



Impact of Goods and Service Tax on Service Sector: Challenges and Issues

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ABSTRACT: The main objective of this paper is to understand the concepts, Regime and structure of Goods and Services Tax The GST is one of the biggest tax reforms in India in the post GST implementation era, the tax terrorism, extremism in J&K, merging indirect taxes into one tax for one nation and black money menace have controlled significantly in future it is likely to create more employment opportunities by giving boost to make in India, start-up India and MSME sectors. The GST model would be implemented in to statues (one for CGST and SGST for every state). The GST is to simplify the Tax Administration and minimizing tax rate slab and also to prevent un-healthy competitions in not only manufacturing sector but also in a better way in services sector. The present paper highlights the impact of GST on selected services sectors like travel and tourism, transport, insurance, hospitality and entertainment sectors.

KEYWORDS: Minimizing tax, tourism, transport, insurance

INTRODUCTION:

Charlet and Owens (2010) gave insights about VAT in their study Wilhelm Von Siemens a Germans businessman, had put forward the innovative idea of VAT regime in the 1920s Maurice Laure, Who was the former joint Director of the France Tax Administration, is considered the 'Father of Value-Added Tax' regime In the 1954,France implemented the VAT system in the mid-1960s, Senegal and Cote introduced VAT at manufacturing level in 1965,Brazil introduced a traditional VAT regime as a fiscal reform which applied at each and every stage of production. As of now, 140 countries have implemented different models of VAT/GST depending upon the country-specific requirements and GST is the best system in TAX era of India indirect tax regime.It has been passed after a big struggle in the both houses of parliament during the month of AUGEST 2016 GST was conceived when the honorable EX.Priminster of India Atal Beharri Vajpayee. The more time is required even to do good things.(i.e,to effect of the GST) This paper explains the concepts,the menrits and demerits.Features and SWOT analysis of GST.GST is one of the mile stones that have been taken by the present Governmet.

GST IN SERVICES SECTOR

The government is worried over 12%Gst on going works as project worth at least 2.30Lack crore are being take up in irrigation,drinking water scheme (mission bhagiratha),infrastructure works (roads) and housing schemes Many of these are under various stages of completion. The CM said there would be 19,0000 crore burden of the Government . On several occasions,KCR Briefed both Finance Minister Arun



Jaitley and other Minister at GST Council that the fledgling state has taken up projects under various schemes in a big way and other states don't have on going works between 5,000 to 10,000 crore. In the 22nd Council meeting of GST, Public utility services coming under mission Kakatiya, Mission Bhagiratha and double bedroom housing projects for the poor people along with skill development projects for youth empowerment are totally exempted from GST purview.

GST COUNCIL APPROVES E-WAY BILLING

The Goods and Service Tax (GST) council on Saturday 5th August 2017 decide to implement the e-way bill system for the transport of goods across the country, Finance Minister Arun Jaitly said The Council also decided to reduce the tax rates for job work for all forms of textile work to 5% from 18% Apart from this, the council reviewed the progress of the implementation of the new indirect tax regime since July 1st , and approved the changes made by its implantation committee. Mr.jaitley added that e-way bills will be necessary for the transport of goods worth more than 50,000.and over a distance of more than 10km. It will not apply for goods exempt from GST “We prefer it if the process is technology driven,with the human interference kept to a minimum.” Mr Jaitley said.

GST STORM BREWS IN SERVICES SECTOR

New tax regime requires a services firm to get registrations done in each state where it has operations in the 23rd GST Council meeting, after slashing GST Rates on Goods And Services, experts have realized a red flag over challenges faced by the service sector in the moving of the Goods and Services Tax system. The key issue is that the GST Network is yet to begin accepting fresh registrations.Till now, the GSTN portal, which was open for a month in April and again for 15 days in June, has only been accepting requests for the current regime to the GST system.

REGISTRATION NUMBER

Under the current tax system, a service company with multiple offices across India needs to take one service registration number However,under the GST system, it will be required to get registrations done in each state where it has operations. “All service companies have been made to undergo a very cumbersome exercise of doing the registration process all over again, in relation to their branch registrations.” Mahesh Jaising, partner, indirect tax in BMR & Associate LLP said “The key problem in hand is that the IT system and the GSTN system are not accepting new registrations during the current window opened for registration-it is currently confined only to migration.” “So , all the services companies having pan-India operations, which typically includes sectors like technology,advertising,logistics, etc, are faced with this situation of not having state –level GSTIN (Goods and Services Tax Identification Number), with just over two weeks to go ‘Mr jaising explained “ “Right now, the GSTN is allowing provisional registration only for companies with VAT and service tax registration, “claims a tax expert on the condition of anonymity “hence we have seen that the migration of VAT dealers has largely gone off well as compared to the service sector.”



MULTIPLE STATES: Services especially software companies need to business in several states, “the expert added. If they are not registered in those states, then how will they get the GST number for their invoices? May be the government do some relaxation by saying the St number is not needed on the invoice, but only needed by the date of filing returns . For any person to migrate GST, they are required to be registered under the current law either as a service provider or as a service dealer. Based on that, they are given a user name and password, using which they can logon to GSTN website Dolomite Haskin & Sells said the registration process was not complicated, and if the software works, the it happens quickly.

ANTI PROFETEERING

The meeting is likely to discuss the rules and Implantation of anti-profiteering provisions and e-waybills. Finance Minister Arun Jaitley had hinted in parliament that the GST Council would take up the implantation of the anti-profiteering provisions of GST.”One of the core agenda items will be reviewing the implantation, and key would have identified the issues that would have cropped up that have to settle, “said Bhavesh Chandra, senior consultant,taxman,one of the authorized GST Suvidha Providers “they amy discuss the e-waybill implementation as well. The CBEC (Central Board of Excise and Customs) chairperson has confirmed that goods have been transported smoothly and that it is time to move to a better system, “he said finally, Anti-profiteering committee is formed in the recently held 23rd Council meeting.

GST, ENGINE WOES HIT INDIGO AS HALF OF A-320 NEO FLEET GROUNDED

Almost half the fleet of indigo’s Airbus A-320 new engine option (NEO) is grounded due to trouble with the part & Whitney (PW) engines used on these planes.The low-cost carrier(LLC) currentlyhas 22 A-320 NEOS and nine of them are reportedly grounded due to engine issues. The implantation of GST from july 1 led to some confusion over the import of combination of PW engines on A-320 Neos A statement by Pw said “PW,with the support of Airbus,is actively working with our customers in India and we are supporting them in their daily operation ... The PW pure power GTF engine employs advanced technology and has been in operation for more than 200,000 hours of passengers service and it utilized by 13 operators flying 250 flights per day to over 100 destinations on four countries.

GST, TICKET SALES AND OTHER BAD QUESTIONS

At the end of june, heads of theatre groups assembled at prithvi house,as they normally do for regular meetings. This time around they were greeted by two of fictitious looking gentlemen wearing ties, not a visual one often one often sees at theatre gatherings. The men in question we Chartered accountants, and they had come armed with a laptop and a slideshow to help to help explain GST to the sharpest financial minds and complex accounting processes just give us severe acidity. On a



more serious note, whatever the positive ramifications of this new tax system may be for the nation, the fact of the matter is that small theatre groups have been dealt a crushing blow. this is a death knell," as someone at the meeting said.

GOING RATE : Here's how vicious the circle is if theater company's annual turnover is less than Rs.20 Lakh, they are exempt. Sigh of relief, right? Not really whatever the turn over, that is, however low, if they wish to sell ticket through an online booking agent, they have to get their GST number, and everything it represents is then applicable if they choose not to sell online, they risk bad house, since the trend of pre-or- e-booking is catching on. Added to that, some venues are committed to selling through these platforms, and hence that makes it mandatory if you wish to perform there.

Drifting away from GST rant, I recently went to watch a play that caters to an extremely different type of spender. The cheapest ticket for Mughal e Azam is Rs.1,000. And prices go up to Rs.7,500. And yet, they hold a record for every single show, if four seasons of the play, being house full. Of course, it's a spectacle and dazzling one at that, but even then, I was wary of shelling out Rs 3,000 to get my wife and me not-so-great corner seats. Which opens up an entirely new discussion about the way we think, because I have spent more than this to get one restricted view seat at west end? I'll save that discussion for another column. We Indians are adjusting a lot. And the most flexible subsets of this adjusting lot is theatre wales. We coped with demonetization far sooner than other people did. A big Marathi play even put out an ad saying 'Watch now, pay later', Now, GST might challenge as we'll adjust. We'll get CAs

CONCLUSION

Here a few suggestions are offered to strengthen the GST implementation in India in general and services sector in particular. GST is new born infant baby legislation in India. The tax payers across the country are facing anxiety, chaos and confusion. This scenario has generated rumors and propaganda in favorable and unfavorable directions to government.

1. The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and place of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country. India has moved up 13 positions to 52nd rank from 65th in Tourism & Travel competitive index. The tourism and hospitality industry in India recently got updated with a new set of Goods and Services Tax (GST) rates that will be rolled out from July 1. It will be applied on their services based on the tariffs and turnovers they draw, the GST council has finalized. GST has been one of the most awaited tax reforms for India. High GST rates on hospitality may prove to be detrimental for the sector. The high incidence of taxes may make India less competitive when it comes to tourism as international tourists may skip the destination. The government should appreciate those countries like Myanmar,



Thailand, Singapore, Indonesia and other levy taxes ranging from 5 to 10 percent. India cannot afford to have this kind of complex and high GST. A lower tax rate for budget hotels sector will ensure that the industry's quality upgrade continues while delivering standardized accommodation to millions of middle-class-travelers. People like consolidation of taxes as it leads to greater transparency and will help guests and buyers to understand the overall costs.

2. Before going into details of impact of GST on tourism and hospitality sector, it would be pertinent to make the readers understand the importance of tourism and hospitality sector for emerging economy like India.

Tourism in India accounts for 7.5% of the GDP and is the third largest foreign exchange earner for the country. The Sector's total contribution to GDP has increased to US\$ 136.2 billion by the end of 2016 and is expected to further grow to US\$ 280.5 billion by 2026. The industry is expected to generate 13.45 million jobs across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million Jobs) and Tour Operators (0.66 million). As explained in the above points, the importance of tourism and hospitality sector for a growing economy like India, it would have been an uphill task for the government to fix the GST rates for the sector given its size and importance. The Tourism, hospitality, Transport, insurance and entertainment sectors may be either exempted from the GST or be charged at 2%.

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