

AN IMPACT OF GOODS & SERVICES TAX ON AGRICULTURE SECTOR OF MAHARASHTRA

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Abstract:

Since 2000, after going through various discussions & debates, finally Goods & Services Tax (GST) has become a reality. The introduction of GST has become one of the most transformational reforms since the 1991 reform in Indian economy. As it amalgamates a large quantity of both the taxes i.e. Central & State taxes which helps to overcome with the issue of cascading effect of taxation or double taxation and further to it, it gives one common national market for the goods & services or both. GST is a comprehensive tax which is imposed on manufacture, sale and consumption of goods and services or both, besides those which did not fall in its scope. As the Goods & Services Tax applicable throughout the country it impacts on each and every sector of economy and quite large on Agriculture Sector as it contributes 16% share in the national GDP of country and employs 50% of Indian population. Above changes in tax rates will automatically reflect in the changes in the price structure of agricultural inputs, followed by commission or margin of manufacturers and dealer's, imports and exports and finally farmer's income and economy of country. Overall, it seems, from the input side, that the cost of cultivation for farmers may increase marginally, which will put mild pressure on agri prices. But, before concluding this prices of agri-outputs are also need to consider.

Keywords: GST, Agri-product GST, goods & services

1. INTRODUCTION:

The Goods and Service Tax is one of the most needed indirect tax reform in India. Which is applicable to whole of India (for the State of Jammu & Kashmir, it is enforced from 8th July, 2017). GST is a comprehensive tax which is imposed on manufacture, sale and consumption of goods and services or both at the national level. It has subsumed all the indirect taxes collected earlier by the state government and the central governments on goods and services or both.

As per Article 366 (12A), "Goods and Services Tax means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption".

Further to it, The Article 366 (12) defines “Goods as it includes all materials, commodities, and articles (pre-existing definition)”. and The Article 366 (26A) defines “Services as anything other than goods”.

“Goods and Services Tax law while having unique principles, has significant elements of prior Central and State laws: and is also inspired by VAT/GST legislation of European Union (EU), Australia, Malaysia etc. along with International VAT/GST guidelines of Organization for Economic Co-operation and Development (OECD)”.

The state like Maharashtra where majority of population depends upon Agriculture Sector for its employment. In which the role of Agriculture Sector for contributing to the economy of the state is around 12%.

Agri-inputs and its timely supply plays important role for cultivating plants and enhancing the crop productivity. There are various agri-inputs has been used for cultivating plants like seeds, crop protection chemicals, fertilizers, insecticides, pesticides etc. Same in the case of Agri-outputs which will be the final products obtained after by utilizing the agri-inputs. Agri-output includes food grains (rice, wheat etc.), vegetables, fruits, jute, cotton, tea, coffee etc. for this to study the impact of GST on these agri-inputs as well as agri-outputs becomes necessary.

As per GST regime, after considering time to time amendments in the tax rates for different kind of inputs like seeds (exempted), fertilizer (5%), insecticides (12%), crop protection (18%) and outputs like food grains (exempted), jute cotton mesta (5%), tea coffee (5%), processed food (12%), prevent the industry for unique treatment for all agriculture inputs and outputs.

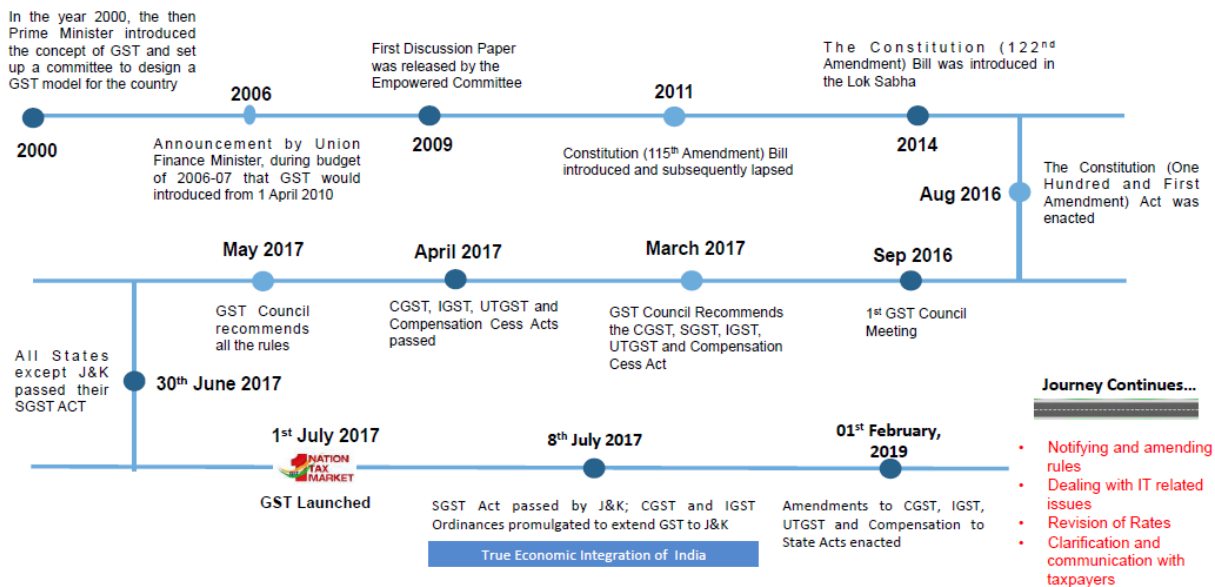
Goods and Services Tax has been launched to provide boost for economic growth of India. As it transforms the majority of indirect taxes levied earlier towards one single tax applicable to whole of country. This gives benefit by avoiding cascading effect of tax on tax and free flow of goods and services across the country. The implementation of GST has influence each and every sector of economy, and quite large on Agriculture Sector as it has the third largest sector by contributing to the national GDP. Agriculture in all fields invariably attain the soft corner by allowing exemptions from the taxes as remedy which has been continually granted to this industry and indirect tax isn't exception with GST following the same.

- In case of goods, “all the basic ‘not processed’ agriculture goods which are not chargeable under current VAT laws would not be charged to tax in GST”.
- In case of service, “the exemption has been continued to the several services in relation to agriculture produce which are exempted from service tax”.

However, there is an exemption in the indirect tax in the agriculture sector but, there is a increase or decrease in the rates of taxes in many food items. Thus, there is a need to explore the possible implications

of the GST on the Indian Agriculture Sector. This study mainly focuses on agri inputs and agri outputs of the agricultural sector.

The Journey to GST



Literature Review:

Indian Council of Food & Agriculture (2017), studied, positive and negative effects of GST on Agri-inputs with respect to manufacturing cost, retail price, farmer's profitability, export market, imports and the overall influence of GST on Indian agricultural market.

S.Tharani (2017), has indicated merits and demerits of GST on agriculture sector of India, impact of GST on National Agricultural Market, how GST will impact the service provided by a goods transport agency for transporting the agriculture produce.

Akram Khan (2018), studied GST models in India, important features of GST, problems with GST, prospects of GST, impact of GST on Indian economy, relation or impact of GST on Indian Agriculture sector, tax rate structure for agriculture sector before GST Vs. after GST, influence of GST on Indian Agriculture Market.

2. OBJECTIVE OF THE STUDY:

1. To study thoroughly the history, various concepts & mechanisms of GST.
2. To understand the implication of GST on agricultural produces.
3. To analyze the impact on prices due to differences in tax rates under GST and earlier tax system with respect to agricultural products.
4. To have an opinion on impact of Goods and Service Tax in the Agriculture Sector in India.

3. RESEARCH METHODOLOGY:

Exploratory Research has been conducted to study the concept. It intends in simple terms to discover the research questions and does not intend to offer final and conclusive solutions to current issues. As GST has been rolled out in India still, there is continuous amendments in the provisions of law have been carried out followed by changes in the tax rates of goods or services or both. But, the research definitely helps us to have a better understanding of the problem.

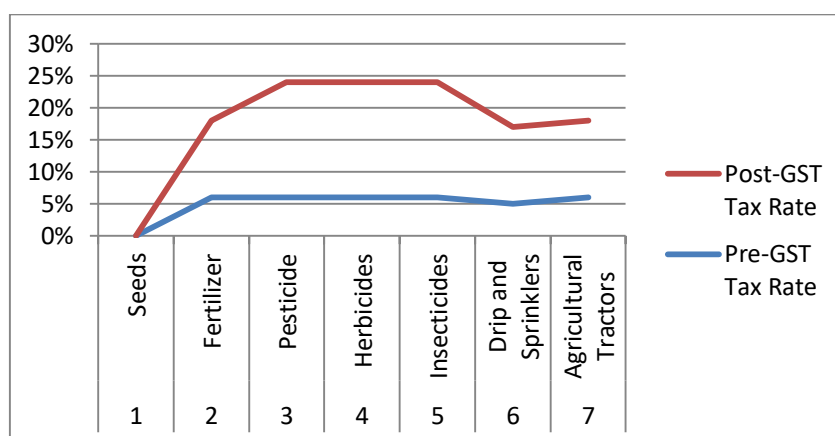
3.1 Data Collection:

The study has been conducted by using Secondary data. The data has been collected from the various circulars & notifications published by the government with respect to specify the rate of tax. Also, the Act-Rules and there time to time amendments published by the government has been collected to study the various concepts and mechanisms of GST.

4. DATA ANALYSIS & INTERPRETATION:

Agriculture Inputs:

Sr. No.	Description	Pre-GST Tax Rate	Post-GST Tax Rate
1	Seeds	0%	0%
2	Fertilizer	6%	12%
3	Pesticide	6%	18%
4	Herbicides	6%	18%
5	Insecticides	6%	18%
6	Drip and Sprinklers	5%	12%
7	Agricultural Tractors	6%	12%



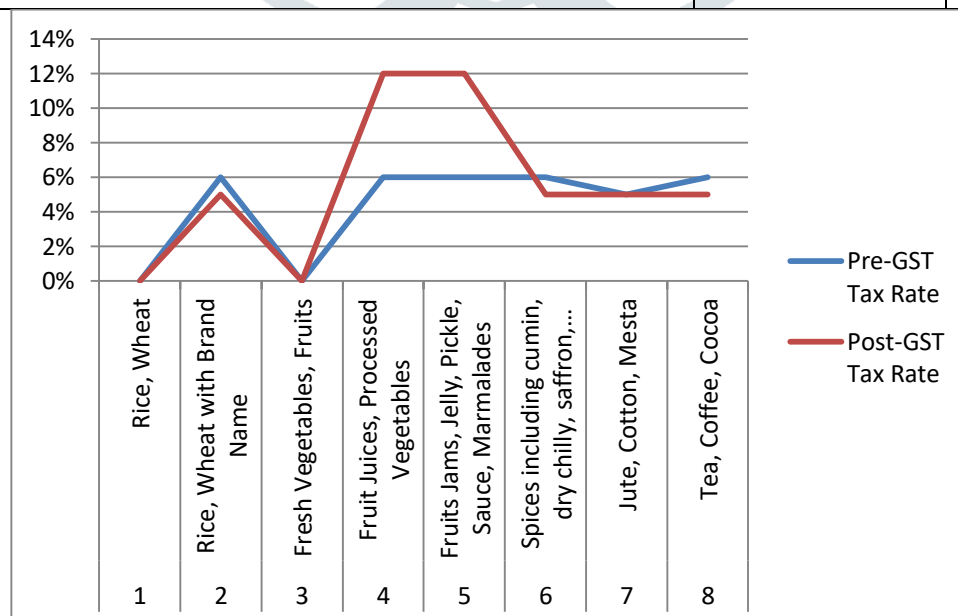
Interpretation:

While collecting the data the core areas has been focused which covers majority of agricultural inputs. So, the major seven inputs has been considered for the analytical presentation.

From the above data, it is observed that there is large variation in the tax rates between pre-gst era and after gst has been implemented. The Seeds has been pooled to exempt category as it is as per the previous tax rate structure. The rate for Fertilizer has been raised from 6% to 12% followed by the rates Pesticide, Herbicides & Insecticides from 6% to 18%. The rates for Irrigation equipment's like drip & sprinklers has also been increased from 5% to 12%. The tax rate for tractors (except road tractors having engine capacity more than 1800cc) has been raised from 6% to 12%.

Agriculture Outputs :

Sr. No.	Description	Pre-GST Tax Rate	Post-GST Tax Rate
1	Rice, Wheat	0%	0%
2	Rice, Wheat with Brand Name	6%	5%
3	Fresh Vegetables, Fruits	0%	0%
4	Fruit Juices, Processed Vegetables	6%	12%
5	Fruits Jams, Jelly, Pickle, Sauce, Marmalades	6%	12%
6	Spices including cumin, dry chilly, saffron, turmeric, cardamom etc.	6%	5%
7	Jute, Cotton, Mesta	5%	5%
8	Tea, Coffee, Cocoa	6%	5%



Interpretation:

Same as the data collected of Agricultural inputs the data has been collected to cover majority of Agricultural Outputs. Likewise, major eight agricultural outputs has been considered for the analytical presentation.

As per the above data it is observed that, the tax rate for Cereals like Rice, Wheat etc., Fresh Vegetable & Fruits have been kept as it is to the exempt category for the tax. If the same Rice, Wheat has been put up in the unit container and given a registered brand name for selling the same, the tax bracket for it will change. In previous tax structure it has been covered in the tax bracket of 6% which has been reduced to 5% in the GST era.

The tax rate for Fruit Juices, Processed Vegetables, Fruits Jams, Jelly, Pickle, Sauce, Marmalades has been raised from 6% to 12%.

The tax rate for an assortment of spices used in Indian Cuisine like cumin, dry chilly, saffron, turmeric, cardamom etc. has been reduced from 6% to 5%. The tax rate for Tea, Coffee, Cocoa has been also reduced from 6% to 5%.

The tax rate for Jute, Cotton, Mesta has been kept as it is to 5%.

5. FINDING OF THE STUDY:

While going through the rates prescribed under previous tax structure and in GST tax structure, it is found that the tax rates are kept as almost similar with previous tax rate structure. Although, there are some exception for it.

- In case of Agricultural Inputs like Fertilizer, Pesticide, Insecticides etc. it is observed that there is huge gap between the tax rate in previous tax structure and under GST. While finding the reason for such gap, it is found that in previous tax structure excise duty which are ranging between 12% to 12.5% has been charged on these products at the time of manufacturing the product.
- Similarly it is found that, in case of Irrigation equipment's like Drip, Sprinklers & Tractors in previous tax structure the excise duty of 12.5% has been charged at the time of manufacturing the product.
- It is found that, Food processing industry dealing with Fruit Juices, Processed Vegetables, Fruits Jams, Jelly, Pickle, Sauce, Marmalades etc. has got a hike in tax rate of 6% in current tax in the GST regime.

6. CONCLUSION:

After going through the various concepts of GST, there are various favorable and unfavorable implication of GST like it gives single tax head by eliminating various indirect taxes applicable in the country. It also provides uniformity in the tax rate based on HSN Code in case of goods and SAC in case of services which will help to sell the agriculture inputs as well as output on uniform price across the country.

It is also concluded that, the majority of output agricultural produces falls into the category of exempt from tax hence, the taxes paid on purchases of agricultural inputs like seeds, tractors, insecticides, fertilizers, pesticides, etc. has been blocked which leads to rise in prices of agricultural outputs. It is also need to note that the prices of agricultural outputs are majorly controlled by the market forces which adversely affects the farmers, as the prices paid for the agricultural input products rises and prices of agricultural output products are remains stagnant.

Due to the above conclusions; It is required to take at most care while deciding the tax rate structure as well as the policies for claiming the input tax credits, as the agriculture sector plays a very crucial role in the Indian economy.

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