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GST- ITS IMPACT IN INDIA

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ABSTRACT

Goods and Services Tax is an indirect tax levied in India on the supply of goods and services. GST is levied at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer. The Act came into effect on 1st July 2017. Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. In this paper discuss about history, benefit, calculation types and impact of GST in India.

KEYWORDS: *GST, CGST, SGST, IGST, UTGST, Economic Growth, Business, India.*

INTRODUCTION

India is currently going through major reforms in its overall economic sectors. The growth trajectory of India is so high that it is poised to become the third-largest economy of the world by 2030. Government is taking significant initiatives to boost the overall economic growth of the country. Introduction to GST and its 3 types- CGST, SGST, IGST AND UTGST are effectively supporting such major economic development programs. GST stands for Goods and Services Tax. It is considered as the biggest taxation reform in the history of Indian economy. It will subsume multiple taxes like VAT, Service Tax, CST, excise and additional excise duty, entertainment and luxury tax, etc. It is a single uniform taxation system which will help in eliminating time, cost and effort. The GST council has fitted over 1300 goods and 500 services under four tax slabs of 5%, 12%, 18% and 28% under GST. This is aside the tax on gold that is kept at 3% and rough precious and semi-precious stones that are placed at a special rate of 0.25% under GST.

7% goods and services fall under this category. Some examples of GST/HST zero-rated goods and services are: Basic groceries. This category includes meat, fish, poultry, cereals, dairy products, eggs,vegetables (fresh, frozen, canned), coffee, tea, etc. (but does not include items not necessary for dietary needs, such as snack foods, liquor, sodas, candy, etc.) The recent country to implement GST is Malaysia . The goods and services tax (GST) is a comprehensive value-added tax (VAT) on goods and services. Francewas the first country to introduce this system in 1954. Today, it has spread to over 140 countries.

HISTORY

Several nations across the world have already implemented GST. To name a few - Canada replaced the Manufacturer's Sales Tax with GST in the year 1991, Australia replaced the Federal Wholesale Tax with GST in the year 2000 and New Zealand replaced their sales taxes for some goods and services with GST in the year 1986. India implemented its dual GST system (a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST)) in 2017 to cut red tape and increase tax revenues, which in turn would fuel economic growth.

The Vajpayee Government, in the year 2000, began talks on GST and set up a committee, headed by Asim Dasgupta, Finance Minister of the West Bengal Government. The committee was given the responsibility of designing the GST model and managing the IT back-end preparedness for its rollout. In Budget 2006-07, Union Finance Minister Shri P. Chidambaram proposed implementation of Goods and Services Tax (GST) by April 1, 2010. The committee of State Finance Ministers, however, only released its First Discussion Paper on the tax regime in November, 2009.

The new tax regime finally came into effect on July 1, 2017. Here is a look at the timeline of 'one nation, one tax' system:

- **2000:** The Vajpayee Government begins talks on GST. An empowered committee is set up, headed by Asim Dasgupta, Finance Minister of the West Bengal Government.
- **2003:** A task force is formed under Vijay Kelkar to suggest tax reforms.
- **2004:** Vijay Kelkar recommends replacing the existing tax regime with GST.

- **2006:** In Budget 2006-07, Union Finance Minister Shri P. Chidambaram proposed implementation of Goods and Services Tax (GST) by April 1, 2010.
- **2008:** The Empowered Committee hands over a report on the roadmap of GST in the country.
- **2009:** The committee presents a discussion paper on GST, welcoming debate. Finance Minister Pranab Mukherjee announces the basic structure of GST.
- **2010:** Finance Ministry commences mission-mode computerization of commercial taxes in states. GST postponed to April 1, 2011.
- **2011:** Congress party introduces Constitution (115th Amendment) Bill to implement GST. After protests by the opposition, the Bill is passed to a Standing Committee.
- **2012:** Meetings held with state finance ministers. Deadline for issues to be resolved set at 31 December, 2012.
- **2013:** In his Budget speech, Chidambaram, makes provision for Rs. 9,000 crore to compensate states for losses suffered due to GST.
- **2014:** Standing Committee clears GST Bill, however, lapses as Lok Sabha dissolves. Finance Minister, Arun Jaitley, introduces the Constitution (122nd) Amendment Bill at the Lok Sabha.
- **2015:** New deadline for rollout of the new tax regime set as April 1, 2016. GST bill passed in Lok Sabha, but not Rajya Sabha.
- **2016:** Rajya Sabha passes the Constitution Amendment Bill. GST Council agrees on four slab tax structure (5%, 12%, 18% and 28%) along with an added cess for luxury as well as sin goods.
- **2017:** Final GST implemented on July 1, 2017. Four supplementary GST bills passed.

GST CALCULATION

Under GST regime, goods and services tax is levied where goods and services are consumed. Hence, GST is also known as destination based tax. GST calculation.GST amount = Product of the actual cost of an item and the percentage of GSTimposed is divided by 100. Net price = Actual cost + GST amount.

Add GST:

GST Amount = (Original Cost x GST%)/100

Net Price = Original Cost + GST Amount

Remove GST:

GST Amount = Original Cost - [Original Cost x {100/(100+GST%)}]

Net Price = Original Cost - GST Amount

BENEFITS

The Goods and Services Tax (GST) is imposed on the supply of products and/or services within the country. GST offers benefits to the government, the industry, as well as the citizens of India. The price of goods and services is expected to reduce under the new reform, while the economy will receive a healthy boost.

- Creation of a unified common market.
- Tax structure simplified with lesser exemptions.
- Eliminates cascading effect of tax. Consumer gets the end-product at cheaper rates.
- Taxpayers will have a common portal (GSTN).
- Helps build a transparent tax administration.
- Uniformity in SGST and IGST rates reduces tax evasion to a large extent.
- Buying input goods and services for production from other states becomes cheaper.
- Boost to the economy in the long run. Increased supply and demand of goods and services.
- Elimination of Multiple Taxes. The biggest benefit of GST is an elimination of multiple indirect taxes.
- Saving more Money.
- Ease of business.
- Easy Tax Filing and Documentation.
- Cascading Effect reduction.
- More Employment.
- Reduction in Tax Evasion.

TYPES

Central Goods & Service Tax (CGST) As per the Central Goods & Services Tax Act 2016, CGST is the centralized part of GST that subsumes the present central taxations and levies- Central Sales Tax, Central Excise Duty, Services Tax, Excise Duty under Medical & Toiletries Preparation Act, Additional Excise Duties Countervailing Duty (CVD), Additional Custom Duty and other centralized taxations. CGST is applicable on the supply of goods and services of standard services and commodities which can be amended periodically by a specialized body under the central government. The revenue collected under CGST belongs to the central government. The input tax is given to the state governments which they can utilize only against the payment of CGST.

State Goods & Services Tax (SGST) SGST is an important part of GST. It stands for State Goods & Services Tax as per the 2016 GST bill. Various taxations and levies under the state authority are subsumed by SGST as one uniform taxation. It includes the amalgamation of State Sales Tax, Luxury Tax, Entertainment Tax, Levies on Lottery, Entry Tax, Octroi and other taxations related to the movement of commodities and services under state authority through one uniform taxation- SGST. Revenue collected under SGST belongs to the State Government. However, the mainstream framework of the state governing body will be supervised by the central government. Each state will be having their own State Authority to collect SGST.

Integrated Goods & Services Tax (IGST) GST focuses on the concept of one tax, one nation. IGST stands for Integrated Goods and Services Tax which is charged on the supply of commodities and services from one state to another state. For example, if the supply of goods and services occurs between Gujarat and Maharashtra, IGST will be applicable.Under Article 269A of the Indian Constitution, the inter-state trade and commerce activities that involve the movement of commodities and services shall be levied with an integrated tax (IGST) under the GST regime. The Government of India will collect the revenue under IGST. Further changes can be made by the Goods and Services Tax Council of India.

Union Territory Goods & Services Tax (UTGST) As we have already learned about CGST and SGST which are intra-state taxations and IGST which is inter-state, the union territories in India are accounted under a specialized taxation called Union Territory Goods and Services Tax as per the GST regime 2016. It will subsume the various taxations, levies and duties with one uniform taxation in Union Territories as well. Delhi (India's Capital Territory), Chandigarh, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Daman & Diu, Lakshadweep and Puducherry are the prominent union territories in India. UTGST will account for all the taxations under these union territories in India. The parliament is looking forward to implement a separate act to impose and supervise GST in Union Territories under the name of UTGST act. The bill will be presented in respective union territories for further changes in the implementation of GST.

IMPACT OF GST

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.

CONCLUSION

GST will transform Indian economy turning it into one common market based on a uniform taxation system. It will enhance the ease of doing business in India. Industries will make substantial savings in terms of logistics and supply chain due to GST. Some companies will benefit more as the GST rate will be lower than the current taxation. On the other hand, few sectors will have to pay more tax as GST will replace the old taxes uniformly, which may increase the rate respectively. The overall impact of GST on India's economy is expected to be positive. GST will surely boost the country's economic growth and ease of doing business in overall industrial sectors. The significant types- CGST, SGST, IGST and UTGST will provide a smooth mechanism of tax collection for the respective central, state and union territory governments of India. It will begin a new phase in India's economy by providing logistics and supply chain efficiency and state-based parity that the country requires the most.

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