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GST and Retail Sector in India

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Retail sector is one of the key pillars for Indian economy and it accounts for around 10% of GDP. GST will usher in wide changes in various industries and sectors and Retail industry is not an exception. Indian retail sector is comprised of organized retail and unorganized retail i.e. sale through traditional family or small stores or shops. The share of organized retail in India is still less than 20 per cent and majority contribution is of unorganized sector. The e-commerce sale is still less than 7% of overall retail sector sales in India.

Objective of study

1. To know the impact of GST on Retail Sector.
2. To know various benefits of implementation of GST in India
3. To know the benefits of GST in India context.

Research Methodology

This paper is prepared through illustrative research which is based on secondary data of journals, research articles, newspapers and magazines.

THE ARRIVAL OF GOODS AND SERVICES TAX

The word tax is derived from Latin word “taxare” which means to estimate. A tax is an enforced contribution, exacted pursuant to legislative authority. Indian Taxation System comprise of- Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. So, GST is the need of the hour.

The Good and services tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like value added tax, excise duty, service tax and sales tax. It will be levied on manufacture sale and consumption of goods and services. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the

same was passed by the Lokshabha on 6th May 2015. The bill seeks to amend the constitution to introduce GST vide proposed new article 246A. This article gives power to legislature to every state and parliament to make laws with respect to GST where the supplies of goods or services take place. Despite the various amendments to the proposed transition, until the time

GST is implemented, it would be worthwhile to assess its positive impact on the various development areas viz. Agriculture, Manufacturing industry, MSME, housing, poverty reduction, employment, price level, EXIM trade, GDP, government revenue etc.

GST is considered as a destination based consumption tax, in which the consumption states are liable for revenues as the origin states is likely to get 1% additional tax for at least 2 years. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, the new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country.

GST is not just a tax reform it is a whole new way of doing business. GST will create one unified national market and hence make supply chain and Indian retail sector more efficient. GST will accelerate the process of formalization of our economy. Demonetization gave a trigger to this process and with GST, this whole process of formalization of economy is getting accelerated.

GST is a tax on value addition at each stage of supply of goods and services. The overarching purpose of the staged collection process of GST is to ensure that the businesses shall not bear the burden of taxes and enable the flow through of taxes to the final consumers.

Framework of GST

- Taxation on destination-based consumption principles i.e., tax would accrue to the jurisdiction where goods and services are finally consumed.
- A uniform and single taxable event of 'supply' would replace multiple taxable events such as manufacturing (excise), sales (VAT), and services (service tax) as prevalent under the current regime.
- Every intra-state transaction of supply of goods and services would be liable to Central GST (CGST) and State GST (SGST) concurrently.
- Inter-state transactions including stock transfers and imports will become liable to Integrated GST (IGST).

Benefits of GST implementation

- It will make the taxation system more transparent and simple and easy to understand.
- It will reduce the overall cost of goods and services to final consumer as cascading effect of taxation will be overcome. \
- It will facilitate free flow of goods and services and thereby reducing overall transaction cost.
- Since GST is not levied on goods and services which are exported so it provides an incentive to EOUs, SEZs and EPZs. And GST will be levied on goods or services imported into the country with destination principle where the imported goods or services are consumed that state will enjoy the tax revenue.

- Since intermediaries in the supply chain can claim the tax credit which will reduce the cost the cost of doing business.
- It will reduce the scope of corruption in the economy as a whole.
- It will increase the tax base as more firms will come under the tax regime which ultimately increases the tax revenue collection for the government.
- GST will guarantee the consistency of taxes over the states, irrespective of place of production or consumption.
- The normal taxation rate on organizations will fall which will decrease the expenses of Indian goods and services and make them competitive in the global market and ultimately GDP would increase
- The taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.
- For paying GST, 13/15 digit PAN-linked identification in line with Income tax will be allotted which will ease the tax payment system.

IMPACT OF GST ON RETAIL SECTOR

The retail sector in India has been increasingly contributing to the Indian economy and in order to reap the benefits of a mature and a rewarding retail sector, a stable indirect tax arrangement is required as a panacea to several tax maladies encountered by the retail sector companies in retail space. The implementation of GST is also expected to resolve many supply chain issues faced by the retail sector companies enabling faster shipment and returns and a reduced paperwork. This will also help the companies to make better supply chain strategies with increased focus on improving warehousing and network decisions would be purely cost and service driven.

Less Taxes

In the current tax scenario, retailers are entitled to about 30% indirect taxes such as VAT, CST, excise duty, service tax on warehousing, Octroi and many more. GST will lessen the retailers' tax burden as it will streamline everything into single tax. The cascading of taxes will be done away with and a simplified tax structure will be come into effect.

Free flow of goods across the nation

After GST implementation, state borders will be unconnected from taxation and documentation point of view. This will result into free flow of goods across the nation without any kind of barriers. GST will reduce the complexity for retailers and make the distribution channel efficient.

Streamlined supply chain

GST will affect the warehouse networks of retail businesses. Retail businesses will no longer require warehouses in every state they operate due to abolition of CST under GST law. Logistics will become efficient too as state border check posts will go irrelevant. Due to decrease in long queues and wait time and free-flowing of goods across the nation, overall lead time of retail businesses will also improve.

Gifts, free samples also taxable

GST law is based on supply of goods rather than manufacturing or sales. Under GST, any supply without consideration will attract tax. Retail sector comes up with many offers like

buy one get one free or some freebies on larger goods, every now and then. Once GST comes into action, tax will be levied on such gifts too. This clause will affect promotional activities of retail sector as under current taxation structure, such goods are tax-free.

Changes in decision making

From supply chain to distribution to promotions, every strategy of retail industry will be affected by GST. Retailers will have to re-think these strategies and re-model their network. Retailers may need to revamp the pricing policy of their suppliers in view of enhanced credits that may be available to suppliers in GST regime. Making necessary changes will make it easy for them to comply with GST.

Growth of Retail Market

GST will unify the markets as there won't be state boundaries to hinder their business. GST will streamline their intra-state as well as inter-state transactions. Retailers can expand their business beyond one state with ease due to one-time registration of their business. This will also contribute towards the growth of the retail market and help boost the economy of the country.

Overall impact of GST on retail sector

Conclusively, the impact of GST on retail sector is going to be positive from both taxation and operations point of view. Retail businesses will flourish more, thus contributing to overall growth of Indian economy. GST will depose total indirect taxes, upsurge supply chain efficiency and facilitate seamless input tax credit. The end price for consumers will also reduce because of GST. Except some clauses, GST will benefit retail sector in a big way.

CONCLUSION:

Several Taxes like Octroi, central sales tax, state levels sales tax, turnover tax, etc, will be clubbed under one ambit GST. It will also help to curb inflation as the tax rate under GST regime will remain constant over a period of time. Goods and Services Tax (GST) to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative in the emerging economic environment. According to a report by the National Council of Applied Economic Research, GST is expected to increase economic growth by between 0.9 per cent and 1.7 per cent. Exports are expected to increase by between 3.2 per cent and 6.3 per cent, while imports will likely rise 2.4-4.7 per cent, the study found.

Upon implementation of GST, analysts predict unification of markets. Thus, biggest of the impacts of GST will be in the widening of potential markets for the retailers. Retailers would be ready to explore markets across diminished boundaries leading to better growth of the retail market. Retail industries will have to re-assess their current supply chain strategy and re-model their network.

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