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A STUDY ON IMPACT OF GST ON VARIOUS SECTORS

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ABSTRACT :

India is geared up to introduce a dual GST on a common taxing event of supply by central as well as state government. GST is one of the biggest reforms in our country. Indian system of taxation of goods and services is characterized by cascading, distortionary tax on production of goods and services which leads to miss-allocation of resources, hampering productivity and slower economic growth. To remove this hurdle, a pure and simple tax system like GST (Goods and Service Tax) is need of the hour in the country.

An ideal tax system collects taxes at various stages of manufacturing, supply, wholesale, retailing and lastly at the final consumption. It is based on the add-on value by the manufacturer, supplier and retailer at each stage of the value chain. Tax paid at each stage is based on the amount of value added and not on the entire amount. One tax for one nation reduced the cascading effects which was a major problem in the indirect tax system. The benefits of which is discussed in detail and the ease of doing business was met by introducing GST regime. Tax compliance and transparency is assured in GST which attributes for a significant change in the economy as a whole.

The indirect tax system was very complex with various complexities and had to levy tax on tax for various products which interns gave an increase in the cost of the product. The benefit of credit given in the previous tax system was not passed to the end customers. The current regime passes the credit in the supply chain so that no party will be affected with a huge tax liability.

The impact of GST on hospitality, automobile and logistics sector is examined in this project. When GST as a whole is taken into consideration it has made a positive impact on many sectors as the mechanism of operation and the ailment of credit facilities is eased out to a great extent. The project gives importance to the impact on final customer it is said that GST has reduced the burden of paying heavy taxes to the government For Inter-state sales a tax known as IGST which shall be equal to the sum total of CGST & SGST shall be levied by the Central Government where again the taxing event, valuation provisions, persons liable to pay, point of collection. etc. will be the same as that of CGST/SGST collection

Introduction :

GOODS AND SERVICE TAX GST is a huge reform for indirect taxation in India, the likes of which the country has not seen post Independence. GST will simplify indirect taxation, reduce complexities, and remove the cascading effect. Experts believe that it will have a huge impact on businesses both big and small, and change the way the economy functions. In other words it is a unified tax across the country. In indirect tax system, the tax will be charged both by the state and the central at varying rates on the full value of the goods. But under GST tax will be levied on the added value at each stage thus minimizing the cascading effect. It is a single tax for the entire country with a lot of Input tax benefits given to the traders. Thus, the final consumer will bear only the GST charged by the last dealer in the supply chain with set-off benefits at all the previous stages.

SL NO.	PARTICULARS	VAT	GST
1	MEANING	Value Added Tax is a general consumption tax assessed on the value added to goods.	GST is a tax on goods and services with comprehensive and continuous chain of setoff benefits from the producer's and service provider's point up to the retailer's level.
2	CHARGING TAX	Manufacturers, Wholesalers and Retailers	Manufacturers, Wholesalers and Retailers, Service Providers

3	GETTING CREDIT	Registered dealer will claim a credit for the amount of VAT he/she has paid, provided he holds a proper tax invoice.	Registered dealer will claim a credit for the amount of GST he has paid, provided he holds a proper tax invoice.
4	BURDEN OF TAX ON LAST CONSUMER	Dealers charge VAT but do not keep it and pay VAT but get a credit for it. This means that they act essentially as collecting agents for the Government	Dealers charge GST but do not keep it and pay GST but get a credit for it. This means that they act essentially as collecting agents for the Government.
5	REGISTRATION	Register for VAT Manufacturers, Suppliers, Wholesalers and Retailers	Manufacturers, Wholesalers and Retailers, Service Providers
6	TAX PERIOD	On a particular tax period, which is applicable to the dealer	On a particular tax period, which is applicable to the Dealer
7	REFUND	If for a tax period, the input credit of a dealer is more than the output credit then he is eligible for refund	If for a tax period, the input credit of a dealer is more than the output credit then he is eligible for refund
8	EXEMPTION	Commodities are exempted	Goods and services are Exempted
9	EXPORT	Export of commodities are zero-rated and in that case the VAT paid by the exporters of these goods and services is refunded	Export of goods and services are zero-rated and in that case the GST paid by the exporters of these goods and services is Refunded
10	TAX INVOICE	Tax invoice is the basic and important document in the VAT and a dealer registered under VAT can issue a tax invoice and on the basis of this invoice the credit can be claimed	Tax invoice is the basic and important document in the GST and a dealer registered under GST can issue a tax invoice and on the basis of this invoice the credit can be Claimed

Features of GST :

GST is a comprehensive, multi-stage, destination-based consumption tax on levied at every stage of value addition in the lifecycle of a product

Comprehensive: GST will subsume all of the current indirect taxes. Plus, by bringing in a unified taxation system, across the country, it will ensure that there is no more arbitrariness in tax rates.

Multi-stage: GST is levied each stage in the supply chain, where a transaction takes place.

Value-addition: This is the process of addition to the value of a product/ service at each stage of its production, exclusive of initial costs. Under GST, the tax is levied only on the value added.

Destination-based consumption: Unlike the current indirect taxes, GST will be collected at the point of consumption. The taxing authority with appropriate jurisdiction in the place where the goods/ services are finally consumed will collect the tax. For example: Let's say that cotton garments are being shipped from Karnataka to Maharashtra. Karnataka is the producer state and Maharashtra is the consumer state. Tax revenue under GST will go to Maharashtra. Let's understand how this will impact imports and exports. Exports are not taxable, because the place of consumption is outside India. Imports are taxable, because the place of consumption is in India. The tax on imported goods will therefore be just the same as domestically-produced goods. Thus, the export industry will become more competitive when compared to its international peers. Also, domestic goods will be protected by making imports at par with domestic goods.

Review of Literature :

Dr. R. Vasant hagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. 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 SatyaPoddar (2009)³ studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simpler 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.

Objectives of study :

- To understand the concept of Goods and Services Tax
- To examine the features of Goods and Services Tax
- To analyze the impact of GST on Hospitality and automobile sector

Methodology of study :

An exploratory research will be adopted to analyze the impact of GST on various sectors. The data related to expenses incurred and revenue generated pre and post GST will be studied and the same will be given due importance so that the level of impact on every sector can be reasonably measured.

Explanatory research: An exploratory research project is an attempt to lay the groundwork that will lead to future studies or to determine if what is being observed might be explained by a currently existing theory. Most often, exploratory research lays the initial groundwork for future research. It is based on secondary data of journals, articles, newspapers and magazines.

Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

Data in relation to provisions for taxing of financial services would be collected from the existing law. The data collected will be subject to further statistical methods of analysis.

Secondary data is collected through existing legislations, proposed legislations on GST floated in public domain, published/unpublished reports on the GST impact in India and globally, various websites on GST and financial services.

The GST council’s report and the ministry of commerce reports are considered for the tax rate applicability. The pre and Post gst is calculated as per both indirect tax regime as well as the current GST regime to know the impact in the industries considered for the study.

IMPACT OF GST ON HOSPITALITY INDUSTRY :

GST is a non-discriminatory tax, and its effect will be seen across verticals. In this article, we will look at the effects of the new tax on the hospitality and tourism industry.

The Indian hospitality and tourism industry, which was pegged at US\$ 136.2 billion at the end of 2016, is one of the sectors which will see major changes post-July. Experts observe that the implementation of GST will help the sector by reducing costs for customers, harmonizing taxes, and reducing business transaction costs, but will also have its own set of challenges.

Pre and Post GST: How the Situation Has Changed :

The hospitality industry, like every other sector in the Indian economy, was liable to pay multiple taxes (VAT, luxury tax, and service tax) under the previous VAT regime. A hotel where the room tariff exceeded INR 1,000, was liable for service tax at 15 percent. An abatement of 40% was allowed on the tariff value, thus bringing the effective rate of service tax down to 9%. The Value Added Tax (ranging between 12 percent to 14.5 percent) and luxury tax, would apply on top of this. However, for restaurants, there was 60% abatement which meant that the service tax was charged at an effective rate of 6% on the F&B bills, apart from VAT (12 percent to 14.5%). Bills for bundled services like social functions (seminars, marriage etc.), were taxed with an abatement of 30%. The cascading effect of the VAT regime where the end consumer paid a tax on tax, increases the end cost. Hoteliers and hospitality businesses did not get any input tax credit on the taxes they paid, as central taxes like service tax, could not be set off against state taxes (VAT) and vice-versa.

Under the GST Regime :

Under the Goods and Service Tax, the hospitality sector stands to reap the benefits of standardized and uniform tax rates, and easy and better utilization of input tax credit. As the final cost to end user decreases, we can expect the industry to attract more overseas tourists than before. This would ideally result in improved revenues for the government, and there are many pros to this new tax regime which could help the industry’s growth in the long run. For instance complementary food (like breakfast) was taxed separately under VAT, but now it will be taxed under GST as a bundled service. Let’s have a look at the rates for this industry in detail:

GST RATES FOR HOTEL INDUSTRY BASED ON ROOM TARIFF	
Tariff per night	GST Rate
≤ INR 1000	NO TAX
INR 1000 – 2500	12%
INR 2500 – 7500	18%
≥ INR 7500	28%

Room Tariff	Luxury tax rate
Upto 750	Nil
750– 1200	4%
>1200	10%

BASIC ROOM	Before GST	After GST
Room Tariff	1000	1000
Luxury Charges on stay (4% as per Maharashtra Govt)	40	
Service Tax 9%	90	
GST at 12%		120
Total	1130	1120

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Positive impact to the Hospitality Sector

- **Administrative Ease**

GST will abolish several other taxes, leading to a reduction in procedural steps and more chances to streamline the taxation process.

- **Clarity for Consumers**

It was sometimes difficult to differentiate between a Value Added Tax and an entertainment tax for the common man. However, under the GST regime customers will see only a single charge on their bill and it would give them a clear picture of the tax they are paying.

- **Improved Quality of Service**

How many times have you had to wait in the hotel lobby wondering if you would miss your flight back home because your bill was still being prepared? With just one tax to compute, the checking-out process at hotels and restaurants will now become easier – another perk that the hospitality industry can brag about.

The tourism and hospitality industry will find it easier to claim and avail input tax credit (ITC) and will get full ITC on their inputs. Before GST, the tax paid on inputs (raw edibles for food, cleaning supplies etc.) could not be adjusted against the output without any complications. However, this will become easier in the GST regime.

IMPACT OF GST ON AUTOMOBILES IN INDIA :

The industry growing at the rate of 17.7% is a vast business in India producing a large number of cars and bikes to cater the requirements of the large population of the country. The previous Tax system had various taxes like the excise, VAT, Sales tax, road tax, motor vehicle tax, registration duty etc which got subsumed into GST as a single levy under the new regime.

Goods and service tax is expected to eliminate the cascading effect of taxes it provides the much- needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services.

Vehicle region has been sitting tight for this change ideally. Regardless, as GST gets ready to be taken off with various changes and modifications, there appears to a sentiment of satisfaction over the regard fasten stood out from the excitement it had imbued in the basic draft. Be that as it may, the entire regard chain of auto industry vouches for GST beliefs for procuring straightforwardness of cooperating the country. In India it is growing brisk and the advancement configuration seems to have a sensible association with the progressions related systems those affected both nearby demand plan and also trade.

India is overall major in the automobile business making motor cycles, bicycles and mopeds primarily of engine confines underneath 200cc. The bicycle business in India has created at a bothered yearly improvement rate of more than 15% in the midst of the latest five years and Indian bicycles comply with without a doubt the most stringent release and fuel efficiency measures took care of around the globe. In India bicycles is the second greatest producer on the planet and the world's principle creator is arranged in India. India is the greatest tractor creator, the fifth greatest business vehicle producer and the thirteenth greatest creator of voyager cars in the world.

The two costs charged to the end purchaser on auto and bikes at the present time are concentrate and VAT, with an ordinary merged rate of 26.50 to 44% which is higher than the typical rates of 18% and 28% under GST. Thus, there will be less weight of obligation on the end purchaser under GST. There is elevating news for the shippers/dealers as they would have the ability to ensure the GST paid on stock imported/sold while starting at now, they are ineligible to state the concentrate commitment and VAT paid. Concentrate paid on stock trade will be secured by IGST under the GST law. Advance got for supply of stock will similarly be troubled under GST. GST would help the makers in getting vehicle parts at a more affordable cost on account of an upgraded generation organize segment under GST.

The last products and undertakings charge rates have been accounted for the particular kind of vehicles. Of course, the GST on auto and bikes are kept under 28% segments and an once-over of cess to be forced on an substitute kind of auto has also been declared by the Indian government. Cess has been imposed on different sorts of autos running from 1 to 15%. We have made data realistic for an appreciation of different cess rates associated on different kind of automobiles.

There is a significant measure of confuse right now on how every different thing will cost after execution of GST and vehicle are one of them. Diverse creators are advancing pre – GST refunds however some aren't. This influences perplexity for a potential buyer as to which vehicles to will get more affordable and which ones won't. While the GST suggestion seems, by all accounts, to be useful for the most part, little cars wouldn't witness very a touch of a change in costs after GST, while luxury cars will get more affordable. With a particular end objective to clear the confuse and empower you to settle on whether to buy right now or hold up , here's a add up to break – up of what the exceptional GST structure hold for each grouping in the auto part.

Tax Type	Particulars	GST
	Vehicle Category	
	Electric vehicles- The vehicles falling under the heading 8702, 8703, 8704, 8711	12%
	Passenger Vehicles, Commercial Vehicles, Three wheelers, Two wheelers falling under the heads 8702, 8703, 8704, 8711	28%

SL No	Segment	Excise	VAT	Others	Total Taxes	GST	Impacted Cars
1	Small Hatches Sedan and Length <4m	13%	14%	2.7%	29.7%	28%	Alto, Wagon R, Swift, Elite i20, I10, Zest, Xcent, Amaze, Ameo, Breeza, Ecosport Etc.
2	Mid-Size Length >4m but engine capacity less than 1500cc	24%	14%	2.1%	40.1%	28% + 3%cess	City Ciaz Vento Etc.

3	Big Cars/Luxury Cars Length >4m and engine capacity more than 1500cc	27%	14%	2.1%	43.1%	28% + 15% cess	Cruze Altis Elantra
4	SUVs/MUVs Length >4m, engine capacity>1500cc	30%	14%	2.1%	46.1%	28% + 15% cess	Scorpio Safari Creta Innova
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4	SUVs/MUVs Length >4m, engine capacity>1500cc	30%	14%	2.1%	46.1%	28% + 15% cess	Scorpio Safari Creta Innova

Hospitality Sector :

The GST being charged at different rates based on the price of the room has indeed reduced the final price to the customer. Room rents till 7500 per night has reduced the burden to the final customer since it attracts a lower rate of GST. The Prices of the rooms has decreased after the implementation of GST.

But the above statement is not valid to the luxury rooms. Rooms costing more than 7500 per night attract a higher rate of GST which results in the increase of cost to the final customer. The increase in price over the previously applicable law is only to the luxury class rooms since it attracts the highest tax slab which is 28%.

Automobile Sector

GST will be positive for the automotive sector because of the efficiency and removal of cascading that is expected with GST. In the previous scenario the 2% CST which is chargeable on the interstate sale will be a cost to the manufacturer There will be a price hike in the final bill amount. Here in GST since there is a complete availability of credit of CGST and SGST paid over IGST the tax liability will reduce and cascading effect can be removed from the system.

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