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Tops and gst toes in

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Abstract: India has chosen the Canadian model of dual GST. For the past 70 years, India‘s economy has been funded by invisible money. Elected representatives, governments, political parties, and the election commission completely failed in checking it. The big thing that people have not seen from a data perspective is - the recent launch of the goods and services tax. A lot of focus has been on the challenges, but actually it is a fantastic data issue. For the first time eight million businesses will be digitally recorded in a central tax database.In the GST system, taxes for both Centre and State will be collected at the point of sale. Both will be charged on the manufacturing cost. Individuals will be benefited by this as prices are likely to come down and lower prices and more consumption more production, thereby helpinginthegrowthofthecompanies.

Keywords: Tax, Goods,Services etc.

INTRODUCTION

GST will be replacing multiple taxes, interfaces and compliances into one regime. This would be a great benefit for those having their own businesses. The filing of taxes will now be easy as well as transparent, therefore getting tax compliance from the society. This will lead to better revenue for the government as well as people.The GST is considered to be a structural reform that is not just transformational for our economy, but also beneficial in multiple ways - creation of a better national market; ease of doing business will be enhanced and an improved tax compliance. The GST implementation will lead to in benefits for everyone who is a part of the Indian economy – both businessmen as well as consumers.

Even though there are some initial reservations among certain sections of trading community during the transition phase following GST rollout, the consumers across India have, by and large, unanimously hailed the One Nation, One Tax GST reform have been introduced.The Reserve Bank of India (RBI) has said in its latest monetary policy statement that the overall inflation will not be impacted by GST. Select services like Banking and Finances will have an increase in their tax rates, but according to economists, the tax burden will disappear with time.

The new tax regime will force many companies to restructure their operations. Companies will now insist vendors and suppliers to furnish invoices as GST will make it impossible for firms to evade taxes. Big companies stand to benefit as they have a supply chain in order and can offset taxes paid on inputs.There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services

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While the impact on companies varies following existence of production units in the excise exempted zones, implementation of GST should result in cost savings in the supply chain network and expedite a shift from unorganized to organized trades.We believe that while corporate would pass on the direct benefits of GST (like a lower tax rate), they would aim to retain partly (if not fully) the indirect benefits from the saving in logistics costs, streamlining of business processes and the seamless flow of input credits.While GST laws include anti-profiteering measures—the benefits of the reduction in the tax rate and input credit shall be passed on by a commensurate reduction in prices—such measures are difficult to implement and would be a retrograde step, similar to price controls, if implemented in haste.

There have been many highs recently in the time from announcement to the implementation of GST. The domestic markets, especially, are looking at implementation of GST with some companies hitting newer highs in their stock prices in this fiscal year. Analysts predict that markets require some time to adjust to the GST implementation process. This could affect and partially damage corporate earnings in the short term but will be beneficial over long term. One can sigh relieving as products like diesel, petrol and aviation turbine fuel have been kept out of GST as of now. Even alcohol has been temporarily exempted from the GST. The decision on these will be taken on these by the GST council some time later.

BIG BENEFIT TO SMALL SCALE INDUSTRIES

The small scale industries and trades who have less than Rs. 20 lakh as their annual turnover will be exempt from the GST. The small businesses will benefit by not meeting detailed compliances like the larger ones. The input tax credit, however, they will not be exempted from. Those with an annual turnover below 75 Lakh, under composition scheme, will have to pay 1% tax on turnover. Manufacturers will have to pay 2% and restaurant businesses will pay 5%.Due to the input tax credit, the service providers as well as goods manufacturers are now able to pass benefits to the final customer. Also due to the anti-profiteering clause in the GST, it is mandatory to pass on the benefits of tax reduction to the consumer.

Entertainments

Movie tickets, Entertainment taxes are likely to reduce by 2-4%.Processed Foods. Multiplex chains will increase revenues as current high rate of entertainment tax will be uniform in all parts of the country. Lower the ticket price, higher the ticket sales. Even film producers will benefit from this advancement. But in case of buying Televisions are currently a buyer sells out Rs 20,000 for a basic LED TV plus 24.5 % tax making the total cost rise to Rs 24,900.As GST will be around 18 to 20 %, the buyer will now approximately pay Rs 23,600.

Online Shopping

Don't be surprised if E-commerce companies abruptly stop giving discounts & freebies that they offer. For every purchase from its sellers, the e commerce companies will pay a fixed TDS.Consequently, the cost for example commerce will increase. This will affect sales as customers will be expected to shell out more money for the same goods.

Jewelers

The import tax credit introduced is an important aspect of this. The end consumer will have to only pay the GST charged by the last point in the supply chain. The input taxes paid at every stage of manufacturing of a thing can be availed in the later stages of value addition. The yellow metal too is all set to become expensive. At this point of time, only 2% tax is paid by the buyers, but sadly though, according to GST at least 6 % is expected to be paid by buyers. This will impact jewellery sales.

Travelling in business class

Travelling in business class will become expensive as after the rollout of GST, tax rate will increase from 9 per cent to 12 per cent. However, GST on economy class is set at 5 per cent, lower than the previous 6 per cent. Aviation Turbine Fuel has kept outside the GST and the indirect tax structure will continue. As a result, aviation companies will now face two set of taxes, i. e. GST and indirect tax. Tax input credit under the GST is only available on input services for economy class travel. Lower tax rate on economy travel is positive for companies like InterGlobe Aviation, Jet Airways and Spice Jet.

Telecom and other service providers

The sector is facing severe pressure in the form of intense competition from Reliance Jio.Under the GST regime, telecom services will be taxed at 18 per cent as against 15 per cent earlier. There are expectations that it will work as a salt on the wound for the sector. With the service tax being subsumed into your overall GST, the rate of GST on financial services stands modified from 15 per cent to 18 per cent .An inflationary short term impact of GST will be seen on the service sector as the tax rate could shoot up to 18%. With time, however, it is expected that because of reduced cost due to availability of GST credit on items that have not been available up till now, prices will come down considerably, thus benefitting consumers. For e.g.Suppose on a bill of Rs 100 on which consumer pays service tax of 15 % and finally pays Rs 115 as total amount to his service provider. After GST, if the tax rate is fixed at 18 % then he will have to bear the brunt of Rs 118.After implementation of GST, internet packs and call rates are likely to get higher.

Dining out will be expensive.

Here‘s an example explaining how -In a restaurant, say a consumer spends Rs.100. Currently you pay an average of 18.5% as service tax and VAT. So apart from the service charge, you usually shell out Rs 118.5.Now, according to GST, it‘s expected that the rates can be fixed at 18 to 20%.Accordingly at 20% approximate tax rate, your bill will be 120 rupees. Companies manufacturing processed food pay various taxes summing up to 24%-25%. With GST, it‘ll sum up to 17%-19%. Such great savings from the taxes may issue a decrease in prices of products, making it cheaper for end consumers.

Neutral for the cement industry

GST can help build India‘s economy and help make the process of levying indirect taxes more streamlined. GST implementation is expected to be neutral for the cement industry. Earlier, cement was taxed at 12.5 per cent excise and VAT rates between 12.5-15.5 per cent. Under GST, the cement will be taxed at 28 per cent, which is nearly the same as the current tax structure. Tax for cement is 25%. With GST it will become 18%-20%. With logistics cost also decreasing, cement depots will also decrease. Overall cost will also decrease.

The auto sector

The auto sector except for the hybrid cars which will be taxed at the 28 per cent GST +15 per cent cess. Most other vehicle categories will not see significant change from the current tax structure. Tractors category will be taxed at 12 per cent against current 6-7 per cent which will be negative for the tractor companies.

Inter-state transfer

While such inter-state transfer supplies of goods or services are taxed, in effect the company is enabled by the law to transfer the credit lying in one state to another, as it can immediately avail the credit of such taxes paid in the receiving branch. This will avoid a situation where the unused credits are accumulated in one state and GST liability arises in different states. Branch to branch transactions in banks or similar transactions in other sectors need to be valued and should be taxed. The valuation of such supply of services can trigger disputes and lead to alternative views. However, to avoid such disputes, the law provides that if the recipient branch is eligible to take credit, the value declared in the invoice by the transferor branch will be accepted without further scrutiny.

CONCLUSION

Goods and service tax is taking India by the storm. GST will bring in ―One nation one tax‖ to unite indirect taxes under one umbrella and facilitate Indian businesses to be globally competitive. The Indian GST case is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods.The net impact of the demonetization exercise coupled with the GST is going to make generation of cash a lot more difficult. It will certainly lead to greater compliance and digitization. The implementation of GST in itself is expected to have a positive impact on the overall growth of the economy.

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