

Expected Impact of GST On Oil And Gas Industry

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Abstract : GST known as the Goods and Services Tax is distinct as the huge indirect tax arrangement planned to sustain the commercial growth of a nation. In India, GST is implemented as one tax classification for each and every goods and services. . The GST would count numerous Central and State taxes into a distinct tax which would ease cascade taxes and smooth the progress of a common nationwide market This recently restructured tax system is implemented in India from 1st July 2017. The Goods and Services Tax (GST) will unfavorably have an effect on the oil and gas business as the sector will have to accomplish with both the existing tax command and the GST. In fact, GST will unconstructively distress on Oil And Gas Industry due to fulfillment with double taxes command and non-creditable strain outlay.

IndexTerms - Good And Service Tax, Direct Tax, Indirect Tax ,

I. INTRODUCTION

. GST is extensive model which covers the numerous taxes in it. GST or goods and services tax was commenced by the President of India on 8 September 2016. GST is a value-added tax levied at all points in the supply chain, with credit tolerable for any tax paid on input acquired for use in making the contribute. It would concern to both goods and services in inclusive comportment. GST just makes simpler the complex and wide web of various meandering taxes. This tax replaced all indirect taxes applied on goods and services by the central government and state government. GST is a value-added tax applied at all points in the supply chain, with credit permitted for any tax paid on input acquired for use in making the supply.

Goods and Services Tax is most ambitious and biggest plan of reforms tax makeup which intention is to stitch mutually a common market by dipping barriers. It is a only one tax command applied in India on all goods and services. In Goods and services tax, all the indirect taxes will be covered under a single system. The GST assessment laws will put an end to several taxes which are levied on diverse products, opening from the manufacturing sectors to reaching the end consumer. GST works on the Principle of "One Country One Tax

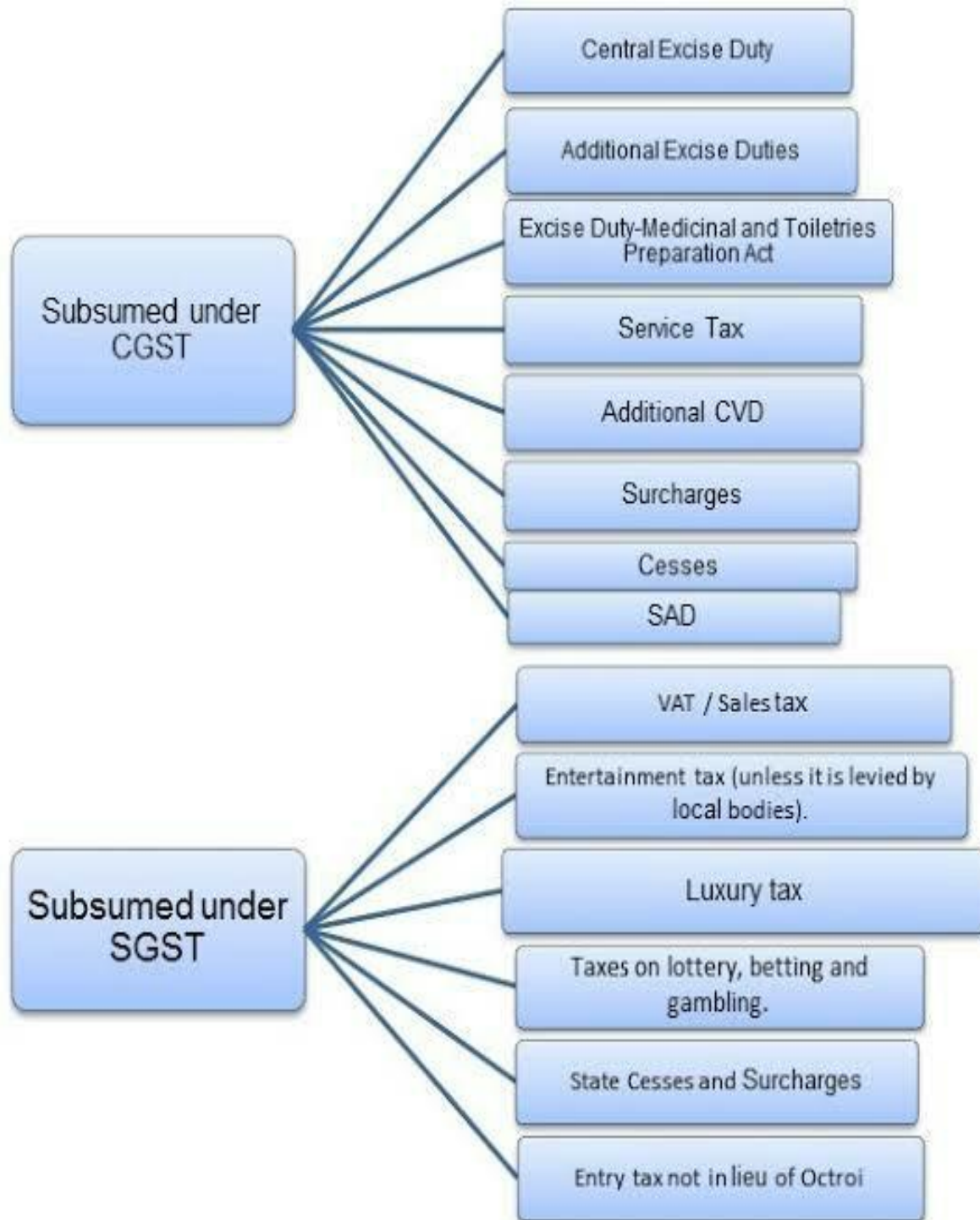
GST replaced a lot of indirect taxes which are :central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi etc.

Features of GST

- GST should be pertinent on sale of goods and services as aligned with the current conception of tax on the manufacture of goods and services.
- GST should be target based tax as in opposition to the current concept of tax.
- The GST levied by the Centre, called Central CGST and tax levied by the states, called SGST.
- IGST- Integrated goods and service tax is levied on inter-state supply of goods or services.
- The states will impose tax like on supplies of goods & services made within the state, the union will levy the tax on inter-state supplies, but the state will collect it as in the present case of CST.
- There is only one document for tax purpose, and a single return filed with a central registry.
- The legal responsibility under the GST is a invoice credit method i.e. CENVAT credit will be permitted on the basis of bill given by the suppliers
- Imported service is considered as a inter-state GST.

The credit would be permitted to be utilized in the following manner:

- a) ITC of CGST allowed for payment of CGST & IGST in that order.
- b) ITC of SGST allowed for payment of SGST & IGST in that order.
- C) ITC of IGST allowed for payment of IGST, CGST & SGST in that order.



- a) Central Excise Duty (including additional Duties of Excise)
- b) Service Tax
- c) CVD (levied on imports in lieu of Excise Duty)
- d) SACD (levied on imports in lieu of VAT)
- e) Central Sales Tax (CST)
- f) Excise Duty levied on Medicinal & Toiletries preparations.
- g) Surcharges and cesses.

States taxes that would be subsumed within GST are:

- a) VAT/ Sales Tax
- b) Entertainment Tax
- c) Luxury Tax
- d) Taxes on Lottery, betting and gambling.
- e) Surcharges & Cesses

GST could apply to all goods & services except Alcohol for human consumption, Electricity and Real Estates. The list of exempted goods & services would be kept to a minimum and would be harmonised for the Centre and States as far as possible.

REVIEW OF LLITERATUR

Mitin Kumar had written in his paper entitled “Goods and Service Tax- A Way Forward” and he summaries that implementation of GST help in reducing economic deformation by present indirect tax regime and probable to support unbiased tax construction which is unconcerned to geographical Location.

Lurohit(July 2010) had reviewed various issues in the introduction of goods and services tax. Empowered Committee of GST has made Joint Working Group to introduce GST & to have consensus of all states on detailed framework to be adopted for GST. The study found that there will be dual GST in India, base of tax will increase to retail level, petroleum products will not include in GST, CST will be replace by IGST. Tobacco will be a part of GST base but, the centre, will have the authority to levy special excise in addition to GST. Also, there were issues in administration like the threshold limit for states will be 10 lac both goods and services & 150lacs for centre, small dealers whose annual turnover are not exceeding 50lacs rupees have to pay GST at the rate of 0.5%. the study concluded that dual GST model should be implemented in such a way that it is collect by one agency and paid to respected Government. Also, it is required that the interaction of tax payers with officials from tax department should be reduced which will help to end corruption.

Girish Garg, (2014) Studied “Basic Concepts and Features of Good and Service Tax in India”, and found that GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST will generate a only one, combined Indian market to construct the economy stronger. Experts comments is to improve and enhance India's economic growth by breaking tax barriers linking States and integrate India through a identical tax charge.

OBJECTIVE OF STUDY

The study has subsequent objectives:

- 1) To explain the concept of GST.
- 2) To study the various modes of GST.
- 3) To Study the expected impact of GST on Oil and Gas Industry.

RESEARCH METHODOLGY

Being an explanatory research it is based on secondary Sources of data, which have been collected from various GST implementation discussion papers, web articles, blogs (internet sources), Various Website, and Newspaper etc. The accessible secondary data is intensively used for research study.

Theoretical framework

The Goods and Services Tax Bill, which was passed by the Rajya Sabah on August 3, 2016, to implement a estimated value added tax called the Goods and Service Tax in the country from April 1, 2017. Goods and service tax eliminates various kinds of state and central taxes into a single tax which would ease a complicated taxation system and encourage a common national market. A GST has to be put up which shall make recommendation on taxes to be subsume, exemption, rates, date from which Goods and service tax imposed on crude oil, diesel, natural gas, aviation turbine gas and gasoline etc. As per current system, the GST is not applicable on some selected industry like oil and gas industry, so that he will get benefit from current tax scenario of GST. According to a various kinds of institution, industry, experts, credit rating agencies, the new tax command of GST impose an additional tax on the sector for the compliance to a dual tax regime. The Oil and Gas industry exclude from the current tax regime of GST so that, industry gets benefit.

GOODS

GST APPLICABILITY

Crude Oil

Oil Cess, NCCD, VAT/CST

Natural Gas

Customs Duty, VAT/CST

MS, ATF, HSD

Excise Duty, VAT/CST

LPG, Naphtha, SKO etc

GST

Natural Gas, crude Oil -these all products consolidated a significant Share in the production of the upstream and downstream industry; keeping these out of the ambit of GST would bar the oil and gas industry from most of the benefits of GST. Gas, crude oil, motor spirit, and aviation turbine fuel would be comprise in GST(After some time), while others products of petroleum like Fuel oil , kerosene , LPG , Naphtha are integrated. Therefore, the oil and gas industry is also implementing the current tax command with current tax system and GST command both. It enlarged the Un-necessary tax costs. With this refiner shall be paid GST on purchase of some heavy machinery, installation of some heavy equipments, plant, machinery and services etc. Furthermore, the raise in tax rate from 15 % to 18 % should adversely impact on upstream company. In the Context of gas utilities segment, gas marketers will face complexity as

they will pay the GST on transmission tariffs, and selling proceeds is out of the GST regime. Moreover, the PNG in industrial and other sectors become less attractive compare fuel, because effective tax rate on competing liquid fuels has compact from 26-28 % to 18 % and the consumer will not getting any tax credit on the payments of VAT, so that it also affect adversely.

CONCLUSION

Goods and Services Tax (GST) is a inclusive tax paid by manufacture on sale of goods. One of the principal taxation reforms in India the GST is all set to integrate State economies and enhance overall economic growth. In the current scenario, where the input goods and services for the petroleum industry is comprise under GST and not the outputs. So that it affect adversely on it. It includes various petroleum products and it would be prudent for the States to coincide the country's bigger interest. Overall, ICRA research comments that the present form of GST excludes a major portion of the oil and gas industry products, thus excluding the industry. Additionally it would result in un-necessary additionally costs for the production of crude oil, natural gas, MS and HSD that would enhance the costs of these and other downstream goods and services and have an inflationary affects on the overall economy. Profitability of the industry could also be modestly hit because of tax related under recoveries.

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