

## **Impact of GST on Automobile Industry in India**

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**Abstract:** *Automobile industry in India is one among the most victorious and rising manufacturing industry after liberalization. The industry has prospective to grow and become a most important contributor for the economic development and employment formation. The Indian government has also identified the need for Automobile industry in the Indian economy and is currently functioning on Automotive Mission Plan 2026. The automobile industry produces commercial vehicles, passenger's cars, and three and two wheelers.*

**Keywords:** *Automobile, GST, Tax rates.*

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### **I. Introduction**

India had a twofold system of taxation of goods and services. It had an intricate composition of indirect taxes, it includes the following:-VAT, customs duty, Sales tax, Service tax, excise duty, and local taxes. Taxes in India are levied by central and state government. Income tax, Customs duty, Service tax & Central excise are those which are levied by central government. Stamp duty, land revenue, state excise, and value added tax, is levied by state government. It was the shortcomings of this composition that lead to the advent of GST. It is an indirect tax on the supply of goods and services. This Act was passed on 29<sup>th</sup> March 2017 by the parliament of India. The Act came into effect on 1st July 2017. GST effectively replaced all the 15 indirect taxes that existed in the preceding tax system. The recent tax rule comprises of 3 kinds of taxes namely: CGST:-collected by central government, SGST:-collected by state government & IGST:-collected by the central government for inter-state sale. There are 5 main slabs- 0%, 5%, 12%, 18% and 28%. While few goods are absolutely avoided from tax purview the highest 28% is charged on luxury and sinful products.

The unification of all indirect taxes into one has resulted in many advantages such as:

- Eliminate tax cascading effect which has lead to the fall in the cost of goods.
- Limitations on interstate movement of goods have narrowed thereby increasing competence of logistics.
- Higher threshold for registration, since the limit has increased from 5 lakh to 20 lakh, small traders and service providers are exempted.
- Since provision for online compliances and payments are made unorganised sectors such as textile, construction industries are coordinated.

Even though it's a lengthy way for GST to transform in terms of employment & growth, it is crucial to identify the exact blow of GST on various sectors. The present study look onto the effect of GST on automobiles.

### **II. Review Of Literature**

1) K. Neelavathi, Mrs Rachana Sharma (2017, "Impact of GST on Automobile Industry") *IOSR Journal of Business and Management (IOSR-JBM)* on: The study concluded that automobile industry can become one of the important contributor for the economic development of the country as well as it help in increasing the employment opportunity. They were successfully able to analyze different tax rate levied on vehicles during pre and post GST periods.

2) TARUNIKA JAIN AGRAWAL & C.A. AASHNA GOYAL (2017, "IMPACT OF GST ON REAL ESTATE AND AUTOMOBILES SECTOR") *International Journal of Research in Business Management*, Volume 5. The study suggests that the real estate and automobile sector can gain from GST if they are properly equipped for the transformations in the business environment.

3) Kajal Chaudhary, Milandeep Kour, Baljinder Kaur, Surjan Singh: (2016, "A STUDY ON IMPACT OF GST AFTER ITS IMPLEMENTATION") *International Journal of Innovative Studies in Sociology and Humanities*, Volume:1. The study fulfilled that GST helps to get rid of multiple taxation, it will reduce the burden at present, imported and Indian goods would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT are eliminated because there will be one tax system.

4) Mr. S. DKharde: (2017, "IMPACT OF GST ON INDIAN AUTOMOBILE INDUSTRY"), *International Journal of Emerging Technologies and Innovative Research*, volume:4. The paper covered the overall impact of GST on

automobile sectors in India and made comparative studies between pre tax policy and GST policy on automobile industry. Author also concluded on GST impact on the economic development of the country.

5) Pinki, Supriya Kamna, Richa Verma: (2014, "Good and Service Tax: Panacea For Indirect Tax System In India"), Tactful Management Research Journal, volume:2.

The study opined that the current government in India has optimistic attitude regarding GST as it is beneficial for both central and state government.

### III. Objectives

- ▶ To know the impact of GST on automobile industries.
- ▶ To know the uncertainties faced in the initial stages of GST implementation..

### IV. Methodology

In this study more importance is given to secondary data which have been collected through various Research report, journals, market papers, newspapers, internet, online database etc.

### V. Findings

To know the impact of GST on automobile industries.

Particulars	Engine	Before GST	After GST + Cess	Total	Impact
Below 4 meters	Below 1.2l petrol	31.5%	28%+1%	29%	+ve
Below 4 meters	Below 1.5l diesel	33.25%	28%+3%	31%	+ve
Below 4 meters	Above 1.2l petrol or 1.5l diesel	44.7%	28%+19%	47%	-ve
Below 4 meters	Above 1.2l petrol or 1.5l diesel	51.6%	28%+25%	53%	-ve
SUV's	-	55%	28%+29%	57%	-ve
Electric vehicles	-	20.5%	12%+0%	12%	+ve
Hybrids	-	30.3%	28%+25%	43%	-ve

#### In case of used cars:

GST rates on used cars have been decreased in the financial budget report 2018, while cess was taken off for quite a few categories. The move is a big drive towards the used car fragment that accounts for a considerable number of sales every year. Hence, the GST rate on used medium, large cars and SUVs has been slashed from the prior 28% to 18%. Likewise, small cars and motor vehicles has been decreased from 28% to 12%. For both the cases cess has been avoided. "The former rates resulted in a boost of used car prices and posed obstruction in moving used car partakers to an organized economy. The decrease in rates will fuel up used car demand.

In case of auto rickshaws:

The GST proposition appears to be helpful generally, little autos wouldn't witness quite a bit of an adjustment in costs after GST, while extravagance autos will get less expensive.

#### 2) To know the uncertainties faced in the initial stages of GST implementation.

- The GST was implemented in our country on July, 01, 2017. After one month when GST council was held on 5th August, the central government suggested increasing the cess charged on SUVs and luxury vehicles from the current rate of 15-25%. This led to a lot of dilemma in the automobile industry.
- The automobile industries also anticipate for a positive demand draw after the successful execution of GST since there is a chance for higher level of customer interest in a unified single market.

### VI. Suggestions

The industry wants the Government to lend a hand by giving it an atmosphere that promotes development. It is the duty of the Government to move with lower rates as this will help in increasing volumes and gather extra duty income. Increase in duty rates and costs of vehicles have an upsetting impact of decrease in volumes.

The Government has to encourage in order to develop car industry by making positive arrangements. Because of change in assess rates of vehicles each year; numerous worldwide organizations are planning to shift to other developing markets, for example Brazil and China.

### VII. Conclusion

This study concludes that there has been a reduction in the tax rates of luxury cars which would probably increase the sale of luxury cars. While in the case of small vehicles it has an opposite effect. GST may

have a positive impact on automobile industry in long run, since government has already revived the tax rate in the current financial budget. There are chances of the same to happen in future which will bring a positive growth in automobile industry.

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