

IMPACT OF GOODS AND SERVICE TAX (GST) ON SERVICE INDUSTRY IN INDIAN ECONOMY

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Abstract

The earlier system of indirect taxation had a multiplicity of taxes levied by the Central and States. This had led to complex and conflicting principles in the indirect tax structure, adding to the multiple compliances and administrative costs. There was no uniformity in tax rates and structure across India. There was cascading of taxes because of tax on tax. There were too many restrictions on seamless credit available in excise duty and service tax paid by customer. It has subsumed several indirect taxes each at the central and state level. GST is expected to boost Indian economy in long run and contain tax evasion. GST is a multi-tire tax where the tax burden falls on the consumer of goods/services. It is called as value added tax at every stage, tax is being paid on the part of the goods and services tax council to make recommendations on various matters of goods and services tax (GST). Therefore, the goods and services tax council play a pivot role under GST, which brings uniformity in the law.

Key words: Goods, Services, Tax

INTRODUCTION:

The tax was paid as on March 2018 around 13 Lakhs assesses in the country out of which only the top 50 paid more than 50% of the tax collected nationwide. Most of the tax burden is born by domains such as IT services, Telecommunication, Insurance, Business Process Outsourcing (BPO) and banking and financial services.

Indian Government proposed to implement goods and service tax for conferring concurrent taxing across India with Union Territory with legislature to make laws for levying goods and service tax on every transaction. Goods and service tax is under indirect tax has introduced in India on 01st July 2017. The Goods and service tax applicable across India same tax and GST removal of bundled of indirect tax such as VAT, CST, Service tax, CAD, SAD and excise. Reduction of Manufacturing costs due to lower burden of taxes on the manufacturing industry. Hence, the consumer price likely to be reduced, the consumption demand will increase. Increase demand will lead to increase supply of goods and services. The following are the current tax structure across India 0% 5%, 12%, 18%, and 28%. There will be more transparency in the systems as the customer will know exactly how much tax being paid by customer.

2. Objective:

- To understand the idea of Goods and Service Tax (GST)
- To find out the impact of Goods and Service Tax (GST) on Service industry in Indian economy

3. Methodology:

The proposed study is a desk research and is an attempt of descriptive method, based on the secondary data sourced from different journals Internet, articles, previous research paper, parliament amendment, and workshops from various agents.

4. GST Impact on service Sector:

4.1 Construction Service

Works contract services is a specie of construction service, which is defined u/s 2 (119) of CGST Act. Under para 6 (a) of schedule II of CGST Act, it is a supply of services and GST is payable on such services. Work Contract is essentially inherently a contract of service, irrespective of legal fiction created by Article 366 (29A) of constitution of India as deemed sale. Basically works contract is a contract for work, where supply of material is incidental to the contract. General Rate of GST on work contract service rate of GST on works contract service is 18% (9% CGST and 9% SGST) or 18% IGST.

4.2 Distributive Trade Services

Trading and hospitality services

(i) Trading services – Wholesale trade, retail trade

(ii) Hospitality Services- Accommodation. Food and beverage services.

Services of commission agent – In wholesale trade, in retail trade general rate is 18% (9% CGST and 9% SGST) or 18% IGST.

4.2.1 Passenger Transport Service

- By rail in first class or air conditioned coach GST rate is 5% (2.5%CGST and 2.5% SGST or 5% IGST)
- Service of transport in metro, monorail or tramway and in railway in class other than first class or AC coach are exempt from GST
- Road transport of passengers in the following categories is taxable
- AC contract carriage, AC stage carriage , Radio Taxi (2.5%CGST and 2.5% SGST or 5% IGST)
- Transport of passenger by water , general rate is 18% while inland water transportation of passengers is exempted
- Transport of passenger by air economy class – GST rate 5%, other classes – GST rate 12% , north east area services and exempt.

4.2.2 Goods Transport Service

- a. Goods transport by Road services are exempt from goods and service tax, except goods transport agency (GTA) and courier services, which are taxable @5% (2.5% CGST and 2.5% SGST) or 5% IGST
 - Reverse charge in respect of goods transport agency (GTA)
 - In case of services of goods transport agency, the recipient of services liable to GST located in taxable territory, thus GTA itself is liable to GST in the following cases;
 - i. Recipient is unregistered individual
 - ii. Transportation of household goods when freight is paid unregistered individual
 - iii. Services supplied to a person located in non- taxable territory (Like Transport to Nepal, Bangladesh) where recipient is paying freight there
- b. Exemption in respect of specified goods; The following services provided by GTA by way of transport in a goods carriage are exempt from GST
 - i. Agriculture Product
 - ii. Where consideration for single carriage does not exceed INR 1500
 - iii. Where consideration charged for single consignee does not exceed INR 750
 - iv. Mile, salt and foods, rice, pulses
 - v. News papers and magazines
 - vi. Relief materials
 - vii. Defence equipment

4.3 Financial Services

- a. Services of banking and non-banking financial company (NBFC) the main services of banks is payment on interest to depositors. Services by way of extending deposits, loans or advances, in so far as the consideration is by way of interest or discount is exempt from GST
- b. Foreign exchange conversion services for the currency, when exchanged from or to INR value of service shall be equal to the difference in the buying rate or the selling rates as the case may be and the RBI reference rate for the currency, multiplied by the total units of the currency
If Reserve Bank of India (RBI) defence rate us nit available for the currency the value shall be 1% of the gross amount of Indian rupees

- c. Supply of money is neither goods nor services u/s 2(52) and 21 (102) of CGST act which specifically excluded money from definition of goods and services
- d. Chit fund services provided by the foreman of a chit fund in relation to chit are subject to GST %12% (6% CGST and 6% SGST)
- e. Insurance services GST rate is 18% (9% CGST and 9% SGST) or 18% IGST exemption to service of general insurance and life insurance under specified schemes of public interest implemented by the government.

4.4 Real Estate Service

Renting or leasing services GST is 18% (9% SGST and 9% CGST) since the place of supply is the location of the immovable property IGST is not applicable. Renting for residential purposes is exempted

4.5 Leasing and licensing services

- a. Hire and licensing services
 - (i) Leasing and rental of Machinery
 - (ii) Leasing and rental of goods
 - (iii) Licensing services for the right to use IPR and other products
- b. Leasing or renting of land and building is supply of service
- c. Transfer of right to use goods is a supply of service
- d. Leasing of aircraft for operating scheduled air transport service or cargo service

4.6 Business and Production services

- a. Business auxiliary and support services
- b. Services by incubate and incubator
- c. Legal services provided in relevancy recommendation practice or help in any branch of law and includes naturalistic services before any court, judicature or authority In case of legal services GST is payable by the recipient, if he is business entity located in India
- d. Advertising services and provision of advertising space or time. Selling advertising space in print media is subject to 5% GST (2.5% CGST and 2.5% SGST and 5% IGST)

5. Conclusion:

A single taxation system would encourage new business entrepreneur to engage in services, sub-contracting, and trading, manufacturing, and sector. Good and service tax levied only on consumption of goods or services. This will lead to eliminate multiple tax across in India and the goods will move freely. This will also be beneficial for individual in terms of price, quality and availability of goods and services. The consumption of goods or services will increase directly or indirectly and increase our economy growth. Goods and service tax implementation initiated across India and companies are keep filling the all the returns and removed lack of barrier. Goods and service tax will encourage lot of foreign investment directly and promote start-ups in India.

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