the ease of compliances, and to act as a check on tax evasion practices. GST has been successful in many of its objectives, however, a lot of improvements are still needed to ripe the full benefits of GST. Particularly, amidst the coronavirus scenario, there are more expectations from GST to revive the surviving sectors. The prime focus of this paper is to evaluate the impact of GST on different sectors in India by making a categorical comparison with the earlier indirect tax system and to study how coronavirus has worsened the situation. It is emphasized that the impact of GST on different sectors and different industries has not been uniform. The new pandemic has increased the suffering by manifold and stimulus package announced by Government of India cannot be regarded sufficient. It would be prudent if tax rates, particularly for beaten sectors are brought down to push demand so that the surviving sectors may be revived.

Keywords: *Goods and Services Tax (GST); Value added tax (VAT); CGST; SGST; IGST; Tax deduction at source (TDS).*

1.0 Introduction

Coronavirus pandemic may be seen as thunder fall for economic activities globally. Among worst affected countries, India is also one of them. Since March 2020, different sectors in India started witnessing significant down turn. Lockdown period of six months added to this halt on different economic activities. However, the impact of coronavirus on different sectors were different.

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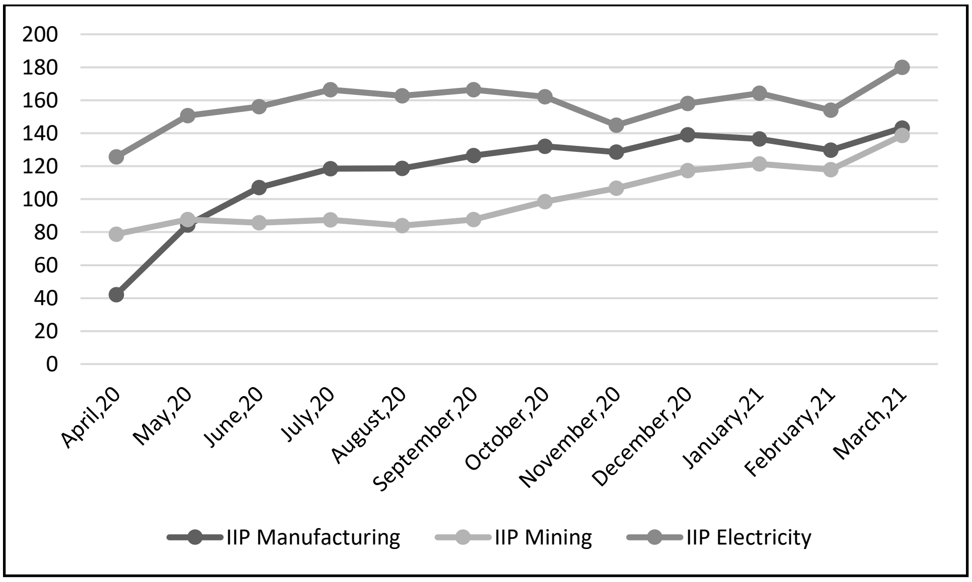
Some sectors like real estate, tourism and hospitality, aviation and automobiles were among worst affected sectors. Amidst uncertainty, there are greater expectations on the GST front in reviving the sectors that has been beaten by COVID-19 pandemic. Due to disruptions caused by this pandemic, a fall between 13 percent to 32 percent is expected in world trade in year 2020 and it is equally uncertain whether year 2021 will see a recovery because recovery not only depend on duration of outbreak but also on policy responses. (WTO, 2020). As per the report of FICCI (2020), several job losses and salary cuts have led to loss of confidence on the part of the consumers. Most of the sectors are facing downturn and thus there is high need for policy intervention.

Thus, economic policy has to play a great role to avoid decline in trade and provide relief to business from painful consequences. Indian economy has experienced a significant downfall in demand as well supply side. Appreciably, Government of India has announced stimulus package to revive demand and supply. In line with GST some of these relaxations include regarding due date of filing return, conditional waiver of late fee for delay in filing return and lowering the interest rate but a lot more are needed and there are more expectations on GST front.

Figure 1: Index for Industrial Production for Manufacturing, Mining and Electricity



Source: The Ministry of Statistics and Programme Implementation (MOSPI)

According to report of FICCI, 53% of Indian business lost due to the pandemic. Some of the sectors faced recession due to fall in demand like real estate, hospitality and tourism and others due to fall in supply like automobiles, chemical industries and pharmaceuticals. From Figure 1, growth of index of industrial production, manufacturing and mining were more affected than electricity. Government of India taken several measures to assist businesses impacted due to the pandemic. Some of the measures adopted were relaxations regarding basic customs duty, extension of compliance periods, exemptions from interest and relaxations from statutory requirements under various laws.

2.0 Literature Review

The indirect tax regime in India is undergoing consistent changes for the last three decades. Trade inquiry committees, Chairman: Jha, (1978) and Chairman: Chelliah, (1991) recommendations for Value Added Tax (VAT) for both goods and services sector may be viewed as pioneering steps behind the introduction of Goods and Services Tax (GST) in India. However, the need for a national level Value Added Tax was thought by Bagchi (1994) who viewed it as the best solution to deal with domestic taxes, which were acting against the free play of market forces and leading to economic distortions. The introduction of a full-fledged VAT was supposed to have the potential to remove cascading effects. Murty (1995) highlighted the need for a comprehensive VAT both at the Centre and States level for growth. Modified Value Added Tax (MODVAT) may be considered as the first major overhaul in Central Excise toward this end. It was introduced to reduce cascading effects at multipoint Excise levies and thereby reducing costs and prices to consumers. However, due to restricted applicability of MODVAT confined only to Central Excise, its effects were negligible. The major drawback of MODVAT was that it did not cover all the goods (Sarma and Rao, 1987).

On the services front, services tax (1994) was enacted to tax service as a Central tax. At the States level, Value Added Tax (VAT) was introduced for eliminating the multiplicity of taxes and double taxation effects on commodities (White paper on VAT, 2005). However, VAT did not allow credit of excise duties and services tax paid at the manufacturing level and thus resulting in cascading effects.

Despite consecutive tax reforms before Goods and services tax (GST) came into force, many inefficiencies were existing in Indian indirect tax laws. Cascading effects, complex procedures, higher tax evasion practices, the multiplicity of taxes and lack of harmonization between the Centre and States were among a few which were acting as a hindrance in the economic growth of India. Acharya (2005) pointed out that reforms were needed to plug in certain deficiencies in tax laws relating to low buoyancy, provide proper integration between Central with States taxes and simplify the complex procedures. Further, Chelliah (2006) regarded the Indian indirect tax structure as irrational wherein different taxes were levied without thinking about the economic consequences of those taxes and added that unstructured and unintegrated taxes were creating cascading effects. It was also expected to encourage cooperative federalism (Thirteenth Finance Commission Report, GOI, 2009). Rao (2010) regarded GST as a major reform in the indirect tax regime. Through the seamless flow of input tax credit, it is expected to remove cascading effects and thus lowering the overall tax burden.

With the objectives of curbing exiting inefficiencies and uplifting the business and economic scene of the country, GST has been introduced since 1st July 2017. GST promised to lower the manufacturing cost by eliminating the cascading effects, cut down the paper cost and render the system more speedy and transparent, reduce pre-dominant tax evasion practices. GST has been incorporated as a dual model which is justified having regard to unique federal structure of India (Central Board of Indirect Taxes and Customs, 2019). This dual model of GST has created a fiscal independence where both the Centre and the state will levy tax on each transaction at the same rate and on the same tax base

GST is part of make in India and make on India initiative (Subramanian, 2015). Kumar (2016) cited the need for including petroleum products and liquor for positive impact on different sectors. Further, taxation system was complex when interstate trade was involved. GST has not only reduced the tax rates on manufacturing goods but also paved the path for reducing trade barriers across the different states. GST was expected to broaden the overall tax base through increased transparency and compliance and reduce the inefficiencies in production processes (Leemput & Wiencek, 2017). Again Parmar & Ghosh (2021) advocated the need to bring petroleum products within purview of GST. However, they emphasized that Government may face reduction in revenue if petroleum products are included in GST bucket. Manoj & Muraleedharan (2021) found that textile traders in Kerala were not prepared for GST and are facing burden of excess compliances due to introduction of GST with delay in getting input tax credit.

Online based system is expected to ensure paperless transactions with lesser human interaction, bring better transparency and a check on tax evasion practices. As compared to Value Added Tax (VAT), it has a wider tax base and same tax base across the different States (RBI, 2017). GST has the effect of bringing tax rates on manufacturing goods and substantially reduce trade barriers in interstate transactions. Further, when the tax rates on goods and services are compared globally, the tax rates in India is still on the higher side (Sebastian, 2018).

Since we find many promising statements about GST (Central Board of Indirect Taxes and Customs, 2019 & Reserve Bank of India, 2017) and some finger pointing also (Sebastian, 2018 & Mukherjee & Rao, 2014), some sectors have been benefitted due to GST while others suffered. Hence, it is essential to make a categorical comparison between pre and post-GST scenarios to understand which sectors benefitted from GST and which sectors suffered.

When the trade and industries in India were trying to adjust from the shock of GST, the outbreak of coronavirus pandemic worsen the situation. According to Sinha (2019) the impact of GST on handloom sector has been devastating. It has negatively impacted weavers, master weavers, cooperatives, suppliers and retailers. Javed, Kishwar & Imran (2020) highlighted that COVID-19 pandemic has very negative impact on people living below poverty line. They are surviving after job losses on a mass scale. As per the report of FICCI (2020), several job losses and salary cuts have led to loss of confidence on the part of the consumers. Most of the sectors are facing downturn and thus there is high need for policy intervention, 53% of Indian business lost due to the pandemic. Some of the sectors faced recession due to fall in demand like real estate, hospitality and tourism and others due to fall in supply like automobiles, chemical industries and pharmaceuticals. Thus, it is also imperative to understand which sectors are worst affected in the coronavirus pandemic and at the same time whether stimulus package of Government of India could be considered sufficient in the given situation.

3.0 Objectives of the Study

The objectives of this study may be categorized as under:

a) To examine the impact of GST on different sectors in India by making a categorical comparison between pre and post GST scenarios
b) To assess the impact of COVID-19 on different business sectors in India

4.0 Data and Methodology

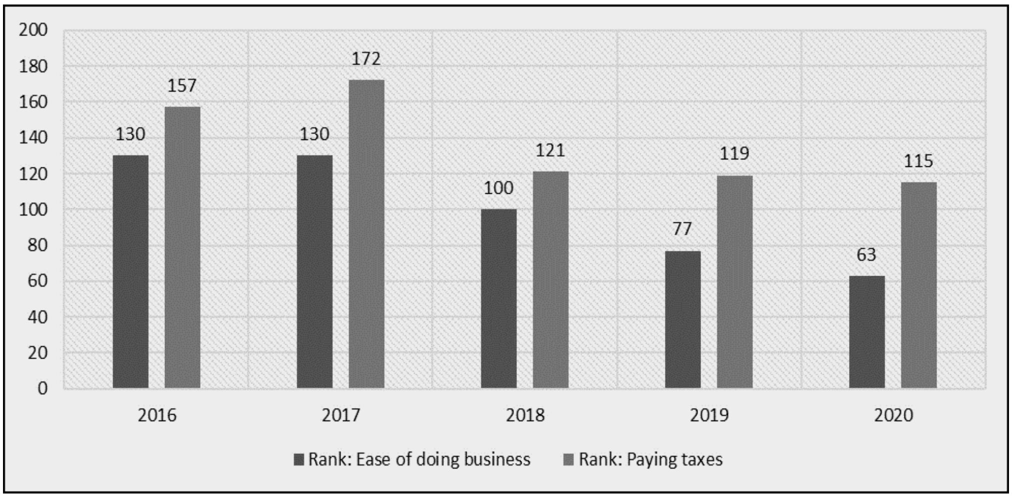
Here data for index for industrial production has been taken from 1st January 2019 to 29th February 2020 as period before the outbreak of COVID-19 and from 1st March 2020 to 30th April 2121 as period after the outbreak of COVID-19 from the website of RBI. Data on Data for the purposes of comparing pre and post-GST scenarios have been collected from various Government reports, reports of trade authorities, various taxation laws of States and Union Government, available literatures and other secondary sources. Relevant sections, reports and other literatures have been properly cited at appropriate places for understanding the impact of GST on different sectors as compared to the earlier indirect tax laws. The study applies Wicoxon signed rank test to evaluate the impact of COVID-19 on different sectors in India.

5.0 Results and Discussion

5.1 Impact of GST on ease of doing business ranking in India

More than three years have passed since GST was implemented in India. Due to implementation of GST the rank of India with ease of doing business has been improved from 130 in year 2017 to 100 in year 2018 and rank in paying taxes, improved from 172 in year 2017 to 121 in year 2018 (World Bank DB rank, 2018). However, even if rank of doing business improved to 63, rank in paying taxes has only slightly moved to 115 position (Figure-2). This is depicting existence of many inconsistencies in paying taxes domain which needs to be done away with urgent priority.

Figure 2: Rank paying taxes and doing business India in last five years



Source: Based on last five years DB rank by World Bank

5.2 Impact of COVID-19 on different business sectors in India

For analyzing the impact of COVID-19 on different 23 sectors, following null and alternative hypotheses are formulated,

Ho: Index for industrial production on selected sectors before outbreak of COVID-19 were same as that of Index for industrial production after the outbreak of COVID-19

Ha: Index for industrial production on selected sectors before outbreak of COVID-19 were different as that of Index for industrial production after the outbreak of COVID-19. Since data were not normally distributed t test assumptions are violated and thus for testing "Wilcoxon signed rank test", a non-parametric test has been used for finding the differences between variables before and after COVID-19. This Wilcoxon signed rank test compares sample median against a hypothetical median. Significance level has been set at 5% (α=.05).

The Wilcoxon signed rank test uses "W" as test statistic. Here W+ indicates sum of positive ranks and W- as sum of negative ranks. Here following formula has been used to calculate Z_W.

$$Z_W = \frac{W_R - \mu_{WR}}{\sigma WR}$$

Table 1 shows the results of Wilcoxon test. Some sectors have encountered significant impact (p value less than .05) while others have no impact (p value equal to or more than 0.05). Sectors like beverages, refined petroleum, furniture, leather, non-metallic products, paper products, textile products, apparel products, printing products and other manufacturing products had adverse impact of COVID-19. However, study has found no adverse impact of COVID-19 on general index, basic metals, chemical products, electronic, electrical, fabricated metal products, food products, machinery, motor vehicles, transport equipment, pharmaceuticals products, plastic products and tobacco products.

Table 1: Results of Wilcoxon Signed Rank Test

S/N	Variables	Z	Asymp. Sig. (2-tailed)	Test results
1	General Index before - General Index after	-1.726	.084	No impact
2	Basic metals before - Basic metals after	-.220	.826	No impact
3	Beverages before - Beverages after	-3.107	.002	Significant impact
4	Chemical products before -Chemical products after	-.220	.826	No impact
5	Refined petroleum before – Refined petroleum after	-2.542	.011	Significant impact
6	Electronic before – Electronic after	-1.789	.074	No impact

7	Electrical before – Electrical after	-1.601	.109	No impact
8	Fabricated metal products before – Fabricated metal products after	-1.852	.064	No impact
9	Food products before – Food products after	-1.161	.245	No impact
10	Furniture before – Furniture after	-3.296	.001	Significant impact
11	Leather before – Leather after	-2.668	.008	Significant impact
12	Machinery before – Machinery after	-1.726	.084	No impact
13	Motor vehicles before – Motor vehicle after	-1.412	.158	No impact
14	Non-metallic products before – Non-metallic products after	-2.166	.030	Significant impact
15	Transport equipment before – Transport equipment after	-1.726	.084	No impact
16	Paper products before – Paper products after	-3.296	.001	Significant impact
17	Pharmaceuticals products before – Pharmaceuticals products after	-.157	.875	No impact
18	Plastic products before – Plastic products after	-.220	.826	No impact
19	Textile products before – Textile products after	-3.296	.001	Significant impact
20	Tobacco products before – Tobacco products after	-1.789	.074	No impact
21	Apparel products before – Apparel products after	-3.233	.001	Significant impact
22	Other manufacturing before – Other manufacturing after	-1.977	.048	Significant impact
23	Printing products before – Printing products after	-3.233	.001	Significant impact

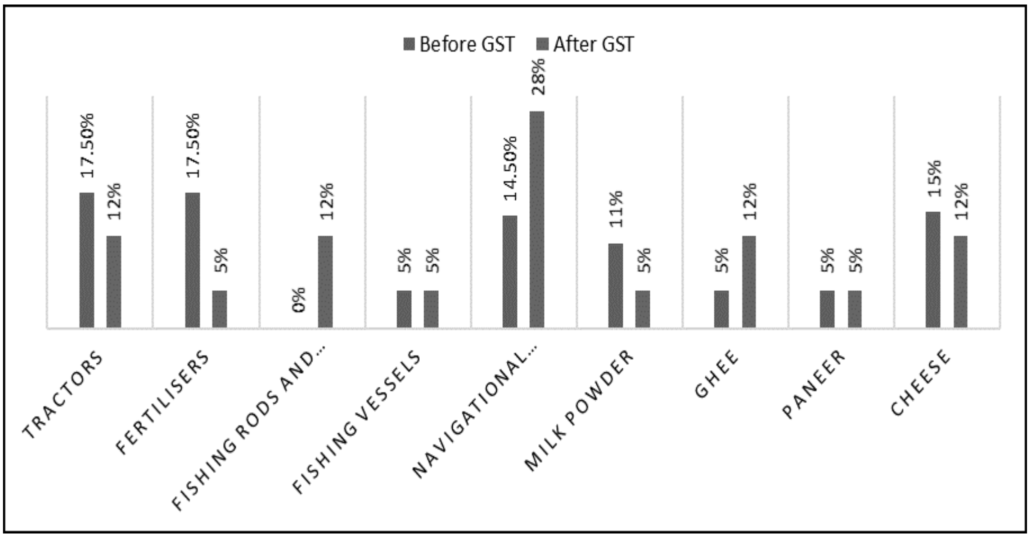
5.3 Impact of GST on different sectors in India

GST was supposed to remove all the deficiencies then existed under indirect tax laws. First discussion paper on GST (2009) described GST as a next logical step towards comprehensive tax reforms of the country which was expected to ensure collective gains for trade and business, for consumers and Central and State Governments and envisioned to widen the tax base, mitigate cascading effects, enable better compliance and bring an overall tax level at a lower rate. However, actual scene after three and half year's implementation of GST is not very much convincing particularly for some of the industries. A detailed study showing categorical comparisons are noted below.

5.3.1 GST and primary sector

Agriculture and allied sectors like mining, fishing, dairy farming, etc. constitutes *a* primary sector. India is a land of agriculture. About seventy five percent of Indian population is dependent on agriculture and allied activities. GST was expected to provide relief to the primary sector, however the scene before and after GST is more or less same. Fishing rods, navigational instruments and ghee particularly has faced higher tax burden in GST as compared to previous rates (Figure-3). A detailed analysis of impact of GST on primary sector is elaborated below.

Figure 3: Comparative Rates for Products of Primary Sector Before and After GST



Source: Based on data collected from CBIC and various state Governments websites.

GST and agriculture

Most of the products produced in the primary sector including fruits, vegetables, milk and other dairy products, meat, fish are nil rated in GST. Further, many unprocessed foods, including milk, fruits, vegetables and meat etc. have been exempted from e-way bill requirement. Today, India is moving towards creating a common national market. GST will add in this initiative by resolving many associated problems like transportation. It is worth appreciating that transport of agricultural produce, Milk, Salt and Organic manure are nil rated under the GST. Hence, agriculturists and others associated with primary sector will find better market and prices for their products. Tractors are liable to GST @ 12 percent, Fertilizers @5 percent and Agricultural equipment and its parts are liable to GST @ 12 percent. Since farmers are exempted from GST registration and thus no input tax credit can be availed and as the effect these are adding cost burden to the agriculturalists. However, it should be noted that under previous laws, there were excise duties of 12.5 percent on both tractor and fertilizer and with VAT of 4 percent to 5percent, Further, there was a VAT rate of 5.5 percent on agricultural machinery. Thus, GST will improve in developing a common national agricultural market, however as far as the tax burden on agriculturists are concerned, it is more or less same.

GST and fishing industry

Even though fish, fish- seeds are nil rated. Fish fillets, dried fish and other fish meat, fish oil, fishing vessels are taxed at 5percent in GST which were exempted from VAT. Fishing equipment like fishing nets, hooks, tackle, rods, ropes were exempt under the VAT regime, however under the *GST* regime these are being taxed at 12percent. Thus, a lot more is required to provide relief to primary sector under the GST regime.

GST and dairy industry

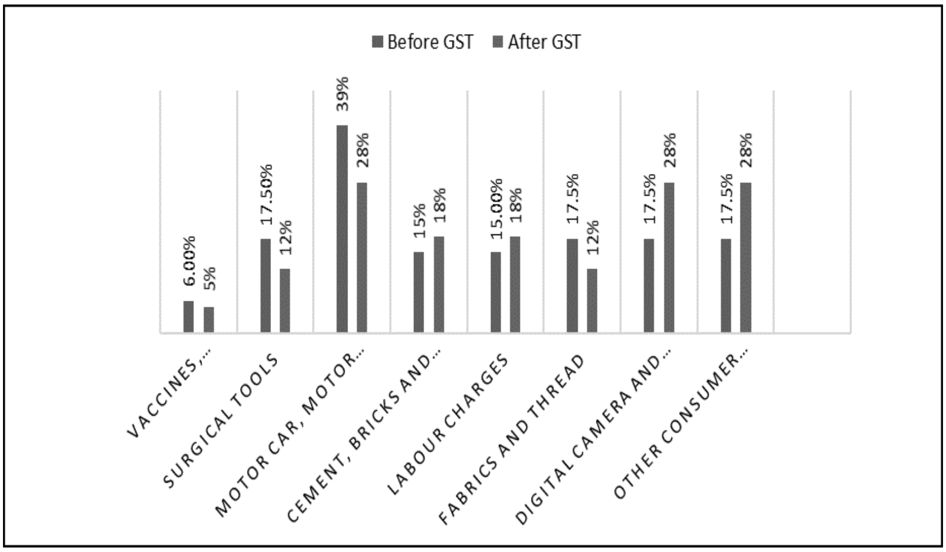
Curd, buttermilk, separated milk were exempt *f*rom VAT while milk powder, ghee, paneer were taxed at 5percent under VAT. Milk powder was taxed at 6percent and ghee was exempt in Central Excise. Chena , curd, Lassi, buttermilk are exempted under GST, however milk powder, milk food for babies, cream, yogurt are taxed at 5 percent, while dairy spreads, milking machine and dairy machinery are taxed at 12 percent and condensed milk is taxed at 18 percent and ghee at 12 percent under the GST. Hence, tax burden on dairy industry is more or less before and after GST.

5.3.2 GST and secondary sector

Secondary sector includes industries that convert raw materials obtained from primary sector into finished products. These include manufacturing, processing industries and oil refineries. GST has rationalized complex processes and procedures of returns and payments. Many of the confusions regarding the rate of duty and value has been removed. More particularly GST has eliminated the cascading effect and as a result the overall cost of production has come down. However, for some of the products like digital camera, television sets, mobile phones are facing higher tax rates in GST regime as compared to earlier (Figure 4).

However, the impact of GST on small scale industries has not been very positive. The Excise law had conferred a benefit of duty exemption up to a turnover of rupees hundred and fifty lakes, however, under the GST regime it is only rupees forty lakhs. Thus, GST has pushed up a compliance burden on small scale industries. A composition scheme introduced with a view to relax compliance burden has also negative financial consequences since small scale industries opting composition scheme can not avail input tax credit. Provision of reverse charge tax, collected at source (TCS) and tax deducted at source (TDS*)* is also added to this negative financial burden. Delay in processing refunds have worsened the situation. Taxing inter-State stock transfers within different branches of the same company is further adding unnecessary cost. On an average, there has been an increase in around twenty percent in working capital requirement of small scale industries in GST regime.

Figure 4: Comparative Rates for Selected Products of Secondary Sector Before and After GST



Source: Based on data collected from CBIC and various state Governments websites.

GST and pharmaceuticals industry

Medicines are of prime necessity for human life, however pharmaceuticals industry cannot be seen to have received much relief in GST regime. Under Central Excise law, vaccines for human use, anesthetic agents, medicaments, Ayurvedic, Unani and homeopathic drugs were taxed at 6 percent. Further, Syringes, needles, catheters, Diagnostic instruments, surgical tools, Anesthetic apparatus and instruments were taxed at 12.5 percent. While drugs, surgical instruments, dressings were taxed at 5percent in VAT. Under GST regime vaccines and some medicines are taxed at 5 percent, however other drugs, dressings, surgical belts and pharmaceutical goods are taxed at 12 percent. Thus, overall tax burden for medicines have decreased in GST regime.

GST and automobile sector

On an average the automobile sector has been benefiting from GST. Under Central Excise motor car, three wheeled vehicles, vehicles for transporting passengers were taxed at 24percent, ambulance at 30percent. Additionally, VAT was levied on motor car, motorcycle and vehicles for transporting passengers at 14.5percent. Under the GST regime small and medium cars are taxed at 12 percent, other motor car and motor vehicles for transporting passengers are taxed at 28 percent, electrically operated vehicles at 12 percent. Thus, rates in the GST regime are lesser as compared to earlier laws. However, since petroleum products are not covered under the GST, it is creating cascading effects and adding cost burden.

GST and real estate industry

Under Central Excise cement, cement bricks, cement tiles, cement asbestos sheets, iron rods, doors and windows were taxed at 12.5 percent. Additionally, there was a VAT of 14.5 percent on these. Further, there was a service tax of 15 percent for labour charges, payment, architect's fee and approval fee. Under the GST law, cement and cement asbestos, iron rods, doors and windows are taxed at 18 percent. Property under construction at 5 percent without input tax credit from earlier of 12 percent with input tax credit. However, the GST rate for an architect's fee, labour charges have risen to 18 percent. Further, there are 18 percent GST on maintenance charges also. The real estate sector is already facing too many problems due to a twin attack of Real estate regulation act (RERA) and demonetization. On an overall basis the impact of GST on real estate has been both positive and negative.

GST and textile industry

Textile industry in India is mostly unorganized and run by small and medium enterprises in India. The impact of GST on small and medium enterprises has not been very convincing even though overall tax rates have come down. Cotton staple was exempted in Central Excise however cotton thread, furnishing fabrics, shirting fabrics, man-made and synthetic fiber were taxed at 12.5 percent. Further VAT was levied at 5 percent on cotton yarn, socks and bags, knitting wool and sewing machine. Under the GST regime cotton, sewing thread, cotton yarn, knitted fabrics and woolen silk fabrics are taxed at 5 percent while weaving machinery (handloom) is exempted. Further, under the GST regime the export of textile is expected to increase due to zero rated. However, GST requires maintaining proper books of accounts for claiming input tax credit. Again, if the composition scheme is opting to get relief from maintaining books of accounts and other compliances, no input tax credit can be claimed. Further reverse charge mechanism has its own limitations.

GST and consumer durable industry

Consumer durables like generators, battery chargers, voltage regulator and stabilizers, vacuum cleaners, food grinders and mixers, microwave ovens, microphones, headphones and earphones, MP-*3* player, digital cameras, television set, furniture, footwear were taxed at 12.5percent in central excise. Additionally, television set, dry cell, voltage stabilizer, vacuum cleaners, microwave oven, telephone, video and audio cassette players, camera, footwear were charged 5percent to 14.5 percent in VAT. While under GST regime electric generators, vacuum cleaners, digital camera, air conditioners, water heaters are taxed at 28 percent, voltage limiters at 18 percent, footwear 5percent to 18 percent. Thus, more or less total tax burden on consumer durables has been same in GST regime as compared to previous periods.

5.3.3 GST and tertiary sector

Tertiary sector includes service providers. There is a rapid growth in revenue from services sector. As per the report on economic survey of India 2018-19, the contribution of the services sector to gross value added in India is 54.3 percent in 2018-19 and India stood ninth in rank in the world in 2017 pertaining the size of the services sector. Under the GST regime five rates 0 percent, 5 percent, 12 percent, 18 percent and 28 percent has been decided based on different categories of services.

Most importantly the term “services” has been defined to include everything as services if it is not a goods (Section 2.102, Central Goods and Services Tax Act, 2017). The average rate of GST on services is 18 percent, which *is* a straight jump of six percent from the average rate of tax on services under the earlier service tax regime and further many exempted services under the service tax regime have also brought to tax in GST regime. Figure 5 shows a comparison of tax rates on selected services before and after GST. It can be seen that rate on services tax in general has increased from 15 percent to 18 percent with highest rate of 28 percent in GST.

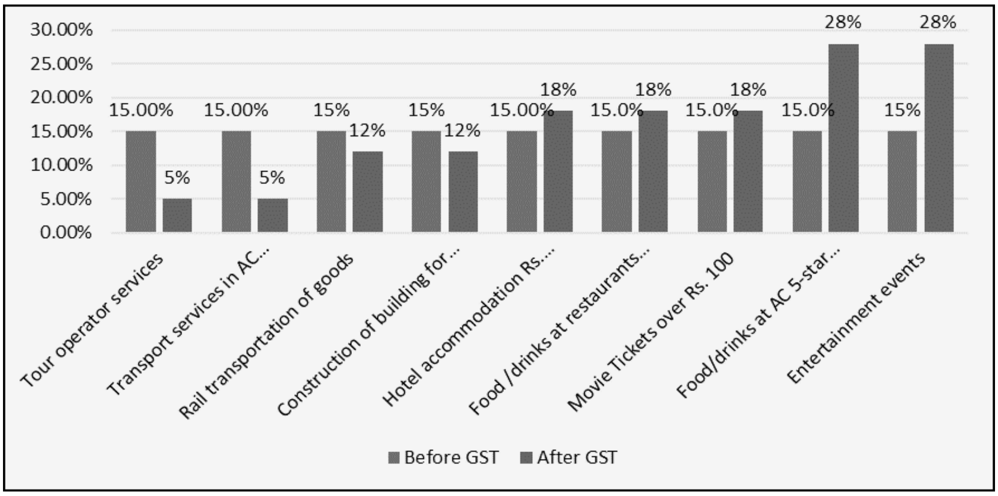
The even threshold limit for compulsory registration is only twenty lakhs as compared to forty lakhs for goods. All these are acting as obstacles in the growth and development of the services sector in India. Composition scheme is also not available for service providers except in restaurant business. Thus, GST provides no relaxations to even small service providers. On the positive side, availability of input tax credit will avoid double taxation.

Following main services may be included for detailed discussion

GST and logistics services

GST has reduced the time and cost required for transportation by removing the requirements of check posts, entry tax and octroi. Transport of goods by Goods transport agency and by rail are *taxed* at only 5percent with input tax credit. Further, many related services like transport of agricultural produce, milk, salt, food grains, and used household goods for personal use have been exempted. Thus, tax rates as well as complexities have come down for this industry. However, most of the players in logistics industry are unorganized sector. To provide relief GST provides that Goods transport agencies are not required to obtain registration if they are engaged in providing those goods and services on which reverse charge applies (Notification No. 5/2017- Central Tax dated 19th June 2017). Thus, the logistics industry has been benefitted by GST.

Figure 5: Comparative Rates for Selected Services before and after GST



Source: Based on data collected from CBIC and various state Governments websites.

GST and hospitality -tourism services

Tourism sector assumes importance as it opens avenues for the inflow of foreign currency. Under previous laws, tourism sector was suffering from a multiplicity of taxes, including levy under VAT and Services tax, entry fee and entertainment taxes. Now under the GST regime the tax rate ranges from 5 percent to 28 percent. Supply of tour operator's services *is* taxable at 5 percent with no input tax credit, accommodation in hotels are taxed in between 5 percent to 28 percent based on room tariff, supply of food and cold drinks in hotels attract 18 percent, supply of services in casinos, water parks, entertainment events are taxed at 28 percent. Thus, overall tax is still higher in GST regime. Rates needs to be rationalized having regard to the importance and growth potential of the tourism industry.

GST and financial services

On earlier taxes, banking, insurance and other financial services were taxed at 15 percent. Now, under GST regime tax rates on these services have hiked to 18 percent. Even on insurance taken for health services are taxed at 18 percent. Both policyholders and insurance companies are surviving due to hike in tax rates. Thus, on an overall basis, GST has negatively impacted banking, insurance and other financial services.

GST and telecommunication services

Telecommunication sector is growing rapidly in India. In terms of growth India stands second after China. The biggest drawbacks of earlier taxes have been complex structure and cascading effect. Further, there were confusions in classification of sale of SIM cards as goods or as services. Many States were levying VAT on sale of SIM cards. GST has resolved these issues. However, the biggest drawback under the GST regime is that rate of services has hiked to 18 percent from 15 percent earlier. This has increased the burden of tax on pocket of the consumers.

GST and electronic commerce services

Electronic commerce provides an online marketplace for dealing in goods and services. Many big players like Amazon, Flipkart, and Snapdeal are involved in this. The online market platform allows the sellers to register and then allow them to sell or provide their services. It is worth mentioning two broad issues facing electronic commerce business in India in GST regime. The first is that composition scheme is not available for sellers and service providers operating through this platform. This has increased compliance burden for small sellers and service providers. The second tax is collected at source (TCS) under which e-commerce operator collects tax at source at the rate of 1percent when consideration is received by it on behalf of the sellers. It is adding only cost.

6.0 Shortcomings in GST that need to be Addressed Urgently

For any tax reform to be successful, it is of paramount importance that the view point of all major stakeholders are taken into consideration. However, this is not true for GST (Mukherjee, 2015). Thus, even if GST is a great reform, it suffers from many design and structural problems causing trouble to common stakeholders. More particularly difficulty in filing return, uploading invoices on the GST portal and complexity in claiming input tax credit. Delay in processing refunds is again adding additional costs to the registered firms. Further, there are cascading effects on imports due to the inclusion of basic customs duty for valuation under the GST. IGST shall be levied on assessable value plus the basic customs duty (Section 5.1, IGST Act, 2017). Again a delay in putting the five petroleum products within GST basket is resulting in too much cost to the public and as well as industries which are using petroleum products as inputs. It is resulting in cascading effects and dampening our competitiveness in the international market (Mukherjee & Rao, 2014). Agricultural products are nil rated under the GST. However, inputs like pesticides, tractors, etc. used for agricultural purposes are taxable. This will add cost to farmers since claiming of the input tax credit shall not be possible. Tax Deducted at Source (TDS) and Tax Collected at Source has been introduced into GST for ensuring compliances and bringing more registrations under the GST net. In case of TDS, credit cannot be claimed if the deductee is unregistered as the amount deducted shall be transferred to the electronic cash ledger of deductee (Section 51, CGST Act, 2017).Thus, the provision of TDS is forcing registrations even to small suppliers. Inclusion of TCS provision will add only additional cost to the supplier without improving anything towards the compliance side. Under the composition scheme, neither the supplier may collect any tax from the recipient nor can claim an input tax credit (Section 10.4, CGST Act, 2017). Hence, the entire tax burden shall be borne by the supplier. The burden of GST/VAT should not rest on the business (OECD, 2015). Further, the composition scheme cannot be opted for services other than restaurants. Additionally, tax rates have been increased from 15 percent to 18 percent on many services. This needs to be rationalized keeping in view the growing demand for services in India.

7.0 Conclusion

After the implementation of the GST, a proper taxation system has emerged in India, which is expected to plug in most of the deficiencies that existed in the pre-GST period. GST in India is unique and the greatest tax reform in Indian history. It has not only brought an integrated commodity tax structure in India but also acted as a control mechanism to minimize tax evasion practices. However, there is a slight mismatch between the scenario of trade and industry in India and the capture of GST law. GST has impacted different sectors differently. While the impact of GST on primary sector is more or less the same, tertiary sector has been worst affected. More particularly hospitality industry, tourism, financial services and electronic commerce are badly impacted. In secondary sector, real estate and textile industry has encountered negative impact of GST. Petroleum products are required to be brought under purview of GST to remove cascading effects. In the coronavirus pandemic situations most of the sectors are facing a downturn and surviving. This study has found that COVID-19 pandemic has more adversely impacted the printing industry, textile industry, furniture, leather products, and paper industry. Thus, adequate push through reduction of tax rates is needed to revive demand. The new pandemic has increased the suffering by manifold and stimulus package announced by Government of India cannot be regarded sufficient. It would be prudent if tax rates are brought down to push demand so that the surviving sectors may be revived. Relaxing only procedural compliance may not meet the purpose. There is a need to give a push-both demand and supply side.

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