GST (GOODS AND SERVICES TAX) IN INDIA - IMPACT AND SWOT ANALYSIS

DR.I.CHITRAKALA
Assistant Professor
Department Of Commerce
Dr.G.R.Damodaran College of Science,
Coimbatore

S.KRISHNAPRIYA
Research Scholar
Dr.G.R.Damodaran College of Science,
Coimbatore

ABSTRACT
The concept of Goods and Service Tax (GST) was visualized for the first time in 1990, but because of conflicting interest of stakeholders and various political controversies it has been passed in both houses of parliament on 8 August 2016. It alone indirect tax which influence the whole economy directly. India is a centralized constitutional economy. GST is applicable on all states and union territories, known as CGST (central Goods and service Tax) and SGST (state Goods). The ill effects of cascading can be mitigated after tie up the central and states taxes in solitary tax. The economy is expected to pave the way of common national market as it will provide benefits to consumer by reducing overall tax burden of goods, which is currently estimated at 25% to 30%. Thus introduction of GST is a gigantic tax transform in contemporary ancient times.

We all need to know, whether GST is willingly or imposed. This paper describes a brief introduction of post and pre GST in India. What are challenging fact or in implementation and what can be the opportunities of GST in India.

Keywords: GST, CGST, SGST, VAT.

INTRODUCTION
India’s biggest tax reform is now a reality. A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017. The concept of GST was visualized for the first time in 1990. On 8 August 2016, the constitutional Amendment Bill for roll out of GST was passed by the parliament, followed by ratification of the bill by more than 15 states and enactment of the bill in early September. The GST council consisting of representatives from the central as well as state Government, met on eighteen occasions in last ten months and cleared-

- GST laws,
- GST Rules,
- Tax rates structure including compensation cess,
- Classification of goods and services into different rate slabs,
- Exemption
- Thresholds
- Tax administration
On 12 April 2017, the central Government enacted four GST Bills:

- Central GST (CGST)
- Integrated GST (IGST)
- Union Territory GST (UTGST)
- Bill to compensate states.

What GST brings with it?

After a lot of deliberation, our GST council has finalized the rates for all the goods and major service categories under various tax slabs, and the GST is expected to fill the loopholes in the current system and boost the Indian economy. This is being done by unifying the indirect taxes for all states throughout India.

GST is expected to be a destination-based tax that should replace the central taxes and duties such as Excise Duty, service Tax, Counter Vailing Duty (CVD), Special Additional Duty of Customs (SAD), CENTRAL CHARGES AND Cesses AND LOCAL STATE TAXES, I.E., Value Added Tax (VAT), central Sales Tax (CST), Octroi, Entry Tax, purchase Tax, Luxury Tax, Taxes on lottery, betting and gambling, state cesses and surcharges and Entertainment tax (other than the tax levied by the local bodies).

Previous indirect tax structure in India can be understood clearly from the following chart:

Source: www.pib.nic.in
It will be a dual levy with state/union territory GST and Central GST. Moreover, inter-state supplies would attract an integrated GST, which would be the sum total of CGST and SGST/UTGST. The tax rate under GST are set at 0%, 5%, 12%, 18%, and 28% for various goods and services, and almost 50% of goods and services comes under 18% tax rate.

CGST, SGST and IGST concepts can be better understood from the following diagram:

**Impact of GST on day to day goods and services**

How is our life going to change post GST? Let’s see how GST on some day to day goods and services will have an impact on an end user’s pocket.
Footwear and 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 footwear above INR 500. And with respect to the ready-made garments, the rates have been reduced to 12% from 18.16% which will make them cheaper.

Cab and taxi rides:
Now, taking an OLA or 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 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 amount 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 Ration of the 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.

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 and 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 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 theater, 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% to30%, 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 On Different Sectors**

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<th>Industry</th>
<th>Impact of Tax Rate</th>
<th>Inventory Management</th>
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**Source:** www.economictimes.indiatimes.com

**Here 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 coloring book/drawing books.
- Sindoor/ bindis, bangles, etc

These are just a few ways in which the GST will impact our daily life.

**SWOT Analysis on GST**

**What is SWOT analysis?**

SWOT analysis is an acronym for strengths, weaknesses, opportunities and threats and is structured planning method that evaluates those four elements of an organization, projects or business venture. It helps us to focus in our strengths, minimize threats and take the greatest possible advantage of opportunities available to us.

**Strengths of Goods and Service Tax in India:**

1. It will dropping out the cascading effects of tax on production and distribution of goods and services which will competitiveness and consequently, GDP will increase.
2. It will apply all goods and services except some exempted products.
3. GST replaces service tax, excise, VAT and over a dozen local levies. All goods and services are now classified under four tax slabs of 5%, 12%, 18% and 28%.
4. Tobacco is not exempted from the GST. It is treated as sin goods and come under the taxation with central excise tax.
5. Alcohol, real estate, custom duty and electricity are exempted from GST. (proposed article, 366(12A)).
6. Benefits from GST to following elements:
   - A) 5% GST – previous rates – Medicines- 11%, Footwear below Rs.500 – 14.41%, Renewable energy devices – 17.18%, Iron ore – 17.18%.
   - B) 12% GST – previous rates – Mobile Phones – 20.02%, Readymade garments – 18.16%, Contact lenses – 18%, Processed food – 14%.
   - C) 18% GST – previous rates – Cars for handicapped 20 to 22%.

These basic needs such as medicines, cars for handicapped, readymade garments would be less than their pervious taxes which would be beneficial for customers.

**Weaknesses of GST system in India:**

Some sectors are unhappy by GST rates:

1. Textile Industry: Even through every variety of cloth has different tax rates, it required them to change their entire tax logs and incorporate the change. They were very comfortable with the existing tax system.
2. Brick manufacturers: Brick manufacturers from fly ash (thermal based power plant bricks) have to pay 28% tax as opposed to the chimney – based bricks which continue to pay 5%.
3. Scientific apparatus makers: Which deals with its manufacturing and trade, are not happy with GST. They now have to pay 18% as opposed to the earlier 5.25%.
4. Auto: Small cars will become slightly expensive as they now will fall under the 28% tax bracket.
5. Tea, coffee, masala – It is taxed 5% under GST. Previously it was 3 to 4 percent. Tea/coffee are the basic drinks and by charging more consumer would have to pay more on tea stalls than before.
6. FMCG: While soaps and toothpaste will be cheaper, other personal care products like shampoos and deodorants will be more expensive post GST.

**Opportunities of GST in India:**

1. The rates of tax are set at ground level which will help states and union to collect more revenue.
2. It will reduce the transaction costs and wastages of scare resources because at one registration people can do transactions from States and Unions. So, it will connect the whole nation from a single click.
3. In indirect tax structure multiple taxes were charged from taxpayers. But GST will eliminate the taxes on chain of transactions.
4. GST is also known as “one point single taxation system”. This is a helping hand for businessman’s, they can come to agreement on price modalities, supply chain etc., without thinking too much about taxes imposed on them at later stages.
5. GST will reduce average tax burden of consumers. They will be certain about their taxes which will reduce evasion of taxes.
6. GST can provide the opportunity of Corruption Free Indian Revenue Services. The root of corruption found in political system. It will bring transparency in Indian political system.

**Threats of GST in India:**
1. School fees, courier services, mobile charges, insurance premiums, banking charges, Wi-Fi, direct-to-home services will get costlier.
2. Inter-states supply of goods and services are considered as import and IGST will be applied (1%) in addition to custom duties.
3. The Central government promised for compensation to loss making states for a period of 5 years. The compensation will be as: 100% for first 3 years, 75% for 4th year and 50% for 5th year. So, it is possible that all states do not implement it in effective manner to get compensation.
4. GST is not friendly with banking sector. Because the cost of goods become cheaper after GST and it will promote export. Presently, 14% service tax is being levied on banking transactions. GST will make these transactions more costly. Over and above, in most of countries banking sector is excluded from GST.
5. GSTC (Goods and service Tax Council) will set the benchmark for resolving the dispute on recommendations of GSTC. It means GSTC will lay down the criteria for GSTC itself. It is against the principle of natural justice.
6. GST is not a guarantee in itself that it would not be influenced by political parties and politicians will not use it as a win-loss game.

**CONCLUSION**
The introduction of GST is a historical reform in Indian taxation system. It consolidates comprehensive central and state taxes and allow set – off of prior – stage taxes. It will tone down the cascading affect and pave the way of growth. It can be prove as an effective tool of fiscal policy. Government collects highest revenue through taxes. It brings international market more competitive and promotes the export. But this is entire depend upon rational decision and timely implementation. There are numerous weakness and threats of GST which should be overcome by focusing on strengths and opportunities. There is a need to set different dispute settlement body on conflicting recommendations of GST.

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