

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
(DEPARTMENT OF COMMERCE)

**LOK SABHA**  
**STARRED QUESTION NO. 329(H)**  
**TO BE ANSWERED ON 19<sup>th</sup> MARCH, 2018**

**IMPACT OF GST ON COMMERCE AND INDUSTRY SECTOR**

\*329(H). SHRI BHAIRON PRASAD MISHRA:

Will the Minister of **COMMERCE & INDUSTRY** (वाणिज्य एवं उद्योग मंत्री) be pleased to state:

- (a) whether any new change has come in the commerce and industry sector after implementation of the Goods and Services Tax (GST);
- (b) if so, the details thereof; and
- (c) the details of the reaction of the corporate sector thereto?

**ANSWER**

वाणिज्य एवं उद्योग मंत्री ( श्री सुरेश प्रभु )

THE MINISTER OF COMMERCE AND INDUSTRY  
(SHRI SURESH PRABHU)

a) to c): A Statement is laid on the Table of the House.

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**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA  
STARRED QUESTION NO. 329(H) FOR ANSWER ON 19<sup>th</sup> MARCH, 2018  
REGARDING “IMPACT OF GST ON COMMERCE AND INDUSTRY  
SECTOR”.**

**(a) & (b):** The introduction of Goods and Services Tax on 1st of July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim is to mitigate cascading of taxes and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which was estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. This would have a positive impact on economic growth. This tax reform, because of its transparent and self policing character, would be easier to administer. The introduction of GST has improved the competitiveness of trade and industry in four major ways:

- i) GST has replaced eight central and nine state taxes such as central excise duty, service tax, state VAT, entry tax among others. This means the integration of many taxes levied at central, state and local levels, each with a different tax compliance system. As exports are zero rated, the exporters will get refund of most of the taxes paid on the inputs. In the past, many such taxes remained un-refunded/under-refunded.
- ii) Earlier, only some States refunded VAT on exports, while now the refund as part of GST refund will be applicable to all States.
- iii) GST has reduced the tax on tax or the cascading effect of taxes.
- iv) GST would lead to lower transportation and distribution costs. Pre GST, firms spent a high cost on product sourcing, distribution and warehousing. The high cost was essentially due to expenses incurred on branches and warehouses that existed due to tax saving rather than business considerations. GST removes this arbitrage thus reducing logistics cost and making exports competitive.

During the current year, monthly exports are consistently higher than the monthly exports of previous year except in Oct 2017. Post-GST (July 2017 – Feb 2018) the growth rate of India's merchandise Export is 11.3% as compared to the same period of previous year.

Further, the index of industrial production (IIP) registered a cumulative growth of 3.7% during the period April to December 2017 over the corresponding period of previous year.

**(c):** Implementation of Goods and Services Tax has been widely welcomed by the Corporate Sector. However, there have been initial difficulties faced by the companies in filing of returns. The major issues are working capital blockage due to the process of upfront payment of GST, filing of returns, GST rates on job work and refund of Integrated GST and Input Tax Credit (ITC), high rates of GST on certain items and other Information Technology issues. The Government addressed these issues through announcement of a relief package for exporters in October 2017. Benefits under the Advance Authorization Scheme, Export Promotion Capital Goods Scheme and 100% Export Oriented Unit Scheme were extended for sourcing inputs from abroad without payment of IGST apart from Customs Duty. Moreover, several relief measures have been taken for small traders to allow them to adjust to

the compliance requirements of the new law viz., option to file quarterly return to taxpayers having annual turnover of up to Rs.1.5 crores in the previous year; payment of tax on supply of goods to be made at the time of issuance of invoice and not on receipt of advance; suspension of the application of reverse charge mechanism under section 9(4) of the CGST/SGST Acts, 2017 and section 5(4) of the IGST Act, 2017 till 31st March, 2018 for all categories of registered persons; and simplification in the return filing process by continuing filing of the GSTR-3B return up to March, 2018 along with reduction in late fees for filing of returns. The 26<sup>th</sup> Meeting of the GST Council on 10.03.2018 has decided to further extend the tax exemptions till 1.10.2018. Exports were allowed on furnishing of Letter of Undertaking (LUT), without the requirement of Bond/bank guarantee. Further, GST on sale of Duty Credit Scrips (which are basically incentive on exports) has been reduced to Zero from the earlier rate of 12%. GST on job work in textiles sector, diamond processing in Jewellery sector and leather and footwear sectors has been brought down to 5%. The Government has also taken measures and issued instructions to expeditiously disburse the refund of IGST paid on goods and services exported. Besides, GST council is meeting at regular intervals of time to address the concerns of industry regarding various issues related to GST including rationalisation of GST rates, simplification in filing of GST returns, expediting the process of refunds of Integrated GST and Input Tax Credit for exporters.

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