

Role of GST-An Analysis of Benefits and Challenges of Indian Automobile Sector with Special Reference to Passenger Car

Mrs.S.Priyadeepa¹ and Dr.C.Gomathi²

Ph.D., Research Scholar (Full – Time) Commerce, Sri Vidya Mandir Arts and Science College (Autonomous), Uthangarai.
Research Supervisor, Head of the Department Commerce, Sri Vidya Mandir Arts and Science College (Autonomous)
Uthangarai.

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ABSTRACT

Automobile industries have been considered in India is very largest sector across the globe. This sector involves large number of production involving the bikes and cars annually in order to fulfill their large population. This research paper examines the role of GST by study the benefits and challenges that imposed on the automobile sector. In this Study, 250 passenger car owners' opinions are collected and analyzed by adopting descriptive research design methodology. The review paper highlights the analysis on the impact of GST which would bring changes in the indirect taxation system of India. This paper has shown the aspects of the automobile dealers for indirect taxation leading to pay the taxes at the specific time. The paper also involves the background and theory of GST and its impact on the automobile sectors in India along with certain repercussions.

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Introduction

The Indian taxation system has observed the considerable changes in the financial year 2016-17 on the announcement of Goods and Services tax by the finance minister Arun Jaitely. Goods and Services Tax is the type of indirect taxation which involves the merging of almost all the existing taxes into one taxation system in India. This was introduced in 2016 under The Constitution and First Amendment Act. The constitution (one hundred and twenty second amendment bill, 2014) was related to the proposed Goods and Services Tax by the government which was cleared by Rajya Sabha. The Goods and Services Tax has a major impact on the automobile sectors in India involving the expanding availability of input tax credit, improvement in the efficiency of supply chain and logistics. This analysis leads to evolving decisions on the law and observing its repercussion on the business.

The Goods and Services Tax that has been applied in the automobile vehicles has been classified into four categories in which minimal tax is payable to the small car segment. As a result, consumers have to pay low prices for the small car vehicles and many middle incomes groups can purchase the cars which were not possible for them before because of imposing of several taxes such as registration tax, road tax, sales tax and others that were applied under the state sales tax. As a result, due to the collaboration of all the differentiated taxes, the total tax payable reduced which highly benefits the consumers.

According to the Automotive Mission Plan 2026, India aims to be at the top three automobile manufacturers across the world and is expecting to account for 12% of the total GDP of India in nearby future. According to the current taxation system in India, several taxes have been involved such as VAT, sales tax, road tax, motor vehicle tax along with

the registration duty on the cars and bikes which lie under the law of GST.

Review of literature

Aruna Kapoor (2018), identified that the seamless tax credits system has reduced the hidden costs of doing the business, beneficial to the people/consumers, business and government. In this study a sample size of fifty selected by using the stratified random sampling technique and found out the benefits of GST implementation as reduced tax burden, uniformity in price throughout the country, no overlapping or cascading effect of taxes, simple and easy online procedure, and higher revenue efficiency.

B. Anbuthambi and N. Chandrasekaran (2017), the key success factor for any kind of changes is considered to be training. This research also suggested that the training in the areas of information technology, supply chain network, pricing, marketing, and accounting is mandatory for all the people in all the aspects of the new tax system i.e, GST then only it is possible to achieve the economic growth.

Objectives of the study

- To identify the benefits and challenges that GST has on the automobile sector.
- To analyze the role of GST across the automobile sector.

Background of GST

Recently India is taking major initiatives in the reformation of the taxation system and economic policies in India. Government is supporting the growth towards Indian economy by taking various initiatives. The types of GST have been introduced by the Indian Constitution which involves CGST, SGST, and IGST AND UTGST. These have helped towards the development of the economy in India. GST has been considered as the largest reformation in taxation system in the overall history of India. It is a type of single taxation where all the other taxes are merged into one. The taxes that

are included in GST are Service tax, Value Added Tax, Excise duty, CST, luxury and entertainment tax, etc. GST has evolved into helping the basic needs by supporting the elimination of cost, labor and time.

The GST evolution is the idea of a uniform taxation system which helps India to indulge into one common market and will also increase the possibility of business growth in India. The indirect taxation of India involves two levels (i.e Central Level Indirect taxes and State Level Indirect Taxes). The Structure of Indirect Taxes is shown in Figure 1.

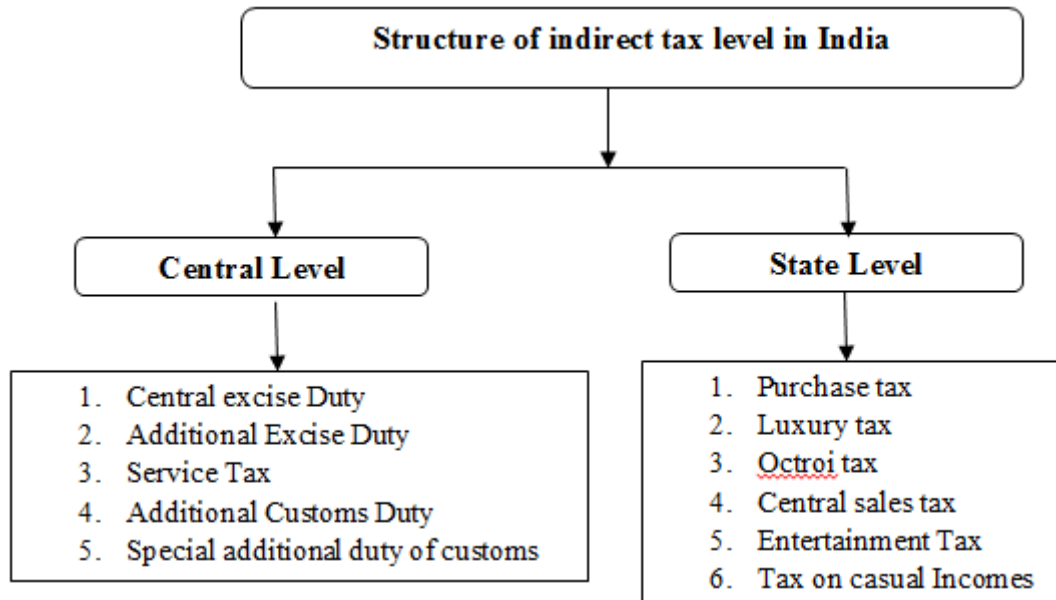


Figure 1. Structure of Indirect Taxes

Benefits and challenges of GST on automobile sector

- The introduction of GST has helped in decreasing the taxation burden by splitting equitably between manufacturing and services at the duration of integrated taxes.
- GST introduction has been proved to be uniform and transparent tax and has imposed many indirect taxes.
- GST has been helpful in eliminating the cost, effort and time of the retailers and has been proved to be cost-efficient.
- The consumers in the business are at a great profit as the prices will eventually fall down and consumption will increase that will in turn help to increase the economy of the company.
- According to the current taxation structure concerning the goods and the services, taxes are announced separately that need the transaction values in the form of value of goods and services leading towards more complications, administrations that also includes the compliances costs.
- GST has supported and helped in bringing the national economy into a common market by removing the economic impairment while imposing at the final level.

Analysis of Impact of the Working Capital of the Automobile Dealers in GST

The automobile industries have contributed towards the economy and growth of India. Apart from this contribution, the automobile sectors have been fighting with the high tax rates for a longer time period along with the central excise duty ranging between 12.5-30% along with the introduction of multiple cesses at revenues, involving mostly the infrastructure cess.

Although the automobiles have indulged with high tax rates, this sector also involves legal actions on VAT and Service Tax in case of the handling charges, PDI charges, warranties, etc. Hence the introduction of GST in this sector has a major impact by allowing 28% GST regime on vehicles along with the cess of 1% and 15%. This results to benefit the industry as the credits will be made available in the GST regime. Thus, the impact of GST on automobile dealers is examined as the dealers network plays a major role towards the growth of economy of this industry.

According to the GST regime, the automobile dealers are able to collect and pay CGST (Central GST) and SGST (State GST) on the intra-state sale of the vehicles. These dealers are also collecting and paying IGST (Integrated GST) on the inter-state sale of the vehicles. The working capital of the automobile dealers in the GST regime involves major impacts on different aspects such as vehicle transfer, free service coupon vouchers, vehicle booking advance, commissions, warranties and incentives, insurance, registration and such others.

Research methodology

The descriptive research design technique was used to identify the real benefits and challenges that faced by the passenger car owners after the new goods and services tax implemented in India. A quantitative questionnaire was distributed amongst the selected sample population of 250 passenger car owners in order to ascertain the objectives of the study and to test the formulated hypotheses.

Data Analysis

1. The hypothesis given below was tested with the help of Regression Analysis.

Research Hypothesis (H1): There is a significant association between the opinion on benefits and challenges that Goods and Services Tax on the automobile Sector.

Null Hypothesis (H0): There is no significant association between the opinion on benefits and challenges that Goods and Services Tax on the automobile Sector.

Table 1. Regression Analysis

Model	Coefficients						
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.157	.788		1.468	.143		
E1	.131	.106	.131	1.245	.215	.353	2.832
E2	-.081	.123	-.066	-.663	.508	.398	2.514
E3	-.018	.154	-.014	-.119	.905	.276	3.629
E4	.056	.155	.047	.360	.720	.223	4.478
E5	.303	.196	.141	1.548	.123	.469	2.130
E6	.084	.061	.101	1.385	.167	.724	1.382
E7	.003	.126	.003	.028	.978	.303	3.296
E8	.187	.138	.130	1.355	.177	.423	2.367
E9	-.038	.130	-.036	-.290	.772	.254	3.935
E10	-.124	.205	-.100	-.606	.545	.144	6.957
E11	-.210	.144	-.141	-1.465	.144	.422	2.370
E12	-.060	.062	-.073	-.972	.332	.681	1.469
E13	.203	.115	.184	1.761	.080	.357	2.799
E14	-.345	.164	-.263	-2.099	.037	.247	4.055
E15	.200	.179	.126	1.117	.265	.304	3.286

Inference

In the table 1, p-value is less than 0.05 in the sig column indicating that it is significant so we reject null hypothesis and conclude that there is benefits and challenges that Goods and Services Tax has on the automobile sector.

2. The hypothesis given below was tested with the help of Regression Analysis.

Research Hypothesis (H1) There is a significant association between the opinion on growth driver across the automobile sector with respect to Goods and Services Tax..

Null Hypothesis (H0): There is no significant association between the opinion on growth driver across the automobile sector with respect to Goods and Services Tax..

Dependent Variable: age

Result: $p < 0.05$, the test is significant and the null hypotheses get rejected.

Table 2. Regression Analysis

Model	Coefficients						
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.788	.495		3.615	.000		
F1	.068	.096	.053	.710	.479	.690	1.449
F2	-.010	.100	-.010	-.101	.920	.375	2.665
F3	-.160	.105	-.144	-1.515	.131	.421	2.377
F4	-.040	.104	-.035	-.384	.701	.467	2.143
F5	.094	.113	.080	.831	.407	.408	2.453
F6	-.173	.118	-.162	-1.462	.145	.307	3.254
F7	.138	.097	.129	1.424	.156	.464	2.156
F8	.222	.072	.250	3.068	.002	.570	1.755
F9	-.121	.088	-.111	-1.379	.169	.582	1.719
F10	-.004	.071	-.004	-.053	.957	.571	1.753
F11	.203	.072	.218	2.828	.005	.639	1.565

Dependent Variable: age

Result: $p < 0.05$, the test is significant and the null hypotheses get rejected.

Inference

In the table 2, p-value is less than 0.05 in the sig column indicating that it is significant so we reject null hypothesis and conclude that there are growth drivers across the automobile sector with respect to Goods and Services Tax.

Findings

The registration procedure under Goods and Services Tax is simple. In concern to this, it was found that 34.8% of them agreed and 20.4% of them strongly agreed that the registration procedure under Goods and Services Tax is simple and 14.0% of the passenger car owners had a negative view as they disagreed with the proposed norm. In addition to this, 14.4% of them were found to strongly disagree with the given idea. Goods and Services Tax has brought transparency in business transactions. In concern to this, it was found that 34.4% of the passenger car owners agreed while 44.0% of them strongly agreed with this idea. Cost of compliance with Goods and Services Tax posed a challenge to them. It was found that 62.8% of the passenger car owners strongly agreed with the given idea while 18.4% of the employees were found to agree with the same. 10.4% of them were found to have a neutral opinion as they neither agree nor disagree with the same.

Conclusion

Goods and Services Tax has created a positive impact on various sectors and industries. Goods and Services Tax is now the worldwide accepted system of taxation and will result in India joining this system too. Though there are many complications in adopting the Goods and Services Tax this can be easily done by accepting various challenges. Thus, it is observed that certain steps should be taken to successfully implementing the Tax. In India, implementation of the Goods and Services Tax has greatly

helped in eliminating the economic distortions caused by the present complex tax structure and will help in economic development.

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