



IMPACT OF GST ON PRICING OF PRODUCTS AS COMPARED TO CURRENT SYSTEM

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ABSTRACT:

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and value-added tax (VAT) etc. has been subsumed under a single regime. Introduction of The Goods and Services Tax (GST) is expected as a significant step towards a comprehensive indirect tax reform in the country, which would lead India for its economic growth. The proposed study is designed to know the impact on GST on Indian Economy with the help of its individual effect on different sectors. The Study is Descriptive in nature and Secondary Data has been used for the study. The data has been collected from different Journals, Periodicals, Newspapers and Internets.

Keywords: GST, PRESENT REGIME , OLD REGIME and RATES IMPOSED

INTRODUCTION

GST is one duty for the entire country, which will make India one together basic market. The GST plans to subsume most aberrant charges under a solitary tax collection system. GST is a solitary duty on the stock of merchandise and enterprises, directly from the producer to the purchaser. Credits of information duties paid at each stage will be accessible in the resulting phases of significant worth expansion, which makes GST basically an expense just on worth expansion at each stage. The last buyer will in this manner bear just the GST charged by the last seller in the production network, with set-off advantages at all the past stages. This is required to help expand the expense base,

increment charge consistence, and lessen financial mutilations brought about by between state varieties in assessments. This is basically same as VAT which is at present material in the greater part of the states and can be named as National level VAT on Goods and Services with just a single distinction that in this framework merchandise as well as administrations are included and the pace of expense on products and enterprises are commonly the equivalent. GST is being presented in the nation following a multi year long voyage since it was first examined in the report of the Kelkar Task Force on aberrant duties. India is a government nation where both the Center and the States have been allotted the forces to require and gather charges through suitable enactment. Both the degrees of Government have particular obligations to perform as indicated by the division of forces endorsed in the Constitution for which they have to raise assets. A double GST will, thusly, be with regards to the Constitutional necessity of financial federalism.

SCOPE OF THE STUDY:

India has executed GST on 1.7.2017. GST is a genuine distinct advantage and it will prompt a total redesign of current circuitous duty framework. GST, being new in India, incorporates huge changes in the different divisions of the economy. It will influence every one of the ventures regardless of a solitary division. FMCG section is the fourth biggest in the economy of India. For most portions inside the FMCG save, GST expedites great greetings the back of lower charge frequency when contrasted with the all out assessment paid pre – GST. The travel industry speaks to world's third biggest trade road as far as worldwide profit after fuel and synthetics. Present day the travel industry is firmly connected to financial improvement. The travel

industry is liable for one out of 11 occupations and 10% of the world's monetary yield. The travel industry area has a monetarily positive effect on other related businesses, for example, nourishment fabricating, handiworks and so forth. Indian Telecom area with its gigantic reach over the length and expansiveness of the nation is the second biggest on the planet in wording of the all out number of endorsers. In the present situation, this division could be extensively separated into three fragments: telecom administration suppliers, foundation suppliers and gear producers. In this setting, it will be very intriguing to break down the relevance of GST on such area. The development in the Indian steel division has been driven by residential accessibility of crude materials, for example, iron mineral and savvy work. All out steel generation in the nation is required to increment by 7 percent in 2016. The Indian steel industry is exceptionally present day with best in class steel factories. It has consistently strived for nonstop and modernization up-degree of more established plants and higher vitality effectiveness level. The taxability of the administrations gave by the hotels and the extent of the term 'cafés' have been expounded under GST system. It is never again just a spot where individuals go, sit and eat. Different terms, for example, container, mess, takeaways, providing food, and so on., have been fused in eatery administrations. Not at all like Service Tax law, there are no confinements on whether the eatery is a cooled one or non-cooled and whether it is serving liquor or not.

OBEJECTIVE OF THE STUDY

1. To ascertain the need for gst in India and analyse the proposed gst structure
2. To study about the positive and negative effects of gst on pricing of products as compared to current system
3. To study the current multilayer tax structure in India and the concept of gst

DATA ANALYSIS AND INTERPRETATION

FOOD INDUSTRY:

GST TAX RATES IMPOSED ON RESTAURANTS:

TYPE OF BUSINESS	TAX RATE
Restaurants (Non air conditioned , no alcohol)	12% ITC eligible

Restaurants (Non air conditioned , alcohol served)	18% ITC eligible
Restaurants with air conditioning (whether or not alcohol is served)	18% ITC eligible
5 star hotels	18% ITC eligible

CONCEPT OF COMPOSITION LEVY SCHEME:

1. The turnover of the restaurant shall not be more than Rs. 1.5 crores(in case of special category states – Rs. 1 crore)
2. The business of supply of drinks and goods carried on by the tax payer shall be permanent in nature.
3. Ther should not be any Inter – state supply of goods undertaken by the restaurant.
4. The tax payer having restaurant business shall not supply goods by E commerce operator.

If all the above conditions are satisfied, the business owner is obligated to pay GST at the rate of 5%. And, the tax payer shall fill GSTR- 4 form for filing returns

TAX RATES BASED ON OLD TAX REGIME:

TYPE OF TAX	TAX RATE
Value added tax	5% to 14%
Service tax	14%
Krishi Kalyan Cess	0.5%
Swachh Bharath Cess	0.5%

EFFECT OF GST ON FOOD SECTOR:

BENEFITS:

1. Easier administrative activities: As many countries have adopted the GST tax system, it makes Indiato be on par with the world nations and help in smoother trade and relations. After the implementation of GST, the food industry companies need not pay multiple taxes as it has been subsumed under this system.

2. Decrease in food tax rates: Approximately, the tax rate has reduced by around 9.5% on a whole. This in turn, will attract more consumers in the restaurants.

3. Benefit for small hotels and restaurants:Small scale hotel and restaurants benefit at a large rate. Their burden of tax is reduced by 5% to 12 % or tax free.

4. Increases revenue and reduces corruption:

The following impacts has been experienced in this industry, there;

- Increase in revenue for the government
- Decrease in corruption activities as GST supports unified tax structure rather than old tax regime.
- Reduced selling prices for restaurants.

5. Quality improvement and time saving:

Earlier, there were multiple layer of taxes and its corresponding entries made the processing of transactions complex and slow. Currently, as GST as reduced tax layers, processing of transactions has become simpler and easier. This will the consumers to get faster and qualitative food deliveries which will increase the customer satisfaction.

LIMITATIONS:

1. Technological challenges: Even though the implemented tax system is said to be giving more advantages, there is a presence of

ambiguity in the in the tax system as it is new in the current scenario. The government need to give clear guideline and suggestions regarding the return filing process and its maintenance. The government has to take a lesson based on the drawbacks faced on the old indirect tax regime and work on the betterment of GST on a whole.

2. Disadvantage to Medium level restaurants:

When compared to small scale hotels, medium level restaurants doesn't enjoy the tax imposed by GST. They have been taxed a hefty rate of 28% on par with Luxury restaurants.

3. Lack of use of professionals: The restaurants business owners feel comfortable to file the tax returns and other procedures by themselves. They do this to avoid consultancy expenses. But then, as GST is a new tax in current times, it is a necessity to hire a professional for compliance procedure. On the other hand, hiring professionals will increase the fixed cost of the company.

COMPARISON OF PRICE INVOICE BETWEEN OLD NEW TAX REGIME

For calculation purpose, the total invoice price before tax is assumed to be Rs. 3,000.

A) AS PER OLD TAX SYSTEM:

MNO FOOD SERVICES		
PARTICULARS	QTY.	PRICE
Dish name 1	XX	XXX
Dish name 2	XX	XXX
Total before tax		<u>3,000</u>
Value added tax (5.6%)		168
Service Tax (14%)		420
Swachh Bharath Cess (0.5%)		15
Krishi Kalyan Cess (0.5%)		15
GRAND TOTAL		<u>3,618</u>

B) AS PER NEW TAX SYSTEM

MNO FOOD SERVICES		
PARTICULARS	QTY.	PRICE
Dish name 1	XX	XXX
Dish name 2	XX	XXX
Total	before	tax
<u>3,000</u>		
Goods and Services tax		

CGST (9%)270	
SGST (9%)270	
GRAND TOTAL	<u>3540</u>

As per the above invoice calculations, we can see that under old taxation system, the rates are comparatively higher than the GST regime. And that decreases the burden on the consumer.

TOURISM SECTOR:

TAX RATES:

There is no distinct and specific rates of tax for tourism industry in the indirect tax system (both old and new taxation system). And thus, tax rates imposed on food, beverages, hotel rooms and restaurants can be considered as the revenue of the above mentioned sectors have direct effect on tourism industry.

EFFECTS OF GST ON TOURISM SECTOR:

1. Submergence of tax rates: The tax rates have been more rationalised and efficient as GST has reduced the multilayer tax rates, which has benefited the tourism sector. The foreign exchange earnings and reserves increase as the government wants many tourists to visit India, and that made the law makers to benefit this industry.

2. Increased customer satisfaction: In the GST system, the consumers can see the increased transparency regarding the tax rates imposed on them, which gives a clear picture as to what amount of tax is being paid by the tax payer precisely for the consumption of the said goods and services. Unlike the old taxation policy, GST aims at providing the tax sufferers a clear picture on the whole.

3. Competitor: Many countries like Singapore, Korea, Japan have lesser GST rates when compared to India. So, even when India has the competency to make many tourists visit our country, they might not visit due to higher tax rates.

4. Lesser profit percentage and lesser quality: The tourists may refuse to visit India as;

- Considered to be less in quality
- Low security
- Less level cleanliness
- More pollution

- No updation in tourist places

5. Non inclusion of Liquor:

Liquor products are not covered under the purview of Goods and Services Tax. The smoother credit flow will get affected in the tourism and travel sector as liquor is taxed.

FAST MOVING CONSUMER GOODS SECTOR

TAX RATES AS PER GST:

The average Gst tax rate on most of the FMCG goods range between 18% to 20%, which is when compared to previous tax regime is less. Examples;

- Washing powder – 28%
- Soaps, oil, paste – 18%

PREVIOUS TAX SYSTEM:

FMCG goods were generally taxed at 22% to 24%.

Examples;

- Detergents – 23%
- Sanitary wears – 10 % to 11%
- Skincare products – 24% to 25%
- Milk products – 3% to 5%

GST EFFECTS ON FMCG INDUSTRY:

1. More quantity and less price: On the implementation of GST, the companies in the this sector, has stepped down and shifted the incidence of taxation to the end user with low rate and high quantity at the similar price. The present tax policy has introduced anti profiteering agency to control the companies from masking abnormal profits by using low tax rates.

2. Benefiting companies: Some companies have seen a great advantage in the latest tax structure. When product misemployed as the basis of comparison, following products/companies has seen benefits;

- Colgate has been enjoying a high benefit. Earlier, the company was liable to collect and pay tax of around 24% to 25%. But now, in latest tax system, the tax is 18%.
- The benefit is also enjoyed by the oil products in cosmetics industry.

- Cleansing powder producing companies' tax rate has reduced by 10% from 28% to 18%.

3. Reduced distribution and logistics expenses: Then, there were many layers of tax imposition which made the transportation department complex to comply with the complex processes of taxation. Now, that has been reduced as far as possible and the decreases the number of sales checkpoints. Any company will want a storage location to be situated at an area where the delivery process is easier and simpler. Earlier, to avoid inter state taxes, the companies liked to have storage locations in many states where business is happening. Due to GST, they can avoid having many warehouses. The effected companies can remodel their storage houses and integrate them into one large location. This can be evaluated and implemented based on various logistics models and theories.

4. Negative impact:

Some companies for example; companies manufacturing ayurvedic and its related products have been made upset by new tax, by levying at the rate of 12%. They expected that the government would tax them at a lower tax slab as the government supported traditional products aggressively.

TELECOM SECTOR:

GST RATES :

- The tax rate levied for the services carried out by the telecommunication sector is generally fixed at 18%.
- The rates are imposed on their services of telecommunication is based on the place of supply where the service is made i.e. location of the supply.

IMPACT:

1. Non consideration of petroleum products: Petroleum based products have been ignored from the purview of GST. To give 24*7 service to customers which needs more fuel to do so. The towers owned and maintained by the telecom companies has to be run only by petroleum based variants. Currently, those products are coming under VAT and Service tax. Hence, the cost is high on petroleum products.

2. ITC not eligible on towers: For building a non – moveable property on the basis of works

contract operations, input tax credit is not eligible other than machinery and plant. And due to that, that tax liability does not decrease which increases the over all burden and overhead for the company.

3. SIM card sale: The treatment on the sale of the sim card, has been not clear for a long time in the indirect tax world even after many court sessions and advance rulings conducted for the same on whether it shall be treated as service or good. As per the various court proceedings, on a majority basis, the card service shall be treated as a service as, if the service part is neglected, the card's substantial value goes missing.

4. Not in line with the standard: The companies providing telecom services are needed compulsorily to get round – format rights as per the Telecommunications department. The licences are not in line with the geographical areas and a single round can cover one or more states. In GST, state wise procedure is done for accounting. Where as, in telecom industry, round wise procedure is done for accounting operations.

5. Irregularities with GST rules and telecom rules: In the event of paid ahead of time recharges, the consumer of a particular circle purchases in the roaming area. According to the GST act, the location at which the payment is done is the place of supply. As per the conditions, those prices has to be presented at the native area. Because of the dissimilarities in the regulations, it becomes a complex task to comply with the rules and regulations by the telecommunications company.

STEEL INDUSTRY:

GST RATES:

The following are the rates for steel industry:

- Steel – 18%
- Raw materials – 5%

OLD TAX RATE:

The following are the rates:

- Excise duty – 12.5%
- Central sales tax – 2%
- Value added tax – 5%

IMPACT ON THE SECTOR:

1. Reduction of Logistics cost and time: By and by if a truck passes through various states there are number of circuitous expense credited to the item and this expansion the cost of the

item. Each time it crosses a state there are number of check post which defer the stock of merchandise to the client. In the post GST system there will 40 to 45 % sparing in time.

2. Generation of work in undeveloped states:

Usage of GST will diminish debasement in profoundly degenerate conditions of Orissa, Jharkhand, and Chattisgarh, due to straight forwardness in the post GST system. Mediator will be dispensed with from the framework. In the post GST system increasingly more individual should pursue the line of business and that will create the work and thus will improve the GDP.

Comparison of final steel price between old and new tax regime:

For calculation purpose, the steel price before tax is taken as Rs 1,000 per tonne.

3. Use of regular assets: GST will give more cash to Under-created states for their assets. By legitimate sell-offs and end of the mediator the state govt will have the option to bring the correct worth and cost of their assets.

4. Protection to residential industry: Steel industry tormenting with a rising risk of imports, GST rates on imports ought to be at a similar level concerning local stockpile.

5. Reduction underway expense: The reasonable pace of GST might be inside 12-% against the present normal pace of roundabout assessment at 20%. It would, hence, diminish creation cost.

1. As per old rates:

BHARATH STEEL LIMITED		
DESCRIPTION	QTY.	PRICE
Item namexx		xxx
Total before tax		<u>1,000</u>
Goods and Services tax		
CGST (9%)		90
SGST (9%)		90
GRAND TOTAL		<u>1,180</u>

2. As per new tax rates:

MNO FOOD SERVICES		
DESCRIPTION		QTY.
PRICE		
Item namexx		xxx
Total	before	tax
<u>1,000</u>		
Value added tax (5%)		50
Excise duty (12.5%)		125
Central sales tax (2%)		20
GRAND		TOTAL
<u>1,195</u>		

SUGGESTIONS:**1. Implementation of integrated registration:**

In light of a legitimate concern for simplicity of working together, the government must present concentrated enlistment or if nothing else zonal-wise enrollment framework rather than the proposed state-wise enrollment. Additionally, the legislature must permit evaluates associated with vertical business to have single enrollment to guarantee information duty credit.

2. Removing the enrolment part for casual dealers:

The legislature may forgo the enrollment necessity for such seller and rather acknowledge explanation of buys and supply of merchandise or administrations with the end goal of documenting government forms. Likewise, those sellers ought to be permitted to make good on regulatory obligation in the wake of getting installment from their clients (rather than the necessity of development installment). The expense office may change over the enrollment status of easygoing sellers into lethargic and forgo them from documenting any assessment forms in the event that no exchange is recorded for over a year. The enrollment status might be turned endless supply of important records.

3. Ambiguity in dual control by centre level and state level:

Agreement on the issue of double control concerning which citizen is to be surveyed by whom, between the Center and the States has not yet been come to. The States have been demanding sole managerial control on surveys having yearly turnover up to INR 1.5 Crore comprehensive of merchandise and enterprises. The said issue is that a similar citizen ought not be evaluated by both the Center and the important State and clearness on the issue is most pivotal preceding the turn out of the GST. The Government ought to consider this issue before GST is placed into power in the year 2017.

4. To increase the clarity in the terms – intra state supply and inter state supply:

The administration may group such administrations as between state administrations where the specialist organization and his customer have enlisted specialty units in two distinct states, however the specialist co-op offers his administrations from the customer area. Such exchanges pull in Incorporated GST which is qualified for info duty credit.

5. Translating the GST law into major regional languages for better understanding:

The legislature has arranged the Model GST Law in English. Further, every one of the demonstrations, rules, guidelines and FAQ in regards to GST are accessible in English language. Business people of numerous foundations in India might not have capability in English language to comprehend the Model GST Law and the principles related with it. The legislature must interpret the current GST guidelines and guidelines in vernacular dialects with the goal that it tends to be better comprehended by all the evaluates, particularly in the MSME part.

CONCLUSION

Usage of GST is extraordinary compared to other choice taken by the Indian government. For a similar explanation, July 1 was praised as Financial Independence day in India when every one of the Members of Parliament went to the capacity in Parliament House. The change to the GST system which is acknowledged by 159 nations would not be simple. Perplexities and complexities were normal and will occur. India, eventually, needed to agree to such system. Despite the fact that the structure probably won't be an ideal one yet once set up, such an expense structure will make India a superior economy good for remote ventures. As of recently India was an association of 29 little assessment economies and 7 association regions with various tolls one of a kind to each state. It is a much acknowledged and acknowledged system since it gets rid of various expense rates by Center and States. GST will get straightforward and defilement free assessment organization, evacuating the present weaknesses in circuitous duty structure. GST is business-accommodating just as buyer well disposed. GST in India is ready to definitely improve the places of every one of these partners. We need an adjustment in the tax assessment framework which is superior to prior tax collection. This requirement for change drives us to 'requirement for GST'. GST will enable India to more readily arrange its terms in the universal exchange forums. GST planned for expanding the citizen base by bringing SMEs and the chaotic part under its consistence. This will make the Indian market more steady than previously and Indian organizations can contend with outside organizations.

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