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Emerging GST issues due to Covid-19 and its impact on the Indian Business

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ABSTRACT

On 1st July 2017, Goods and Service Tax (GST) was implemented to replace a large number of indirect tax both at state and union level in order to bring a centralized tax structure aiming at increase in India's rate of GDP growth by as much as 2%. But the GST centralized structure emerged as a roadblock during COVID-19 Crisis. The present Central Government declared that the Centre would compensate the State for low GST collection for the five years as per the normal state revenues in the older tax regime. It became worse as soon as India went into lockdown in March for the prevention of ongoing global pandemic. State revenue streams started drying up at the same time the expenditure went up due to health emergency causing economic downfall.

The COVID- 19 is considered as the most crucial global heath calamity posing enormous health, economic and social challenges to the entire human population. This paper aims to focus on the impact of the pandemic on GST and different Indian industries with the help of current data and illustrations. It shall specifically throw light and discuss the impact on retail and e-commerce sector, travel and hospitality sector, transport, FMCG or fast-moving consumer goods and automobile sector showing the patterns of consumer before, during and after the pandemic.

This paper intends to bring a perspective of the present and future outlook of the Indian economy as a response to the crisis.

Keywords: *COVID -19, Goods and Service Tax (GST), Economic Downfall, Indian Industries*

I. INTRODUCTION

The outbreak of Covid-19 has made the whole world stunned, the health care facilities, the businesses, day to day activities and economy has started rusting up due to the downgrading in the particular fields. The Indian Government after analyzing all the pros and cons of it, declared nationwide lockdown so as to bring these sectors back to the line of functioning in a particular matter and also to protect the lives and health of the humans. The main purpose

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apart from the human lives was to bring back a stable economy as the economic sector was facing and still facing a huge abnegation and along with it causing a massive revenue loss to the government due to the impact of Covid-19.

The Indian government and the finance minister made certain changes in respect to the tax measures such as extension in the timelines for numerous compliances under GST, Waiver of late fees livable on delay filling returns, Deferment of ITC matching as per rule 36(4), expeditious clearance of refund, extension in validity of e-way bill, reduction of interest on delay in payment of taxes and also making it a simpler way in filling of returns. Due to the sudden slowdown in every sector and nationwide lockdown has caused companies, businesses and start-ups to drain in damage of perishable raw materials and the finished products. Under GST, ITC of taxes paid on procurement of raw material or finished goods have been allowed to set off against the future liabilities. However, section 17(5) of CGST Act, 2017 restricts the ITC of taxes paid on procurement of goods that are stolen, lost or destroyed.

The impact on Indian economy and the health care sectors have resulted in wide range closure of businesses that are causing an adverse effect on the industries and causing health care and pharmaceuticals to be in the state of immense pressure. The Indian government is providing statutory relief in utmost every sector of the tax compliances, from extending the date of filling the returns in case of both direct and indirect taxes to modification and simplification made in GST because of the health crisis and making relaxation to the taxpayers and other respective necessary professionals involved in this.

II. IMPACT OF COVID-19 ON GST

The shrinking of economy induced by the pandemic have also impacted in the tax collections buy the Government under the GST. The GST collected in August, 2020 is nearly 12 percent less than the revenue collected in the same month previous year.[2] The revenues collected in the financial year are also affected because of the relaxations provided by the Government in filing returns and payment of the revenues. The Government extended the due date for filing the annual GST return for 2019-20 to October 31st, 2020 for the dealer registered under composition scheme. Considering the tough time, the emerging GST issues are as follows –

B) ITC on invoice not uploaded by vendors (Amendment in rule 36(4) of CGST rules, 2017)

[2] https://economictimes.indiatimes.com/news/economy/finance/covid-19-impact-gst-collections-drop-12-rs-86449-crore-inaugust/videoshow/77877060.c

The said amendment restricted the claim of ITC by a registered person in GSTR-3B (uploading return) in respect of debit notes or invoices, the details of which have not been uploaded on GSTR-1(statement of outward supplies) by the supplier thereby not visible in GSTR-2A (auto populated invoices and debit notes).

The CBIC (Central board of indirect tax and custom) amended the rule 36(4) of CGST rules by the notification dated 26th December, 2019 which read as , "*Input tax credit to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section(1) of section 37, shall not exceed 10 percent of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of section 37".*[3]

The provision simply means that if the supplier of goods and services has not filed the details of invoices under GSTR-1, the taxpayer would only be able to avail input tax credit shown under GSTR- 2A + 10% against the total ITC available in GSTR-2A. Let us taken an example –

Mr A is a taxpayer and Rs 3,00,000 of ITC is available for various purchases he made. All the suppliers have not file their return under GSTR-1 and the ITC reflected in GSTR-2 is Rs 2,00,000. The benefit available to Mr A while filing return under GSTR-3B would be –

Rs 2,00,000 + 10% of 2,00,000 = Rs 2,20,000 instead of Rs 3,00,000.

The CBIC through the proviso in Rule 36(4) of CGST Rules dated on 3rd April, 2020 relaxed the compliance as –

"*Provided that the said condition shall apply cumulatively for the period of February, March, April, May, June, July and August, 2020 and the return in FORM GSTR-3B for the tax period September, 2020 shall be furnished with the cumulative adjustment of input tax credit for the said months in accordance with the condition above".*[4] It means the condition shall apply cumulatively and the registered person must make cumulative adjustment while filing the return under GSTR-3B for September, 2020.

B) <u>GST implications on bad debts and discounts-</u>

Due to pandemic the business have faced financial difficulties giving rise to two cases-

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3 https://www.cbic.gov.in/resources//htdocs-cbec/gst/30.07.2020_CGST%20Rules,%202017_(Part-A_Rules).pdf

4 https://www.cbic.gov.in/resources//htdocs-cbec/gst/30.07.2020_CGST%20Rules,%202017_(Part-A_Rules).pdf

1. GST treatment where discounts is given for timely payment of consideration

In this scenario where the supplier has given discount to the recipient for the timely payment, the question arises whether the discount for timely payment is established in terms of an agreement entered into at or before the time of supply. The legal provision of Section 15(3) of the CGST Act states that, *The value of the supply shall not include any discount which is given-*

a) Before or at the time of supply if such discount has been duly recorded in the invoice issued in respect of such supply ; and

b) After the supply has been effected, if-

i.) Such discounts is ***established in terms of an agreement entered into at or before*** *the time of such supply and specifically linked to relevant invoices; and*

ii.) Input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply."[5]

As the situation of covid-19 was unseen, there was no pre- agreed agreement. The post discount was given only to save from bad debts. Thus, benefits of discount would not be available to the supplier.

2. Treatment where consideration is not realized.

Bad debt is the debt which is irrecoverable or the debtor is in bad position and there is no ray of hope for the realization of the debt. In this transaction the supplier has paid the GST on the invoice value.GST is generally paid on transaction value which is the price paid or payable for the goods and services. The provision is silent on specifying the point of time. The question arises whether the amount which is not recoverable at a later date will form the part of the value of supply or not. As the provision is silent, the transaction value on which GST is levied can be referred at any point of time and the amount not recovered by the recipient shall not form the part of value of supply. But if the intention of law is to allow determination of value of supply at any other point of time, it wouldn't have made the provision of discount under GST. The Department has also taken the similar view in its Question No. 48 of FAQ's issued for banking and financial sector. Therefore, the benefit of refund/adjustment of GST would not be available to supplier in case of bad debts.

C) ITC implication if goods are destroyed /disposed off

[5] https://cbic-gst.gov.in/CGST-bill-e.html

On 24th of March 2020 the Union Government called for nationwide, as a measure to prevent the spread of highly contagious disease Covid-19. The first phase of lockdown was for 21 days, which was later extended till 31st of May, 2020. The lockdown has adversely affected the Indian economy, with the markets and the manufacturing units shut down for a long period of time. The major setback was faced by the units which have suffered damage of finished goods and raw materials, because of their perishable nature or other reasons.[6]

<u>What is Input Tax Credit (ITC)?</u>

Input Tax Credit (ITC) is a concept under the Goods and Service Tax (GST) framework which allows the business units to set off the tax already paid on raw materials or input services against the future tax liabilities. Section 16 of the CGST Act, 2017 mentions the person who pays tax against goods and services purchased for the furtherance of business are entitled for such credit. ITC is claimed in respect of tax paid for inputs, and in respect of tax paid for capital goods.

<u>Whether the business units can claim Input Tax Credit (ITC) for the damaged goods? And How the ITC already claimed will be treated?</u>

The legal provision *s. 17(5) of the CGST Act, 2017* which mentions the input goods and services which are blocked from utilising them to set off output liability. *Clause h of s. 17(5)* mentions that the goods which are lost, stolen, written off or disposed off by way of gift or free sample will not be eligible for claiming ITC. The reason behind this provision is that such goods are not being used for providing taxable supplies.

According to the literal meaning of the provision, the ITC which has been already claimed against the goods destroyed or written off must be reversed. In other words, the credit availed before will be added to the output tax liability, as a result of which the ITC claimed will be nullified. However, the confusion arises when the raw materials against whom the ITC has already been availed, and it is used for manufacturing finished goods which are then destroyed. In such case, whether there is a requirement to reserve the credit or not? To answer this, we need to look into the interpretation of the expression *"in respect of"*.[7]

[6] Vinod Mahanta and Sachin Dave; Covid Impact: Companies face input tax credit denial on goods destroyed; https://economictimes.indiatimes.com/news/economy/finance/covid-impact-companies-face-input-tax-credit-denial-on-goods-destroyed/articleshow/75726264.cms

[7] Gaurav Narula; ITC reversal on goods written off or destroyed; http://nityatax.com/wp-content/uploads/2019/10/ITC-reversal-on-goods-written-off-or-destroyed-%E2%80%93-A-new-pandora-box-under-GST.pdf

The expression "in respect of the following" used in the s. 17(5) of the Act restricts the scope of the section. In the case *of State of Madras v. M/s. Swastik Tobacco Factory,*[8] the Hon'ble Supreme Court mentioned that the expression *"in respect of"* is synonymous to the expression *"on the goods"*. As per the facts of the case, the assessee paid excise duty on the purchase of raw tobacco and converted into chewing tobacco. As per the provision, the assessee could avail a deduction in the payment of excise duty if it was paid "in respect of" goods sold by him. The court held, that if the excise duty was paid on raw tobacco, it can be attributable only to the raw tobacco and to chewing tobacco, and thus, no deduction of excise duty was granted to the assessee.

From the above case, it can be inferred that no ITC is needed to be reversed where the raw materials against whom the credit was claimed, had already been used in the production of finished goods, which eventually got destroyed. In *M/s. General Manager Ordance Factory Bhandra,*[9] it was held that no ITC is needed to be reversed on finished goods which are destroyed.

Therefore, one cannot claim ITC when the goods and services rendered for the furtherance of business are destroyed and is supposed to reverse the claimed ITC. However, there is no requirement of returning ITC, if the raw materials have already been converted into finished goods, which further gets destroyed.

a. <u>Eligibility of ITC on Mask and Sanitizers-</u>

The Ministry of Health Affairs of India (MHA) laid down few compulsory guidelines to be followed by people in public spaces such as wearing of facemasks, using sanitizers and maintaining proper social distance between people etc. for preventing the spread of novel corona virus. It is mandatory for the workplace to keep adequate stock of masks and sanitizers for the office employees. The offices have been ordered to provide for thermal screenings and sanitizers to be set up at all common areas, and the entire workplace to be sanitized frequently.[10] The question arises, the GST which was paid during the purchase of these masks and sanitizers by the business units, whether they will be eligible for claiming ITC or not?

Section 16 of the CGST Act,2017 mentions that registered person can claim for ITC against the GST paid for the inward supply of goods and services which will only be used

[8] AIR 1966 SC 1000
[9] 2019 VIL 171 AAR
[10] MHA lays down new etiquettes, makes face masks compulsory, spitting in public punishable; https://www.news18.com/news/india/mha-lays-down-new-etiquette-amid-covid-19-makes-face-maks-compulsory-spitting-in-public-punishable-2601741.html

for the course or furtherance of business. *In M/s. Rane TRW Steering System Ltd. V. The Commissioner of Central Excise (2018 Madras HC),* the Court observed that activities "relating to business" must be integrally related to the business and not just for mere welfare activities. In the case of *Maruti Suzuki Limited v. Commissioner of Central Excise,*[11] it was held that the credits must be allowed only when a proper nexus have been established between the goods and services rendered and the business. The expenses towards the purchase of masks and sanitizers are essential for running the business activities, as such expenses is for maintaining the proper health and hygiene condition of the employees, without which a workplace cannot carry out their day to day activities. As it is obligatory for the employers to provide the masks and sanitizers for conducting the business in the present Covid-19 situation, the expenses incurred for it will be considered as expenses for the furtherance of business operations. Thus, the ITC can be claimed for the GST paid for the masks and sanitizers. However, s.17(5) must be also referred, to ensure that there are no blockages for the availability of ITC claim. As per *clause g of s. 17(5)*, goods and services which are used for personal purposes are blocked, because ITC is admissible only when the supplies are taken for business purposes. Whether the masks and sanitizers are for personal use or for business activities?

In *Hindustan Coca Cola Beverages Pvt. Ltd. V. The Commissioner of C.G.S.T and Central Excise*, it was observed that the expenses which are incurred for employees at large in the organisation cannot be referred as personal consumption. The face masks and the sanitizers are for all the employees of the office and not just for few of them.

III. IMPACT OF COVID-19 ON DIFFERENT INDIAN INDUSTRIES

The Novel Corona Virus is a highly infectious disease which turned into a global pandemic within few months with about 35 million affected persons and 1 million deaths as on September, 2020. The pandemic is not only detrimental to the health but have showed negative repercussions on the economy worldwide. India, a developing country has also been negatively affected in the clutch of the pandemic with accelerated slowdown in the economic growth, further jeopardizing the economic well-being of million citizens. The impact on the economy varies vastly for different industries, where the sectors such as aviation, hotels, restaurants, retail, shipping, ports and port services have been highly affected, there is medium impact on automobile industries, and the sectors including dairy products , fertilizers, fast moving consumer goods (FMCG) have been affected less.

[11] 2009 (240) ELT 641 (SC)

A) Impact of Covid-19 on Retail and E-commerce Sector-

Henry Fuyol, the father of business management during the early years laid down the bench mark that the consumers are the king pin of the market, but the outbreak of Covid-19 and following lockdown has turned the tables. E-commerce and online shopping portals are now emerging as the king pin of the market and even the consumers are not hesitant in making them such. The retail market of India is broadly divided into two parts, where around 13.8 million constitutes the conventional neighborhood stores of unorganized sector and organized sector with its organized stores and online shopping sites. In the present covid era, the e-commerce business has seen no slowdown; rather the industry is picking up its momentum and an improvement of over 45 percent growth in overall order volume. However, the overall retail market is highly dependent on the sudden change in consumer behavior as now they are buying more cost consciously.

Consumers have switched from shops, supermarkets and shopping malls to online portals for the purchase of products ranging from basic commodities to branded goods. India Brand Equity Foundation (IBEF) through its survey highlighted the market opportunities for online commerce in India that would range from $50 billion in 2020 to $200 billion by 2026. If going with such a rate, Indian E-commerce industry is expected to overtake its US counterpart to become the second largest market for E-commerce in the world by 2030 and one of the basic reason would directly or indirectly be the effect of Cobid-19 pandemic.

The Finance Act, 2020 has inserted a new section 194-O in the Income Tax Act that focuses on the payment by an e-commerce operator to an e-commerce participant. The operators would deduct Income Tax or TDS @1% of the gross amount of sale of goods or services or even both at the time of credit of the amount of sale to the account of the e-commerce participant. The said provision also includes exemption for online sellers with gross sale of less than Rs 5 lakhs in the previous year. With such scheme and worldwide pandemic the online retail portal or the e-commerce shops have attracted customers. Perhaps the main point to highlight is that the service sector is still facing a slight downfall as compared to the physical goods sold through e-commerce portals.

In this lockdown and worldwide shutdown of offline stores, the government of India should recognize the potential that these e-commerce platforms hold as a robust distribution channel for India’s largest employment providing sector. And hence should work towards providing and building the ecosystem with simplified framework of tax regulations.

B) Impact of Covid-19 on FMCG Industry-

FMCG or fast- moving consumer goods also known as consumer packaged goods are the low price products which are sold quickly because of high demand like cold drinks, confections or because they are short lived like dairy products, packaged foods etc. They are fast moving in nature because they move through the supply chain quickly from producer to distributor to the final consumer. FMCG is the fourth largest sector in the Indian economy basically including three main sectors - food and beverages (19%), household and personal care (50%) and healthcare (31%).[12]

Prior to covid - 19 situation

During pre-covid era, FMCG was contrived witnessing slow growth rate since the past 15-18 months. In the quarter that ended with march 2020, the FMCG sector grew merely 6.3% in value terms down from 13.2 %. For the same period in 2019 where January and February saw good numbers compared to the December quarter, the lockdown imposed in March resulted in volume growth of only 0.5% .FMCG players were already adapting to these changes by way of price cut offers in the hope of clearing consumers and maintaining or increasing their market share.

During covid-19 situation

One of the reasons the effect of corona virus will be more on FMCG sectors is because this sector is directly driven by people. Any change in this sector will impact the people at large. The supply chain disruption has been a major problem across industries .This is due to the reason that the migrant workers started heading home during lockdown. It resulted as an additional pressure on the manufacturing facility and spiked cost leaving factory to operate only 30- 40% of the capacity. Manufacturing and supply chain is facing huge disruption due to the displacement of laborers. Mr Suresh Narayanan, the CEO of Nestle stated manpower shortage may lead to drop in production. The retailer initially saw a spike in demand due to panic buying and over stocking. They struggled to recharge their inventories due to supply chain disruption.

Shopping pattern is also changed as people are buying online. The e-commerce company operating in the grocery segment also saw an initial spike in demand as more people ordered online. The fear and panic of pandemic made them extra cautious which affected

[12] https://blog.smallcase.com/impact-of-covid-19-on-the-fmcg-sector-in-india/

the Kirana store. E-commerce home delivery is preferred over brick and mortar stores. Finally the firms are left with no options and to adapt to the changing situation. Recently there are lot of news like Marico have tied up with Swiggy, Uber India partnered with big basked, Itc has launched numerous patterns with local delivery personnel to deliver essential items at the door step of the consumer, Godrej essential products tied up with Zomato and Bunzo and also partnered with car rental service like Zoomcar to cater the customer need.

Consumers are just allowed to buy just essential goods. There has been a great change in consumer buying pattern and the FMCG companies are forced to innovate the personal hygiene products taking the utmost priority and other discretionary product taking a backseat for the time being for which the established companies like Dabur, Hindustan unilever limited , ITC limited has postpone their product launches specially in discretionary product line and put more emphasis on producing products for personal hygiene like sanitizer, disinfectant, hand washes, toilet cleaner and mask. They also are working to enhance the supply chain to make it widely available in the market. The established ayurvedic companies like Patanjali, Himalaya herbals, Dabur also saw a spike in demand for immunity booster products. In addition to this other products like vitamins, zinc is in demand. Similarly convenience food staples such as instant noodles, biscuits, instant mixes are in surge demand.

Consumer food service is the largest industry in India with sells over Rs 4078 billion. This industry took the most hit as the restaurant and pubs shut down during the lockdown. Moreover the consumer adapting the healthy life is negatively affecting the tobacco and alcohol industries. For alcohol there is a fee involved in transferring stock from one financial year ending March to another. So they prefer producing at the end of March to save cost on transfer fee. But due to the lockdown it affected their cash flow.

It is imperative to understand that FMCG requires constant adaption and innovation to attract new consumer and retain existing in this ever changing sector. The pandemic has driven all this players to draw in white board and reframe their strategy. The company that is able to grasp this opportunity in such an unknown rapidly changing environment and is able to deliver goods to the consumers overcoming the logistical challenged will come out on top. Steps such as Government scheme like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is primarily to provide employment to rural India especially for the migrant labor community.

C) Impact of Covid-19 on Travel Industry-

India is an extensive market for travel and tourism. It offers a diverse portfolio of niche tourism products – cruises, adventure, medical, wellness, sports, eco-tourism, rural and religious tourism. India has been identified as a destination for sacred tourism for domestic and international tourists. In recent years, India had experienced exponential growth in travel and tourism aided by different kinds of travel.

Tourism sector in India generates significant revenue for the Indian economy besides contributing to the global output. Before the onset of the pandemic, the sector was growing rapidly as it supports a large employment base and rakes in huge profits. Today, the country has many preferred destinations for both domestic and international travelers.

The Indian travel and tourism sector contributed nearly **$194 billion**, around **6.8%** of GDP, during calendar year **2019**. Out of 185 economies, India stood **10th** in terms of the size of travel and tourism spends in 2019.

The rapid spread of coronavirus has halted domestic and trade activities, and disrupted routine activities of many nations bringing their economies to a halt. Several countries across the world continue to announce travel restrictions as a part of their efforts to contain the spread of the coronavirus. Thus, tourism across the world is getting impacted although it might be more severe in India due to its large number of religious and historic places. *Indian Association of Tour Operators* (IATO) estimates the hotel, aviation and travel sector together may incur a loss of about ₹85 billion due to travel restrictions imposed on foreign tourists, which has resulted in large scale cancellations. Though domestic transport facilities are being made somewhat operations as of this writing, the social distancing norms will continue to impact tourism for the rest of the year.

Even without regard to tourism, the cancellation of events (personal or business) will adversely impact the revenues of airlines, railways and buses. In addition, demand for petrol, oil and turbine fuel will substantially decline, thus affecting the petroleum and oil industries. The impact will be felt on both white and blue-collar jobs. Since airports would function at less than their normal capacity, it would impact the contract and temporary workers in the airports. All this shows the cascading effects of impact to the travel and tourism industry.

D) Impact of Covid-19 on Transport Industry-

As due to Covid-19 the government order complete lockdown and asked to stay at home and take minimum trip to go outside for necessity and emergency, to cause distancing.

Thus from month March schools, colleges, office, malls were close due to lockdown as announced from government, it reflected no utilization of transportation system for example train, auto, bus, etc. Which has effected all over the globe as Covid-19 overturns the worldwide economy.

India is one of the top five countries with largest railway network with a route length of about 68,000 kms. Airlines are working under pressure after when nearly about 600 international and 90 domestic flights were cancelled in varying periods due to the suspension of tourist visas by the Government of India.

The majority of the public vehicle, rental administrations organizations suspended their administrations during the lockdown residency. Car chiefs additionally found that individuals would want to purchase their own personal vehicles later on the grounds that the impression of the individuals towards cleanliness will change. Various kinds of public vehicle utilized in India are auto-carts, cabs, railroads and transports. The greatest test in the public vehicle area is execute social distancing in a nation like India where public vehicle modes are constantly packed and rare.

Indian Railways has endured loss Rs 6,500 crore on income acquired from ticket during the initial two periods of lockdown itself. The Indian Flight industry has endured loss USD 3-3.6 billion for the June quarter. The International Airline Organization (IATA) has reported that Covid pandemic has influence in excess of 29 lakh positions in the Indian aeronautics and ward businesses. As measure by the rating office ICRA, cost assortments for FY 2021 would diminish in the scope of 6.5 percent to 8 percent in FY 2021. There would be a tremendous monetary effect likewise on those businesses and work environments where representatives can't reach, because of the non-accessibility of public vehicle. The many parts of public transports are kept vacant in order to keep up distancing. The government is getting ready measures for metro rails by keeping up spaces between 2 travellers, zone-wise lining, screening and controlling jam at the station. All preventive measures are taken by the air passenger carrier too, towards the well being and security of air team and travellers.

E) Impact of Covid-19 on Automobile Sector-

The automobile sector of India displaced Germany in 2018 and became the fourth largest automobile market in the world. This industry established in 1940s and Hindustan Motors was launched in 1942. After the independence several manufacturing units emerged across India, selling wide variety of auto vehicles from auto bikes and personal cars to commercial vehicles. It is among the fastest growing industry in the country, constituting 7 percent to the country's Gross Domestic Product (GDP) and about 49 percent of Goods and Service Tax (GST).[13] However, the industry has been struggling since 2019, where the most established manufacturing units were facing difficulty to increase the sale of vehicles. And now, with the hit of the global pandemic, the situation is becoming problematic for the industry.

Prior to Covid-19 situation

As per data published by World Health Organization in 2016, India has the most polluted cities in the world. Air Pollution being the fifth leading cause of deaths in India, the Union Government took a bold move by deciding to skip BS-V emission norms and implementing BS-VI norms which is predicted to bring down emissions of Nitrous Oxides by 25 percent in petrol engine vehicles and by 68 percent in diesel run vehicles. The emissions of Particulate Matter (PM) are also expected to come down by 80 percent in diesel engine vehicles. According to Auto Fuel policy of 2025, the industry was given a period of three years from 2017-2020, to shift from BS-IV to BS-VI.[14] This process of technology upgradation will increase the prices of both petrol and diesel engine vehicles, and with diesel fuel prices moving closer to price of petrol, the petrol run automobiles will be more reasonable to buy.

But the confusion around the change in emission standards of vehicles within three years, and lack of clarification from the car manufacturers about their position and product line-up for the customers has resulted the buyers to delay their purchase of new vehicles. Few car buyers are also waiting for the BS-VI deadline to draw close to get the best deals.[15] This has resulted in failure by the Indian manufacturers to sell vehicles within the given period and are left with considerable BS-IV stock worth about Rs. 6,400 Crores.[16] The manufacturers planned to clear the BS-IV stock by giving massive discounts and increase their sale within the first quarter of 2020. But, with the spread of the pandemic, and the lockdowns to prevent it have adversely affected the automobile industry of India.

[13] Parliamentary panel suggests lower GST rate for auto sector; https://economictimes.indiatimes.com/industry/auto/auto-news/parliamentary-panel-suggests-lower-gst-rate-for-auto-sector/articleshow/74465017.cms?from=mdr

[14] Ketan Salhotra; Impact of Bharat Stage-VI norms on Indian Auto & Auto Component Industry; https://auto.economictimes.indiatimes.com/autologue/impact-of-bharat-stage-vi-norms-on-indian-auto-auto-component-industry/1543

[15] Top 8 reasons Behind Automotive Industry Slowdown In 2019; https://www.outlookindia.com/website/story/automobiles-top-8-reasons-behind-automotive-industry-slowdown-in-2019/336616

[16] Pankaj Chaudhary; Impact of Covid Pandemic on Indian Automobile Industry.

During Covid-19 situation

The deadly outbreak of Covid-19 has rendered a decline in Chinese manufacturing units. China is the prime supplier of automotive parts in India, where around USD 4.5 Billion worth of auto-component was imported from China to India in 2018-2019.[17] According to China Association of automobile Manufacturers (CAAM), the economic impact of the pandemic is so severe that many automakers in China are facing financial breakdown, bringing the Indian automobile manufacturing units to a halt as a result of the ripple effect. India imports a wide range of automotive parts for different vehicles from China. The parts ranges from fuel injecting pumps, electronic components to airbag components and turbochargers. The unavailability of these crucial non-domestic commodities can limit the further production of vehicles in India. However, the production of tractors may not face such limits as its components are inherently localized. The switch to alternative suppliers other than China cannot be considered as a solution for now, as sudden shifts are usually not effective immediately.

To prevent the spread of the novel corona virus, the Government declared nationwide lockdown for 21 days from 25th March,2020 which was further extended till 31st May,2020. The lockdown adversely affected the Indian economy, where the industries faced a decline in their growth rate and sales rate, and thousands of people lost their jobs across India. In automobile industry of India, it is observed that there has been a lay of 7 percent temporary workers as in April, partial cut in salaries and holding on of appraisals and increments. The lack of money in hand has caused the people to spend more on necessary items and less on luxury items, and automobiles being a luxury item is facing demand deficit.

Though the parliamentary panel have suggested lower rate of GST for automobile sector as in March 2020, several other steps are to be taken for its revival. The less available credit facilities for the customers, and the stringent rules followed by the banks before sanctioning a loan are some of the factors for the decline of growth in the industry. These factors must be improved by taking proper actions and policies by the authorities.

IV. Measures taken by the Government

The immediate outbreak of Corona virus has unfavorably affected India's economy development and significantly, GST tax collection. GST income in January 2020 had

[17] Divyanshi Bhardwaj; A peep into how the Coronavirus outbreak is massively disrupting the Indian Automotive Industry; https://www.cars24.com/blog/impact-of-coronavirus-on-indian-auto-industry/

crossed ₹1.1 lakh crore, from the month of February a decline in development, producing into results the financial lull. Because of the cross country lockdown, which started from 22 March, the legislature has conceded the arrival of April GST income assortment information as the cutoff times for different compliances and return recording have been stretched out to make ease for citizens. To prevent COVID-19, there was a complete lockdown near about 2 to 3 months due to which income of the people was very less. After looking into the increase in number of COVID cases and at the same time reduction in Government funds, the Government decided to open the markets and asked people to pay taxes. There were also certain measures taken by government to make it easy for the people to pay tax, such as relaxation in terms of interest late fees and penalties, extension of time, etc.

Measures taken by the Government are as follows:

1.) Due Dates for GST Returns- The Government has indicated new dates for filing returns in GST. The new dates have been recommended to lighting from charging of late expense and interest for the given time frame.

2.) ***Late Fee and Interest-*** In the instance, income are filed in the new due dates at that point, no late expense will be charged. No interest and no penalty will be imposed on assesses having turnover of upto Rs. 5 crore if the incomes are filed in new recommended dates. For citizens having turnover of more than Rs. 5 crore, no interest for the initial 15 days and diminished tax of interest @ 9% p.a., if the return is filed within 15 days from the first due date. On the other hand that if the income are recorded after the new due dates, at that point tax be of 18% p.a. will be relevant.

3.) ***Annual Return-*** Further, the last date for filing of the annual return for the budgetary year 2018-2019 through electronic mode has been additionally reached out to September 30, 2020.

4.) Composition Scheme- The date for FORM CMP-08 earlier it was 31^{st} march, 2020 which had extended to 30^{th} June, 2020 for furnishing return for the composition tax payer. For GSTR-4, 31^{st} March 2020 the date has been extended to 15 July 2020 for furnishing return.

5.) Other due date extension- The due dates for other document such as filing of appeal, furnishing of return, etc. Where the time limit was March 20, 2020 to June 29, 2020 has been stretched out till 30 June 2020.

6.) ***Extension of GSTR-*** The due date for GSTR-7 was been extended by June 20, 2020 for filing of return along with tax with deposit of tax. Under section 5 no penalty would be charged provided tha if tax is paid within due date.

7.) ***Extension Refund-*** The due date for filing of the refund was from March 20, 2020 to June 29, 2020 and which has been extended to 30 June 2020.

8.) ***Validity of E-way bills-*** The validity period for e-way, for the period from 20th March to 15th April has been extended till 31st May.

9.) Government scheme like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is primarily to provide employment to rural India especially for the migrant labor community.

V. CONCLUSION

India is at a crucial juncture in the fight against COVID-19. The outbreak of Covid-19 has created a global health, social and economic crisis. The lockdown ordered by the Government for the prevention of the pandemic have sparked a sudden collapse in many business activities and operations. In the long run, this has reduced the income of the entrepreneurs and the collection of GST. The unprecedented fall in supply of goods and services have reduced the revenue earned by the Government through GST. With the increase in expenditure for getting a grip on the pandemic situation and reduction in revenue generation through GST and other tax regimes, the Government fund has been reducing. Thus, Government have taken several measures by providing relaxations in terms of interest of late fees and penalties, extension of time, etc to the public houses and the business units. The pervasive pandemic has brought various operational and financial challenges for Indian business. During lockdown, 71.31% of the businesses suffered with reduced cash flows. The unprecedented situation has caused a great damage to the economy for which the nation will have to work by the introduction of fiscal measures. The risk of global recession due to COVID-19 IN 2020 and 2021 would be extremely high in all economic activities – production, consumption and trade.The recovery in economy would depend on the magnitude of government support. The COVID-19 pandemic has a clear message for the Indian economy to adopt sustainable developmental models, which are based on self-reliance, inclusive frameworks and are environment friendly

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