Goods & Services Tax (GST) – Impact analysis & road ahead

Anand Deo

Assistant Professor, Indira School of Business Studies, Tathawade, Pune

ABSTRACT

Until 30th June’2017, people of India were perpetually surrounded by a gamut of indirect taxes (seven main heads in all) namely, service tax, value added tax, securities transaction tax (STT), entertainment tax, excise duty, customs duty & stamp duty.

Through a significant initiative taken by the Government of India, a common indirect tax by the name of Goods & Services Tax (GST) has been implemented across India, with effect from 1st July’2017. Objective being, to bring about uniformity in taxation by merging all these taxes, which in turn will assist in reducing the hassles of compliances associated & help in improving tax governance in India.

Key words: Indirect tax, tax reform, GST, input tax credit (ITC).

Introduction

In order to understand GST & its impact in detail, a brief insight into what are indirect taxes and how they have a bearing on various types of transactions, will help better understand how this new tax reform will simplify conducting business, improve tax collection, reduce revenue leakage and assist in overall economic growth.

Based on the numbers published by Ministry of Finance, Government of India, total indirect tax collection for the financial year 2016 – 17 stood at Rs 8.63 lakh crore, which is an increase of 22% over the previous period. As regards indirect taxes, Central Excise collections grew by 33.9% to Rs 3.9 lakh crore during 2016-17. Service tax collection rose 20.2% to Rs 2.54 lakh crore, while customs collections moved up by 7% to Rs 2.3 lakh crore.

Data Sources and Methodology

An effort has been made to present the new concept of GST in a very lucid manner, with a view to enabling a lay man understand the logic behind it. Data used for this research paper has been collected from various sources like journals, websites, government reports etc. An additional input in the form of understanding of indirect taxes has been presented since it is the crux on which the GST reforms are based.

Research objective

1. Provide an overview on Indirect taxation and its impact on the applicable group of goods and/or services
2. Present an analysis on how GST will bring about uniformity in the indirect tax structure in India and how the people at large will be benefitted
3. Present a single view covering all goods & services which are under the ambit of GST

Types of indirect taxes and its applicability

Taxes collected by the government are broadly classified into 2 categories – Direct and indirect. Direct taxes are levied directly on the income of an individual. Few examples of direct taxes are income tax, surcharge, gift tax etc. Indirect taxes on the other hand are not levied on the income of an individual but are levied on seller of goods or provider of services and in most cases it is passed on to the consumer and hence it is the end consumer who bears it in the form of an indirect tax.

1) Service Tax

It is the tax which is levied on service/s provided by an individual or organization. Service tax is collected from recipient of the service and is deposited with the central government.

2) Excise Duty

It is an indirect tax levied on the goods which are manufactured in India. It is tax on the goods manufactured which is paid by the manufacturer and recovered from the customer.
3) VAT (Value Added Tax)
It is levied on the sale of movable goods in India. It works on the concept of multipoint taxation; wherein tax is levied at each stage of the value add process, right from production to distribution. It implies the increase in value of goods and services at every stage of production and subsequent transfer to the distribution channels. VAT is a state subject. It is the state government with due support from there taxation departments who ensure levy and collection of VAT in their respective states.

4) Customs duty
It is an indirect tax which is levied on goods imported into India. Law which governs all import transactions is covered under Customs Act, 1962. It governs all transactions involving import & exports of goods.

5) Securities Transaction Tax (STT)
STT is levied at the time of either sale or purchase of securities on the Indian Stock Exchange. Some of the securities covered include shares, mutual funds, F&O transactions etc. Objective of introducing STT was to reduce the tax on short term capital gains and to make long term capital gains tax exempt.

6) Stamp duty
It is an indirect tax levied by the state government and is applicable on the transfer of immovable property within the individual states. Stamp duty is also levied on all legal documents & the rates vary from state to state.

7) Entertainment tax
This tax is levied on all financial transactions related to entertainment & is a state subject. Few examples of entertainment on which this tax is levied are amusement parks, cinema halls, exhibitions, music and dance concerts, plays etc.

What is GST?
- Goods and services tax is a tax on goods and services
- It is leviable at each point of sale or provision of service
- It the time of sale of goods or providing the services, the seller or service provider can claim the input credit of tax which he has paid while purchasing the goods or procuring the service
- It is very similar to VAT
- It can be called as National level VAT on Goods and services
- Under GST, it is not only goods but even services which are included
- Rate of tax on goods and services are generally the same

Key features of GST
- Dual GST : Central GST & State GST
- Uniform classification
- Unified forms – Returns, challans etc
- Cross credit between Centre & State not allowed

History of GST
Last BJP government under the leadership of Shri Vajpayee commenced discussion on GST in the year 2000, by setting up a committee, headed by Asim Dasgupta, (Finance Minister, Government of West Bengal). Committee's role was to design the GST model and ensure the IT back-end preparedness for its rollout.

In 2006, Union Finance Minister Shri P. Chidambaram proposed to introduce GST by 1st April, 2010. First Discussion Paper (FDP) on the GST was released by empowered committee of State Finance Ministers in November, 2009. This laid the foundation for discussion between the Centre and the States so far.

The bill, conceived twelve years ago, being a constitutional amendment, had to be passed by both the houses of parliament by a two-third majority, and once passed, it needed ratification of more than half of the 29 states before its scheduled rollout. It has been kept pending since some changes had been proposed in the basic bill, and all states were
The law will replace various indirect taxes with one simple tax, creating a boundary less and a unified national market that will also lead to increase in country's GDP.

Further to the approval from the President, GST bill was passed by Rajya Sabha with certain amendments.
1. The changes made by Rajya Sabha were unanimously passed by Lok Sabha.
2. After the passage of the Amendment Bill in the Rajya Sabha and the changes subsequently ratified and passed by the Lok Sabha unanimously, the Bill was adopted by a majority of State Legislatures wherein approval by at least 50% of the State Assemblies was required.
3. The final step to the Constitution (122nd) Amendment Bill, 2014 becoming an Act was taken when the Hon'ble President of India gave his final assent on September 8, 2016.
4. The Constitutional 101st Amendment Act came into force which empowers both the States and Centre to levy this tax.

**Need for GST**

As highlighted under the history of Goods & Services Tax above, the need for GST was identified almost 17 years back in the year 2000. The need arose due to the then prevalent tax structure and the economic conditions. These are being diagrammatically presented below –

![Need for GST](image_url)
Law Status Central GST Bill, 2017 Passed by Parliament followed by Hon'ble President's assent Integrated GST Bill 2017 Passed by Parliament followed by Hon'ble President's assent Union Territory-GST Bill, 2017 Passed by Parliament followed by Hon'ble President's assent GST (Compensation to States) Passed by Parliament followed by Hon'ble President's assent State GST Bill, 2017 To be passed in respective State Assemblies

An overview of the past indirect tax impact and the impact post GST roll out across various parameters is tabled hereunder –

<table>
<thead>
<tr>
<th>Issues</th>
<th>Previous Rate</th>
<th>GST Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall scheme</td>
<td>Separate laws governing separate levy. For e.g. Central Excise Act, 1944, VAT laws for different states.</td>
<td>Single law in the form of GST which will replace all other taxes.</td>
</tr>
<tr>
<td>Tax rates</td>
<td>Differential rates, for e.g ; ST 14%.</td>
<td>Single CGST rate and a uniform rate of SGST applicable to all states.</td>
</tr>
<tr>
<td>Cascading effect</td>
<td>Issue due to non-availability of credit for CST &amp; other taxes being disallowed.</td>
<td>IGST will replace CST, hence no issue of cascading effect</td>
</tr>
<tr>
<td>Tax load</td>
<td>Tax load on tax payer is higher under current scenario.</td>
<td>Tax load will reduce due to distribution of tax equally between manufacturing and services</td>
</tr>
<tr>
<td>Increased cost load on Consumers</td>
<td>Cascading effect causes taxes to be a part of the cost.</td>
<td>Credit availability reduces the cost burden</td>
</tr>
<tr>
<td>Concurrent Power</td>
<td>Such power for Centre and State regarding same subject tax matter does not exist currently</td>
<td>Article 246A of the Constitution enables both Centre and state to make law on GST</td>
</tr>
<tr>
<td>Compliance</td>
<td>Complex tax compliance due to multiple laws.</td>
<td>Single law will simplify tax compliance</td>
</tr>
<tr>
<td>Transparent Tax Administration</td>
<td>Tax levied at two stages</td>
<td>GST levied only at consumption point bringing transparency and ensuring possible revenue leakage</td>
</tr>
</tbody>
</table>

Taxes to be replaced

GST would replace most indirect taxes currently in place such as:
Figure 2: Rate classification for goods
(Source: GST Implementation in India – Ernst & Young)

Table 1: GST Implementation in India

<table>
<thead>
<tr>
<th>Exempt</th>
<th>5%</th>
<th>12%</th>
<th>18%</th>
<th>28%</th>
<th>28% + Cess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food grains</td>
<td>Coal</td>
<td>Fruit Juices</td>
<td>Kitchenware</td>
<td>Air conditioner</td>
<td>Small cars</td>
</tr>
<tr>
<td>Cereals</td>
<td>Sugar</td>
<td>Vegetable</td>
<td>Hair Oil</td>
<td>Refrigerators</td>
<td>(1% / 3% cess)</td>
</tr>
<tr>
<td>Milk</td>
<td>Tea &amp; Coffee</td>
<td>Juices</td>
<td>Soap</td>
<td>Toothpaste</td>
<td>Luxury cars</td>
</tr>
<tr>
<td>Jaggery</td>
<td>Drugs &amp; Medicine</td>
<td>Beverages</td>
<td>Oil</td>
<td>Glass fibre</td>
<td>(15% cess)</td>
</tr>
<tr>
<td>Common Salt</td>
<td>Edible Oil</td>
<td>containing milk</td>
<td>Jams</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Central Taxes: 
- Central Excise Duty [including additional excise duties, excise duty under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955]
- Service tax
- Additional Customs Duty (CVD)
- Special Additional Duty of Customs (SAD)
- Central Sales Tax (levied by the Centre and collected by the States)
- Central surcharges and cesses (relating to supply of goods and services)

State Taxes:
- Value Added Tax
- Octroi and Entry Tax
- Purchase Tax
- Luxury Tax
- Taxes on lottery, betting & gambling
- State cesses and surcharges
- Entertainment tax (other than the tax levied by the local bodies)
- Central Sales Tax (levied by the Centre and collected by the States)
Table 2: Rate classification for services

<table>
<thead>
<tr>
<th>Exempt</th>
<th>5%</th>
<th>12%-18%</th>
<th>28%</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Education</td>
<td>o Goods transport</td>
<td>o Works contract</td>
<td>o Cinema tickets</td>
</tr>
<tr>
<td>o Healthcare</td>
<td>o Rail tickets (other than sleeper class)</td>
<td>o Business Class air travel</td>
<td>o Betting</td>
</tr>
<tr>
<td>o Residential accommodation</td>
<td>o Economy class air tickets</td>
<td>o Telecom services</td>
<td>o Gambling</td>
</tr>
<tr>
<td>o Hotel/ Lodges with tariff below INR 1000</td>
<td>o Cab aggregators</td>
<td>o Financial services</td>
<td>o Hotel/ Lodges with tariff above INR 7500</td>
</tr>
<tr>
<td></td>
<td>o Selling space for advertisements in print media</td>
<td>o Restaurant services</td>
<td></td>
</tr>
</tbody>
</table>

Types of GST
There are three kinds of taxes under the GST. SGST, CGST and IGST. Each one of these is explained in detail below -

1. **CGST**
CGST refers to the Central GST tax that is levied by the Central Government of India on any transaction of goods and services tax takes places within a state. It is one of the two taxes charged on every intrastate (within one state) transaction.

2. **SGST**
SGST (State GST) is one of the two taxes levied on every intrastate (within one state) transaction of goods and services. The other one is CGST. SGST is levied by the particular state where the goods are being sold/purchased. It will replace all the existing state taxes including VAT, State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cesses and Surcharges on any kind of transaction involving goods and services.

3. **IGST**
Integrated GST (IGST) is applicable on interstate (between two states) transactions of goods and services, as well as on imports. This tax will be collected by the Central government and will further be distributed among the respective states. IGST is charged when a product or service is moved from one state to another. IGST is in place to ensure that a state has to deal only with the Union government and not with every state separately to settle the interstate tax amounts.

4. **UTGST**
The Union Territory Goods and Services Tax, commonly referred to as UTGST, is the GST applicable on the goods and services supply that takes place in any of the five Union Territories of India, including Andaman and Nicobar Islands, Dadra and Nagar Haveli, Chandigarh, Lakshadweep and Daman and Diu. This UTGST will be charged in addition to the Central GST (CGST) explained above. For any transaction of goods/services within a Union Territory: CGST + UTGST

**Impact analysis of GST on various industries**

(A) Impact of GST on Automobile Industry
*Car Segment:* Current levies of Indirect taxes and cesses on cars vary from 30% to 45%. If standard rate of 18-20% is declared for small cars as well as 40% for luxury cars, both will be benefited. Moreover, elimination of cascading effect and offset of input tax credit (ITC) at every stage of value chain will reduce the cost. By and large, impact may be positive for car segment of automobile sector.
Commercial Segment: Reduction in transit time will increase the fleet productivity and speedy delivery of goods. Better availability of vehicles for transport services may lead to increased competition, nevertheless, change in storage and warehousing patterns may also lead to higher interstate movements of goods, so it may be a mixed bag for truck operators.

Table 3: The change in taxes levied across various four wheeler segments -

<table>
<thead>
<tr>
<th>Segment</th>
<th>Excise</th>
<th>Nccd + auto cess</th>
<th>VAT</th>
<th>Road tax</th>
<th>Motor vehicle tax</th>
<th>Total (A)</th>
<th>CGST</th>
<th>SGST</th>
<th>TOTAL (B)</th>
<th>Difference (A) - (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Cars &lt;1200cc</td>
<td>12.50%</td>
<td>1.10%</td>
<td>14%</td>
<td>State based</td>
<td>State based</td>
<td>28% (approx)</td>
<td>9%</td>
<td>9%</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Mid-Size Cars from 1200cc to 1500cc</td>
<td>24%</td>
<td>1.10%</td>
<td>14%</td>
<td>State based</td>
<td>State based</td>
<td>39%</td>
<td>9%</td>
<td>9%</td>
<td>18%</td>
<td>21%</td>
</tr>
<tr>
<td>Luxury Cars &gt;1500cc</td>
<td>27%</td>
<td>1.10%</td>
<td>14%</td>
<td>State based</td>
<td>State based</td>
<td>42%</td>
<td>14%</td>
<td>14%</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>SUV’s &gt;1500cc, &gt;170mm ground clearance</td>
<td>30%</td>
<td>1.10%</td>
<td>14%</td>
<td>State based</td>
<td>State based</td>
<td>45%</td>
<td>14%</td>
<td>14%</td>
<td>28%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Conclusion - Under the earlier tax regime, the rate of tax varied from 28% to 45% across various segments. These will now lie between the slab of 18% to 28%. Thus, the burden on the end consumer post GST will be reduced.

(B) Impact of GST on Real Estate industry
Sale or transfer of immovable property is outside the purview of GST, however, on procurement of materials for civil construction GST will be applicable and ITC of the same is not admissible. Inadmissibility of ITC may impact negatively. Hopefully, this issue will be addressed appropriately while declaring the final law. Stamp duty will continue.
Work contract for commissioning of movable or immovable property shall be supply of service. Renting, leasing, license to occupy land and building will also be supply of service. Where consideration has been received for construction of a complex or building or civil structure is without getting certificate from competent authority it shall be supply of service.
GST on Cement will be charged @ 28%. While it is higher than current average rate of tax of around 24%, but will substitute a lot of additional taxes. GST on Iron rods and pillars is @ 18% (current average rate is 19.5%).
GST on bricks used in the construction of buildings and houses is taxed @ 28% (currently being taxed @ 26%).
Conclusion - Impact of GST on real estate sector is likely to be minimal but substantial benefit will accrue due to transparency and accountability. Builders/developers will reap the benefits.
“Real estate sector should be happy with GST even if the rate declared is higher than current rate”

(C) Impact of GST on Transportation Industry
Trucks in India drive just one third of the trucks in US (280 kms vs. 800 kms), on top of that, only about 40% of total
travel time is spent on driving, major time is consumed at check points and other official stoppages. A recent news indicate that Road Transport and Highway ministry is considering overhaul of around 80 border check post across the country to ensure seamless flow of goods under GST regime. Thus, ensure eliminating check points delays, higher moving time of wheels and lower transit time which will certainly boost the business, reduce inventory holding requirements, transportations cost and better asset utilization. Distribution and warehousing patterns will improve. Impact is going to be positive on this count.

The most popular form of goods transport in India is via road. As per the National Highways Authority of India, about 65% of freight and 80% passenger traffic is carried by the roads.

Understanding GTA (Goods Transport Agency)

As per Notification No. 11/2017-Central Tax (Rate) dated 28th June, 2017, “goods transport agency” or GTA means any person who provides service in relation to transport of goods by road and issues consignment note, by whatever name called.

Goods Transport Agency under GST

GST will not apply on transport of following goods by a goods transport agency-

1. agricultural produce
2. milk, salt and food grain including flour, pulses and rice
3. organic manure
4. newspaper or magazines registered with the Registrar of Newspapers
5. relief materials meant for victims of natural or man-made disasters
6. Defense or military equipment
7. goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage is less than Rs. 1,500
8. goods, where consideration charged for transportation of all such goods for a single consignee does not exceed Rs. 750.

<table>
<thead>
<tr>
<th>Service by a GTA</th>
<th>GST rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carrying</strong></td>
<td></td>
</tr>
<tr>
<td>• agricultural produce</td>
<td>0%</td>
</tr>
<tr>
<td>• milk, salt and food grain including flour, pulses and rice</td>
<td></td>
</tr>
<tr>
<td>• organic manure</td>
<td></td>
</tr>
<tr>
<td>• newspaper or magazines registered with the Registrar of Newspapers</td>
<td></td>
</tr>
<tr>
<td>• relief materials meant for victims of natural or man-made disasters</td>
<td></td>
</tr>
<tr>
<td>• defence or military equipments</td>
<td></td>
</tr>
<tr>
<td><strong>Carrying</strong> goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage is less than Rs. 1,500</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Carrying</strong> goods, where consideration charged for transportation of all such goods for a single consignee does not exceed Rs. 750</td>
<td>0%</td>
</tr>
<tr>
<td>Any other goods</td>
<td>5% No ITC</td>
</tr>
<tr>
<td>Used household goods for personal use</td>
<td>5% No ITC</td>
</tr>
<tr>
<td>Transporting goods</td>
<td>18% with ITC</td>
</tr>
<tr>
<td>Hiring out vehicle to a GTA</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Figure 3:** Applicable Rates for GTA
Conclusion: The concept of RCM on GTA was also there under service tax. The idea is to bring the unorganized sector of delivery through trucks under tax. The transporters neither registered nor paid any taxes which are why government shifted the tax incidence to the receiver of transport service in order to collect tax. However, RCM under GST has launched confusion due to the law “persons who are required to pay tax under reverse charge” have to be compulsorily registered. Transporters have already started to refuse unregistered dealers.

(D) Impact of GST on Pharma Industry
Impact on Pharma sector can be assessed based on the rate of proposed GST as against current rates of indirect taxes. In general, pharma sector has an inverted duty structure i.e. excise duty on raw material is around 12.5% whereas on finished goods it is around 6-7%, this results in accumulation of refund dues from government. Sector expects to fast track the refund process and this along with savings in warehousing and logistics cost may result in a positive impact.

Current Tax Law on Pharmaceutical Products
Average VAT rate for pharmaceutical products is 5% and for formulations is 9%. Applicable excise duty charged on pharma products is 12.5%. Excise-free manufacturing zones have been provided by the government for providing relief on excise.

Excise-free zones have helped small manufacturers in remote places to be competitive in the market place. Excise @ 1.5% is applicable for manufacturers operating out of excise free manufacturing zones (this rate is 12.5% for other manufacturers of pharmaceutical products).

VAT on pharmaceutical products is charged at a single point & on the maximum retail price. As a result distributors do not pay any tax nor file tax returns. Timely payment of taxes and filing of returns is a challenging task for the distributors.

Table 4: GST Rate on Pharmaceutical Products

<table>
<thead>
<tr>
<th>Zero</th>
<th>5%</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human blood and its components</td>
<td>Animal or human blood vaccines</td>
<td>All goods not specified elsewhere: Medicines made by mixing two or more constituents for therapeutic or prophylactic uses. (including Ayurvedic medicines)</td>
</tr>
<tr>
<td>All types of contraceptives</td>
<td>Diagnostic kit for all types of hepatitis</td>
<td>Medicines made by mixing two or more products for therapeutic or prophylactic uses. (including Ayurvedic medicines)</td>
</tr>
<tr>
<td></td>
<td>Cyclosporin</td>
<td>Gauge, bandages and similar products</td>
</tr>
<tr>
<td></td>
<td>Oral Rehydration Salts</td>
<td>Forms or packing for retail sale regarding surgical, dental or veterinary purposes</td>
</tr>
<tr>
<td></td>
<td>Desferrioxamine Injection or Deferiprone</td>
<td>Pharmaceutical goods specified such as sterile laminaria, dental adhesion barriers etc.</td>
</tr>
<tr>
<td></td>
<td>Medicines (including veterinary medicines) used in bio-chemical systems and not bearing any brand name</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drugs or medicines specified in the list 3 or 4 of notification 12/2012-central excise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formulations manufactured from bulk drugs listed in the list 1 of notification 12/2012-central excise</td>
<td></td>
</tr>
</tbody>
</table>
Conclusion - Medicines in the 5% bracket are used to cure malaria, HIV-AIDS, tuberculosis, and diabetes (Earlier VAT of 4% was applicable). Nicotine polacrilex gum is the only pharmaceutical product to be charged at the rate of 18%. Pharma company Cipla, which produces nicotine gums, will probably be impacted based on the current rate @ 18%.

Clarification on the issue of manufacturers operating out of excise-free manufacturing zones paying more tax under GST, is awaited. These manufacturers are competitive due to excise benefits available to them as they are situated in remote places.

Ayurvedic medicines would be charged @ 12% under GST as compared to 4% VAT and excise of 1.5%. This will certainly impact the Ayurvedic medicine manufacturers.

Distributors need to get registered and file the minimum returns annually as required under GST. Sale of medicine without a bill will no more be beneficial to the distributors.

(E) Impact of GST on Goods & services sector

Under the earlier tax regime, goods & services industry had to pay multiple taxes like VAT and service tax & rate of tax for FMCG industry was around 22-24% (GST implementation is @ of 18%). This has been welcomed by all the major players in the industry. No input credit was available for certain taxes like CST, CVD, and SAD under the current tax regime. Under GST, input credit will be available for all the GST payments made during the course of business.

![Image of GST rates]

Figure 4

Approximately 81% of all FMCG items are in the 18% tax rate or below. Inputs in food processing industry, such as staples (pulses and food grains), jaggery, cereals and milk, are exempt from GST, and items such as sugar, tea, coffee and edible oil will carry a concessional GST rate of 5%. Items of mass consumption, including toothpaste, soap and hair oil, which attract a tax rate of 22-25% (applicable in most of the states), will be taxed at 18% under GST.

Conclusion – With reduction in the effective rate of tax across various category of consumer goods & services, it is evident that the benefit will be passed on to the end consumer.

(F) Impact of GST on Services Sector

Services sector in India is a rapidly growing sector and significantly contributing to fiscal revenues. As indicated so far, that the standard GST rate would be 18-20%, as compared to the current 15% service tax including cesses then the services viz. IT, telecom, banking, insurance, etc may witness negative impact due to increased cost of services.

Conclusion - GST offers clear benefits to the services sector, and while some of these measures entail additional cost and effort in the short term, businesses can look forward to simpler operations with the new taxation laws.

(G) Impact on entertainment sector

Under the VAT regime entertainment industry had to pay a tax of 20.5%. GST at 28% will be chargeable on movie tickets. Food and beverages (F&B) fall under the category of food/drinks in outdoor catering, & hence will attract 18% GST. Hence the GST rates for the entertainment industry in general are lower than the existing VAT and Service Tax.
Hence, the burden of tax is going to reduce on the owners of theatres and amusement parks.

**Additional Municipal Taxes**

Municipal corporations were so far not eligible for a share in entertainment taxes collected by states. But some states such as MP, Rajasthan, and Gujarat are likely to charge entertainment tax. Applicability of local taxes will have an impact on operating profits and margins.

**Conclusion** - The impact of GST on the entertainment industry varies from state to state. Owners of cinema halls, amusement parks etc. stand to gain under GST, primarily due to the provision of input tax credit.

**Key research findings**

1. **Reduction in tax burden** - Reduction in tax burden on producers and enhancement in growth through higher production. Double taxation has prevented manufacturers from producing to their optimum capacity resulting in retarded growth. GST has taken care of this problem by providing tax credit to the manufacturer.

2. **Eliminate tax barriers** - Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss that translates into higher need of buffer stocks and warehousing costs as well. A single taxation system could eliminate this roadblock.

3. **Reduced product pricing** - A single taxation on producers would also translate into a lower final selling price for the consumer.

4. **Transparency in taxation** - Also, there will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.

5. **Enhanced tax base** - GST would add to government revenues by widening the tax base.

6. **Broaden the tax net** - GST provides credits for the taxes paid by producers earlier in the goods/services chain. This would encourage these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.

7. **Improved exports** - GST also removes the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.

8. **Unified exemption list** - The proposed GST regime, which will subsume most central and state-level taxes, is expected to have a single unified list of concessions/exemptions as against the current mammoth exemptions and concessions available across goods and services.
Road ahead for a unified and less complex GST structure

The GST in its current form has five rates. It is very likely this has led to cases of inverted taxation. The tax on inputs is higher than the tax on output. There is even an outside chance that such inverted taxation could lead to the rather absurd situation where the government will have to pay companies to produce. The principle of a destination-based tax is blown away when there are embedded input taxes. The imperfect GST that India now has is still superior to the inefficient indirect tax system that it has replaced. But two things need to be done now. The first is that the complexity of the GST structure right now, as well as its novelty, will mean that companies will take time to figure out their tax liabilities. There will be honest mistakes. The government would do well to give taxpayers the benefit of doubt in the first few months. There should be regulatory forbearance to avoid the prospect of overenthusiastic tax officials assuming that every mistake is a crime. The Union finance minister, in turn, must reassure tax officials that missing tax collection targets will not be held against them. The longer-term issue is streamlining the GST structure. Purists may demand a single-rate GST, but a more viable option is to move to a three-rate structure—0% on items of mass consumption, 12% on most goods and services, and 28% on sin goods such as cigarettes.

The cesses have been imposed temporarily to compensate states for potential revenue losses. They should be the first to go once tax collections pick up. The next step should be to move as many goods and services as possible to the median GST rate of 12%. This admittedly cannot be done overnight. It will need to be a process over the next three years or so. But for that process to have a chance, it is essential that more people accept that the current structure is seriously flawed, the result of messy political bargaining.

Abbreviations:
1. GST – Goods and Services Tax
2. ITC – Input Tax Credit
3. VAT – Value Added Tax
4. CGST – Central Goods and Services Tax
5. SGST – State Goods and Services Tax
6. IGST – Integrated Goods and Services Tax
7. UTGST – Union Territory Goods and Services Tax

References
7 types of indirect taxes in India and its meaning – Chartered Club http://www.charteredclub.com/indirect-tax-gst/.
Opportunities in GST – Impact study Indirect Tax Committee - The Institute of Chartered Accountants of India www.idtc.icai.org.
http://gstexperts.net/gst/(review data available on this site).
Impact of GST rates on various industries – clearTax https://cleartax.in/s/impact-of-gst-rates-on-entertainment-industry
Impact of GST rates on automobile sector – clearTax https://cleartax.in/s/gst-impact-automobile-industry
Impact of GST rates on transport sector – clearTax https://cleartax.in/s/goods-transport-agency-under-gst