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# PRE GST & POST GST Era in Manufacturing Sector in India

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**Abstract:**The implementation of GST will significantly improve the competitiveness and performance of the Indian manufacturing sector. However, before its launch, it will be incumbent on the Indian government to address some of the stakeholder issues, if it wants to promote long-term growth in the sector. India's manufacturing sector is not only plagued by concerns about declining exports and infrastructure costs but also the burden of complying with a complex indirect tax system. Many of the indirect tax laws have led to significant compliance with administrative costs, classification and measurement disputes and often hurt to do business easily in the sector. The introduction of Property Rates (GST) is therefore important and necessary to develop an already vibrant sector.In a developing country like India, the manufacturing sector is of great importance. Because it provides employment to a large number of people and makes their social and economic life better. And domestic production gets a boost. Secondary information has been relied upon for this search account.

**Keywords:**GST, manufacturing sector,

## Introduction:

India's manufacturing sector is not only concerned about declining export costs and infrastructure but also the burden of complying with a more complex indirect tax system. Many indirect tax laws have led to significant reductions in administrative costs, classification and measurement disputes and often hurt to do business more easily in the sector. The introduction of Building Standards (GST) is therefore important and necessary to develop an already existing sector.

In this review, we analyze the major impact of excise duty on goods and services (GST Law Model) and issues that may be related to the manufacturing sector. This is our second review of a series of updates related to the impact of GST on key sectors of the Indian economy. Our first review of the GST impact on the e-commerce sector can be achieved.

**THE IMPACT OF GST ON THE WORKMAN**

State motives

Companies have set up costly investment units based on the benefits offered to countries under their respective investment promotion policies. These incentives are usually in the form of levies (low tax rates, tax deductions/deductions, etc.) and tax-free compensation (economic rental conditions, low electricity prices, etc.). Currently, states have the flexibility to provide these benefits. However, under the GST regime, such flexibility provided by regions may be minimized to achieve the intended effect of uniformity. In addition, the Model GST Act does not specify the end of current benefits. Companies based on their financial assumptions about these financial benefits may need to reconsider their assumptions.

The implementation of GST will also reflect the transition from the manufacturer's state tax system to an effective state tax system. Developed Countries will have a lower financial incentive to issue such permits, as GST will only be used in the Province where raw materials are used, as opposed to the current situation where the Manufacturer District is regarded as a tax on income from central provinces. This can lead to the loss of income of developing countries and therefore those countries may not be able to continue providing those benefits, although there may be other strong reasons such as labor production, infrastructure development, market establishment, etc. it seems that future benefits are not based on money.

Location-based motives

Production units enjoy tax exemptions based on their location in arrears, large investments, and more. There is no clarity under the GST Model Act regarding the administration of those location-based agreements. As a result of this uncertainty, companies have to make representations to the Government to obtain appropriate compensation for the unused portion of those proposals.

Increased operating costs

The impact on operating costs may be significant in the manufacturing sector. Under the current regime, the transfer of stock is not subject to taxation. However, under the GST regime, stock transfers are considered a provider and are subject to GST. Although the GST paid in this category will be available as credit, the fulfillment of this GST will only take place once the final contribution has been finalized. This may result in restrictions on entry and exit and companies will need to rethink their supply chain management strategies to minimize the impact on their cash flow.

Free goods

Under the current indirect tax system, the free supply of goods is not subject to VAT. The Model GST Act stipulates that certain transactions without consideration will also be considered as an asset. Ideally, free samples may be subject to GST, increasingthe total cost.

Discounts

The Model GST Act stipulates that postal discounts must be deducted from the transaction amount, provided that such discounts are recognized during or before the delivery period and are attached to the invoices for such delivery. Companies may need to analyze discounts/incentive plans where the discount rate is unknown at the supply level. For example, second market promotion programs, volume discounts, etc.

Response rate

Offering under the GST Model Act includes items that you provide such as stock transfers and branch transfers. However, the GST Model Act does not provide measurement rules for those assets and therefore further clarification is required.

MRP rating

Currently, the various products pre-packaged for sale are based on the sale of goods not in the original factory price but a certain percentage of the retail price (MRP) printed on the package. The MRP-based rate (which is usually between 30% -35% of the MRP) in most cases, is much higher than the previous industry commercial level leading to higher tax debt than it would otherwise be. This tax increase, in turn, results in higher MRP, leading to higher costs for consumers. Under the GST scheme, GST is paid to the manufacturer by the value of the service and is included in all subsequent vendors up to the final buyer. Similarly, the unnecessary tax burden of the MRP state will no longer apply

Reduction of tolls

Under the current indirect tax system, the manufacturing industry can waive any of the input taxes levied on the production value chain. However, Central taxes cannot be set against State taxes and vice versa. This often leads to a situation where producers are unable to pay more or more government taxes. In addition, sales taxes levied on inter-provincial purchases are also tax-free and commercial.

Another problem he is currently facing is tax fraud in the manufacturing sector. Vendors, vendors, etc. are taxed on their side of the income tax debt (input service tax, property tax.

India's manufacturing sector is not only plagued by concerns from declining exports and the use of infrastructure but also the burden of complying with the complex policy.

with an example of the supply chain, consisting **M**anufacturer, **W**holesaler, **R**etailer, and **C**ustomer, showing the impact with and without **GST:-**

Suppose, the **manufacturer,** started production for one item (say, one Dress), he had all the necessary things to manufacture the dress. Now, the Manufacturer must be having certain people known as **wholesalers** and further wholesalers will have **retailers**, so that item reaches the end-users (**customers**).

Following shown, the cost of saving by the customer on one item after implementing **GST:-**

**Case 1: Manufacturer to Wholesaler**

| **Particulars** | **Without GST** | **With GST** |
|---|---|---|
| Cost of Production | 100 | 100 |
| Add:- Manufacturer Profit Margin | 100 | 100 |
| **Manufacturer Price** | **200** | **200** |
| Add:- Excise Duty (12%) | 24 | – |
| **Total** | **224** | **200** |
| Add:- VAT@12.5% | 28 | – |
| Add:- CGST@12.5 | – | 25 |
| Add:- SGST@12.5% | – | 25 |
| **Invoice Value** | **252** | **250** |

**Case 2: Wholesaler to Retailer:-**

| **Particulars** | **Without GST** | **With GST** |
|---|---|---|
| Cost of Goods to Wholesaler | 224 | 200 |
| Add:- Profit Margin @ 10% | 22.4 | 20 |
| **Total** | **246.4** | **220** |
| Add:- VAT@12.5% | 30.8 | – |
| Add:- CGST@12.5 | – | 27.5 |
| Add:- SGST@12.5% | – | 27.5 |
| **Invoice Value** | **277.2** | **275** |

**Case 3: Retailer to Consumer:-**

| **Particulars** | **Without GST** | **With GST** |
|---|---|---|
| Cost of Goods to Retailers | 246.4 | 220 |
| Add:- Profit Margin @ 10% | 24.64 | 22 |

| | | |
|---|---|---|
| **Total Value** | **271.04** | **242** |
| Add:- VAT@12.5% | 33.88 | – |
| Add:- CGST@12.5 | – | 30.25 |
| Add:- SGST@12.5% | – | 30.25 |
| **Total Price of item that reaches to customer** | **304.92** | **302.5** |
| Cost Saving (in Rs) | – | 2.42 |

*From the above example it is clear, that on one item, the customer saves Rs 2.42, on applying GST, while if we wish to continue with the current taxation system, then not a single penny is saved by the consumer.*

**Objectives:**

1) To study the manufacturing industry and its effects after the introduction of the Goods and Services Tax
2) Conducting a comparative study of manufacturing to wholesaler to retailer to consumer tax after the implementation of GST.
3) Formulating important conclusions on the basis of secondary information.

**Review of Literature:**

- (Dr. Pawan Kumar Singh, 2017), GST INFLUENCE IN INDUSTRY INDUSTRY INDUSTRY, This paper seeks to describe the positive and negative effects of GST in the manufacturing sector in India. concluded by an Indian business situation researcher the manufacturing industry plays an important role, in the business world. The Indian business environment manufacturing industry is a significant part, in the business world. It is at a time when the nation is focused on the manufacturing industry that the nation has overcome mechanical barriers. When a country focuses on the manufacturing industry that country overcomes technological barriers. All over the world countries have financial or assistance in the manufacturing industry. All over the world countries have financial or assistance in the manufacturing industry. However, concerns remain on certain issues, for example, the 1% increase imposed, the problems with increased revenue due to GST paid in the stock markets, and the extended costs caused by the restriction of oil power from GST. Managers should investigate these issues with more details if they are quick to improve their 'Make in

India' activities. The government should consider these issues in more detail if it wants to emphasize its Make in India plans.

**Hypothesis:**

- The manufacturing sector appears to have benefited to a great extent after the goods and services tax was introduced in India.

**Research Methodology:**In a developing country like India, the manufacturing sector is of great importance. Because it provides employment to a large number of people and makes their social and economic life better. And domestic production gets a boost. Secondary information has been relied upon for this search account.

**Limitations:**

1) The researcher has taken the basis of secondary information for the research account.
2) This research article deals with the impact of the Goods and Services Tax on the manufacturing sector.

**Conclusion:**From the above statistics, it can be seen that since 2017, when did goods and services tax come into force in the manufacturing sector of India, it has benefited the entrepreneur financially.The manufacturing sector stands to benefit significantly from the introduction of GST. The overall reduction of the falling effect of taxes, especially on the post-manufacture stage of the supply chain should have a positive effect on the cost of manufactured products in the hands of consumers. However, concerns remain on specific issues such as the additional 1% origin tax, increased cash flow issues on account of GST payable on stock transfers, and increased costs owing to exclusion of petroleum fuels from the ambit of GST. The Government should look into these issues in more detail if its keen to promote its 'Make in India' initiative.

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