



Management Newsletter

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GST

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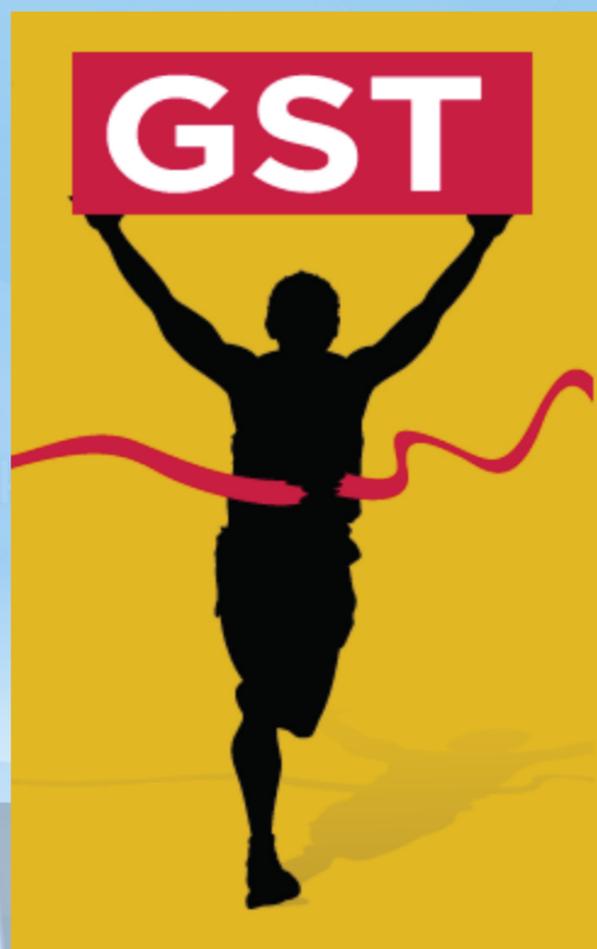
GST Changing the Game!

Goods and Service Tax implementation occurred on 1st July 2017. The Glamour of the Indian State was on a full display and parliament had been lit up like a bridal house on a wedding night. There are four GST Legislations, these are the Central GST (CGST), State GST (SGST), Union Territory GST (UTGST) and Integrated GST (IGST). Tax Slabs Starts from 5% goes up to 28%, 12 and 18% in between.

It's been over a month since GST was implemented. There are varied voices about the so called successful policy of the government. People's opinion differ accordingly with their Political ideologies. The one with the Government says "Surely it's a beneficial step, benefits are coming in the long term", the extremist says "It's the best step ever taken (these might be the ones who don't even know the slabs), the one against it obviously points out that the Goods are going to be expensive. **"You can't tell the result of the match at the toss itself."**

But one thing is sure, within a year it's the second time when people are eager to make opinions and are equally listening. Media, Politicians, Bureaucrats are aiming towards common citizen and grabbing the negatives (Because Govt. is there for boasting about it). Every opinion matters, and homo sapiens doesn't ever refrain themselves from making one.

But GST has impacted the Businesses, restaurants have witnessed a dip in online booking and delivery orders, according to owners. 18% tax is levied on home deliveries from restaurants that are air-conditioned (AC) and also for non-AC outlets that have an AC segment. Restaurants owners claim that their business has been adversely affected by the new tax regime. About 40% dip has been noted after the GST rollout. Customers have limited their dine outs as 18% adds up a lot to the flavor.



President, Indian Hotel and Restaurant Association (AHAR), said in an Interview "that charging 18 per cent for AC restaurants is steep as AC is more a necessity than a luxury. The uniform tax rate hits the middle-class consumer more as they end up paying the same charges that they would have paid in a high-end restaurant." (Source- Hindustan Times).

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GST : Inside Out

WHAT IS GST

Goods and service tax is an indirect tax which is aimed to bring a reform in indirect tax and remove tax barriers between states and create a single market. It is going to impact every sphere of business activity, be it procurement, supply chain, IT, logistics, pricing, margins, working capital, etc. as a number of business decisions taken based on the current tax structure may no longer be relevant in the new GST regime.

GST would be levied on supply of goods and services and hence the present prevalent concepts of levy of excise on manufacture, VAT/CST on sales, entry tax on entry of goods in local area would no longer be relevant. The ambit of 'supply' is quite wide and covers supply of goods and services without consideration from one taxable person to another. There would be dual GST i.e. both the Centre and the States would concurrently levy GST across the entire goods and services supply chain on a common base.

WHAT ARE DIRECT AND INDIRECT TAXES

DIRECT TAXES- Direct taxes are those taxes which are paid by the person on which they are levied. For e.g. - wealth tax, income tax, etc.

INDIRECT TAXES- Indirect taxes are those taxes which are levied on one person and paid by some other person. For e.g. – custom duty, service tax, etc.

WHAT ARE THE PROS AND CONS OF GST BILL IN INDIA

PROS OF GST BILL

GST (goods and service tax) will replace the existing form of indirect tax in India. It will substitute current 17 indirect taxes in country. Ultimately new GST tax will be a subsidized form of indirect taxes. Therefore, it leads to simplicity.

It leads to many kinds of evasion in current tax form. With the introduction of GST tax system will be more clear and transparent and will lead to more payment of taxes by everyone and hence will increase government revenue. With the introduction of GST common man will also benefit as there will be decrease in overall indirect taxes for consumers.

GST will help businesses in easy documentation and easier procedures for tax filing. Also, it will make easier for people to make invoice as well as read invoice. Because currently all indirect taxes are listed separately but with GST there will be only one.

The suppliers, manufacturers, wholesalers and retailers will be able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers with introduction of GST there will be lesser departments for tax and hence chances for corruption will also lessen. GST is a more transparent form of tax and hence it will make a transparent tax and government system.

There will be a common market in the absence of CST and Entry Tax. At present, goods are being sold mostly within the state in order to avoid paying the CST which is not credited at the stage of manufacturing or in course of trading Good quality products being manufactured in one part of the country will find more market on the farthest part of the country because there will be no CST and no Entry Tax.

Since GST will help us in less corruption, more payment of taxes hence it will help in growth for the country.

CONS OF GST BILL

Negative impact on real estate market- It is assumed that GST will increase cost of new homes which in turn will cease the demand. By introduction of GST more laws, rule and regulations will be applied on business activities which in turn will affect their working.

GST is a destination based taxation system, by which the IGST revenue on interstate sales will accrue to the state which consumes the goods - destination based tax. Whereas in the existing scenario where CST is charged @2% or local vat rate is charged, it will accrue to the state which supplies the goods. Hence CST is origin based taxation as it accrues to the state which supplies it. Now, when this Origin Based Taxation is replaced by a DBT, then the manufacturing states is going to lose its portion of revenue from interstate sales and the consuming states are going to earn higher. Thus, state government fear loss of revenue and expects compensation from the center. Manufacturing states (Tamil Nadu, Gujarat etc.) will lose.

Currently the center alone can tax services. In GST it is proposed that the states as well as the center can tax services. Also, both center and states are to be explicitly empowered to levy goods and services tax, which is defined as a tax on the supply of goods or services or both. Thus the Constitution, upon amendment, will support levy of tax on services as well as goods by the states as well as the center.

Currently taxes are around 15% which will further increase to 18%-20%. This will make certain goods costlier

Hence GST has its pros as well as cons. But it is considered and assumed that it will benefit more. Its rules will start implementing from April 2017 and with this we all will wait for something good to happen.

By :- Shikhar Agarwal



Know it All

- GST law is inspired from Service Tax (Finance Act 1994)
- GSTN is inspired from Delhi VAT portal
- It has been 17 years since GST was first conceptualised in India.
- About 160 countries in the world have the GST.
- The Constitution of India has been amended to insert articles empowering the government of India to levy GST.
- Free supplies are taxable under GST.
- Alcoholic liquor for human consumption has been kept outside the scope of GST.
- GST may be levied on the sale of newspapers and advertisements. This would mean substantial incremental revenues for the Government.
- With GST, import value will rise between \$3.6 billion and \$6.9 billion.
- India stands to gain Rs. 79500 Crore annually after introducing GST.
- Export gains are expected to vary between \$5.4 billion to \$10.7 billion.
- Online market places heavily invest in acquiring new buyers to generate profitable business for sellers on their platform.
- Businesses with a turnover of less than Rs. 20 lakhs (Rs. 10 lakhs for North East States) need not register under the GST regime.