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Comparison of Tariff Rates: GST and Ante GST

Payal gulati & anshu ahuja
Research Scholar, Dept of commerce MDU, Rohtak
Payalgulati73@gmail.com & anshuahuja90@gmail.com

Abstract:

GST is a broad based, Single , Comprehensive Tax levied on Goods and Services at each point of Sale or Provision of Services, in which the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or availing services. Under GST, the final consumer will bear the GST charged by last dealer of supply chain.

In earlier taxation system there was a problem of cascading of taxes i.e. tax on tax but GST helps to remove it. Also there were many more problems and cons in earlier taxation system which lead to implementation of GST in India on 1st April 2017.

Although there were various difficulties in its implementation but, through passing 17 phases it is now implemented in India and thereby it has created history in indirect tax reforms.

In Ante GST there were various tariff rates for goods and services but, GST has 5 slab rates :0%,5%,12%,18%,28% . There is a great change in the tariff rates of both the taxation system. Like in Ante GST tariff rate for coffee and tea was 6% but in GST it is 5%, also in case of tooth powder Ante GST tariff rate was 26% and GST rate is 18%.

These tariff rates are not stable. These are continuously changing. Till now 17 times meetings are held to decide tariff rate. Everyday there is some change in tariff rates but these rates would be stable in coming years.

This paper is an attempt to compare the tariff rates of Ante GST and GST.

Keywords: GST, Ante GST, Tariff rates.

INTRODUCTION:

The most important indirect reform since 1947, GST has been implemented from 1st July, 2017. A 17-year long pending journey will bring a complete revolution in the tax history regime. It is a step ahead from the existing structure as only value addition will be charged with the provision of input tax credit. The concept of GST is based on the principle of destination. Over 160 countries have levied GST; India however has adopted Dual GST like Canada and Brazil. A federal economy with powers entrusted to both Centre and state requires dual GST. CGST and SGST both will be collected by the retailers from the end consumer and after that collected amount will be handed over to both centre and state government as per the provisions under the GST act. IGST will also be received by the central government for interstate commerce. But in order to ensure the smooth growth and development of economy exports have been exempted and not included in the purview of GST. The empowered committee has finalized the rates for goods and services including 0% for essential items to 28% for luxury items. Some items also like Alcohol, petrol, diesel and natural gas have also been kept outside the purview of GST. Previously, the central excise duty, CVD, special additional duty of customs, service tax, cesses and surcharge were charged by the Centre charges. And state VAT, Centre sales tax, luxury tax, entry tax, entertainment tax, taxes on advertisements, cesses and surcharge were charged by the state government. GST has lead to merge of these taxes into one unified tax.

Concept of CGST, SGST AND IGST:

CGST: Taxes that were earlier levied by the centre have been incorporated under CGST. The tax revenue collected under CGST goes to the Central Government**.**

SGST: Taxes that were earlier levied by the state that have been subsumed under SGST.The SGST tax revenue goes to the State Government.

IGST:IGST will be applicable on interstate and import transactions and will be collected by the centre. The tax collected under this will be shared by both Centre and State.

LITERATURE REVIEW:

Girish Garg studied, 'Basic Concepts and Features of Good and Service Tax in India "and concluded that implementation of GST will exert influence on all sectors of economy including industry, government departments, business and service sector. The destination based tax levied on supply of goods or services will boost India's economic development, widen tax base and improve tax collections.

Yogita Beri studied, "Problems and prospects of GST in India" and concluded that input tax credit provided at each stage of value addition coupled with subsuming multiple state and central taxes into one unified tax would provide aid to industry, trade and agriculture. GST would make domestic goods more competitive against imports and boost Indian exports.

Shilpa Parkhi studied, "Goods and Service Tax in India: the changing face of economy" and concluded that implementation of GST is the outcome of a fast paced economy. It is a welcome move contributing to development of the economy.

Dr. R. Vasanthagopal studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that the success of GST depends on numerous factors. The transition from prevailing system to GST would be a huge jump in the tax reform driving growth of the economy.

OBJECTIVES OF THE STUDY:

The objective of the above study were to make a comparative analysis of tariff rates: gst and ante GST..

RESEARCH METHODOLOGY:

The research is based on secondary data of journals, articles, newspapers, magazines and government websites. The available data has been used intensively for the study.

ANALYSIS AND INTERPRETATION:

India's Tax System before GST:

Previous Tax System

Previously, in the India's tax system there were so many indirect taxes, applied at the central (federal) and state levels.

Table 1 summarizes the previous central tax rates in the first panel and the previous range of rates of state taxes in the second.

Table 1: Overview of India's Tax System

CENTRAL TAXES	Rates
1. Central Value Added Tax (CENVAT) or Central Excise duty Tax levied on the production of manufacturing goods.	12.36%
2. Service Tax Tax levied on provided services.	15%
3. Central Sales Tax (CST) Tax levied on interstate trade.	2%
4. Countervailing Duties (CVD) Additional import duty on imported goods which are produced in India in order to 'level the playing field' between domestic and foreign producers. Additional CVDs might be applied to offset the effect of concessions and subsidies granted by an exporting country to its exporters.	12.36%
5. Special Additional Duty of Customs (SAD) Additional import duty to counterbalance the sales or value added tax payable by local manufacturers.	4%

STATE TAXES Range	Rates
1. Value Added Tax (VAT) Tax levied on the production of manufacturing goods.	10%-14.5%

2. Sales Tax 0%-15%
Additional tax levied on the production of manufacturing goods.

It was replaced in most states by VAT, but not all.

3. Entry Tax 0%-12.5%
Tax on the entry of goods for consumption, use or sale in that state.

4. Luxury Tax 3%-20%
Tax on luxury goods and services that include hotels, resorts, and

Congregational halls used for weddings, conferences, etc.

5. Entertainment Tax 15%-50%
Tax on feature films, major commercial shows and private festivals.

TAX SYSTEM UNDER THE NEW GST:

The new GST have merged the above all mentioned indirect central and state taxes into a four-tier schedule of 5, 12, 18 and 28 percent, as shown in the Table 2. While necessity goods has been kept under the category of 5 percent and luxury and consumer durable goods at 28 percent, most goods and all services will be taxed at the standard rates of either 12 or 18 percent, but the tax rates are changing as per the government view.

Table 2: Current GST Tax Brackets

Goods				Services
Exempt	Low Rate	Standard Rate	High Rate	Standard Rate
0% Agricultural Goods	5% Necessity Goods	12% and 18% Distribution is undecided	28% Luxury goods and consumer durables	12% and 18% Distribution is undecided

The main purpose of the GST is to eliminate the compounding effect of the current multilayered tax system as well as the cross–state tax heterogeneity by fixing the final and single tax rate.

IMPACT OF GST ON CERTAIN INDUSTRIES:

AUTOMOBILE INDUSTRY:

Vehicle type	Pre GST rate	Post GST rate	Net change
Small cars	30	31	+1
Large cars	44.5	43	-1.5
Buses	29	28	-1
Trucks	29	28	-1
Two wheelers	29	31	2
Three wheelers	29	28	-1

Rates in %

SOURCE: CARE REPORT

- The tax incidence for most categories of vehicles has been go down post GST .
- It can be considered to have a positive impact on the automobile industry.

TELECOM INDUSTRY:

Industry	Pre GST	Post GST
Telecom service	15	18

Rates in %

SOURCE: CARE REPORT

- Due to immense competition in the telecom industry, the consumers are already getting the benefit of lower charges for voice calls and data services so there are less chance of impact on demand of new GST rates.

REAL ESTATE:

	Pre GST	Post GST
	9-12	12

Rates in %

SOURCE: CARE REPORT

- There is no marginal effect on the prices of real estate/properties.

RENEWABLE POWER:

	Pre GST	Post GST
Renewable energy devices (solar)	Up to 1.5%	5
Renewable energy devices (wind)	8.50	5

Rates in %

SOURCE: CARE REPORT

- There is unlikely to have much impact on the demand, with the solar panel market due to 3.5% rise in tax liability.

HOTELS AND RESTURANTS:

	Pre GST rates	Post GST rate
Accommodation in hotels, guest houses, etc. where room tariff is less than Rs.1000 per day	-	-
Accommodation in hotels, guest houses, etc. room tariff Rs.2500/- and Rs.5000/- per day	19	18
Accommodation in hotels, guest houses, etc. where room tariff is above Rs.5000/- per day	19	28

Rates in %

SOURCE: CARE REPORT

- Under GST regime, the overall tariffs for premium hotels (four star and above) may see an increase, which may have some impact on the demand.

CONCLUSION:

from above discussion we can safely conclude that GST has negative bearing on service sector and on manufacturing sector. It has mixed impact. One month data after the inception of GST regime has shown very encouraging trend. Almost 44 lacs Businessman filled their return and Tax to the tune of 94000 crore has been collected. Government may consider revising Tariff rates if this perceptible incline in collection of taxes will sustain in future.

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