International Journal of Academic Research and Development
ISSN: 2455-4197
Impact Factor: RJIF 5.22
www.academicsjournal.com
Volume 3; Issue 4; July 2018; Page No. 94-100

GST and Indian agriculture: An overview

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Abstract
Agriculture plays a significant role in Indian economy. It employs the largest section of India's workforce contributing around 16% in India's GDP. The serious problem plaguing the Indian agriculture sector is related to farmers not getting fair prices for their produce. This sorrow is linked to the low prices of agricultural products. The proper implementation of the GST is expected to boost the sector. GST is essential to improve the transparency, reliability, and timeline of supply chain mechanism. A better supply chain mechanism would ensure a reduction in wastage and cost for the farmers/retailers. GST would also assist in reducing the cost of heavy machinery required for producing agricultural commodities. However, firstly on the input side a problem may arise in the sector as the prices of fertilizers may spike under the GST. Previously, fertilizers were at 6% (1% excise + 5% VAT). Under GST, the tax slab is at 12%. Pesticides have been placed in 18% slab. Previously, tractors were exempted, but under GST tractors are now taxed at 12%. However, the positive side to this is that manufacturers will be able to claim Input Tax Credit. The burden, however, will increase on consumers. Secondly, on the output side the higher tax rates are expected to discourage the development of food processing industry, especially for perishable fruits and vegetables. This may also affect the employment in food processing industry. The processed foods like fruit and vegetable juices under GST will be taxed at 12% up from 5%. So, apart from benefits there is some negativity also linked with GST in agriculture. Thus, various aspects related to impact of GST on Indian agriculture sector has been tried to figure out in the present study.

Keywords: GST, Indian agriculture, Indian economy, different taxes

1. Introduction

Value Added Tax (VAT) was proposed for the first time by Wilhelm Von Siemens in Germany 1919, as an improved turnover Tax. In 1921, Sales Tax was recommended by Prof. Thomas S. Adams of United State of America. France was the first country to implement VAT in 1954. At present VAT has been implemented by more than 160 countries in the world. In various countries all over the world, it is also known by the name of Goods and Service Tax (GST). After Brazil (1960) and Canada (1991), India will be the 3rd country which is going to introduce dual GST (levied by both Federal and State Government) structure. There is no difference between GST and VAT except a minor difference that VAT is levied on goods and GST will impose on goods plus services. Thus, GST is not an additional Tax; it is sum of all Indirect Taxes. This means all Indirect Taxes will come under one umbrella. India is a federal country where Tax is levied by Federal and State Government. The Taxation power has been well defined in Indian Constitution. At present, there are 37 Governments (a Central Government, 29 State Governments and 7 Union territories) who levy Tax at the varying tax rates on the same product. Where Central Government collects Direct Tax as well as Indirect Taxes and State Government collects only Indirect Taxes.

1.1 Direct tax

Direct Tax is a kind of duty, which is charged directly on the Taxpayer and paid directly to the Government by the Taxpayer. It cannot be shifted from one person (Taxpayer) to another. There are several Direct Taxes levied in India are as follows:

1. Income Tax
2. Corporation Tax
3. Property Tax
4. Estate Tax
5. Gift Tax

1.2 Indirect tax

An Indirect Tax is one which is imposed on commodity (goods) or services that is paid by the consumer. Indirect Tax is basically collected from intermediary sources such as company, dealer and retailer while the mediator collects Tax from the end user (consumer). It can be shifted from one person to another and is not levied directly. There are some Indirect Taxes are as follows:

1. Custom Duty
2. Central Excise Duty
3. Service Tax
4. VAT
5. Entertainment Tax
6. Octroi

2. Literature Review

Shaik *et al.* (2015) [1] said that GST acts as helper in the collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the

State Government and thus ultimately helpful in development of Indian economy. It was further reported that GST will lead to provide commercial benefits, which were remained untouched by the VAT system. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunities to introduce it when the circumstances are quite favorable and economy is enjoying steady growth with only mild inflation. Chadha *et al.* (2009) [2] have analyzed that GST would lead to efficient allocation of factors of production. Sehrawat and Dhanda (2015) [3] studied, "GST in India: A Key Tax Reform" and concluded that due to dissident environment of India economy, it is demand of the hour to implement GST. It will give India a world class tax system by grabbing different treatment to manufacturing and service sector. The overall price level would go down. It is expected that the real returns to the factors of production would go up. Their results showed gains in real returns to land ranging between 0.42 and 0.82 per cent. Wage rate gains varied between 0.68 and 1.33 per cent. The real returns to capital would gain somewhere, between 0.37 and 0.74 per cent. In sum, implementation of a comprehensive GST in India is expected to lead to efficient allocation of factors of production thus leading to gains in GDP and exports. This would translate into enhanced economic welfare and returns to the factors of production, viz. land, labor and capital. Satish Chander, Director General, FAI said that fertilizer products are likely to suffer from higher incidence of taxes with implementation of GST. Therefore, it is strongly felt that there is a need for the government to pay special attention to fertilizer sector, keeping in view its direct linkage with farmers and agriculture. Any new tax regime should not directly or indirectly increase the cost of fertilizers to the farmers, especially when government continues to provide subsidy on fertilizer directly or indirectly. Prima facie, the government should thus; either allows zero or concessional rate of GST on fertilizers. Nirmal Khurana, Chairman of the ITA's said that tea is a product of mass consumption; it should have a special rate under the GST regime. GST rate on tea should be kept on a par with the current tax rate of 5-6per cent. The present concessional tax rate of 0.5/1per cent for teas sold through auctions is allowed to continue under the GST regime. Otherwise, tea will become costlier.

3. Objective of the study
To have an insight of the problems and prospects related to GST and Indian agriculture.

4. Research methodology
The paper is based on secondary sources of data, which have been obtained from various GST implementation discussion papers, published article in journals, web articles (internet sources), past studies and newspaper etc. With the help of these secondary sources, attempt has been made to find the obstacles/prospects coming on the way of GST vis-a-vis Indian agriculture.

5. Worldwide GST
France was the first country to introduce GST in 1954. Worldwide, Almost 150 countries have introduced GST in one or the other form since now. Most of the countries have a unified GST system. Brazil and Canada follow a dual system vis-à-vis India is going to introduce. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below:

Table 1

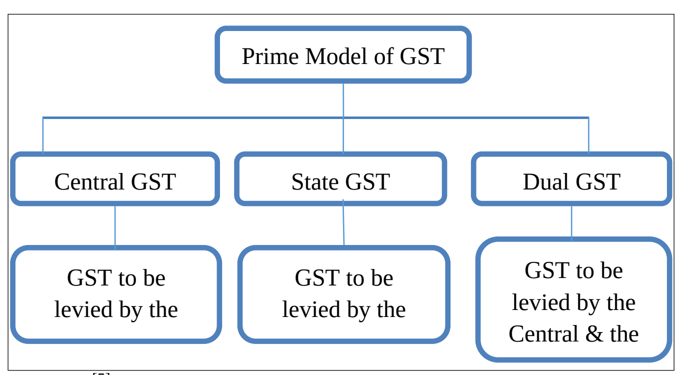
Countries	Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
New Zealand	15%

***Source*:** [4]

6. GST in India
In India, GST was first time introduced on Feb 28, 2006 in the Budget Speech of the year 2006-07 by Finance Minister Sh. P. Chidambaram. A message was left by the FM in the Union Budget 2007-08 that GST will be introduced with effect from Apr 1, 2010. He further announced that Central and State Governments will work together to prepare a roadmap for the introduction of GST in India. They planned to introduce GST or "replacing the previous VAT and Service Tax" on 1st April 2010, but some of the States were not ready to implement it. After that on 1st April 2012, again Government was going to introduce GST, but due to some management and infrastructure problems it was not introduced. Finance Minister Mr. Arun Jaitley introduced the 122nd Constitution Amendment Bill in Parliament and intends to implement GST reform by 1st April 2016. The advantage of GST is that it will replace Indirect Taxes which are levied by Central and State Government. The GST structure will present a transparent system which will be helpful to reduce the burden of cascading effect and it will also improve the Tax compliances and Tax collection. GST will prove the uniformity of Taxes in all over the country.

6.1 GST Model
There are three prime model of GST:

a) GST at Central Government level only
b) GST at State Governments level only
c) GST at both, Central and State Government level



***Source*:** [5]

Fig 1

Table 2

Central Govt. Taxes (CGST)	State Govt. Taxes (SGST)
Service Tax	VAT/ Sales Tax
Central Excise Duty	Entertainment Tax
Additional Excise Duty	Luxury Tax
Excise Duty under Medicinal and Toiletries preparation Act	Taxes on Lotteries
Additional Customs Duty (Countervailing Duty)	Betting and Gambling
Surcharge	Entry Tax
Cess	Octroi

6.2 Important Features of GST
Some of the important features of the proposed GST reform are:

- The proposed GST shall have two mechanisms: one levied by the Centre (CGST) and the other levied by the States (SGST). The dual GST model would be implemented through a certain number of legal provisions.
- In the First Discussion Paper on GST released by Empowered Committee has given its recommendations that the Central Taxes and State Government Taxes should be subsumed under the GST.
- The GST would be applicable to all transactions of goods and services except the exempted goods and services.
- The Empowered Committee has proposed two Tax rate structure for GST- one a low rate for essential items and another standard rate for the remaining goods and services. Proposed rate of GST will be 16% to 20% and a special rate will also be levied on precious metals.
- There will be separate Tax administrations at the center and the states level. The Central GST and State GST are to be paid to the accounts of the Centre and the States individually.
- The CGST will have a threshold of 1.5 crores and SGST proposed at 10 lakhs.
- Every Taxpayer would be allotted a PAN-linked Taxpayer identification number (TIN) It will be 12-15 digits.
- Alcoholic product, Tobacco and Petroleum products will not come under the GST. State Government could continue with the VAT and Central Government could also continue its levies.
- 13th Finance Commission has also announced 50,000 crores compensation package for States in case of revenue deficit, there is a concern raised by the States regarding their freedom to levy Tax and increase the Tax rates at their discretion.

6.3 Problems with GST
- **Amendment in the Constitution:** Implementation of GST is necessary to perform the Constitutional Amendments for State to levy Service Tax as well as Central Government has the power to enhance revenue from dealers and retailers transaction. After the amendment in Constitution, a separate entry 92C was incorporated in the Union List to empower it to levy the Tax on services. Numbers of modified measures have been undertaken by both the Governments before implementing the GST and these should be initiated as soon as possible.
- **Administration issue:** GST is subsumed of various types Indirect Taxes where revenue will be divided between the Central and State Government. But there might be various problems in this case regarding the matter of authority- who will control the system? Who will decide the Tax rate and how will the administration work? On the basis of the discussion of the first paper we can suppose that there will be separate Tax management both for the Centre and each State level. The administration of the State GST will be under the control of State while Central GST will be under the Central Government.
- **Tax Awareness among the stakeholders:** Every stakeholder should be properly educated about the implementation of the tax. The structure is very complicated, so all the stakeholders should have proper knowledge of the GST and its rate.
- **Political issue:** Presently VAT is levied by 29 States and 7 Union Territories of India. Every State has authority to decide the Tax rate and to control the Tax system as per their convenient. If it is handed over to the Central Government, they will control the Tax rate along with the Tax system. It is a matter of great concern, but the question arises why all the States hand over their right to the Union Government [6].

6.4 Prospects of GST
- **Benefit to industry:** The GST is expected to be complimentary to the user of the supply chain of goods and services which include from beginning to ending the whole industry, agriculture and trade via a comprehensive Tax regime. This is expected to generate the higher amount of revenue for the industry as well as business prospects as Tax burden goes down.
- **Benefit to exports:** The cost of manufactured goods and services will decrease with the comprehensive reduction of input cost of major Central and State Taxes in GST. This will create a competitive environment of goods and services of India, in the international market.
- **Benefit to consumer:** There should be transparency and rationalization in the management of GST so that consumers could get benefits from lowering the Tax burden on goods and services consumed by them.
- **Reduction in cost:** As per the Government report of India “Task Force on Goods and Services Tax: Thirteenth Finance Commission” 2009, shows that the implementation of the GST will result in a sharp decline in the prices of cotton textiles (by 6.44 percent), wool, silk & synthetic fiber textiles (by 11.4 percent), and textile products including wearing apparel (by 17.45 percent). The poor will be benefited more from deduction in prices. To some extent it will also help to solve the burning question of poverty. Implementation of GST will increase the actual returns of land, labor and capital [6].

7. GST and Indian Economy
Amongst economic crisis across the globe, India has posed an example of hope with desirable growth targets, various schemes or missions like Make in India, Digital India etc. The Goods and Service Tax (GST) bill is expected to provide the much needed pace for growth of economy in India by transforming the existing complicated taxation system into

single point taxation system in the country. Uniformity of tax will lead to single point taxation for supply of goods or services across country. GST would improve the country's tax to GDP ratio and also prevent inflation. However, with GST manufacturing sector may be benefitted but things may get difficult for the services sector. It is expected that the GDP growth is likely to be raised up to 1 to 2%, but the results can only be analyzed after the implementation of GST. By merging large no. of center and state taxes into one single point taxation system will reduce burden on producers and foster growth through more production. Various toll plazas and tax barriers leads to a lot of wastage for perishable items being transported which leads into the increase the costs of goods. GST could eliminate this road block which leads to lowering of prices for essential goods. GST would prove to be beneficial for the manufacturing sector where the tax rate is very high like FMCG, Auto and Cement sectors as they are currently reeling under 24 to 38%. The service sector is going to be adversely affected as the current rate of tax is much lower than expected rate of GST. GST would also add to government revenue by widening of the tax base. GST would be beneficiary for the sectors like FMCG, Pharmaceuticals, Consumer durables, Automobiles and logistic industries and will have negative impact on telecom, banking and financial services [7].

7.1 Impact of GST on Various Sectors

- **Fast moving consumer goods sector:** The Indian FMCG sector is the fastest growing sector in the economy. FMCG sector is the major contributor in both direct and indirect taxes in the economy. Implementation of Goods and services tax will majorly influence Indian economy. The current rate of taxation in FMCG sector is around 22 to 25% and after GST rate is expected to be much lower which will result in reduction of prices of consumer goods.
- **Food Industry:** A large portion of consumer expenses of lower income families spend on food so if there is any tax on food will influence majority of the population or may be regressive in nature. In some of the countries like Canada, UK and Australia tax on food items is while in some countries like Singapore and Japan tax on food is negligible. So it would be ideal if the GST rates may be Zero or would be very low as it would affect people quite significantly.
- **Information Technology enabled services:** The IT industry will not hamper by the implementation Of GST. The expected rate of GST in IT sector is 27% According to proposed plan if software transferred through electronic form will be considered under services and if by any other media it would be under goods. So the IT industry will make mix taxation.
- **Infrastructure sector:** Development of Roads, Power, Railways, and Ports etc. are the major infrastructure sectors in India. As the taxation system in Infrastructure sector is very complex. There are exemptions and subsidies for this sector as it is very important for the development of the country. By the implementation of GST the complex tax will be removed and would increase tax base.
- **Real Estate Industry:** The implementation of GST on real estate sector will effect partially. As the sale or transfer of immovable properties are not included in GST. However the procurement of materials of construction is falling under GST. The classification of goods and services is very important under this sector because it is very necessary to classify the things which will cover under GST and which are not. The implementation of GST will affect same as in service sector.
- **Transportation Industry:** GST on transport sector will result in more efficient cross state transportation. It will bring down the logistics cost, reduced times for transportation. Currently all the 29 states of India collect taxes at different rates on goods that move across the state borders that's why the tax on transportation is collected multiple times. This will make long delays at different interstate checkpoints for reviewing by state authorities who checks for the application of relevant taxes and other levies. This causes the delays for an average of 6 to 7 hours. GST would replace around 15 state and federal taxes and tariffs for a single tax at the point of sale of goods.
- **Pharmacy Industry:** India is the largest producer of Generic Medicines and the country's pharmaceutical Industry is 3rd largest in the world currently. The implementation of GST would have a constructive effect on Healthcare industries particularly Pharmacy. It will help the industries by sorting out the taxation structure since 8 different types of taxes are enforced on pharmaceutical industries today. The merger of all the taxes into one uniform tax will ease the way of doing business. GST would also improve the transportation and supply chain of pharmaceutical products.
- **Textiles Industry:** It is expected that the tax rate in GST would be higher in textile industry as per the current tax rate. Cotton and wool fiber which are currently exempted from tax would come under tax in GST but the textile industry may be beneficial from GST as manufacturing costs, may be reduced due to subsume of various taxes like octroi, entry tax, luxury tax etc. There will be few drawbacks also but GST will support the industry in long run.
- **Services Sector:** Services sector of India consists of 60% of the GDP. The GST rate for services is expected to be 18to 20% which is higher than the current rate of tax that is 15%. So there will be increased cost for services like Banking, Telecom and Insurance.
- **Agriculture Sector:** The GST on agriculture sector will have a positive impact as all the taxes will be subsumed under a single rate of tax. So the movements of agriculture commodities between states will be easier & hassle free which will save time and remove wastages for the transportation of perishables items [8].

7.2 Sector-wise Tax Rate & GST

From Table 1 we can study the difference between current tax rate and GST in various sectors. A plunge of approximately 50% or so can be seen in the tax rates of automobile, cement and FMCG. Whereas, a dip is observed in the tax rate of real estate sector. Tax rate of 12% on pharmaceutical and 18% each on metal and entertainment has been imposed. At the same time service sectors such as banking, IT and telecom faced a hike from 15% to 18% in the tax rates. A rise of 4% to 5% is depicted from the above table in insurance and logistics sector respectively. The most affected among all the sectors is the textile/garment sector where a jump as high as 18% from a measly 6% can be seen. We can summarize that implementation of GST will give positive impacts on sectors like automobiles, entertainment, FMCG, cement; real estate also slightly positive impact on metal can be seen. It was observed that GST will expect to remain neutral for pharmaceutical sector. Increment in the effective tax rate will show negative impact on textiles, telecom, logistics, Insurance, banking & financial service sectors and slightly negative impact on IT sector.

Table 3

S No	Sectors	Current Tax Rate	New GST Rate
1	Automobiles	30-47	20-22
2	Banking & Financial Service	15.00	18
3	Cement	27-32	18
4	Entertainment	20-21	18
5	FMCG	20-35	18
6	Insurance	14.00	18
7	IT	15.00	18
8	Logistics	15.00	20
9	Metal	19-21	18
10	Pharmaceuticals	12-14	12
11	Real Estate	15.00	12
12	Telecom	15.00	18
13	Textiles/Garments	6-7	18

Source: [9]

8. GST and Indian Agriculture

Agriculture is the backbone and root of Indian economy which helps to sustain industrial growth and key to reduce poverty. In 2015-2016, Agriculture and allied sectors accounted for 17.4 per cent of GDP, 48.9 per cent for total workforce and provides livelihood to more than 58 per cent of the total population. India ranks second in farm output, fourth in largest exported principal commodity and seventh in agricultural exports which shares forms an average around 15 per cent (both raw and processed form) which helps to increase the foreign exchange. Exports have become an important engine of India's economic growth. Implementation of GST would have a great impact on economy agriculture and allied sector.

As shown in Table 1 the tax rates for agricultural inputs like seeds, implements (manual and animal operated) and organic manure stand unchanged at 0 %. Whereas a vast change can be observed in the tax rates of other inputs like chemical fertilizers and pesticide and insecticide which has changed from 0 to 5 % and 0 to 18 % respectively. Likewise a hike from 5 to 12 % in the tax rates of tractors, power tillers and harvesters can be seen. Tax levied on tractor parts has changed from 5 to 18 %.

Table 4: GST & VAT rate list of major Agricultural Commodities

S No	Commodity	GST (%)	VAT (%)	S No	Commodity	GST (%)	VAT (%)
1	Seeds & Saplings	0	0	26	Instant tea and coffee	5	0
2	Agri. Implements	0	0	27	Tobacco leaves	5	0
3	Live trees, plants & parts	0	0	28	Sugarcane, beet & palmyrah	5	0
4	Animals, Poultry & Aquatic animals	0	0	29	Dried plants, flowers & barks	5	5
5	Fresh Meat	0	0	30	All spices	5	5
6	Feeds of poultry and aquatic animals	0	0	31	Processed and Branded tea and coffee	5	5
7	Jaggery	0	0	32	Resin, ester gum	5	5
8	Cotton by-product	0	0	33	Oil from vegetables	5	5
9	Organic manure	0	0	34	Branded cereals pulses and oilseeds	5	5
10	Unprocessed & Unbranded tea & coffee	0	0	35	Aquatic animals-frozen & processed	5	5
11	Cereal by-products	0	0	36	UHT Milk	5	5
12	Milk, curd, lassi & butter milk	0	0	37	Branded honey, paneer	5	5
13	Egg with shell & processed	0	0	38	Cocoa bean	5	5
14	Silkworm laying and cacoon	0	0	39	Tractors, power tiller & harvester	12	5
15	Fresh vegetables, fruits & flowers	0	0	40	Processed Meat	12	5
16	Lac & Shellac	0	5	41	Cheese	12	5
17	Unbranded cereals, pulses & oilseeds	0	5	42	Beverages-fruits	12	5
18	Unbranded honey, paneer	0	5	43	Butter	12	0
19	Chemical fertilizers	5	0	44	Dry fruits and nuts	12	14.5
20	Frozen veg., fruits & flowers	5	0	45	Pesticide, insecticide	18	0
21	Oil from Oilseeds	5	0	46	Parts of Tractor	18	5
22	Egg without shell & unprocessed	5	0	47	Essential oil	18	5

S No	Commodity	GST (%)	VAT (%)	S No	Commodity	GST (%)	VAT (%)
23	Silk yarn	5	0	48	Condensed Milk	18	5
24	Firewood	5	0	49	Timber	18	14.5
25	Animal wool, hair and semen	5	0	50	Molasses	28	30

***Source*:** [10]

Agricultural products like live tree, plants, unprocessed and unbranded tea, coffee, fresh vegetables, fruits, flowers, jaggery and by-products of cereals, cotton are exempted from tax as earlier. The table also depicts certain agricultural products sans alteration like all spices, ester, resin gum, dried flowers, fruits, barks, cocoa bean and also processed and branded cereals, pulses, oilseeds, tea, coffee, vegetables and honey. It also highlights a depreciation of 5 per cent in the tax rates of commodities lac, shellac, firewood, sugarcane, beet, tobacco leaves, Palmyra and processed and unbranded cereals, pulses, oilseeds, honey, coffee, tea and lastly frozen fruits and vegetables. Tax rate of 12 per cent imposed on fruit beverages and dry fruits and nuts. Lastly a change from 5 to 18 per cent, 14.5 to 18 per cent and 30 to 28 per cent can be seen in the tax impose on essential oils, timber and molasses.

Under this sector, fresh animals (except horse), their feeds and meat also their byproducts like milk, curd, lassi, butter milk, egg with shell and processed and silkworm laying and cacoon are exempted as earlier. Tax levied on products like UHT (Ultra High Temperature) milk, branded paneer, and Aquatic animals which were frozen and processed are unchanged as 5 per cent. Whereas 12 per cent tax charged on butter, cheese, and processed meat can be observed. Increment of 5 per cent tax rate can be seen in byproducts such as paneer, silk yarn, wool, animal hair, semen and egg without shell and unprocessed. Lastly we can notice a high increment in the tax rate of condensed milk from 5 to 18 per cent.

8.1 Impact of GST on Farm Sector

- The execution of GST is expected to boost the agricultural market as taxation under a subsumed single rate would make the movement of agricultural commodities hassle free as the products would be able to reach places in a better way.
- Interstate trading of a particular product often is subjected to various taxes, permission, license required for different states at every point of their transaction. This had often created hindrance in trading of products across the country for many traders in the past. So implementing GST would be the first step towards liberalizing the marketing of agricultural products and creating a smooth transaction of goods.
- GST would make the agro-machineries affordable to the small and marginal farmers in India which was beyond their reach due to high excise duty on the machinery.
- Agricultural products were always subject to diversity in the taxation rates so a single rate of goods and service tax would benefit the national agricultural market and help the farmers and traders to sell their products in any part of the country and receive the best price for their product.
- The proposed GST rate should provide consistency in tax of processed and unprocessed food items so that processed food comes within the reach of all the consumers. The slab for GST rate of processed food should be different for different income group to make the benefit of such food available for all the consumers.
- Currently, there is no tax to procure milk from farmers. Only 2 % central VAT on sale of milk powder to a company is paid. When GST gets implemented, the tax can be 12.5% or 15% or 18%. There will be a straight cost hike in milk and milk product prices. India ranks first in milk production covering around 18.5per cent of the world production. Its annual production for the year 2015-2016 amounted to 155.49 million ton (India stat) and records an increase every year, and milk being a basic necessity in many households, an increase in the price would not be readily welcomed by the consumers.
- The implementation of GST is expected to facilitate the implementation of National Agricultural Market on account of subsuming all kinds of taxes/cess on marketing of agricultural produce as well as it would ease interstate movement of agricultural commodities which would improve marketing efficiency, facilitate development of virtual markets through warehouses and reduce overhead marketing cost [11].

8.2 Influence of GST on Indian Agricultural Market

As per the Model GST law “agriculture" includes floriculture, horticulture, sericulture, the raising of crops, grass or garden produce and also grazing, but does not include dairy farming, poultry farming, stock breeding, the mere cutting of wood or grass, gathering of fruit, raising of man-made forest or rearing of seedlings or plants. Therefore, these will be taxable under the GST. According to the experts, the main impact that GST in agriculture would bring is the inflation with currently 4% VAT being increased to 8% on many food items including cereals and grains as the exemption under VAT is limited to unprocessed food. The most affected from the inflation would be the consumers living below the poverty line. According to the survey conducted, approximately 60% of the respondents think that GST will have a positive impact on the Indian agricultural sector, however, 27% of the total respondents think the other way round [12].

8.3 Effect of GST Implementation for Agro– Inputs on the Agricultural Growth

The implementation of GST will give more relief to agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, including of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which will result in widening of tax base and better tax compliance may also lead to lowering of tax burden on an average dealer in agriculture. In a research more than 40% of the respondents believed that implementation of the GST for agri – inputs will rise the agricultural sector growth rate due to various reasons such as low cost of inputs, production at lower costs and free mobility of agricultural produce across states as per need and demand [12]. Farmers' profitability largely depends upon tax structure for the inputs combined by them. This is because it determines the cost of production for the farmers. Lower the cost of production, higher are the possibilities of him getting larger profits.

9. Conclusion

GST does not signify VAT plus service tax only, but also a major improvement in the previous system of VAT and fragmented services tax. GST is also helpful in avoiding Tax evasion, improved Tax collection and agreements. It reduces the cost of goods and services to some extent and creates a supportive environment for the facilitation of international trade, thereby helping in revenue generation leading to the increase in the GDP of the country. Though GST will face many challenges after its implementation, it will bring many benefits. Similarly, it will also be helpful in lowering the Tax burden on the various segments of the economy. Industries, dealers, retailers and the agriculture sector as a whole will benefit from GST. Agricultural sector is based on perishable items. And as forecasted in the Goods and Services Tax regime, if the supply chain evolves into something better, improving quick movement of goods, it will allow less food to be wasted. The profit in turn will go the farmers and the retailers. This will happen because interstate transportation of goods, here perishable food, will be easier. However, as the farm sector will remain largely exempted from GST, any input taxes suffered on inputs used in the farm sector such as seeds, fertilizers, pesticides, tractors etc., will remain blocked and will contribute to increase in prices of farm output. Indian farmer is already reeling under tremendous pressure from many ends and the increased burden of taxes will create a crater in his income. However, a smooth GST rule can break inter-state barriers on movement and facilitate direct linkage between farmers and processors. This can transform the operations of *Mandis* too. Through this study, we conclude that GST plays a dynamic role in the growth and development of our country. Many Indirect Taxes like Sales Tax, VAT etc., will be ended because there will be one tax system i.e. GST, which will reduce present burden. In India, implementation of GST would also prove to be a rescue from economic distortions caused by present complex tax structure and will help in development of a common national market. Although there are challenges concerning proportion in Taxes majorly between State and Central Government, but directly or indirectly it would add wealth to the nation only.

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