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Game Changer- Gst And Its Impact on Various Sectors

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Abstract

Goods and Services Tax,a modified version of VAT implemented by more than 150 nations is defined as the huge indirect tax structure designed to support and enhance the growth rate of entire nation. However, the idea of GST in India, where centre and state taxes to be amalgamated into one, was mooted by Vajpayee government in 2000 and the constitutional amendment was passed by the Loksabha on 6th May 2015. Despite huge hue and cry against its implementation earlier, such structure seems to have mixed effect upon various sectors. The paper examines the impact of GST on IT industry, manufacturing units, rail, real estate and financial sector. It even studies the GST and economy of Punjab.

KEYWORDS: GST, ITsector, railways, exportation, restaurant bills

INTRODUCTION

GST is a modified version of VAT A well-formulated one point and one type of taxation for goods and service are required in India and the formulated taxation has to be exercised by the Central, State and Interstate. The Department of Revenue under the Government of India's Ministry of Finance is solely responsible for the computation of tax for income, customs duties, and central excise. But the agriculture based income taxes are levied by the respective State Governments while the Local bodies have got the power to compute and levy taxes on properties and other utility services like drainage, water supply and many others.

In order to bring uniformity, it is necessary to have Dual GST system like Dual VAT system followed in India.

The major beneficial of dual GST is that; Uniform taxation can be practiced, low charges comparable to VAT, better taxable system, better tax return and registration system. The impact of GST on the economic growth can be well recognized, and have to be exempted from the GST like agricultural goods, health, education and financial services. GST is exercised on the import of goods and services also.

LITERATURE REVIEW

Agogo Mawuli (May 2014)1 studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries providing broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Dr. R. Vasanthagopal (2011)2 studied,“GST in India: A Big Leap in the Indirect Taxation System” feltbthat Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009)3 studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simplier and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014)6 studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya Kamma and Richa Verma (July 2014)7 studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and said that NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run.

OBJECTIVE OF STUDY

The present study seeks to achieve following objectives :

- To study the concept and features of GST
- To evaluate the impact of GST on major sectors
- To compare restaurant bills in VAT and GST regime

RESEARCH METHODOLOGY

In order to achieve the stipulated objectives of present research, the data regarding GST and its impact is based on secondary data of journals, articles, newspapers and magazines. To have more accuracy and rigorous analysis of research study, descriptive type research design has been adopted and accessible secondary data is only used for research study.

The tabular and functional analytical dots were used to achieve aim of study

CONCEPT OF GST

On 10 May 2007 Joint Working Group was set up by empowered committee of state finance ministers which submitted the report in Nov 2007and suggested a dual GST Module along with a GST council and finally in March 2011, constitution 115th amendment bill was introduced to draw up laws for implementing GST. It includes the followings:

1) Setting up of GST COUNCIL by the president within 60 days of passage of bill. The council will chaired by union finance minister and its members includes MoS for revenue and finance ministers of states. It will work on GST rates, exemption limits etc.

2) Setting up of a GST Dispute Settlement Authority having three members to resolve dispute arising among states and take action against states.

3) GST Amendment Bill was referred to parliamentary committee on finance for evaluation.

For GST The One Hundred and First Amendment of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 April 2017. The GST is a Value added Tax (VAT) and indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level replacing all indirect taxes levied on goods and services by the IGST is a single tax on the supply of goods and services, right from the manufacturer to the consumer.The final consumer will thus bear only the GST charged by the last dealer in the supply chain, It is aimed at

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being comprehensive for most goods and services. The GST implementation in India is "Dual" in nature, i.e. it would consist of two components: one levied by Centre (CGST) and another levied by States and Union Territories (SGST).

The main features of GST are

- It is applied to all taxable goods and services except the exempted goods and services and on transactions below the threshold limit.
- Exempted goods and services include alcohol for human consumption, electricity, custom duty, real estate.[Proposed article 366(12A)]
- Petroleum products [crude oil, HSD(high speed diesel),motor spirit(petrol), natural gas, ATF(aviation turbine fuel)] are initially exempted from GST till the GST Council announces date of their inclusion.
- Tabaco products are included in GST along with central excise tax.
- Additional 1% tax on interstate taxable supply of goods which is levied by center and directly portioned to the exporter state (origin state).
- This tax will be charged for two years or for longer time period recommended by GST Council.
- For maximum of 5 years union will compensate states for the revenue losses arising out of GST implementation.
- This compensation will be made on the recommendation of GST Council.

Table 1. Taxes at centre and state level subsumed under GST

At The Centre	State Level
Central Excise Duty,	a. Subsuming of State Value Added Tax/Sales Tax,
Additional Excise Duty,	b. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
Service Tax,	c. Octroi and Entry tax,
Additional Customs Duty commonly known as Countervailing Duty, and	d. Purchase Tax,
Special Additional Duty of Customs.	e. Luxury tax, and

IMPACT OF GST ON VARIOUS SECTORS

IMPACT ON IT INDUSTRY

The intellectual property , the IT SECTOR of the nation and regarded as the service lends to functioning of the nation easier in the industry utilizing it. According to FICCI– technopark Report, Implementation of GST will provide uniform and single point taxation, thus reducing the overall cost of the software products.Online business and digital marketing will have a huge impact after this biggest change in the tax system.

- There will be an ease of starting up the things.

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- Higher exemptions to the new business in the industry.
- There will a reduction in the logistics cost.

FOOD INDUSTRY AND GST

The GST taxation on agricultural goods along with basic food products such as cereals, fish, meat, poultry and dairy products, which was exempted earlier from taxation by the government of India currently would lead to doubling the tax burden.

But if we deal with restaurant bills- According to the National Restaurant Association of India's 2013 India Food Service Report, the current size of the Indian food service industry is □2,47,680 crore and is projected to grow to □4,08,040 crore by 2018 at the rate of 11%. Rapid urbanization, growing awareness of western lifestyles, and higher disposable income contributed to the growth of the restaurant industry. In the GST regime, the Service Tax and VAT amount will be subsumed into one single rate. GST will bring reasons to rejoice for both consumers and restaurant owners under the new regime

HOUSING AND CONSTRUCTION I NDUSTRY

GST tax is included for construction and housing sector

The composite supply of works contract in this sector will fall under the 18% GST rate with full input tax credit (ITC). The GST rate may seem to be much higher than the current tax rates. However, many construction activities (like construction of roads, dams, irrigation) are under service tax exemption list. The VAT payable does vary across states ranging from 1-15% and is applicable on the supply of goods portion of the contract. Thus, the effective tax incidence for an average construction contract in the pre-GST era is of 11-18%, which is lower in comparison to GST rate of 18%. The difference will create problem for the construction services.

GST AND RAIL SECTOR

Rail sector under GST will attain significant tax gain and keep the overall GST rate low. GST on transport of goods by rail will be 5 per cent in place of service tax of 4.5 per cent levied earlier with exemption for essential goods like milk and agriculture produce.Service tax is levied only on AC and first class fares in the Railways. So if a ticket costs Rs 2,000, then a passenger will have to shell out Rs 2,010 from 1 July. Exemptions have been granted from the levy of GST to the passengers travelling in second class, metro, sleeper class, transportation by rail of agricultural produce, relief materials, milk, salt, food grain including flours, pulses and rice, and defence and military equipments.

GST AND SMALL ENTERPRENEURS

Those companies whose earning is below the slab line prescribed, will be exempted from the tax, whereas companies which meet the requirement and earning above the slab line are levied by GST. It was believed that State GST can be put into practice while Central GST is complex to get implemented in our country where business population exists at large. The benefits will be

- Reduced spill over in finance.
- Better controls on the outflow of money from India.
- Consolidation of the tax base and easy maintenance of record.
- High revenue and efficient system for collection of tax
- Single and transparent tax proportionate to the value of goods and services

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EXPORT OF GOODS AND SERVICES

An exporter will have to pay customs duty at the time of exportation, however under GST, it will be zero rated. In India GST classification and valuation are governed by customs Act1967. The beneficial to FDI is that Export Company can appoint an agent from India and export to the required country will be subjected to GST and tax will not be claimed

In case of machinery fault imported for export production, the export of service is zero rated, The important documentation to be enclosed for export are Export declaration (K2), Sales invoices, Bill of lading , Insurance note, Payment document, debit advice, bank statement, Debit and Credit note, Tally sheet from Port Authority,

RESTUARANT BILLS AND GST

Before the implementation of GST in India , the restaurant bills carried three types of taxes.

- **VAT:** Value Added Tax.This is the tax charged on the food portion of bill.
- **Service tax:** tax charged on the services provided by the restaurant. In order to avoid unnecessary complications government had already bifurcated the service portion and food portion and charge taxes accordingly.
- **Service Charge:** This is a charge applied by the restaurants and not by the government. It should not be confused with service tax as this is an income to the hotels. Service tax is not an income and merely a tax collected from buyer and submitted to the government.
- However, the rates under GST are vastly different than what you would find before the tax policy change.

A. Impact on The Consumers

In the GST regime, the Service Tax and VAT amount will be subsumed into one single rate. It has been clearly depicted in Table 2.

Table 2. Bill before and after implementation of GST

BEFORE GST		AFTER GST	
TOTAL	2000	TOTAL	2000
Service charge @ 10%	200	Service charge @ 10%	200
Service tax @5.6%	123.2	GST @18%	
KKC @0.2%	4.4	- CGST @9%	198
SBC @ 0.2%	4.4	- SGST@ 9%	198
VAT @14.5%	319		
Total payable amount	2651	Total payable amount	2596

Therefore Table 1 shows that at 18% GST, a consumer can save around Rs. 55 on a transaction value of Rs. 2,000. Here, we have assumed that VAT is applicable at 100% of the value without any abatement.

Furthermore, if we consider the effective rate of tax under VAT regime, it came out to be 20.5% which will come down to 18%.

B. Impact on Restaurant Business Owners

Just like consumers, restaurant owners too have reasons to cheer in the GST regime. Under the VAT regime, restaurant business owners had to adjust the output service tax liability with the credit of input VAT on goods consumed. In GST both these taxes will be subsumed into into one and credit of input will be available for adjustment against the output liability, irrespective of goods and services.

Table 3 bill of restaurant business owner under VAT and GST regime

Particulars	Billing under VAT regime	Billing under GST regime
Total Bill	2000	2000
Output Tax		
–VAT @14.5%	290	
–Service tax@6%	120	
GST @18%		360
Total output tax liability	410	360
Input credit		
—VAT ITC (no ITC on ST)	30	
—GST ITC		30
Final Output tax liability		
–VAT	260	
–Service Tax	120	
–GST		330

In table 3, the total amount payable to the tax authorities was □380 However, under GST, net outflow from the pocket will be □330, thus his working capital will be enhanced.Thus we can conclude that GST will bring reasons to rejoice for both consumers and restaurant owners under the new regime.

CONCLUSION

It is concluded that all these indirect taxes will get subsumed under GST.There are five different GST rates—0%, 5%, 12%, 18% and 28%—which are prescribed for various goods and services. In the present regime, different taxes are charged at different stages of manufacture and trade of the goods and services. there will be many benefits of GST like implementing two-tiered One-Country-One-Tax regime, all indirect taxes at the center and the state level will be subsumed under one and will make it transparent,would bring down the prices of goods and services and thus by, increase consumption and would create business-friendly environment, thus by increase tax-GDP ratio. GST will simplify existing indirect tax system and will help to remove inefficiencies in taxation system only if there is a clear consensus over issues revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.It might help India in regaining its lost wealth.

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