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GST and its impact in agricultural and fishery products

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Abstract
Indian fisheries and aquaculture is an important sector of food production, providing nutritional security to the food basket, contributing to the agricultural exports and engaging about fourteen million people in different activities. India is the second largest fish producing country in the world with the production of 11.41 million metric tons. 6.3% of the global fish production, the sector contributes to 1.1% of the GDP and 5.15% of the agricultural GDP. Fish and fish products have presently emerged as the largest group in agricultural exports of India, with 10.51 lakh tonnes in terms of quantity and Rs.33,442 crores in value. This sector generates employment to 14 million people. This accounts for around 10% of the total exports of the country and nearly 20% of the agricultural exports. Introduction of the GST in India isgoing to change the entire commercial tax scenario prevailing in theagricultural as well as fishing sector.

Keywords: GDP, fisheries, agriculture, exports, product, GST

Introduction
Goods and Service Tax (GST) is an indirect tax the sale of goods and services. GST is levied at every step in the production process, but is refunded to all parties in the chain of production other than the final consumer. Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. The introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which was earlier estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits from the Producer's point and Service provider's point up to the retailer level. Earlier, a manufacturer needs to pay tax when a finished product moves out from the factory, and it is again taxed at the retail outlet when sold. The taxes were levied at the multiple stages such as CENVAT, Central sales tax, State Sales Tax, Octroi, etc. were replaced by GST to be introduced at Central and State level.

History of goods and service tax in India
The implementation of the Goods and Services Tax (GST) in India was a historical move, as it marked a significant indirect tax reform in the country. The amalgamation of a large number of taxes (levied at a central and state level) into a single tax is expected to have big advantages. In 1986 Prime Minister P. V Narasimha Rao and his Finance Minister Dr. Manmohan Singh, initiated early discussions on a Value Added Tax and its modification. A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between the Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. In 2014 under the leadership of Prime Minister Narendra Modi the GST Bill was proposed to the Lok Sabha, seven months after the formation of the BJP Government. Later on May 2016, finally the Lok Sabha passed the Constitution Amendment Bill of GST.

The Goods and Services Tax was launched at midnight on 1 July 2017 by the President of India, Pranab Mukherjee, and the Prime Minister of India Narendra Modi.

Impact of GST on agricultural sector

Agriculture plays a vital role in India‟s economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP). Agri inputs are important for agriculture and their timely supply is vital for enhancing crop productivity. As per the 2nd advised estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 per cent of the Gross Value Added (GVA) during 2016-17 at 2011-12 prices (Tharani and Ahmed, 2016) [2]. Earlier in tax regime, agriculture had enjoyed a various exemptions from indirect tax. Sale of agriculture commodities was exempted from VAT. Concessional rates have been imposed on agricultural accessories and supporting machineries. As the GST is being introduced with the unbiased objective of having a unified tax structure for goods and services, this is likely to facilitate and strengthen the Scheme on National Agricultural Market (NAM) aimed at an integrated system of market of agriculture produce at the national level, allowing free flow of agricultural commodities across states.

Agri inputs include a variety of products like, seeds, fertilizers, pesticides etc., for this survey a range of agri inputs were taken into consideration. As per the GST regime, the Government of India has decided different rate for different categories of inputs like seeds (exempted), fertilizers (12%), tractors (12%), crop protection (18%) etc. depriving the industry of equal treatment to other agricultural inputs. This change in tax regime will consequently result in changes in price structure of inputs, manufacturer and dealer margin, imports and exports and ultimately farmers' income and country's economy. Overall, it seems, from the inputs side, that the cost of cultivation for farmers may increase marginally, which in turn may put mild pressure on agri-prices. But the story is not complete unless we see the taxation structure on agri-output prices.

Table 1: Comparison between Agricultural inputs with previous Tax system and GST

Agro-inputs	TAX/VAT Regime	GST Regime	Effect
Chemical Fertilizers	12%	5%	Positive
Seed	Exempted	Exempted	Same
Irrigation	Concession on Electricity for farmers	Electricity kept outside from GST	Negative
Tractor tire and other machinery parts	12.5%	18%	Negative
Insectiside	5.5%	18%	Negative
Hand pump and its parts	12.5%	5%	Positive

Merits of GST in agricultural sector

- GST implementation will play favorable role for National Agricultural Market (NAM) on merging all the different taxations on agricultural products.
- Once transportation facilitated, it will improve the marketing efficiency and create access to virtual world.
- GST is vital to enhance the performance of supply chain mechanism in terms of transparency, reliability and timeliness, which in turn will ensure reduction in waste and cost of agricultural produce.
- Agricultural sector has been kept outside from undertaking GST compliances.
- Will reduce the time taken for inter-state transportation.
- Service tax will also be exempted in various services related to agricultural produce.
- All basic agriculture goods (not processed) which are not chargeable under current VAT Laws would not be charged to tax in GST.
- Most of raw agri-commodities including rice, wheat, milk, fresh fruits and vegetables, etc, are in the zero-tax slab and rightly so as they are consumed by masses.

Demerits of GST in agricultural sector

- GST is still incomplete in case of agricultural imports.
- GST is all set to increase the prices of most agricultural inputs like pesticides and farm equipments resulting into increase in cost of production for farmers.
- Also as GST being single source of tax across nation will not allow farmers any more to take advantage of inter-state price variations. Similarly they will find difficult to get cheaper inputs due to constant pricing across states unlike in previous states laws.
- Fertilizers like Urea, DAT, Potash, will bear a spike tax rate in GST.
- Drip and sprinkler irrigation equipment, which previously was a VAT rate of 5%, will be taxed at 18% under GST. Similarly, the tax rate on pesticide sprayers has gone up from 6% to 18% and electric motors from 7% to 12%.

Impact on Fisheries: Indian fisheries and aquaculture is an important sector of food production, providing nutritional security to the food basket, contributing to the agricultural exports and engaging about fourteen million people in different activities. Agriculture as well as fisheries sector plays a vital role in Indian through substantial forex earnings, employment generation, supporting livelihoods of millions of farmers and ensuring nutritional and food security. India is the second largest fish producing country in the world with the production of 11.41 million metric tons. 6.3% of the global fish production, the sector contributes to 1.1% of the GDP and 5.15% of the agricultural GDP. (NFDB, 2016-17) Fish and fish products have presently emerged as the largest group in agricultural exports of India, with 10.51 lakh tonnes in terms of quantity and Rs.33,442 crores in value (Sheetal *et.al*, 2016) [1]. This sector generates employment to 14 million people. This accounts for around 10% of the total exports of the country and nearly 20% of the agricultural exports. More than 50 different types of fish and shellfish products are exported to 75 countries around the world. Introduction of the GST in India isgoing to change the entire commercial tax scenario prevailing in the agricultural as well as fishing sector. Almost all the items related to fisheries sector are subject to GST.

Inputs	Commodity	TAX/VAT	GST
Fishing Inputs	Fishing Vessels	5%	5%
	Outboard Motor	14.5%	28%
	ICE Boxes	14.5%	18%
	Spare parts	5% & 14.5%	28%
	Repair labour charges	0%	18%
Food Product	Fish dried	0%	5%
	Fish meat, chilled / fresh	0%	5%
Fishing Hooks, Nets and Tackles	Fishing hooks	0%	12%
	Fishing rods	0%	12%
	Fishing ropes (other)	0%	18%
	Fishing ropes, nylon	0%	18%
	Fishing tackles	0%	12%
	Fishing twines (other)	0%	12%
Navigational Equipment	Compasses	14.50%	28%
	Direction finding compasses	14.50%	28%
	Navigational instruments	14.50%	28%
	Navigational instruments, parts	14.50%	28%
	Radio navigational aid apparatus	14.50%	28%

The GST rates introduced in the marine fisheries sector inputs have increased the cost of the fishing implements and thereby will reduce the income of fishermen. It's is also a fact that the frequency of replacement of fishing equipment like boats and engines had increased because of high wear and tear from increased voyage time for fishing in distant waters where the resources are available. There is no denying the fact that the fishermen spend a major portion of his income annually for replacement of his fishing inputs and the levying of new taxes at very higher rate will take away a major portion of his income as taxes. Fishing community is still to be one of the most backward communities economically in the country and fishing is their only livelihood option. The highest category of GST were meant for luxury items but unfortunately the Marine Engines used by fishermen were also included in the same category. The tax rate of existing taxable items increased exorbitantly and some of the items were included in the highest category of 28% tax. Considering the above we feel that GST Council has to look into the GST for fisheries sector and corrective measured will be taken in next GST council meeting.

Conclusion

As cited by many of the literature on goods and service tax in India that GST is going to change the indirect tax structure in India and would be a milestone in Indian taxation history by integrating the nation with rest of the world in adoption of VAT. At the same time it is also anticipated that implementation of GST would boost the economic growth by the means of wider tax base: compliance in tax payment: and by pushing balance of trade on favorable side. However, in some of the countries this apprehension might not hold good. About its implications on agricultural sector it could be conclude that though the overall tax burden on consumers will be less in new tax regime, but certainly it would have inflationary pressure on the food articles especially processed one which may lead to restoring the consumption towards fresh farm products. On the other side of coin it the farming community as they have to pay higher taxes in new tax regime on inputs which in turn will reduce their net income. Since, the domestic as well as international trade would be encouraged in GST regime and if the gains from the trade are fairly transmitted to the back end then only it may help the farming community to maintain the current standard of living and investments in farm business. But yes implementation of GST is going to benefit in long-run timeline, and the most important thing is from the starting producer, farmers, distributors as well as retailer stands in a single unified national agriculture market. GST is essential to improve the transparency, reliability, timeline of supply chain mechanism. A better supply chain mechanism would ensure a reduction in wastage and cost for the farmers/retailers. But yes in some cases GST rate hikes too much which becomes a burden for the small scale farmers. Hope the GST council will think about that and reduce the rate in future. Let us hope that this new tax proves beneficial not only for the common man but for the country as a whole.

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