

Environmental Friendliness of the New Indirect Taxation Regime.

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ABSTRACT

The GST which was implemented on 1st July 2017 have a huge impact on prices and availability of various goods and services manufactured and provided respectively in India. My focus in this paper is on impact of GST on various goods and services, which will help India in achieving environmental development. Various goods which help in environmental protection and sustainable development are of immensely important for a country like India; facing problem of environmental degradation and going for sustainable solution.

In this paper I will try to find out the impact on prices and availability and opacity regarding rate application of various green goods due to implementation of GST and hence how it will impact green or sustainable development mission of the government of India.

For this research paper I have collected data on pre and post GST prices and availability, opacity regarding rate application and difference in rates in comparison to non-green goods of various green goods like hybrid cars, electric vehicles, solar panels etc.. On the basis of this data I analyze and find out how far its implementation positively or negatively impact the prices and availability of those products and thus positively or negatively impacts the environment of India.

In course of preparing this paper I found that the impact of GST on some goods are bad and for some goods are good in respect to environmental issues.

As GST has been implemented recently; the rates are constantly changing so most of this impacts are short term impact. My study is based on secondary data and on goods only.

KEY WORDS:- GST, Green India Mission, Sustainable Solution, Electric and Hybrid Vehicles and Solar Panels.

BACKGROUND OF THE STUDY:-

GST is considered as the backbone of the ease of doing business in India; as it simplifies the indirect taxation regime of the country, which for long a nightmare for the traders. In this context it is very important to know how different singular GST rates on different products and services impacts its ease of trading in terms of different aspects like availability due to price changes,

easy understanding of applicable rates, etc. The main aim of the very implementation of GST will be of no value if it distorts the trade of that good or goods on which it has been implemented. India at present facing a huge problem of environmental decaying and to check this the government is in urgent need of developing and use of various green goods and services which will ensure reduction of environmental harm, as most of the goods are covered by GST it is very important to know how present implementation of GST on different green goods, impact its different aspects and thus positively or negatively impact the environment.

LITERATURE REVIEW:-

A paper titled “Indian Goods and Services Tax: A Review of its Introductory Stage and its Possible Contribution Towards Sustainable Economic Development” by Ashwani Kumar, looks at evolution of GST in India, its idea, possible challenges it will going to face during implementation and its possible impact on India’s economy.

Another paper titled “Goods and Services Tax and its Impact on Indian Economy” by Dr. Yogesh Kailashchandra Agrawal, focuses on mechanism by which GST system moves in India and its impact on Indian Economy.

The following research paper “A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy” by Shefali Dani concluded that though GST is a good initiative for removing complexity in Indirect tax regime, still government requires a lot of planning and thinking, apart from considering experiences of other countries in implementing it; for its successful implementation in the India.

“Economic Consequences of GST in India” a paper by D. Amutha focuses on how the new system will impact India economically, what are the probable obstacles in its smooth running and how efficiently GST predictions can be done in future.

GST is a new thing for India, the main aim behind bringing it is to simplify the complex indirect tax system of the large country like India. Being an Indirect tax it has huge impact on product pricing. One of the most important aim of any new indirect taxation system is to make product more and cheaper, as it will impact rich and poor equally. One of the most important present global problem is global warming, so I like to make an logical analysis of the impact brought in by the new taxation regime on cheapness and availability of environment friendly products. As GST is new concept in practice, there are lack of research paper on this area and I do not found any paper on this specific idea after doing my literature review.

RESEARCH GAP:-

The main objective of the study is to understand the impact of implementation of GST rates on various environmental friendly goods in terms of its price change and thus availability and accessibility, in terms of transparency in understanding the applicable rate, in terms of comparison between rates on green and non-green goods and also in terms of changing GST rates to understand whether rates support greening of India. The analysis based on data will help in understanding whether GST implementation ensures environmental upgradation or not in terms of individual green goods and also on an average.

RESEARCH METHODOLOGY:-

I will collect data from various secondary sources and will present those data, on the various aspects of the GST rates on different green goods and based on those data I will analyze the impact of implementation of GST on availability and accessibility of those goods and thus determine the impact of implementation of GST on environmental friendly goods in terms of individual goods and also on an average. All the rates and cess are on the basis of the 27th GST council meeting.

PRESENTATION OF DATA:-

Vehicles:-

GST council put electric vehicles including three and two wheeled electric motor vehicles under 12% tax bracket and there is no cess also. Large cars with a capacity to carry 10-13 persons, sport utility vehicles that are more than 4 metres long and have an engine capacity of more than 1,500cc, as well as mid-segment hybrid cars with engine capacity less than 1,500cc are under 28% GST rate. There is also consideration for removing GST rate totally on electric vehicles after 3 or 4 years. Small petrol driven cars have 1% cess and diesel driven small car has 5% cess. Hybrid cars along with diesel and petrol cars enjoy same rate of cess ranging from 17 to 22%.

Rates on bicycles and its various parts is 12% and pre GST tax rate on bicycles were 18.5%.

Renewable Energy Materials:-

Other Renewable Energy Materials:-These are at 5%.

Bio-gas plant, Solar power based devices, Solar power generating systems, Wind mills, Wind operated electricity generators, Waste to energy plants, Solar lamps and Lanterns, Ocean waves and Tidal waves energy devices/plants, solar water heater systems, solar panels and modules.

Cables and fibres are mostly at 18% and 28% GST rate.

A confusion exists as on one hand government had proposed 18% rate on solar cells and panels and some other green goods on other hand fixed rate of 5% for renewable devices, recently government clear confusion for solar modules and panels but not for all green goods.

Other Green Items:-

In 27th meeting of the GST council the reduction in rate on Ethanol is suggested. Fly ash and Fly ash bricks has pre GST tax incidence of 6% to 16% and GST rate is revised to 5% for it in 2018. LPG for domestic supply has pre GST tax incidence ranges from nil to 4% of and post GST tax rate is 5% . Bamboo furniture has an pre GST tax incidence of 17% and now GST rate is 5% which has been reduced from 18% of GST initially determined. Post GST tax incidence on Led lights are 12% and pre GST tax incidence on Led lights are 26%. Pre GST rate on LPG stove is 21% and post GST rate is 18%. Ayurvedic, Unani and Homeopathy medicines enjoy 12% GST rate at first, now it has revised to 5% GST rate and its pre GST rate is more or less 12%. Jute fibre and Khadi and village industries items enjoy 0% GST rate whereas Cotton and other natural fibres enjoy 5% tax rate, whereas synthetic fibres are under 18% GST rate at first, now it has

been revised to 12%. GST rate for Bio-gas is 5%. Post GST rate on vegetable oils is 5% which is almost same as pre GST rate of 5 or 6%. E-waste and Biomass Briquettes were earlier under 28% and 18% GST now it has been revised to 5%. Coir mats is under 5% rate. GST rate of recycled papers have been revised to 5% from 12%.

Non Green Items:-

Finished leather goods except certain type of leather gloves attracted 28% of post GST tax rate and it enjoys 6% pre GST rate. Most of the high end fashion and personal care items are under 28% tax bracket in post GST regime, which is a slightly higher than pre GST rate of 26%. Existing GST rates on kerosene oil and kerosene stove is 5% and kerosene price on an average rose by 5% under GST. GST rate on coal is 5%, whereas pre GST rate is around 12%.

ANALYSIS AND FINDINGS:-

By considering the rate on electric vehicle it can be termed as environment friendly as there is no cess on it and GST rate is also not so high in comparison to hybrid and other diesel vehicles, hence it will support India's goal of achieving electric mobility to a huge extent by 2030.

Whereas in case of hybrid vehicle picture is different as heavy diesel and petrol vehicles and mid-sized hybrid vehicles are charged at the same rate under GST and cess is also very high and of same rate. Though the hybrid vehicle is much less pollutant than diesel or petrol vehicle of same capacity and hybrid vehicle is also not so much popular in India it will be beneficial for India to promote sell and use of hybrid vehicle by reducing rate and cess. It will also ensure reduction of air pollution due to vehicular pollution.

Recently in India Bicycle use is on rise as many environmental concern people go for it, many cities also provide separate lanes for cycles. GST rate on cycle is less compared to previous pre GST rate, hence it will promote use of cycle and greening of India.

GST council has fixed GST rate on renewable items like solar, wind, etc. power project materials at 5%, as rate is low it will help India achieve renewable energy target of 175GW by 2022. Though rate is low; a problem still exists as because GST rate on coal and kerosene oil and stove which are polluting fuel is also at 5% GST and in case of coal pre GST tax incidence is even higher. Which will promote their use specially among low income people and will increase environmental pollution. Rate for domestic supply of LPG has been increased under new GST regime and it is more or less same as compare to rate on coal and kerosene, hence it will not promote its use in a great way and as it is a greener fuel than coal and kerosene, greening of India will get a setback, inspite of reduction of post GST rate on LPG stove. Government has kept GST rate on Bio-fuels and vegetable oils at 5%, for vegetable oils it remain same in respect to pre GST rate, to promote its use as they are environment friendly, but still low rate on coal and kerosene will hamper its use.

But the confusion that exists regarding discrepancy in application of rate for some renewables is very distorting for their trade. As government fixed different rates for different items on one side and a fixed rate for renewables, it sometimes very complex to determine which rate to apply.

Government has clearly specify rates for some renewables like Solar modules, Solar panels and cells, etc.; still many items regarding which discrepancy remains. Hampering of trade of this items will hamper greening of India.

Propose reduction in rate on Ethanol is very beneficial as it will reduce dependence on petrol and also as it is much greener than petrol, it will reduce pollution. Power plant residue Fly ash disposal is a great problem and environmental concern, reduction of post GST rate on it will promote its use in brick making and chemical factory and will thus check environmental loss.

Reduction in rate on led light will promote its use and less Co2 emission. Reduction is rate on Bamboo furniture will promote its use and will decrease in-house environmental pollution. Reduction in post GST rate on Ayurvedic, Unani and Homeopathy medicines will enhance its use and research and their manufacturing is less pollutant than Allopathic medicine production and will thus help in checking pollution.

As rate on natural fibre is less as compared to man-made synthetic fibre, which is non-biodegradable and polluting, promotion in the use of natural fibres will be environment friendly. GST council has also revised and reduced the GST rate on E-waste and recycled paper to avoid pollution and to reduce felling of trees. This will both support Green India Mission.

Post GST rate has been greater for finished leather products whereas rate for khadi and natural fibre product is less which will promote use of natural fibre products in compare to leather products, whose production is a very polluting process. Increase in rate on high end cosmetic goods also promote use of herbal medicine or product, of which most are under 5% rate and this will also promote environment protection as high end cosmetic products contain harmful chemicals.

On an average post GST tax rate is lower than pre GST tax rate for most of the environmental friendly goods and reverse for non-green goods, hence GST implementation will help in checking environmental degradation of India to a large extent.

RECOMMENDATIONS AND CONCLUSIONS:-

RECOMMENDATIONS:-

- 1) GST rate and cess on Hybrid vehicles should be reduced to promote its use.
- 2) GST incidence on green fuels should be less than non green fuels to promote its use.
- 3) There should not be any discrepancy regarding rates, all rates should be clearly defined and notified.
- 4) Considering and deciding of GST rate should be to a large extent based on Green India Mission.

CONCLUSIONS:-

Any mammoth initiative by government should primarily take into consideration the environmental aspects of that country, because no initiative can get success until and unless it will sustain environmental sustainability. Same idea is applicable for GST here. Government has to a large extent consider environmental implication while deciding and revising GST rate on green and non green goods. Still there are some loopholes, it can be expected that Government will amend those problems by rate adjustments and clearing discrepancy regarding rates; as number of times rate revision after GST implementation amends many of those loopholes. This is just a start of a new era, and its looked good for environment; so we can expect much better from it in future from environmental point of view.

LIMITATIONS:-

- 1) The study is totally based on secondary data.
- 2) As the topic is new; the past research paper on this topic is totally absent.
- 3) My study is only based on green goods and not services and even all green goods are not covered.
- 4) As the GST rates and cess are constantly changing it is very hard to keep track and provide most recent rate and cess.

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