

Airo International Research Journal

Volume XIV, ISSN: 2320-3714

March, 2018

Impact Factor 0.75 to 3.19



UGC Approval Number 63012

A Multidisciplinary Indexed International Research Journal



ISSN : 2320-3714  
Volume : XIV  
Journal : 63012  
Impact Factor : 0.75 to 3.19

**airo**  
ADHYAYAN  
INTERNATIONAL  
RESEARCH  
ORGANISATION

## **GST IN INDIA: PERCUSSION ON THE ECOLOGY AND ENVIRONMENT**

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### ***Abstract***

*Fiscal instruments are possibly the most effective method for addressing environmental concerns related to poor air quality, urban road congestion, and greenhouse gases. GST is one of the most crucial tax reforms of India. It is a comprehensive tax system that has subsumed all indirect taxes of states and central governments and unified economy into a seamless national market. In view of population explosion, changing value systems and indefinite accumulation of capital through un-mindful expansion of economic activities resulted in severe ecological imbalance. Such situation is becoming alarming and threatening the very existence of mankind and its sustainable development. Thus there is a need for greater understanding of the inter-relationship between structural and functional components of nature and its integration with GST taxation policy of India. This paper presents an overview of ecological and environmental concerns that will arise as a result of an implementation of GST in India. The paper is more focused on impacts of GST on the environmental front.*

**Key Words:** *GST, Impacts on Environment, Safer world.*

### **A. Introduction:**

The GST tax came into effect from July 1, 2017 via the implementation of one hundred and first amendment of the constitution of India. The tax replaced multiple cascading taxes levied in recent past. The tax prices,

regulations and rules are governed through the goods and services Tax Council which accommodates finance ministers of Center and all the states. GST simplified a slew of indirect taxes with a unified tax and is

therefore anticipated to dramatically reshape the India's 2.4 trillion dollar financial system. It is biggest tax reform since 1947. Currently, in India sophisticated indirect tax system is followed with imbrications of taxes obligatory by union and states individually. GST can unify all the indirect taxes below an umbrella and can produce an even national market. Consultants say that GST can facilitate the economy to grow in the additional economical manner by raising the tax collection because it will disrupt all the tax barriers between states and integrate country via single tax rate. GST was 1st introduced by France in 1954 and currently, it's followed by a hundred and forty countries. Most of the countries followed unified GST whereas some countries like Brazil, North American nation follow a twin GST system wherever tax is obligatory by central and state each. In India additionally, twin system of GST is projected together with CGST and SGST.

Experts say that GST will help in the economic growth of the country. It is estimated that GST will help in the creation of single, uniform market that will benefit both corporate sector and the Indian economy. Both the State and the Central



Government will levy GST on almost all goods and services produced in India or imported into the country.

Man doesn't merely live within the environment encompassing him; however additionally keep interacting continuously with its varied parts. Economy and Environment are closely inter-related with one another as well as inter-dependent on one another. On one hand, environment influences the life of people at large and everyone their activities in one or different side, simultaneously on the opposite hand people at large additionally through their growth & development; and activities, wishes & intentions for modification or adjustment influences the environment. A harmonious equilibrium within the relationship of man and environment would be helpful for each altogether aspects.

#### **B. Objectives of the study:**

1. To understand the impact of goods and service tax on the environment.
2. To discuss shortcomings of goods and service tax on the environmental front.

### **C. Research methodology**

The study focuses on the extensive study of Secondary data collected from various books, National & international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service tax and Environmental issues.

### **D. GST Impacts on Environment and Ecology of India:**

#### **1. Automobile Sector:**

Under the GST rates, eco-friendly hybrid cars are clubbed with fuel-guzzling SUVs. Each currently bears a 43 % tax – GST accounts for 28 %, whereas a further 15 % state compensation tax is going to be charged for an amount of 5 years. So, bigger and less fuel efficient SUV will be cheaper by 10%.Eco-conscious customer; opting for Hybrid Cars have to shell out additional 13%.GST has brought a giant reduction in the automobile tax. A major metropolitan city like Delhi can run to a standstill. This can be an inevitable consequence of explosive and unrestrained vehicle numbers that crossed ten million in 2017(Iyer,



2017).If methods to curb implementation and reverse this trend are not enforced; it'll become more and tougher to cut back deadly exposure to pollution.If a polluting good is taxed at a lower rate below the GST regime than under the present tax structure, the ensuing consumption of the good is anticipated to be higher. Further, in a destination-based system, the government revenue can accrue to the consuming State instead of the producing State. This will not solely increase emissions within the manufacturing State; however will also leave it with lesser revenue to address the negative externalities of production. Hence, automotive trade must perceive the GST policy development and its effects in a very timely manner, for higher coming up with and preparing the transitions.

#### **2. Power Generation Sector:**

Solar energy generating systems are taxed 5 % below GST. GST is adding to confusion among customers. For e.g. Solar panels and cables are key parts of this solar power system, and therefore the government has taxed them severally, at 18 % and 28 % respectively.(Mishra, 2017)

India, the world's third biggest greenhouse gas emitter, has set a target to produce 100 gigawatts of solar power in five years to fuel its economic expansion while reducing its carbon footprint. A flat 5 per cent tax on all solar power equipment will put the sector on par with domestic coal from July 1 and make solar energy generation more expensive.

Diesel doesn't come under GST taxation, however below planned structure there 5% taxes on Solar and wind energy. The carbon tax (or coal cess), that was thought to be a supply of funding for clean energy comes through the National Clean Energy Fund, can currently feed the GST Compensation Fund — a fund meant to compensate numerous state governments for any loss in revenue arising out of the products and services tax. (Reuters, 2017)

With the prices for coal projected to fall by nearly seven-membered, the GST regime clearly moves the “terms-of-trade” in favor of coal from the cleaner sources of energy.

### 3. Agriculture Sector:

Agriculture, farmers, and markets are going to be suffering from this transformation. The



government can bear the maximum burden of the premium of crop insurance. *Mandis* are being connected to the on-line market mechanism. Besides, the tax has been exhausted, so that farmers will sell their product from one state to a different to induce the honest price of their turn out. No tax has been levied on non-packaged food grains. This will be a relief for each farmer and shoppers. However, there's a chance of a modification in agricultural price from GST.

Farmers are confused when GST is imposed by the government as a result of the rate of tax on numerous product remains unclear. However, the government has given a transparent indication that each one the measures are going to be taken to extend the value of cultivation

Tax rates on alternative agricultural equipment also are being reduced. Chemicals - On the opposite hand, a twelve-tone system GST on fertilizers, up from the 4-8% rates escalates the costs of fertilizers. As per sure estimates, the costs for organic compound, the foremost usually used chemical, could increase by Rs. 300 to Rs. 400 per MT. Most States didn't levy any excise tax (VAT) on micronutrients, organic

manure, and bio-fertilizers, the 12-per cent GST rate can mean an increase in retail costs of those minor fertilizers. Tobacco -The tax on *tendu* leaf, a Minor Forest turn out (MFP) accustomed roll *beedi*, that is that the monetary lifeline of the many tribes of Central Republic of India is currently set at eighteen. The government has imposed, 28% on finished beedi with the health concerns with tobacco consumption. The 18% GST on collected *tendu* leaf selling goes against the fundamental essence of equity under which Forest Rights Act (FRA) of 2006.

This act exempted incomes obtained from the sale of non-timber forest merchandise from taxation. GST on *tendu* leaves is similar to onerous system services, which give bread and butter to poor. Impacts of GST on agriculture are setting a mixed tone of good and bad. (Down to Earth, 2017)

#### 4. Scrap Recycling Industries:

Scrap Material may be a major concern. Before GST, there was no tax on scrap material except on e-waste and metals (6 per cent worth another Tax). Under the new GST regime, all classes of scrap currently have a high charge per unit of largely 18%.



Every massive waste dealer or recycler with sales higher than Rupees twenty lakh annually has got to pay GST each fifteen days. Wholesale scrap dealer is doing now's shopping for scrap at lower costs from before and successively, the middle and tiny level dealers are shopping for the scrap at lesser costs, therefore, reducing the speed the *kabadiwala* and rag picker get. Not solely this, massive scale waste dealers can lay off their staff concerned in waste sorting and utilization so as to chop prices. *Swachh Bharat Abhiyan* (2018) lays stress on the systematization of the informal sector within the system, however high GST rates on scrap can instead wipe out the sector that has been providing unbelievable service to India's individuals and environment.

Increased GST rates will certainly cause a lot of waste piling up in our landfills as a result of utilisation can cut back. The customer/waste generator and therefore the informal sector can see no economic profit in it. this may make for mayhem on the environment. Heavy scrap doesn't appear to be in line with the *Swachh Bharat* mission that ought to ideally facilitate a lot of utilization or maybe with the property Development Goals that India has

committed to. Rag-pickers are a vital part of the cleanliness chain of any city but their contribution is often overlooked. Tax should be on the waste generator, not of waste. (Down to Earth, 2017)

### **5. Urban Local Bodies:**

ULBs, like municipalities and municipal corporations, are native self-governments that offer basic community services like healthcare, water, educational establishments, housing, transport and waste management. Although they trust heavily on grants-in-aid from the government to finance their budgets, they're authorized to gather numerous taxes, like those levied on property, recreation; advertisements through hoardings and billboards, and once vehicles enter the region (Octroi duty or entry tax). These taxes, howsoever meager, make sure the money autonomy of ULBs to some extent. With no independent revenue sources and no share within the unified GST revenue, ULBs can become weaker and additional captivated with state grants. This can stifle their autonomy and cause weak urban governance.

Municipalities work alongside public authorities like Water Boards on water



quality and waste product treatment. The municipalities are unit liable for getting ready laws for implementing and imposing the laws within the Environmental policies. Their work includes separated waste assortment, disposal of waste, air quality, and noise pollution and environmental permits for industrial and business activity and also the treatment, usage, and disposal of waste. All of this will be affected to an oversized scale by GST.

### **6. Brick Industry:**

The Union Government's move to impose a higher tax of 12 per cent on fly ash bricks and 5 per cent on clay bricks. Use of fly ash bricks would result in conservation of top soil, reduction of emissions and carbon footprints. Therefore, the taxation policy should be in tune with the environmental objective. In fact, clay bricks should attract higher tax than fly ash bricks and not the contrary. (Sarma, 2017)

### **E. Discussion:**

The trade goods value chain is inseparably coupled to a basic generation process i.e. the ecological production process. Goods and services provided at no cost to human

communities by the ecosystem also come below the taxable product. The GST imposed on commodities that are critical to livelihoods forest tribes in India may not be too useful for the value-chain either. Infrastructure - GST can achieve additional transportation of goods and demand for infrastructure.

Fiscal instruments are potentially among the most effective, and cost-effective, options for addressing externalities related to poor air quality, urban road congestion, and greenhouse gases. GST will face many challenges after its implementation and will result to give many benefits. It is said it will bring about 2% upward growths in GDP in coming years. Economic growth and development have to be guided by the compulsions of sustainability, as we do not have the luxury of ignoring the economic and environmental threat that a fast depleting ecosystem poses not only to our country but to the entire planet. None of us are immune from the challenges of climate change, ecological degradation, ozone layer depletion and contamination of our fresh water. Environment and socioeconomic development are so intricately linked that development cannot be sustainable without



considering its environmental dimensions. Similarly, it is now accepted that poverty eradication and a lasting prosperity cannot be achieved if the services of the ecosystem and natural capital are degraded or lost. There is a two-way relationship between environment and economic growth, wherein natural resources and raw materials, such as water, timber, and minerals, are direct inputs for industrial production and at the same time industrial growth can cause damage to the environment. It is, therefore, crucial that we find the fine balance between environmental conservation and economic growth for the sustainability of our development agenda.

The ecology-economy inter-linkages have been realized by economists starting from the eighteenth century as reflected in theories and postulations of famous economists such as Malthus (1798) and Ricardo (1817). However, conventional economics has assumed that nature would pose no constraint to the process of indefinite expansion of production system driven by the market and a profit motive (Sengupta, 2001). This assumption has been strengthened by science and technological

progress and intervention, particularly in developed countries.

However, this assumption of economics contradicts the basic principles of the natural system, that earth is a finite place with limited resources base. The finite resource base is not able to supply the demand of the population, which the economists ignore, resulting in environmental crisis often manifesting in the short run as resource crises. These resource and environmental crises have threatened sustainable development indicating conflicting paradigm of ecological principles and economic principles of development (Meadows et al., 1972; Sengupta, 2001).

India is a part of 'Paris agreement', in December 2015, 195 countries signed an agreement to slow the process of global warming by making efforts to "hold the increase in the global average temperature to well below 2 degrees above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial level. With the present taxation policy, it seems unachievable.

GST tax brackets should reflect to save the environment. Intense thought processes are



on amongst the economists, ecologists and policy planners to assign values to various components of nature, develop methodologies of valuation and incorporate the same in decision making. In this context, it is worthwhile to ponder over the statement of Soderbaum (1985) "the existence of conflicting philosophical perspectives and ideologies in the field of economics related to nature raises an important question for many of the economists who have become accustomed to regard themselves as experts in evaluation". Such conflicting and competing paradigms have helped in the development of alternative methodologies for valuing the nature and working out the economics. However, major decisions by development agencies are taken primarily on the grounds of economics and more specifically based on the returns expected from the investment (Young, 1998). There are, therefore, two fundamental uses of economics, first one is to try to explain what we see in the economy around us while the other one is trying to explain how we would wish the economy to allocate and distribute goods and services (Kolstad, 2000).

GST may be a radical shift in structure to bring the informal sector to the formal.

However whereas any radical shift in structure to save environment given this scenario of our economy wouldn't give desired edges, therefore rather a quick gradual modification is needed making certain development using clean energy at lower value to create it cheap, though it can be unviable economically, however nonetheless has got to be done.

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