

Impact of GST on Different Sectors

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Abstract – GST (Goods and service tax) amalgamates central and state taxes. It mitigates double taxation and develops Indian products more competitive. GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. All indirect taxes levied on goods and services at the Central and State governments is replaced by GST. GST is considered to be the biggest tax reform in India since independence. It will help realise the goal of One Nation-One Tax-One Market. This reform could be a continuing process until it is fully evolved. GST will make India a common market with common tax rates and procedures and remove economic barriers. GST is expected to improve ease of doing business in India. This research paper shows the impact of GST on different sectors.

Keywords – Goods and Service Tax, Different Sectors, Indirect Tax.

I. INTRODUCTION

France was the first country to introduce this system in 1954. Nearly 140 countries are following this tax system. GST amalgamates central and state taxes. It mitigates double taxation and develops Indian products more competitive. GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. GST is considered to be the biggest tax reform in India since independence. GST could be the next biggest tax reform in India. This reform could be a continuing process until it is fully evolved. GST will make India a common market with common tax rates helps in removing economic barriers. 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.

Background of GST

In India the idea to introduce the GST was developed in the year 2000 and Government appointed various committees and task force to study the impact of GST. The effort to implement GST was floated in the Union budget 2006-07 by the then Finance Minister. As the 115th amendment bill has been lapsed, the 122nd amendment bill was introduced in 2014 and the bill has been passed in Lok Sabha on 2015 and Rajya Sabha on 2016. Finally the long awaited reform is expected to roll out on 1st July 2017.

Objectives of GST:

- One Country - One Tax.
- Consumption based tax instead of Manufacturing.
- Uniform registration, payment and Input Credit.

- To eliminate the cascading effect of Indirect taxes on single transaction. □
- Subsume all indirect taxes at Centre and State Level under.
- Reduce tax evasion and corruption.
- Increase productivity.
- Increase Tax to GDP Ratio and revenue surplus.
- Increase Compliance.

II. REVIEW OF LITERATURE

Parkhi Shilpa, study highlighted the challenges which the business system, tax system has to face in new GST regime and concluded that it is the welcome move to India's fast paced economy

Rajesh R. Desai et al investigated various opportunities and challenges lay ahead for the state government in relation to GST in India.

sanjoy Roy, threw a light on different aspects of GST and contended that flawless GST is a important reform and helps to attain inclusive growth

Khurana et al highlighted the impact of GST in the present tax scenario in India and explored the benefits and opportunities' in India

Sarkar et al examined the feature of GST and highlighted the problems that are likely to be faced by central and state governments.

Objective of the Study:

1. To study about the Goods and service act
2. To study about Goods and Service Tax and its impact on the economy.
3. To examine about the GST implications on tax structure, tax incidence and tax payment.

Research Methodology :

This study is intended to identify the impact of GST on Indian economy. The study is descriptive in nature, based on secondary data. The study focuses on extensive study of Secondary data collected from books, National & international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service tax and Commercial Taxes Department.

III. WORKING OF GST AND ITS IMPACT ON ECONOMY

GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and services can be set off against that payable on the supply of goods or services. The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit

mechanism. The GST is an indirect tax which means that the tax is passed on till the last stage wherein it is the customer of the goods and services who bears the tax. This is the case even today for all indirect taxes but the difference under the GST is that with streamlining of the multiple taxes the final cost to the customer will come out to be lower on the elimination of double charging in the system.

IV. DIFFERENT GST ACTS

The Central government passed four sets of GST Acts in the Budget session this year. These were Central GST Act, 2017; Integrated GST Act, 2017; Union Territory GST Act, 2017 and GST (Compensation to States) Act, 2017.

After a lot of deliberation, our GST council has finalized the rates for all the goods and major service categories under various tax slabs, and the GST is expected to fill the loopholes in the current system and boost the Indian economy. This is being done by unifying the indirect taxes for all states throughout India.

The tax rate under GST are set at 0%, 5%, 12%, 18% and 28% for various goods and services, and almost 50% of goods & services comes under 18% tax rate. But how is our life going to change post GST? Let's see how GST on some day-to-day good and services will have an impact on an end user's pocket.

Footwear & Apparels/Garments:

Footwear costing more than INR 500 will have a GST rate of 18% from an earlier rate of 14.41 rate but rates for the footwear below INR 500 has been reduced to 5%. So, you need to shell out more for buying a footwear above INR 500/-. And with respect to the ready-made garments, the rates have been reduced to 12% from an existing 18.16% which will make them cheaper.

Cab and Taxi Rides:

Now, taking an Ola or an Uber will be cheaper because the tax rate has come down to 5% from an earlier 6% for a cab booking made online.

Airline Tickets:

Under the GST, tax rate for economy class for flight tickets is set at 5% but the tax for business class tickets will have a higher tax rate of 12%.

Train Fare:

There will not be much of an impact. The effective tax rate has increased from 4.5% to 5% in GST. But, passengers who travels for business trips can claim Input Tax Credit on their rail ticket which can help them to reduce expenses. People travelling by local trains or in the sleeper class will not be affected, but first-class & AC travellers will have to pay more.

Movie Tickets:

Movies tickets costing below INR 100 will be charged a GST rate of 18% but prices above INR 100 will have a higher tax rate of 28%.

Life Insurance Premium:

The Premium Amounts on policies will rise, with an immediate impact can be seen on your term and endowment policy premiums as the rates have been increased under GST across life, health and general insurance.

Mutual funds Returns:

GST impact on your returns from mutual funds investments will largely be marginal as the GST will be charged on the TER i.e. Total Expense Ratio of a mutual fund. The TER is commonly called as expense ratio of a mutual fund company, and the same is set to go up by 3%. The return what you get as an investor will be reduced to that extent unless the respective mutual fund company i.e. AMC absorbs it but that anyhow will be a marginal difference.

Jewellery:

The gold investment will become slightly expensive because there will be 3% GST on gold & 5% on the making charges. The earlier tax rate on gold was around 2% in most of the states and the GST is increased from the existing rate to around 2% to 3%.

Buying a Property:

Under construction properties will be cheaper than read-to-move-in properties. The GST rate for an under-construction property is 18% but the effective rate on this kind of property will be around 12% due to input tax credits the builder will avail of.

Education & Medical Facilities:

Education and Medical sectors have been kept outside the GST ambit and both the primary education & healthcare is exempt from GST. It means a consumer will not pay any tax for the money you spent on these services. But due to increase in the rate of taxes for certain goods & services as procured by these organisations, they may pass on the additional tax burden to the consumers.

Hotel Stay:

For your hotel stay, if your room tariff is less than Rs 1,000, then there will be no GST, but anything above Rs 5,000 will attract 28% tax.

Buying a Car:

Most of the cars in the Indian market will become slightly cheaper, except for the hybrid cars because the GST rate will be 28% tax on all the vehicles irrespective of their make, engine capacity or model. However, over and above this 28%, an additional cess will be levied which can be either 1%, 3% or 15%, depending on the particular car segment.

Mobile Bills:

People will have to pay more on mobile phone bills as GST on telecom services is now 18%, as opposed to the earlier tax rate of 15%. However, telecom companies may absorb this 3% rise due to fierce competition.

Restaurant Bills/Eating Out:

Your restaurant bill would depend on whether you dined at an AC or Non-AC establishments which do not serve alcohol. Now dining at five-star hotels will be charged at 18% GST rate and the Non-AC restaurants will be charged 12% and a 5% GST will be charged from small hotels, dhabas and restaurants who do not cross an annual turnover of INR 50 Lakh.

IPL & other Related Events:

Events like IPL i.e. sporting events will have a 28% GST rate which is higher than the earlier 20% rates. This will increase the price of your tickets. And the GST rate for

other events like theatre, circus or Indian classical music shows or a folk dance performance or a drama show will be at 18% GST rate, this is lesser than the earlier tax rate.

DTH and Cable Services:

The money you pay towards your DTH (Direct-To-Home) connections or to your cable operator will reduce a bit as the rate is fixed at 18%, which is lower than the earlier taxes which were comprising of entertainment tax in the range of 10% to 30%, apart from the service tax of 15%.

Amusements Parks:

The ticket price for amusement parks and theme parks will increase as the earlier service tax of 15% will become 28% under the GST.

Here's is a List of some items which are Completely exempt from the GST regime:

- * The unprocessed cereals, rice & wheat etc.
- * The unprocessed milk, vegetables (fresh), fish, meat, etc.
- * Unbranded Atta, Besan or Maida.
- * Kid's colouring book/drawing books.
- * Sindoor/Bindis, bangles, etc.

V. CONCLUSION

It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. It can be concluded that because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simplified, user - friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, with more employment opportunities.

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