

A STUDY OF IMPLEMENTATION PROCESS OF GOODS AND SERVICES TAX AND ITS OUTCOME ON THE HEALTHCARE SECTOR

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ABSTRACT

This study focuses on the brief history and background of GST, the whole implementation process of GST, and its outcome in the healthcare sector. The Healthcare sector is one of the major sectors that affect the majority of the country's population in terms of the development of the Economy of any nation. Tax in any form, whether direct or indirect, is the primary source of revenue for the government and the Indian healthcare sector. GST has benefitted the healthcare sector by reducing the cost of manufacturing and importing equipment, technical machinery, and other products used by the healthcare industry. This study uses secondary data to analyze the outcome of GST on the healthcare sector.

Keywords: Goods and Services Tax, Healthcare Sector

INTRODUCTION

The implementation of GST was an extensive process, first implemented by France in 1954. All over the world, almost 150 countries have implemented GST. In India, Dual GST was implemented in the form of CGST and SGST, while some countries followed unified GST, and some countries like Brazil and Canada also implemented Dual GST.

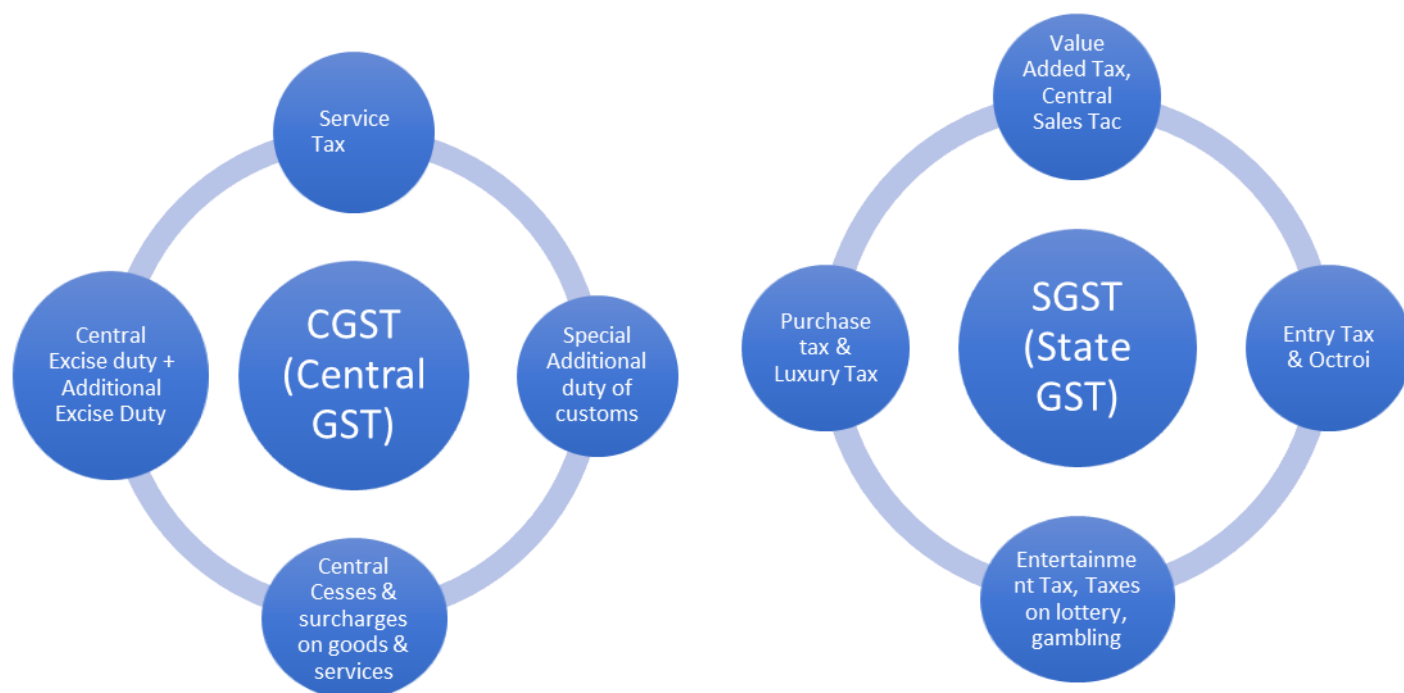
Figure 1: Worldwide rates of GST

Name of the Countries	Rates of GST
India	5%, 12%, 18%, 28%
France	2.1%, 5.5%, 10%, 20%
Germany	19%

GST subsumes all indirect taxes, VAT, CST, service tax, etc., which are levied on all goods and services and increase the government's revenue by eliminating the cascading effect of taxation. GST was paid by the

end-user and collected by the government. Rates under GST are standard and fixed across various goods and services. India adopted a Dual GST system in which CGST (Central GST) is collected by the Central Government and SGST (State GST) is collected by the State Government. As per the figure below, almost all taxes were subsumed under GST based on their nature.

Figure 2: Taxes Subsumed in GST



LITERATURE REVIEW

Babasaheb R. Jadhav, Chetan Chaudhari (2019), in their paper titled “The Study of Implementation of GST and its Impact,” studied the process of GST implementation and its impact on various sectors. Some findings, like implementing GST, reduce transportation costs and corruption, eliminate the multiplicity of taxes, and reduce tax burdens.

Agog Mawuli (2014), in his study "Goods and Service Tax- An Appraisal," found that the GST rate should be less than 10%; otherwise, GST is not beneficial for low-income countries. The consumers will ultimately bear the tax burden and impose a heavy burden on low-income or poor individuals.

Neelam Tandon, Deepak Tandon (2017), in their research paper "Analytics of Goods and Services Taxation (GST) Enigma in India – Prospects, Implications & Rollout," found that GST introduction is necessary to update the taxation system in India and GST benefits include removal of the cascading effect of taxation, more transparency, reduced final cost of goods and services, more competitive price, removal of corruption, etc. If GST implementation rolls out effectively, it could be a significant reform in India's taxation system's

history and provide transparency and growth.

Sakharam Mujalde, Avi Vani (2017) in their paper titled "Goods and Service Tax (GST) and its outcome in India" concluded that there is a positive impact of GST on the Indian economy and the GDP will go up by 1-2% after implementation of GST. GST will improve transparency and maintain simplicity by uniformly treating all goods and services.

S.Srinivasan, M.Babu, C.Hariharan (2019) in their paper titled " It's Impact of GST on Health Care Sector: An Empirical Study of BSE and NSE Health Care Indices" concluded that the healthcare sector was not exempted from GST. After GST implementation, Investors withdrew their money from healthcare companies. This study was based on the BSE and NSE daily prices sample indices and advised the investors to rely on the government's policy or fundamental factors of the companies before making any investment decision.

S.P.Sharma, Ph.D. Research Bureau, in his book titled "GST: Impact on Economy, Industry, and People," explained the process of GST implementation in India and the benefits and needs of GST in India. GST helps boost the manufacturing of goods and supply services, reduce transaction costs, generate employment, and increase revenue and overall growth of the economy.

RESEARCH METHODOLOGY

This study is secondary in nature. I do not attempt to include any statistical data in this investigation. The data used for this study has been collected from various online sources, government official websites, journal articles, and newspapers related to GST.

OBJECTIVES OF THE STUDY

To Study the Implementation process of GST in India

To Study the Outcome of GST implementation in India's Healthcare Sector.

IMPLEMENTATION PROCESS OF GST IN INDIA

Every Individual contributes towards the generation of revenue after the implementation of GST. The burden of tax transfers from the manufacturer to wholesale to the retailer and then finally to the consumers. This provides control and a fair taxation system to the country. Thus, the process of GST implementation took a long time, but finally, GST was implemented by the government on 1st July 2017.

Year of Progress	Brief description of progress in that year
1994	Introduction of VAT (Value Added Tax) suggested by the Baghchi Report to tax the Goods and Services in India.
2000	In 2000, Atal Bihari Vajpayee Government first suggested the idea of GST implementation in India. Empowered Committee (EC) was formed with different State Finance Ministers to create the structure of GST, and the head of the committee was Finance Minister of West Bengal, Mr. Asim DasGupta.
2004	A task force was formed to advise the Empowered Committee to incorporate the issues related to State VAT into the GST system, and Vijay L. Kelkar headed the force.
February 2005	In the Budget Session of the financial year 2005-06, the finance minister, P. Chidambaram, discussed the implementation of GST in India. Implement GST covering manufacturing to the supply chain on uniform rates.
February 2006	In the Budget Session of the financial year 2006-07, the GST introduction date was decided, which was 1st April 2010.
February 2006 – July 2009	The deadline for GST implementation was 1st April 2010 and retained same till the Union budget for 2009-10 by new finance minister Pranab Mukherjee.
November 2009	The EC submitted the first Discussion Paper (FDP) explaining the proposed GST regime.
December 2014	Arun Jaitley, the new Finance Minister, introduced the Constitution (122nd Amendment) Bill in Parliament.
June 2016	A draft report on the proposed GST regime was presented by the Ministry of Finance to the public, expecting their reviews and suggestions.
August 2016	Rajya Sabha passed the bill after amendments.
September 2016	The Constitution Amendment Bill was converted into an Act after consent was obtained from the Honorable President of India.
2017	Four Bills – Central GST (CGST) Bill, Integrated GST (IGST) Bill, State GST (SGST) Bill, and GST Bill become an Act after approval in the Parliament and the President Assent. The GST Council finalized GST rates and rules, which will apply from 1st July 2017.

GST ON THE HEALTHCARE SECTOR

The Healthcare Sector includes hospitals, pharmacists, medical equipment, health insurance, etc. The Healthcare sector and its costs are growing daily due to rising demand, coverage, and services. There are two types of Indian healthcare delivery systems: Public and Private. Public Healthcare Delivery Systems, i.e., Government and Private healthcare systems, mean private-owned ventures.

GST affects almost all sectors of the Indian economy and creates a simple taxation structure by replacing numerous rates of taxes and duties into one uniform rate of taxes and duties.

OUTCOMES OF GST ON THE HEALTHCARE SECTOR

Outcomes of GST on the Healthcare Sector

1. **Reduce a different number of tax rates:** GST positively benefitted the healthcare sector, particularly the pharma sector. Before GST, the Pharma sector had eight different types of tax rates. GST merges all tax rates into one uniform tax for one product, easing the way of doing business and minimizing the multiplicity effect of taxation on one product.
2. **Improves Operational Efficiency:** GST also improves operational efficiency by rationalizing the pharmaceutical industry's supply chain.
3. **Reduce Transactional Costs:** GST reduces transactional costs by withdrawing Central Sales Tax (CST), automatically decreasing manufacturing costs.
4. **Input Tax Credit on Import:** Before GST, the input tax credit was not allowed on Import duty due to the cost of technical machinery & equipment. Under the GST Scenario, import duty paid during the purchase of machinery, etc., would be allowed as a credit. Due to this, the overall cost of machinery or any technical equipment is reduced.
5. **Inverted Duty Structure:** Inverted duty structure was one of the major concerns of the healthcare industry. Raw materials were costlier than the finished product, meaning the input cost was much higher than the output. Due to this, investors were depressed. For this issue, GST brings in a refund of the accrued credit to boost the healthcare industry's growth and encourage investors.
6. **Positive impact on medical tourism:** After GST, the cost of international travel, insurance, and pharmaceuticals together for a quality of life is reduced, positively impacting medical tourism. This will also enhance the growth of the country's healthcare sector.

LIMITATIONS OF THE STUDY

- The study is purely based on secondary data; therefore, the limitations of this data will affect the study.
- The study confines itself to the healthcare sector and may not reflect the outcomes of GST on other sectors.

CONCLUSION

The GST implementation process was very long. Still, it will help the economy grow by eliminating multiple tax rates on a single product and bringing transparency to every transaction. After rolling out GST, a single tax rate applies equally to all goods and services without giving special treatment to some unique goods and services. The Healthcare sector is not exempted from paying GST. Therefore, the Healthcare sector has a positive outcome on GST by reducing the cost of medicines, medical lab tests, technical machinery, etc., and also increasing the investment in the healthcare sector by introducing an input tax credit system on importing technical and costly machines.

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