

Impact of Goods and Services Tax (GST) on Tamil Nadu Economy with Special Reference to Agriculture and Allied Sectors

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Abstract – Goods and Services Tax (GST) is an indirect tax which was passed on 3 august 2016 and commenced on 1 July 2017 in India. GST was already implemented in 160 countries. India adopted concurrent dual GST model where taxes are collected in the form of State Goods and service tax (SGST) and Central Goods and service tax (CGST). Tamil Nadu is one of the most socially and economically progressive state. In 2014-15, Tamil Nadu contribute to 8.4 per cent in GDP and services contributes to economic activity (45%), manufacturing (34%) and agriculture (21%). Agriculture is the backbone and root of Indian economy which helps to sustain industrial growth and key to reduce poverty. It accounted for 17.4 per cent of GDP. Implementation of GST would expected to satisfy both farmers and consumers by unifying the tax system and reducing the burden of tax and boost the economy of Tamil Nadu in long run. This paper helps to study the impact of GST on economy of Tamil Nadu with special reference to agriculture and allied sector.

Keywords – GST, Agriculture, Tamil Nadu, Economy.

I. INTRODUCTION

Goods and Services Tax (GST) is an indirect tax which was passed on 3 august 2016 and commenced on 1 July 2017 in India. GST was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST council has approved the rates of taxes (5%, 12%, 18% and 28%) on goods and services in its 14th council meet held on May 18, 2017. GST was already implemented in 160 countries. India adopted a concurrent dual GST model where both states and centre will impose and collect tax in the form of State Goods and service tax (SGST) and Central Goods and service tax (CGST). It is unified, comprehensive, multi-stage, transparent, destination-based tax that will be levied on every value addition. Overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent (Chaurasia *et al.* 2016).

Tamil Nadu is one of the most socially and economically progressive state in the country. In 2014-15, Tamil Nadu has the second largest economy in India with GDP- 8.4 per cent. Services contributes to economic activity (45%), manufacturing (34%) and agriculture (21%). It rank second in Human Development Index, third in Per capita GDP and the fourth largest state of India. It is one of the three most

preferred states for business investments and most industrialized state in India. Tamil Nadu is only one of eight states that recorded poverty reduction at a rate higher than the all-India average.

Agriculture is the backbone and root of Indian economy which helps to sustain industrial growth and key to reduce poverty. In 2015-2016, Agriculture and allied sectors accounted for 17.4 per cent of GDP, 48.9 per cent for total workforce and provides livelihood to more than 58 per cent of the total population. India ranks second in farm output, fourth in largest exported principal commodity and seventh in agricultural exports which shares forms an average around 15 per cent (both raw and processed form) which helps to increase the foreign exchange. Exports have become an important engine of India's economic growth (Krueger, 2008).

Implementation of GST would have a great impact on economy of Tamil Nadu especially in agriculture and allied sector. With this backdrop, a study was taken up to assess the impacts of GST on Tamil Nadu economy with special reference to agriculture and allied sectors.

II. MATERIALS AND METHODS

The paper is solely based on secondary data. Relevant data were collected from internet, published articles, newsfeed and journals. Collected data was analyzed using tabular analysis and the results are presented below.

III. RESULTS AND DISCUSSION

The table 1 below clearly illustrates the different GST and VAT rates for various products in agriculture and allied sectors.

Agriculture - As shown in Table 1 the tax rates for agricultural inputs like seeds, implements (manual and animal operated) and organic manure stand unchanged at 0 per cent. Whereas a vast change can be observed in the tax rates of other inputs like chemical fertilizers and pesticide and insecticide which has changed from 0 to 5 per cent and 0 to 18 per cent respectively. Likewise a hike from 5 to 12 per cent in the tax rates of tractors, power tillers and harvesters can be seen. Tax levied on tractor parts has changed from 5 to 18 per cent.

Table 1. GST & VAT rate list of major agricultural commodities

Sl. No.	Name of the commodity	GST (Per cent)	VAT (Per cent)
1	Seeds and saplings	0	0
2	Agricultural implements	0	0
3	Live trees, plants & parts	0	0
4	Live animals, poultry & aquatic animals (except horse)	0	0
5	Fresh meat	0	0
6	Feeds of animal, poultry and aquatic animals	0	0
7	Jaggery	0	0
8	Cotton byproduct	0	0
9	Organic manure	0	0
10	Unprocessed & unbranded tea & coffee	0	0
11	Cereal byproducts	0	0
12	Milk, curd, lassi & butter milk	0	0
13	Egg with shell & processed	0	0
14	Silkworm laying & cocoon	0	0
15	Fresh vegetables, fruits & flowers	0	0
16	Lac & shellac	0	5
17	Unbranded cereals, pulses & oilseeds	0	5
18	Unbranded honey, panner	0	5
19	Chemical fertilizer	5	0
20	Frozen vegetables, fruits & flowers	5	0
21	Oil from oilseeds	5	0
22	Egg with out shell & unprocessed	5	0
23	Silk yarn	5	0
24	Firewood	5	0
25	Animal wool, hair & semen	5	0
26	Instant tea & coffee	5	0
27	Tobacco leaves	5	0
28	Sugar-cane, beet & palmyrah	5	0
29	Dried plants, flowers & barks	5	5
30	All spices	5	5
31	Processed & branded tea & coffee	5	5
32	Resin, ester gum	5	5
33	Oil from vegetables	5	5
34	Branded cereals, pulses & oilseeds	5	5
35	Aquatic animals-frozen & processed	5	5
36	UHT milk	5	5
37	Branded honey, panner	5	5
38	Cocoa bean	5	5
39	Tractors, power tiller & harvester	12	5
40	Processed meat	12	5
41	Cheese	12	5
42	Beverages- fruits	12	5
43	Butter	12	0
44	Dry fruits & nuts	12	14.5
45	Pesticide, insecticide	18	0
46	Parts of tractor	18	5
47	Essential oil	18	5
48	Condensed milk	18	5
49	Timber	18	14.5
50	Molasses	28	30

Agricultural products like live tree, plants, unprocessed and unbranded tea, coffee, fresh vegetables, fruits, flowers, jaggery and byproducts of cereals, cotton are exempted from tax as earlier. The table also depicts certain

agricultural products sans alteration like all spices, ester, resin gum, dried flowers, fruits, barks, cocoa bean and also processed and branded cereals, pulses, oilseeds, tea, coffee, vegetables and honey. It also highlights a depreciation of 5

per cent in the tax rates of commodities lac, shellac, firewood, sugarcane, beet, tobacco leaves, Palmyra and processed and unbranded cereals, pulses, oilseeds, honey, coffee, tea and lastly frozen fruits and vegetables. Tax rate of 12 per cent imposed on fruit beverages and dry fruits and nuts. Lastly a change from 5 to 18 per cent, 14.5 to 18 per cent and 30 to 28 per cent can be seen in the tax impose on essential oils, timber and molasses.

Allied sectors - Under this sector, fresh animals (except horse), their feeds and meat also their byproducts like milk, curd, lassi, butter milk, egg with shell and processed and

silkworm laying and cocoon are exempted as earlier. Tax levied on products like UHT (Ultra High Temperature) milk, branded panner, and Aquatic animals which was frozen and processed are unchanged as 5 per cent. Whereas 12 per cent tax charged on butter, cheese, and processed meat can be observed. Increment of 5 per cent tax rate can be seen in byproducts such as panner, silk yarn, wool, animal hair, semen and egg without shell and unprocessed. Lastly we can notice a high increment in the tax rate of condensed milk from 5 to 18 per cent.

Table 2. Sector wise Tax rate & GST

Sl. No.	Name of sectors	Current tax rate (Per cent)	New GST rate (Per cent)
1	Automobiles	30-47	20-22
2	Banking & Financial service	15	18
3	Cement	27-32	18
4	Entertainment	20-21	18
5	FMCG	20-35	18
6	Insurance	14	18
7	IT	15	18
8	Logistics	15	20
9	Metal	19-21	18
10	Pharmaceuticals	12-14	12
11	Real estate	15	12
12	Telecom	15	18
13	Textiles/Garments	6-7	18

From the above Table 2 we can study the difference between current tax rate and GST in various sectors. A plunge of approximately 50% or so can be seen in the tax rates of automobile, cement and FMCG. Whereas a meager dip is observed in the tax rates of real estate sector. Tax rate of 12% on pharmaceutical and 18% each on metal and entertainment has been imposed. At the same time service sectors such as banking, IT and telecom faced a hike from 15% to 18% in the tax rates. A rise of 4% to 5% is depicted from the above table in insurance and logistics sector respectively. The most affected among all the sectors is the textile/garment sector where a jump as high as 18% from a measly 6% can be seen. We can summarize that implementation of GST will give positive impacts on sectors like automobiles, entertainment, FMCG, cement, real estate also slightly positive impact on metal can be seen. It was observed that GST will expect to remain neutral for pharmaceutical sector. Increment in the effective tax rate will show negative impact on textiles, telecom, logistics, Insurance, banking & financial service sectors and slightly negative impact on IT sector.

IV. CONCLUSION

From the above we analyzed the impact of GST and the revised tax rates levied on various sector with special reference to agriculture and allied sectors. It helps the farmers by making movement of commodities hassle free, increasing the marketing efficiency by establishing integrated market system (e-NAM) and reducing the burden of tax on consumer goods. At the same time both positive

and negative impacts can be seen on other sectors of Tamil Nadu economy as well. We can conclude by saying that a positive and constructive outcome can be expected from the implementation of GST. It can potentially boost the Tamil Nadu economy by eliminating the lacunae prevailing in the economy.

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