

# **Analysis of Impact of GST on Glass Industry of Gorakhpur**

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## **Abstract**

Goods and Services Tax (GST) is an indirect taxation in India merging most of the existing indirect taxes into single system of taxation. It was introduced as The Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 122nd Amendment Bill. The GST is governed by GST Council and its Chairman is Union Finance Minister of India. The glass industry in India is quite old and well established. In recent years, the industry has transformed and developed. From rudimentary mouth blown and hand working processes, the industry has evolved to adopt modern processes and automation in a large way. Production of glass in India is pre dominantly found in the states of Uttar Pradesh, followed by Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu and Karnataka. In India, Firozabad is the central hub for many glass manufacturing industries and one of the leading manufacturers and exporters of glass products. Nearly 40% of the glass produced here is exported. Products manufactured include bangles, kada, kangan, jar, glass, candle stand, flower vase, decorative lights, etc. Now the implementation of GST is affecting every industry whether positive or negative. In this reference we also analyze the effect of GST implementation on Glass Industry particularly in Gorakhpur Industrial Region. For this we have taken the secondary source of information from the particular glass manufacturing company. We have also analyzed the effect of GST on the price of glass product, sales turnover and their profit.

## **Introduction**

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. GST is a comprehensive indirect tax on

manufacture, sale and consumption of goods and services throughout India (Except state of Jammu and Kashmir), to replace taxes levied by the central and state governments.

### **Facts -**

- France, first country to introduce single GST(VAT) in 1954.
- Brazil, Canada has dual GST.
- 160 countries have implemented GST/VAT in some form or other.
- India follows Canadian model of GST.

### **GST has 4 tax slabs:-**

- 5% slab
- 12% slab
- 18% slab
- 28% slab

### **Important Points:-**

- Good and services tax (GST) is a indirect tax which has replaced other indirect taxes in India.
- GST was first introduce in 1<sup>st</sup>July 2017.
- GST is one indirect tax for the entire country.
- Before Goods and Service Tax, the pattern of tax levy was as follows:

### **Glass Industry: India**

The glass industry in India is quite old and well established. It remained largely a cottage industry for a long time. In recent years, the industry has transformed and developed. From rudimentary mouth blown and hand working processes, the industry has evolved to adopt modern processes and automation in a large way. The per capita consumption of container glass in India is at 1.8 kg; much lower compared to other nations. This provides a possibility of good upside potential.

India's glass market has been growing across all segments. Float glass had recorded the fastest growth, at nearly 60% CAGR between 2001 and 2005. This growth has been driven primarily by India's booming automotive and construction sectors.

This industry was estimated at around Rs. 225 billion in 2012. The share of organized market is about 55%, whereas the unorganized market accounts for close to 45%.

Production of glass in India is pre dominantly found in the states of Uttar Pradesh, followed by Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu and Karnataka. The industry employs about 30 lakh people directly and provides indirect employment to 7 lakh people in

all. In India, Firozabad is the central hub for many glass manufacturing industries and one of the leading manufacturers and exporters of glass products. Nearly 40% of the glass produced here is exported. Products manufactured include bangles, kada, kangan, jar, glass, candle stand, flower vase, decorative lights, etc.

### Main highlights of Industry

- This market size of glass industry in India was estimated at around Rs. 225 billion in 2012 and the share of organized market at about 55%, whereas, the unorganized market is close to 45%.
- The per capita consumption of container glass in India is at 1.8 kg; much lower compared to other nations. This provides a possibility of good upside potential.
- In FY18, India’s total glass exports stood at USD 639 Million and USD 1,245 in imports, making India a net importer of glass.
- Asahi Glass is the world’s largest glass company. The top 5 players account for close to 60-70% of the organized market share.
- Major growth drivers for the country’s glass industry are government schemes like ‘Housing for all’, RERA; growth in automobile production, increase in demand for energy efficient products, etc.

### Objective of the Study

To study how the market is affected after GST implementation.

### Impact of GST on glass industry:

Before GST	After GST
Excise Duty= 12.5%	GST=18
VAT=14%	
CST=2%	
Insurance=2	Insurance=2

<b>Pre GST</b>	<b>Price</b>		<b>100</b>
	Excise Duty	12.5%	13
	VAT	14.5%	15
	CST	2%	2
	Insurance	2%	2
	Total		<b>132</b>
<b>Post GST</b>	<b>PRICE</b>		<b>100</b>
	GST		18
	INSURANCE		2
	TOTAL		<b>120</b>
<b>IMPACT</b>	CHANGE OVER PRE-		-9.09%

	GST PRICE (%)		
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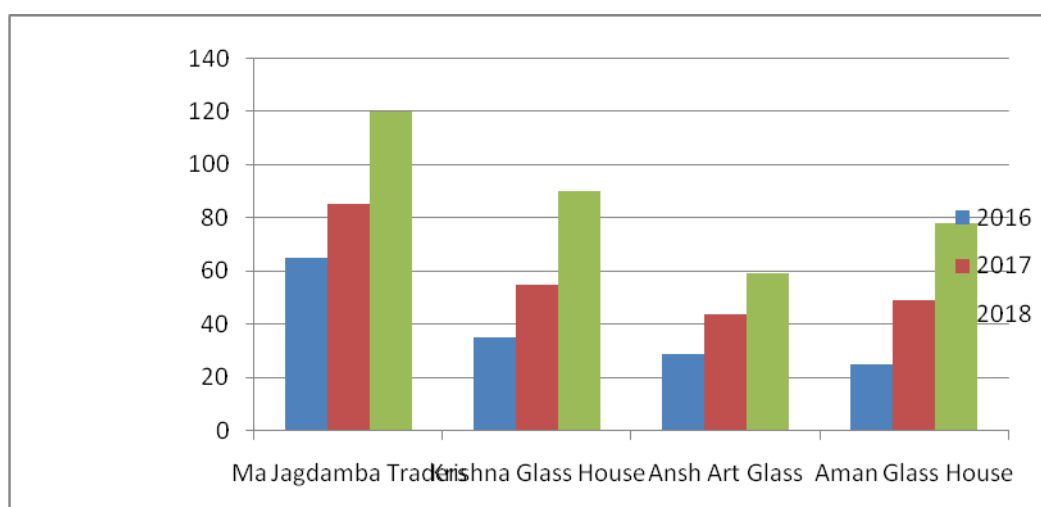
## Impact of GST on sales of few retailers in Gorakhpur-

NAME	2016	2017	2018
Ma Jagdamba Traders	65	85	120
Krishna Glass House	35	55	90
Ansh Art Glass	29	44	59
Aman Glass House	25	49	78



All the given data are in Lacs.  
All the given data is at the end of the financial year.

### Graphical Representation of Sales Data



### Limitation of GST

#### 1. Increased costs due to software purchase

Businesses have to either update their existing accounting or ERP software to GST-compliant one or buy GST software so that they can keep their business going. But both the options lead to increased cost of software purchase and training of employees for an efficient utilization of the new billing software.

ClearTax is the first company in India to have launched a ready-to-use GST software called Cleartax GST software. The software is currently available for free for SMEs, helping them transition to GST smoothly. It has truly eased the pain of the people in so many ways.

#### 2. Being GST-compliant

Small and medium-sized enterprises (SME) who have not yet signed for GST have to quickly grasp the nuances of the GST tax regime. They will have to issue GST-complaint invoices, be compliant to digital record-keeping, and of course, file timely returns. This means that the

GST-complaint invoice issued must have mandatory details such as GSTIN, place of supply, HSN codes, and others.

ClearTax has made it easier for SMEs with the ClearTaxBillBook web application. This application is available for FREE until the end of September and is an easy solution to this problem. This will help every business to issue GST-compliant invoices to their customers. These same invoices can then be used for return filing through the ClearTax GST platform.

### **3. GST came into effect in the middle of the financial year**

As GST was implemented on the 1st of July 2017, businesses followed the old tax structure for the first 3 months (April, May, and June), and GST for the rest of the financial year.

Businesses may find it hard to get adjusted to the new tax regime, and some of them are running these tax systems parallels, resulting in confusion and compliance issues.

### **4. SMEs will have a higher tax burden**

Smaller businesses, especially in the manufacturing sector will face difficulties under GST. Earlier, only businesses whose turnover exceeded Rs 1.5 crore had to pay excise duty. But now any business whose turnover exceeds Rs 20 lakh will have to pay GST.

However, SMEs with a turnover upto Rs 75 lakh can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. The catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SMEs.

## **Observations and Suggestions**

### **1. GST Rate for Glass and Glassware's**

GST rate for glass and glassware's are specified under HSN code chapter 70. GST rates under the five slabs of NIL, 5%, 12%, 18% and 28% GST are decided by the GST Council from time to time. The GST rate mentioned below is based on the decision of the GST Council on 18th May, 2017.

### **2. 0% and 12% GST Rate**

Only bangles except those made from precious metals are not taxed under GST. Further, globes for lamps and lanterns, founts for kerosene wick lamps, glass chimneys for lamps and

lanterns are taxed at 12% GST. All other glass and glassware's are taxed at 18% GST or 28% GST as follows.

## **CONCLUSION**

GST has brought a significant change in the business process of glass industry. Though GST has increased the sales of most of the organizations, it also creates a bit of problem for many SMEs as they have to change the previous business and accounting practices to which they have been accustomed for ages.

Different clauses of GST in different type of organization also brought a bit of nuisance for the businessmen. But even though all the terms and condition of GST can be a bit problematic for the glass merchants to adopt initially, after some time it really helps the business a lot as it makes the accounting process and ITR process very easy and efficient both from the organization's point of view and nation's economy point of view.

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