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Analysis of Goods and Service Tax (GST) & It's Impact on Selected Sectors of India

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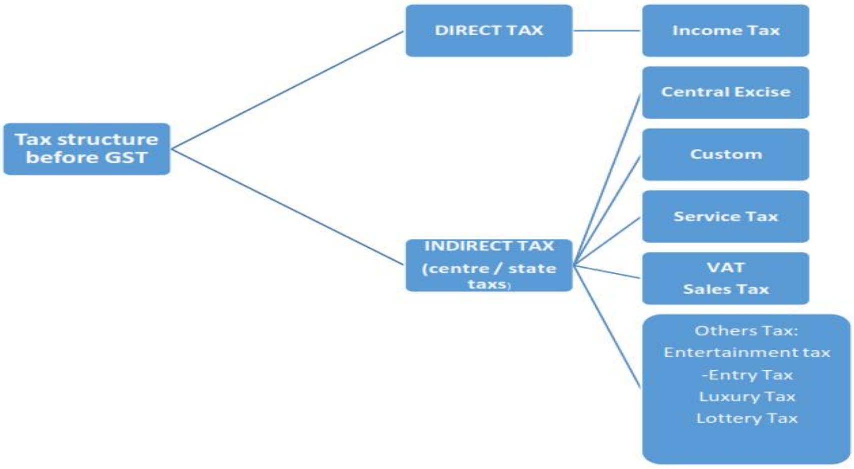
Abstract: Seven months after the formation of the then Modi government, the new finance Minister Arun Jaitley introduced GST bill in Lok Sabha which was approved on 1 July 2017.GST means "Goods & Service Tax" which is indirect tax for the whole nation. Companies and business organisations used to pay number of indirect taxes like excise duty, customs duty, central sales tax, service tax levied by central government and VAT, entry tax and octroi etc. levied by state government. GST is going to consolidate these multiple taxes into one as 'One Nation, One Market, One Tax'. It is a single tax on the supply of goods and services, right from the manufacturers to the consumer. In the following research paper we had mentioned the overall concept of GST which includes its importance & mechanism. Moreover we had also cover tax ratio of different products & services. France is the first country to introduce GST. The findings of the paper revealed mixed effect on different sectors of the Indian economy. And lastly we had also described the scenario of India after the implementation of GST.

Key words: Goods and Service Tax, Indirect taxes, Sectors, Effects, Benefits, mechanism.

- ✓ **Introduction**

Goods and service tax is a single unified tax system which subsumes several indirect central and state taxes under one umbrella and leads to creating smooth market. This new regime aims to transform the tax scenario of the country by streamlining the system through a single tax for supply of goods and services across the country. It is based on the principle of destination based tax means tax is paid at the point of receiving. This is against earlier regime where tax was paid at various points beginning with manufacturing, transportation and finally where it was sold. This means goods were being taxed multiple times which was creating cascading effect. With the implementation of GST single tax system is going to benefit the consumer, business and finally boost the growth of the economy. A consumer might not be required to do anything under GST and is also the last person in the value chain involving supply of goods and services but all this tax transformation is undertaken for his betterment only. There is an inter relationship between a consumer, business and indirect taxes. One of the leading revenue generators to the government is indirect taxes, a tax that is collected and deposited by a business but eventually passed on to the person who bears the ultimate economic burden of the tax i.e., the consumer.



✓ Literature review

- **Prof. Ranjana Upashi (2017)** GST is going to consolidate these multiple taxes into one as 'One Nation, One Market, One Tax'. Integration of goods and services tax would definitely lead to ease of doing business and simplifies tax compliance. As it is going to reduce layers to taxes definitely leads to boosting tax collection. GST aimed at creating unified market benefiting both corporate and economy. Several countries have implemented this tax system; France is the first country to introduce GST.
- **Laveena Mehta1 , Baljinder Kaur2 (September 21-22, 2018)** Earlier some part of tax on goods and services were imposed by State Government and some by central government but now, all covered under one roof of GST. The main aim of this study is to examine the tax payers' perception towards newly implemented tax regime in India. For this study data has been collected from 500 tax payers to know about their perceptions and awareness regarding goods and service tax. Study has shown both positive as well as negative perception of tax payers towards GST.

- **Aakanksha Uppal, Bharti Wadhwa, Anubha Vashisht, Davinder Kaur (May 2019)** in this paper an attempt has been made to observe the awareness and perceptions about GST among SBPs. Also how far government is successful to get acquainted SBPs about GST. Particularly we are focussing on SBPs perception about the new the tax system (e.g. transparency, burden on SBP's), and its administration.

- **Dr.G.H.Barhate (May 2017)** The sizeable efforts by the Government machinery to introduce the reforms at the earliest are worth appreciable but at the same time with stiffer deadlines it seems that government is in haste to implement this reforms at the earliest which may be paralyzed by lack of information and orientation of small traders in rural areas who form a sizeable community of traders. The study aims to be familiar with the perception towards existing Tax System, awareness of GST among the traders of different categories and their turnovers with problems and challenges.

- **Dr. G. Suresh Babu (January 2019)** GST – A new law, a new tax will bring with it new challenges to face that need to be tackled with utmost care. The GST bill covers the goods and services tax and shall be the biggest indirect tax reform providing a uniform and simplified way of indirect taxation in India. After a lot of deliberation the GST council has finalized the rates for all the goods and major service categories under various tax slabs.

✓ Objectives of the study

- To provide a conceptual Framework of GST and its salient features.
- To highlight the benefits associated with the implementation of GST.
- To analyse the effects of GST on different sectors in India.
- To study the consumers perception towards GST rates in India.
- To furnish the information regarding GST rates to the consumers.

✓ Research methodology

The research paper is an attempt of research, based on the secondary data sourced from journals, Internet, articles, previous research paper which focused on the various aspects of goods and service act. According to the requirements of the objectives of the study the design is descriptive type. The accessible secondary data is used only for study.

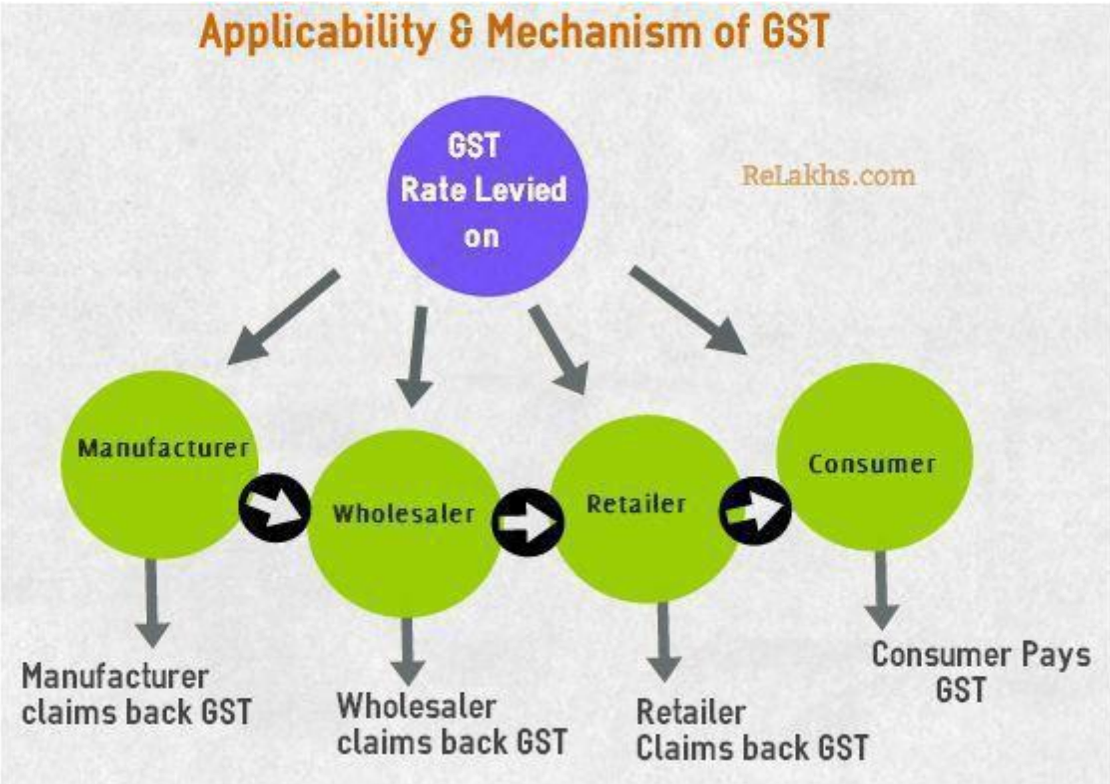
✓ Scope of the Study

The present study is done on effects of GST on specific sectors of Indian economy like FMCG, agriculture, Transportation, financial services, pharmaceuticals and textiles etc.

✓ Need and Importance of Goods and Service Tax:

- Substitute for all Indirect taxes

- Not so much duty consistence plus an improved assessment arrangement contrasted with current expense structure.
- Beneficial in reducing the falling effects of cost
- Reduces complexities and assembles more number of money related trades.
- Through GST the governing body gets more measure of cost salary which will be utilized for the organizations to individuals as a rule.
- As there is more straightforwardness in the plan of GST and since it is a course of action of single duty appraisal, the chances of debasement will be low.



✓ **Conceptual framework of GST and its salient features**

Goods and service tax is the tax levied by the government with an idea to replace all the indirect taxes and improve the economy of the nation. One of the biggest taxation reform in India. It is one of the simplest, transparent and efficient system of doing business. Before GST companies and business organisations used to pay number of indirect taxes levied by both central and state government. GST is going to consolidate these multiple taxes into one as One Nation One Tax. As it is going to reduce layers to taxes definitely leads to boosting tax collection. This can also see movement of unorganized sectors to organized sector which will change the business dynamics of industries. Some products like hair oil, soaps and toothpaste, two wheelers are expected to benefit on the grounds of lower tax incidence leading to growth in demand and boosting the margins for the sectors. Infrastructure and real estate, financial services, insurance, telecommunication, paints are going to get affected because of increase in its duty. Increase in duty may leads to increase in cost to absorb the higher tax incidence leading to temporary slowdown in demand. Items of day today use like salt, egg, milk, fresh fruits and vegetables etc. are falling under tax free items. GST Council has introduced a four tier tax structure that is 5%, 12%, 18% and 28% keeping zero or very low rates for essential food items to ensure that there is no widespread inflation and highest rates for luxury and demerit goods that would attract an additional cess.

✓ **Salient features of GST**

- GST is applicable to whole country including Jammu and Kashmir.
- GST is applicable on "SUPPLY" of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- Based on the principle of destination based consumption taxation as against present principle of origin based taxation.
- Centre and state simultaneously are levying the tax on a common base hence it is a Dual GST. GST levied by centre is central GST and that levied by states is state GST.
- An integrated GST is levied on interstate supply of goods or services by Centre.
- Import of goods or services is treated as interstate supply and subject to IGST.
- A common threshold exemption of Rs. 20 Lakhs for both CGST and SGST. Further a person whose aggregate turnover in the preceding financial year is less than 75 lakhs (Rs. 50 Lakhs for special category states like Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Himachal Pradesh) has an option to pay tax under composition scheme which allows to pay tax at concessional rates on the turnover in the state without the benefit of ITC.
- Exports are zero rated.
- Credit of CGST paid on inputs may be used only for paying CGST on output and credit of SGST/UTGST paid on inputs may be used for paying SGST/UTGST.
- Various modes of payment of tax is available to the taxpayer like internet banking, debit/credit card, National Electronic Fund Transfer (NEFT) / Real Time Gross Settlement (RTGS).
- Audit of registered persons to be conducted in order to verify compliance with provisions of the Act.

✓ **Benefits of GST**

- Simplified tax compliance.
- Reduction in prices of goods and
- Services due to elimination of cascading effect.
- Uniform prices throughout the country.
- Transparency in taxation system.
- Development of common national market.
- Boost to exports.
- Increase in employment opportunities.
- Ease of doing business
- Uniformity of taxes across the territories.
- Boost tax collection.
- Relief from present complex tax structure.

✓ **Table 1: GST Rates Structure**

TAX RATES	PRODUCTS AND SERVICES
0%	Milk, Eggs, butter milk, curd, natural honey, fresh fruits and vegetables, Unpacked Food grains, unpacked Paneer, Gur, Unbranded Natural Honey, Unbranded Atta, Unbranded Maida, Besan, Prasad, Salt, Kajal, Education Services, Health Services, Children's' Drawing or Colouring books.
5%	Sugar, Tea, Edible Oils, Domestic LPG, PDS Kerosene, Cashew Nuts, Milk Food for Babies, Fabric, Spices, Coal, Life-Saving Drugs, Packed Paneer, Coal, Raisin, Roasted Coffee Beans, Skimmed Milk Powder, Footwear(Rs.500), Apparels(Rs.1000), Coir Mats, Matting & Floor Covering, Agarbatti, Indian Sweets, Coffee (except instant).

12%	Butter, Ghee, Almonds, Fruit Juice, Packed Coconut Water, Computers, Processed Food, Mobiles, Preparations of Vegetables and Fruits, Nuts or other parts of Plants including Pickle, Murabba, Chutney, Jam, Jelly, Umbrella, Services on Non-AC Restaurants.
18%	Hair Oil, Toothpaste, Soap, Pasta, Corn Flakes, Soups, Capital Goods, Industrial Intermediaries, Ice-cream, Toiletries, Computers, Printers, Staplers, Aluminium Foils, Restaurants serving alcohol.
28%	Small cars (+1% or 3% cess), High-end motorcycles (+15% cess), Consumer durables such as AC and Fridge, Luxury & Sin items like BMWs, Cigarettes and aerated drinks (+15% cess).

✓ **Problems / impact on manufacturer, retailer & end user after implementation of GST:-**

- Impact on Manufacturer :
  - No excise duty at the time of Mfg. & GST will applicable on "SUPPLY". Will be great relief to all Manufacturer.
  - Reduction in cascading effect (like earlier VAT was charged on value + excise amt.)
  - Hassle free supply of goods – because on no entry tax / Octroi
  - Increased working capital requirements.
  - Free supplies & after sale discount will be burden on supplier.
  - Valuation of self-supplies required clarity.
  - Pre-packaged products for retail consumption valued on MRP leading higher cost price which is unlikely in GST.
  - Reduction of classification disputes.

- Impact on Retailer :
  - Rate rationalization
  - Classification related issues
  - Marketing / discount schemes
  - Combo packs

- Loyalty points redemption
- Vouchers
- Sales returns, customer refunds & other miscellaneous transactions
- Return of expired goods
- Input service distributor vs. cross charges
- Area based exemptions / benefits under state industrial policy

• Impact on End User :
  - A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, SAD, Excise etc.
  - Less tax compliance & a simplified tax policy as compared to earlier tax structure.
  - Removes cascading effect of taxes i.e. removes tax on tax.
  - Due to lower burden of taxes on the mfg. sector, the mfg. costs will be reduced, hence prices of consumer goods likely to come down.
  - Due to reduced costs some products like cars, FMCG etc. will become cheaper
  - This will help in lowering the burden on the common man i.e. you will have to shed less money to buy the same products which were earlier costly.

An illustration of supply chain (Manufacturer, Retailer and Customer)

• The impact with and without GST with relevance of saving of customer on one item:

Case 1: Manufacturer to Wholesaler

Particulars	Without GST	With GST
Cost of Production	10,000	10,000
Add:- Manufacturer Profit Margin	1000	1000
Manufacturer Price	**11,000**	**11,000**
Add: - Excise Duty (12%)	1320	–
Total	**12,320**	**11,000**
Add:- VAT@10% + 2.5 %	1540	–
Add:- CGST@ 9%	–	990
Add:- SGST@ 9%	–	990
Invoice Value	**13,860**	**12,980**

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Case 2: Wholesaler to Retailer

Particulars	Without GST	With GST
Cost of Goods to Wholesaler	**12,320**	**11,000**
Add:- Profit Margin @ 10%	1232	1100
Total	**13,552**	**12,100**
Add:- VAT@10% + 2.5 %	1694	–
Add:- CGST@ 9%	–	1089
Add:- SGST@ 9%	–	1089
Invoice Value	**15,246**	**14,278**

Case 3: Retailer to Consumer

Particulars	**Without GST**	**With GST**
Cost of Goods to Retailers	**13,552**	**12,100**
Add:- Profit Margin @ 10%	1355	1210
Total Value	**14907**	**13,310**
Add:- VAT@10% + 2.5 %	1863	–
Add:- CGST@ 9%	–	1198
Add:- SGST@ 9%	–	1198
Total Price of item that reaches to customer	**16,770**	**15,706**
Cost Saving (in Rs.)	–	**Rs. 1064**

It is concluded that on one item, customer save Rs1064, on applying GST.

- ✓ **Impact of GST implementation on different 15 sectors of Indian Economy**

I. FMCG

It is one of the fourth largest and fast growing sectors in India. Fast moving consumer goods are those which are consumable on regular basis. Under GST there is a shift in the demand for products from unbranded ones to branded products and would also improve the supply chain efficiency with the consolidation of storage hub. Products of mass consumption like toothpaste, soaps, hair oil have been kept under 18% tax slab against 22-24% under indirect tax regime and premium category items have been kept under 28% category like paints, skin care, aerated drinks among other goods. The impact is depending on the product mix composition like for example Colgate is the biggest beneficiary as its 80% of sales come from toothpaste. Paints industry is going to have marginal impact as the tax rate is 28% against 25%- 26%. Items of mass consumption like detergents, shampoos and deodorants which are used daily are going to hit very hard. On aerated beverages tax of 28% plus cess of 12% is imposed under GST as against 34% to 35%. Hence, there is a marginal increase in the prices of aerated drinks.

FMCG players are going to have mixed impact as they have a broader portfolio.

II. Consumer Durables

White and brown goods like TV, refrigerator, AC, washing machines, microwave ovens will be taxed at 28% under GST against 27% in previous tax structure including VAT. This leads to increase in the prices of consumer durables.

III. Pharmaceuticals

Indian pharmaceutical companies manufacture 20% of all generic drugs used around the world. In GST regime essential drugs that treat malaria, tuberculosis and diabetes fall in 5% tax bracket and others in 12%. Cipla the brand which produces nicotine polarcrilex gum is going to get affected badly as the tax rate is fixed at 18%. Under GST, Ayurveda medicines could get costlier as 12% tax is fixed against average VAT of 4% and excise of 1.5% due to excise free manufacturing zone benefit. One of the biggest advantage is reduction in the logistics and distribution cost. Another positive observation is benefit of input tax credit and duty free movement of goods under Job work Model. Most of manufactures are competitive in pharmacy industry due to setting up their plants in duty free locations. There is no any clarification on this yet if these incentives are discontinued this will affect the cost and financially burden the companies. There is a negative impact on free samples, discounts and interstate stock transfer.

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IV. Transportation sector

A. *Bus travel*

There is a marginal decrease in the tax on AC buses from 6% to 5% which may reduce the fare. Hence, there will be little impact on bus fares.

B. *Airlines*

One of the growing sectors of the economy is civil aviation in India which is witnessing exponential growth. Under the new tax regime, tax on economic class flight ticket has lowered from 6% to 5% to make flying affordable to masses and drive continued passenger growth in air market. On the other hand, tax rate on business class has increased from 9% to 12% which indicates 3% more than existing service tax rate. Hence, business class fares are going to cost higher as compared to fares getting cheaper for economy class. A reason for keeping GST on passenger travel low is because airlines cannot claim credit on Aviation Turbine

Fuel under the

GST regime. Purchase of aircraft meant for personal use, has been put under the highest slab of 28% with additional cess of 3%.

C. Railways

Under GST, prices of AC and first class fares of railways are going to cost little more to passengers as the tax has increased from 4.5% to 5%. Exceptions have been granted from levy of GST in respect of passengers traveling in second class, sleeper and metro. And even transportation of goods is going to be costlier as there is a marginal increase by 0.5% except on goods like agricultural produce, relief material, milk, salt, food grain, flours, pulses, rice, railway equipment and materials, defence and military equipment.

V. Banking, Financial Services and Insurance

a. Banking

Impact of GST on personal finance especially when it comes to financial services is marginal in nature. Most of the financial services will attract 18% as against present 15% under the new indirect tax regime. Even though it is a marginal increase the customer will pay higher for the financial services under GST. Common banking services that would attract higher service tax include debit card, fund transfer, ATM withdrawal beyond the number of free services, home loan processing fee, locker rentals, issuance of cheque books/drafts/duplicate passbooks, and collection of bills and SMS alerts. Mutual fund house offers portfolio management services to investors. Investor to get this service they charge management fee which is included in Total Expenses Ratio and the tax is levied on this total expenses ratio which measures the cost incurred by an investment company to operate its mutual fund. Typically, management fees for equity fund ranges from 1 to 1.5% of assets and for debt funds is from 0.05 to 0.5%. Increase of service tax from 15% to 18% had made the mutual funds little expensive.

b. Insurance

Insurance sector is going to have 18% tax as per the new tax structure in India. Under insurance service tax is levied on the risk portion only and not on saving part. There are number of insurance products like term plans, endowment plans, ULIP'S, health and car insurance. Term plans purely provide death benefit and it is a risk protection plan. The premium is going get costlier by 3%. Endowment plans offer both death and maturity benefits whichever occurs earlier. Under GST an increased premium payment needs to be done as tax rate has been increased on the first year from 3.75% to 4.5% and for the second year from 1.88% to 2.25%.

Tax on ULIP'S has increased from 15% to 18%. Under general insurance category fire insurance, marine and motor insurance etc. premiums are going to cost 3% more. On whole GST is making buying insurance little expensive. Both existing and new policy holders are going to face an increase in premium amount due to increase in rates.

VI. Restaurants

Restaurants are classified into 2 categories for tax levy under GST regime as AC and Non AC Restaurants. Non AC eateries who don't serve alcohol are charging the tax at the rate of 12% and those serving alcohol it is 18%. AC restaurants irrespective of serving alcoholic no are charging 18% tax rate as decided under GST. Restaurants under composition scheme with up to aggregate turnover of Rs. 75 lakhs and Rs. 50 lakhs for North eastern states are levied at 5% respectively. Consumers are paying single tax on food bill plus a service charge levied by restaurant owners. Moreover, for the restaurants ITC is available while providing restaurant services. It is expected that GST would marginally lower the overall tax burden.

VII. Real Estate and Infrastructure

Indian real estate sector is estimated to account for about 5% of India's GDP and is considered as second largest employer in the country. 12% GST is fixed on construction projects meant for sale to buyers. Stamp duty is applicable on transfer of properties is going to continue and is outside the purview of GST. Developers pay non creditable taxes on supplies like excise and customs duty, CST, entry tax etc. on the procurement side and service tax and VAT on purchase of residential units when booked prior to the completion paid by buyers. GST subsumes all this indirect taxes and availability of input tax credit would bring in reduction in the costs for all the players. Affordable housing is exempted from service tax under GST. Construction sector is going to get benefit from the rates declared for cement, bricks and iron under GST. Many construction activities like construction of roads, dams and irrigation are under service tax exemption list and VAT is payable on supply of goods portion of contracts. Even though works contracts are going to taxed at 18% the sector gets benefit from input tax credit under GST.

VIII. Cigarettes and Pan Masala

Indians are second largest consumers of tobacco (275 million users of tobacco). Cigarettes attract sin tax or higher rate to discourage smoking as it is harmful to public health. Centre and state have agreed to impose cess on demerit and luxury goods under GST regime, over and above the peak tax rate of 28%. With regard to pan masala cess is at 60%. With regards to cigarettes highest tax rate is levied at 28%, 5% ad valorem and the additional cess changes as per the length of cigarettes like cess on cigarettes of up to 65 mm raised by Rs. 485 per thousand sticks and those exceeding 65 mm by Rs. 792 per thousand sticks. As there was increase in cess ITC increased cigarettes prices by 4 to 8% on as many as 25 different pack sizes and variants.

IX. Oil and gas

Oil and gas sector has to comply with both current tax and GST tax frame since five petroleum products that is crude, petrol, diesel, aviation turbine fuel (ATF) and natural gas are out of GST regime. Hence, they shall continue to be levied at existing rates which may increase the compliance cost for the sector. Purchase of goods and services for exploration of crude oil and natural gas would attract the GST. The other products such as LPG, naphtha, kerosene and fuel oil are included in the GST. The input tax credit allows the oil producer at the time of paying the tax on final output to deduct the tax already paid on inputs such as machinery, crude oil etc.

As most of core petroleum products are out of the GST, benefit of input tax credit cannot be availed under GST regime. Hence GST is going to affect adversely since this sector has to comply with both pre GST and GST framework which leads to increase in compliance cost for the companies.

X. Telecom

Service tax on telecom services is 15% against 18% under GST regime which shows increase in tax to 3%. Post-paid users would end up paying more on their phone bills and prepaid users would see reduction in their talk times under GST regime. Get less talk time. New GST rates will tax telecom companies higher by a couple of percentage points and that may impact the profitability of the industry. Telecom would be allowed to avail input tax credit for utilization against output tax liability.

XI. Automobile

GST rates for automobile sector have been set at 28% in addition to cess which varies from 1% to 15%

based on the segment, engine size type (petrol/diesel) and size of the for the creation of state compensation corpus. Currently automobile industry pays number of indirect taxes like excise, infrastructure cess, import duty, VAT and CST. There would be a marginal impact on two wheelers as it is going attract base tax rate of 28% against the existing rate of 30.2%. And for bikes with engine capacity of more than 350 cc like KTM and Royal Enfield will attract cess of 3% in addition to base rate of 28% under GST resulting into prices of premium bikes going up in some states. The impact will be limited as this segment accounts for limited share in the industry sales TVS, HMSI, Suzuki motorcycle India and Yamaha have already reduced their prices to pass the GST benefits to its customers. Under GST small petrol cars of less than 4 meters and 1200 cc and Small diesel cars of less than 4 meters and 1500 cc engine attract base rate of 28% with cess of 1% and 3% respectively as against the old rate of 30.2% to 33.5% which depicts the marginal tax savings. Cars larger than 4 meters under indirect taxes were levied at 51.6%. But under GST the rate is fixed at 43% which shows the positive impact. Electric cars would get a relaxation as tax levied under GST is at 12% against the existing rate of 20.5%. Large passenger vehicles and SUV'S were taxed at 43% against 55% in pre GST system. To rectify this anomaly on September 9th the GST council decided to hike cess on larger cars by 5% and on SUV'S by 7% taking total GST incidence to 48% and 50% respectively. This will definitely increase the prices of this vehicles. Under the indirect tax system free goods and services provided by car manufacturers were not liable for taxation but under GST free services would also be eligible for taxation. Even on the vehicle booking advance on the date of receipt dealer is required to pay the GST. Overall for automobile industry GST impact is marginal in nature.

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XII. Textiles

Textile is one of the oldest manufacturing and second largest industry providing employment to both skilled and unskilled individuals. Cotton fibre and Man-made fibre (MMF) are taxed at 5% and 18% respectively under GST tax regime. Silk and jute fibre are totally exempted from

GST purview. GST on readymade garments costing below Rs. 1000 is taxed at 5% and above

Rs. 1000 at 12% which is higher than the current tax incidence roughly 7% that prevails in many states. The impact is marginally negative for apparels costing more than Ra. 1000 which could leads to increase in the cost. For business involved in manufacturing woollen and silk fabrics the tax rate under GST is 5% against 8-10% which are having positive sign. Under GST, excise duty paid on capital goods is allowed as input tax credit. And exports are going to enjoy tax credit leading to promoting export of textile products. Service tax on third party services popularly known as Job work linked to knitting, embroidery, washing stitching and ironing etc. has been lowered from earlier decision of putting 18% to 5% which gave big relief to the garments sector.

XIII. Agriculture

Under GST 12% rate of tax is levied on the tractors and 18% on exclusive tractor parts which is likely to be neutral to the tractor industry. In order to reduce the burden on the farmers' tax rate for fertilizers were reduced from 18% to 5%. Pesticides are put in 18% tax slab. From input side cost of cultivation for farmers may increase marginally. Rice, milk, wheat, fresh fruits and vegetables most of raw agri commodities are in zero tax slab as they are consumed by masses. However, states like Punjab which supply maximum grains to central impose the tax, cess and commission which accounts for 14.5%. With implementation of GST purchase cost of wheat and paddy from Punjab will drastically come down by 12% which is the major gain. GST is also favouring national agricultural market which is electronic trading portal which seeks network of existing APMC mends to create a unified national market for agricultural commodities. As availability of input tax credit and with one unified tax is going to boost the interstate supply of goods. Improved supply chain mechanism is going reduce the time for transportation and would reduce the cost to the farmer. In the long run GST is going to impact positive to farmer.

XIV. Gold

In India gold is considered as one of the investment to meet future contingencies. Gold and silver and processed diamond do not fall under the current tax ambit and special rate of 3% and 0.25% will be taxed on gold and on import of rough diamond respectively. Currently tax and duties on gold is 12.43% and under GST it is 15%. So the effective price escalation on gold jewellery comes to 3.24% points which will be positive for jewellery makers catering to retail consumers in India. Experts feel that diamonds are the key raw materials for gem and jewellery exports business. Rough diamonds have been kept out of the purview of taxes even in various

Asian countries which are globally competitive. It is difficult for gems & jewellery exporters to pay 0.25% and will make it unprofitable for the industry. After the introduction of this rate on gold Indians travelling to other countries like UAE, Gulf regions, Singapore, Sri Lanka are witnessing increase in gold purchase. There are three categories of Indian buyers, buying more gold in Dubai –those settled in the Gulf, Indian tourists to the Middle East and transit passengers travelling from the US and Europe. Shopping for gold in Dubai had witnessed

13% less in 3rd week of July 2017.

XV. Media and Entertainment

India is globally the fifth largest media and entertainment market according to Deloitte report. Within the sector impact of GST on movie tickets is both positive and negative for different states. Entertainment taxes levied by states ranges from 0% to 110%. Under GST tax rate of 18% is fixed on tickets costing Rs. 100 or less and 28% on tickets costing more than Rs. 100. The places like Jharkhand and Uttar Pradesh charge 110% and 60% as the entertainment tax which is now only 28%. Hence the ticket rates are going be less under GST. In states like Punjab and Himachal Pradesh people have to bare more for tickets since these states fall under 0% entertainment tax. Cable TV and DTH services attract entertainment taxes in states ranging from 10-30% besides service tax levy of 15%. Under GST the prices of these services are going to come down as rate is being fixed at 18%. For amusement or theme parks impact of GST is negative as the GST rate fixed is at 28% as against 15% under pre GST regime. Under GST 28% tax is levied on sporting events like IPL. This would lead to increase in the prices of tickets since pre GST rate was nearly 20%. But when it comes to concerts GST impact is lower (18%) as rate is lower on concerts like circus, theatre, Indian classical dance including folk dance and drama.

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✓ **Findings**

- FMCG players are going to have mixed impact as they have a broader portfolio.
- There is an increase of 1% in tax rate under GST on home appliances.
- Post GST ayurvedic medicines are going to become costlier.
- Fare charges for economy class is going to be cheaper to make flying by air affordable to masses.
- Marginal increase in the prices of AC, first class train tickets and transportation of goods by railways.
- Customer has to pay more for availing financial services.
- GST impact is marginally lower to restaurants since tax rate has decreased and even there is benefit of Input Tax Credit is available.
- With the availability of Input Tax Credit and reduction in the taxes for cement, bricks, iron construction sector is going to get benefit.
- In order to discourage smoking along with 28% base rate of tax cess is also fixed on cigarettes.
- There is adverse effect on oil and gas sector.

- New GST rates will tax telecom companies higher by a couple of percentage points and that may impact the profitability of the industry.
- GST impact is marginal on two wheelers, small petrol/ diesel cars and premium bikes would cost more.
- Tax incidence on large passenger vehicles and SUV'S is 48% and 50% respectively.
- GST impact is marginally negative for apparels costing more than Ra. 1000 which could leads to increase in the cost.
- Positive impact on business involved in manufacturing of woollen and silk.
- In the long run GST is going to impact positive to farmer.
- Special rate of 3% and 0.25% will be taxed on gold and on import of rough diamond respectively
- Entertainment industry will see a mixed effect of GST depending on the states they present in.

✓ **Conclusion**

In India GST is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods etc. Since GST on inter-state sale of goods would be creditable, there is an opportunity to remodel current supply chain structure to ensure lower logistics cost and bring in significant operational efficiency which should have a positive impact on the profitability of the companies. Share of organized players is going to increase as the benefit of input tax credit is available to those businesses who get their supplies from registered tax payers. Hence, tax collection is going to increase. GST impact is neutral and positive on different sectors of the economy. Cost of services are going to increase with the result of increase in taxes from 15% to 18%. The overall effect of GST on Indian economy would be positive.

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