Impact of GST on Indian Business Enterprises

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Abstract- GST, also known as the Goods and Services Tax, is a massive indirect tax system created to support and promote a nation's economic growth. More than 150 countries now use GST. The Vajpayee administration first proposed the GST in 2000. The implementation of GST could impede the nation's expansion and development. This study's main goals are to understand the impact of the Goods and Services Tax (GST) in India, to examine the various facets of the country's Goods and Services Tax system, and to investigate the impact of the GST on the Indian economy. The paper is supported by secondary data sources that were gathered from reputable websites, magazines, and newspapers. I came to the conclusion from my research that GST has some positive effects, such as its ability to create an administration of taxes that is open and free of corruption. Additionally, the GST offers a voluntary tax reduction plan for small businesses with annual revenue between INR 20 and INR 50 lakhs. The composition scheme is what it is known as. There are drawbacks to the proposed increase to 75 lakhs, such as the possibility of higher prices for clothing and apparel after the implementation of the GST, which would apply to some retail items currently subject to a four percent tax. Petroleum products, alcohol, and electricity are three major tax revenue-generating industries that are not covered by the GST. The tax will be applied to these sectors by the state government. The inclusion of these sectors in the GST would primarily be based on the tax revenue generated by the GST for the state governments. An increase in the tax rate from the current 15 percent to 18 percent would have a negative impact on the services sector, such as restaurants and telecommunications. GST therefore has mixed effects in India.

Indexed Terms- Goods and Services Tax (GST), Indirect Tax and Indian Economy.

I. INTRODUCTION

After independence, the largest indirect tax reform in India has begun with goods and services tax (GST). After much deliberation, the GST bill was passed at Rajya Sabha, and this winter session will be discussed at the state assembly. Having the ball for integrated national tax reforms, the market is full of new expectations among industry leaders and government officials According to the IBEF, India is a global production plant, and SMEs account for about 90% of its industrial facilities. The Indian government's "Make in India" campaign will promote the launch of GST. Consumption tax for current pre-packaged retail products is not charged at the factory's transaction price, but at a percentage of the package's maximum selling price (MRP). This increases MRP and increases consumer costs. Under GST, the manufacturer pays taxes while purchasing raw materials for the product. This amount can be credited to the next reseller until the product reaches the end consumer.

This will greatly boost the tax burden. This sets the momentum at which two accounts pass. During the winter semester, submit the Central GST (CGST) and Integrated GST (IGST) bills along with the main GST bill National Research & Journal Publication Study on New GST Era and its Impact on Small Businesses Entrepreneurs. According to industry and government experts, the GST expiration date of April 1, 2017, is likely to have expired. Corporations, especially SMEs, are collected in a variety of industries. Extended indirect taxes GST replaces a variety of taxes such as excise, VAT, and service charges with a single tax structure.

GST is an objective based extract charge forced at various stages in the creation also, appropriation of products and enterprises. State also, nearby assessments, amusement charges, utilization charges, overcharges, licenses, and numerous other assessments are joined. Assessment applies to exchange costs, including bundling, charges and different expenses caused during the bundling. You can pay full assessment allowances from information and capital products at season purchase, which can be subsequently amortized for GST output liability. An important feature of GST is that products and services are equalized and are taxed at a fixed rate until customers access it within the supply chain. Therefore, tax reforms give equal rights to large and small businesses and taxpayers.

Another important feature of India's GST rollout is that it is dual based. In other words, both central and multiple government agencies will release GST separately. The central government will charge CGST, and the state will charge SGST respectively. However, the tax, tax and taxation standards are the same. This is necessary in view of the federal structure of the government if governments are free to manage their own taxes at two levels. In India, GST is imposed on goods and services income.

Another important feature of GST that needs to be mentioned is the elimination of the cascading effects of various state and central taxes. Government taxes included in GST include VAT, entertainment tax, income tax and advanced taxes, VAT and gambling taxes.

- Taxes which are subsumed under GST-

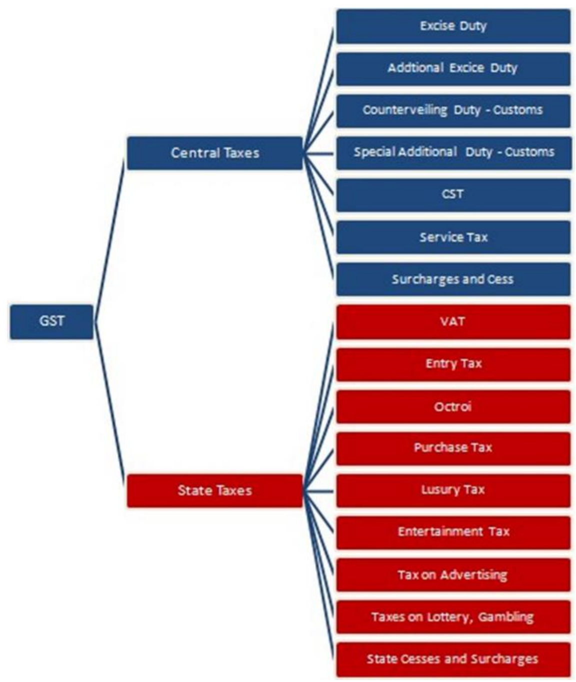
The GST would replace the following existing taxes.

(i) Taxes currently levied and collected by the Centre:

a. Central Excise duty
b. Duties of Excise (Medicinal and Toilet Preparations)
c. Additional Duties of Excise (Goods of Special Importance)
d. Additional Duties of Excise (Textiles and Textile Products)
e. Additional Duties of Customs (commonly known as CVD)
f. Special Additional Duty of Customs (SAD)
g. Service Tax
h. Central Surcharges and Cesses so far as they relate to supply of goods and services

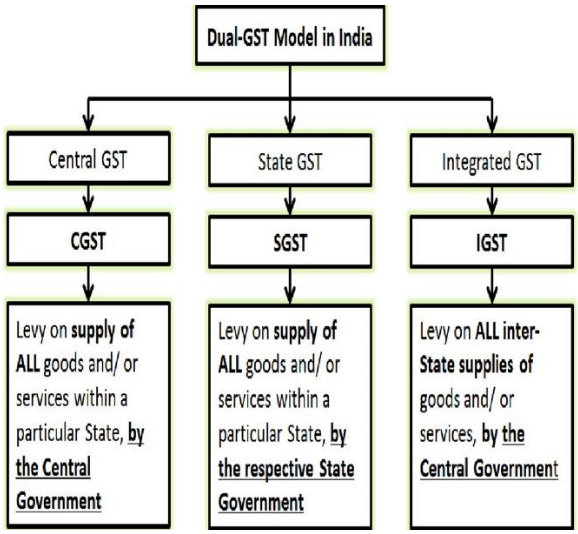
(ii) State taxes that would be subsumed under the GST are:

a. State VAT
b. Central Sales Tax
c. Luxury Tax
d. Entry Tax (all forms)
e. Entertainment and Amusement Tax (except when levied by the local bodies)
f. Taxes on advertisements
g. Purchase Tax
h. Taxes on lotteries, betting and gambling
i. State Surcharges and Cesses so far as they relate to supply of goods and services.



- Dual GST System:

The GST structure in India is a dual GST system, which means that both the Central and State governments have the power to levy GST. The GST Council, which is headed by the Union Finance Minister and comprises the Finance Ministers of all the states, determines the tax rates and other modalities of the GST. The GST structure comprises of the Central Goods and Services Tax (CGST), the State Goods and Services Tax (SGST), and the Integrated Goods and Services Tax (IGST).



OBJECTIVES:

- To study the Impact of Goods and Services Tax (GST) in India.
- To study the different aspects of Goods and Services Tax system in India.
- To study the Impact of Goods and Services Tax (GST) on Indian Economy

II. THE IMPACT OF GST IN INDIA

Our GST council has finalized the rates for all the goods and major service categories under various tax slabs. GST is expected to fill the loopholes in the current system and boost the Indian economy. This is being done by bring together the indirect taxes for all states throughout India.

- The tax rate under GST is 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 applicable on some day-to-day goods and services will have an impact on an end user's pocket.

IMPACT ON DIFFERENT INDUSTRIES:

- 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 footwear below INR 500 has been reduced to 5%. So, you need to sale 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 travel 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 travelers 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 ready-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 organizations, they may pass on the additional tax burden to the consumers.

- HOTEL:

If 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 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 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 that 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.

- IMPACT OF GST ON THE INDIAN ECONOMY

GST the biggest tax reform in India founded on the notion of “one nation, one market, one tax” is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the $2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST.

The rollout has renewed the hope of India’s fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what’s perceived as a rushed transition which may not assist the interests of the country.

Will the hopes triumph over uncertainty would be determined by how our government works towards making GST a "good and simple tax". The idea behind implementing GST across the country in 29 states and 7 Union Territories is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filings, transparent rules, and easy bookkeeping; consumers would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged.

- GST: THE SHORT-TERM IMPACT

From the viewpoint of the consumer, they would now have to pay more tax for most of the goods and services they consume. The majority of everyday consumables are now drawn the same or a slightly higher rate of tax. Furthermore, the GST implementation has a cost of compliance attached to it. It seems that this cost of compliance will be prohibitive and high for the small scale manufacturers and traders, who have also protested against the same. They may end up pricing their goods at higher rates.

CONCLUSION

In short, GST impacts both the ways i.e. Positive & Negative. There are certain positive impacts of GST in India are; GST will also help to build a transparent and corruption free tax administration. GST also has an optional scheme of lower taxes for small businesses with turnover between INR 20 to 50 lakhs. It is called the composition scheme. It has now been proposed to be increased to 75 lakhs. This will bring respite from tax burdens to many small businesses. Removing cascading tax effect, simpler online procedure under GST, defined treatment for E-commerce and regulating the unorganized sector. There are negative impacts like; some retail products currently have only four percent tax on them and after GST, garments and clothes could become more expensive. Three major tax revenue earning sectors petroleum products, alcohol and electricity do not fall under GST. The state government will levy the tax on these sectors. The inclusion of these sectors in GST would be done mostly on the basis of the tax revenue earned by the state governments from GST. Services sector like telecom, restaurants would have a negative impact created by a higher tax rate of 18% from present 15%. Therefore, GST gives mix impacts in India.

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