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"A STUDY ON COMPARISON OF CHANGE IN PRICE OF ELECTRONIC GOODS PRE GST AND POST GST"

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ABSTRACT

The Present Paper Investigates Net change in price which a customer has to pay if customer buys house hold electronics goods post GST tax rates in computation with Pre GST tax rate The purpose of this study is to analyze Is one tax one nation agenda of the government is a boon or a bane to citizen while he makes a purchase of common house hold electrical / electronic appliances

This study also makes a attempt to analysis how multiple taxes like Excise duty, Interstate sales CST, VAT, Krishikalayan cess, Swach Bharath cess merging together will impact the price and also an attempt is made to understand is will MRP of goods undergo change due to GST tax system.

Key words; Excise duty, Interstate sales CST, VAT, Electrical / Electronic appliances.

1. INTRODUCTION

Goods and Services Tax (GST) is an indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and stategovernments. It was introduced as The Constitution One hundred and first Amendment 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% and 18%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

Touted by the government to be India's biggest tax reform in 70 years of independence, the Goods and Services Tax (GST) was finally launched on the midnight of 30 June 2017, though the process of forming the legislation took 17 years since 2000 when it was first proposed.

2. NEED OF THE STUDY

The main purpose of doing this

OBJECTIVES

1) To briefly understand GST system of taxation.
2) To study the advantages of GST to Government.
3) To analyze the benefits of GST to Traders.
4) To find out if consumer pay more tax or lesser tax in GST regime.
5) To understand the difference between multiple tax system and GST.
6) To understand advantages and disadvantages of GST to manufacturer.

3. LITERATURE REVIEW

1. **Aurobinda Panda and Aurobinda Panda (2010)**"The impact of GST (Goods and Services Tax) on the Indian Tax Scene" This paper is an analysis of what the impact of GST (Goods and Services Tax) will be on Indian Tax Scenario. The authors have stated with a brief description of the historical scenario of Indian taxation and its tax structure. Then the need arose for the change in tax structure from traditional to GST model. GST has be detailed

discuss in this paper by the authors as the background, silent features and the impact of GST in the present tax scenario in India.

2. **Nishita Gupta (2014)** "Goods and service tax: it's impact on Indian economy" Vat was introduced into the Indian taxation system from 1 April 2005. Vat is a significantimprovement over the local sales tax system. At the state level the advantage of vat is that it is amulti-point tax with set-off for tax paid on purchases and it prevents repeated taxation of thesame product? Despite the success of vat there are still certain limitations in the structure of vatboth at the central and at the state level. To solve the issues untouched by vat the then Financeminister Pranab Mukherjee while presenting the budget on July 6, 2009, said that GST wouldcome into effect from April 2010. The goods and services Tax (GST) will indeed be a furthersignificant improvement towards a comprehensive indirect tax reforms in the country.Integration of goods and services taxation would give India a world class tax system andimprove tax collections. It would end distortions of differential treatments of manufacturing andservice sector. It will lead to the abolition of taxes such as octroi, central sales tax, state levelsales tax, entry tax, stamp duty, telecom license fees, turnover tax, tax on consumption or sale ofelectricity, etc. GST is expected to create a business friendly environment, as price levels andhence inflation rates would come down overtime as a uniform tax rate is applied. It will alsoimprove government's fiscal health as the tax collection system would become more transparent,making tax evasion difficult.
3. **Agogo Mawuli (2014)** studied, "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor Countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.
4. **Pinki, Supriya Kamma and Richa Verma (July 2014)** studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.
5. **Monika Sehrawat, and Upasana Dhanda (2015)** "GST in India: A Key Tax Reform"GST is one of the most crucial tax reforms in India which has been long pending. It was supposed to be implemented from April 2010, but due to political issues and conflicting interests of various stakeholders it is still pending. It is a comprehensive tax system that will subsume all

indirect taxes of states and central governments and unified economy into a seamless national market. It is expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of India. This paper presents an overview of GST concept, explains its features along with its timeline of implementation in India. The paper is more focused on advantages of GST and challenges faced by India in execution.

6. **Shefali Dani (2016)** “A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy” GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

4. RESEARCH METHODOLGY

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

Sampling is based in Judgmental sampling

5. METHODOLOGY

This study is based on secondary data. The secondary information is mostly taken from Website, Books, and Journals.The Estimate change in MRP of selected Electronic and Electrical appliances Post GST and Pre GST regime will be computed and percentage change in price after considering Excise duty, Interstate sales CST, VAT, Krishikalayan cess, Swach Bharath cess will determine actual change in total price since just comparison of VAT with GST percentage gives misleading results.

For deciding Excise duty on selected product Hormonized system of nomenclature is considered VAT is determined based on VAT rate pre GST in Karnataka Interstate CST is considered based on fixed percentage fixed by central government

6. CONCEPT OF GST

GST is an indirect tax which will subsume almost all the indirect taxes of central governmentand states governments into a unified tax. As the name suggests it will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and states goods and service tax (SGST). CGST will subsume central indirect taxes like central excise duty, central sales tax, service tax, special additional duty on customs, counter veiling duties whereas indirect taxes of state governments like state vat, purchase tax, luxury tax, octroi, tax on lottery and gambling will be replaced by SGST. Integrated goods and service tax (IGST) also called interstate goods and service tax is also a component of GST. It is not an additional tax but it is a system to examine the interstate transactions of goods and services and to further assure that the tax should be received by the importer state as GST is a destination based tax. A well-designed GST in India is expected to simplify and rationalize the current indirect tax regime, eliminate tax cascading and put the Indian economy on high-growth trajectory. The GST levy may potentially impact both manufacturing and services sector for the entire value chain of operations, namely procurement, manufacturing, distribution, warehousing, sales, and pricing.

Tax rates under GST will be decided and fixed by GST COUNCIL

GST COUNCIL

1) It is set up by president under article 279-A. It is chaired by union finance minister.
2) It will constitute union minister of state in charge of revenue and minister in charge financeor taxation or of any other field nominated by state governments. The 2/3representatives in council are from states and 1/3rd from union.
3) The decision of council is made by 3/4th majority of the votes cast and quorum of councilis 50%.
4) It will make recommendations on

a) Taxes, surcharge, cess of central and states which will be integrated in GST.

b) Goods and services which may be exempted from GST

c) Interstate commerce – IGST- proportion of distribution between state and center

d) Registration threshold limit for GST

e) GST floor rates

f) Special rates during calamities

g) Provision with respect to special category states specially north east states

5) It may also work as Dispute Settlement Authority for GST.

Advantages of GST to Government or country

1. **Revenue will get a boost**

   Evasion set to drop - Input tax credit will encourage suppliers to pay taxes - States and Centre will have dual oversight - The number of tax-exempt goods will decline

2. **Logistics, inventory costs will fall**

   Checks at state borders slow movement of trucks. In India, they travel 280 km a day?? compared with 800 km in the US

3. **Investment boost**

   For many capital goods, input tax credit is not available. Full input tax credit under GST will mean a 12-14% drop in the cost of capital goods. Expected: A 6% rise in capital goods investment, 2% overall.

4. **Make in India**

   a) Manufacturing will get more competitive as GST addresses cascading of tax, inter-state tax, high logistics costs and fragmented market b) Increased protection from imports as GST provides for appropriate countervailing duty.

5. **GDP lift** HSBC estimates an 80 basis point rise in GDP growth over 3-5 years. NCAER pegs this at 0.9-1.7% thanks to the elimination of tax cascading

Benefits of GST to Traders

1. **Life gets simpler** GST will replace 17 indirect tax levies and compliance costs will fall.

2. **Simpler online procedure under GST**The entire GST process – starting from registration to filing returns and payment of GST tax – is online. Startups do not have to run around to tax offices to get various registrations under excise, VAT, service tax.
3. **Lesser number of compliances** the current tax regime has excise VAT and service tax, each of which their own returns and compliances have. GST will unify all these, thereby reducing the number of returns and the time spent for tax compliances. There are about 11 returns under GST, out of which 4 are basic returns which apply to all taxable persons under GST.
4. **Freeing up online** State restrictions and levies have complicated ecommerce. Some sellers do not even ship to particular states. All this will end with GST

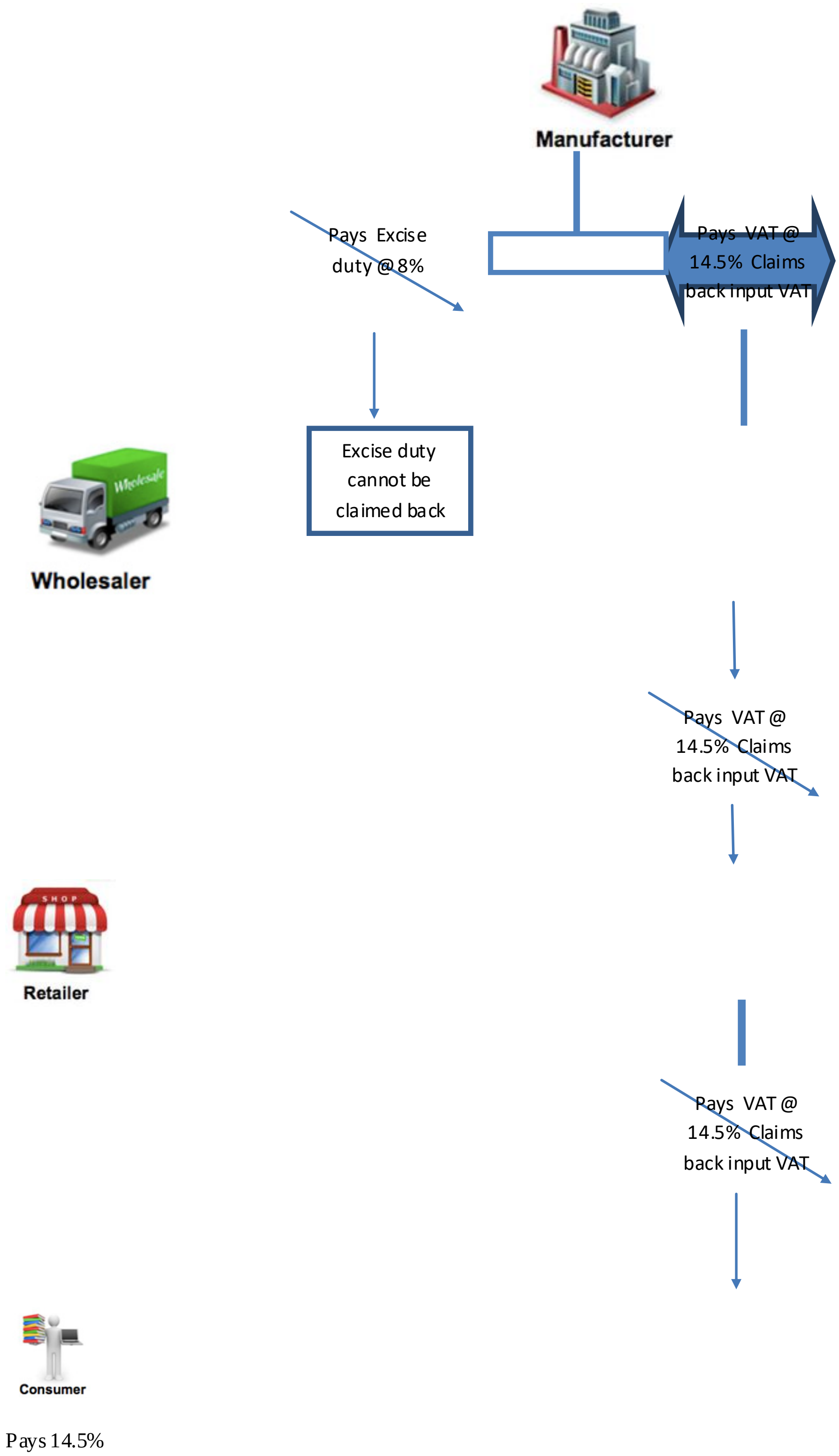
Focus of the study is to make a detail analysis on Consumer durables such as AC and fridge how GST implementation will make impact on price of such goods since VAT for such goods was attracting 14.5% pre GST now such goods will attract a GST of 28 % hence there is misconception among many consumers and even traders that there is close to 100% rise in tax burden on Consumer durables such as AC and fridge but comparison of VAT rate with GST generally gives us misleading results hence it is important to factor in various other hidden taxes which was indirectly part of MRP what a consumer or buyer was paying being unaware it such taxes are Excise duty and CST.

Difference between VAT taxation system /Pre GST taxation and Post GST taxation

Slno.	VAT taxation system /Pre GST taxation	Post GST taxation
1	Excise duty is levied	Excise duty is merged in GST
2.	CST to be paid at 2 % for interstate sales	IST for interstate sales is collected but its washed off tax since trader can adjust his liability at later stage
3.	Octroi is collected by many state governments	No Octroi

GST Process flow

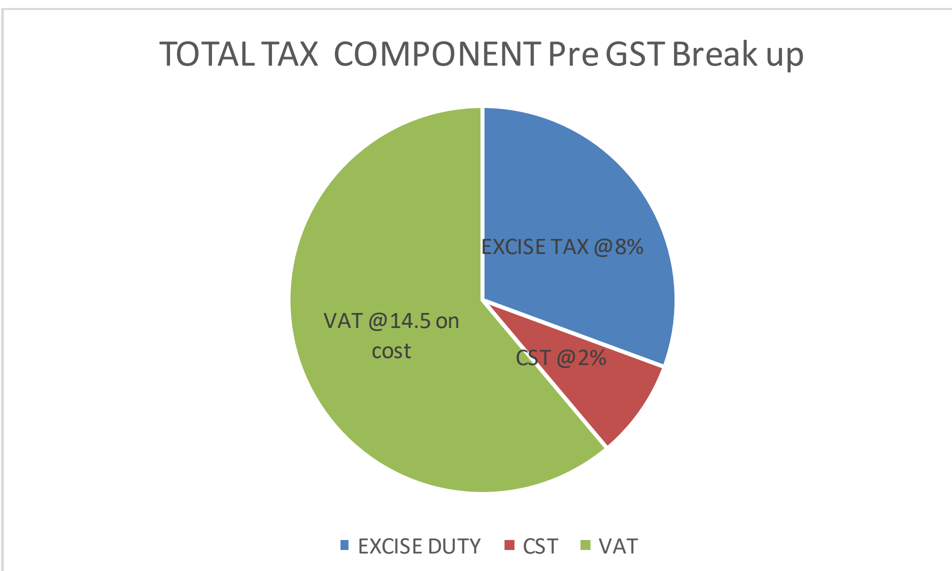
Pre GST Process flow



7. Data analysis and Interpretation

Computation of Percentage of for commodities like Refrigerator, LED television, Washing Machine and Microwave Owen Pre GST after factoring Excise duty and CST

Sl. no	Product	Assumed Manufacturing price (M.P)	Addition of Excise duty at 8%	Addition of CST of 2%	Addition of VAT 14.5% = Total price payable by customer (T.P)	(T.P) - Assumed M.P = Total tax component	Total tax Component in percentage
1	Refrigerator	10,000 rs	10,800	11,016	12613.32	12613.32 - 10,000 = 2613.32	2613.32 /10000 =26.13 %
2	LED Television	30,000 rs	32,400	33,048	37839.96	37839.96 - 30,000 = 7839.96	26.13 %
3	Washing Machine	15,000 rs	16,200	16524	18919.98	18919.98 – 15000 = 3919.98	26.13 %
4	Microwave Owen	5000 rs	5,400	5508	6306.66	6306.66-5000 = 1306.66	26.13 %



Computation of Percentage of for commodities like Refrigerator, LED television, Washing Machine and Microwave Owen Post GST

Sl.no	Product	Assumed Manufacturing price (M.P)	GST at rate of 28%	(T.P) -Assumed M.P = Total tax component	Total tax Component in percentage
1	Refrigerator	10,000 rs	12,800	12800 - 10,000 = 2800	2800/10000 =28 %
2	LED Television	30,000 rs	38,400	38400 -30,000 = 8400	28 %
3	Washing Machine	15,000 rs	19200	19200 – 15000 = 4200	28 %
4	Microwave Owen	5000 rs	6,400	6400 -5000 = 1400	28 %

Analysis

In order to make actual comparison of indirect taxes customer was paying during purchase of consumer electronics Pre GSTwith Post GST tax we should consider Excises duty, Central sales, taxes has been factored summation of all indirect taxes will gives a rate of 26.13 % as total indirect taxes pre GST which is now revised to 28 % in GST taxes slab Customer was paying 12613.32 for a refrigerator having price before tax of 10,000 which includes tax of Rs2613.32 which includes tax paid in form of Excise duty, CST and VAT Post GST Same refrigerator would have cost 12,800 which is 186.68 more than Pre GST price, similarly customer will have to pay 1.87% more forLED Television, Washing Machine and Microwave Owen when compared with Pre GST price

8. Findings and Suggestion

Findings

1. Comparison of VAT rate with GST rate is incorrect approach of comparison since Excise duty, CST octroy and VAT are merged in GST. Hence all indirect taxes should be combined to determine total indirect tax which can be compared with GST rate
2. There is marginal increase in indirect tax component on electronic consumer durables like Refrigerator, LED television, Washing Machine and Microwave Owen by 1.87 % not increase of tax by 13.5%

3. GST will give boost to "Make in India" or domestic industry since Special Additional Duty charged by government was 4% instead of VAT rate of 14.5% to foreigncompanies which had given advantage of 10.5% over domestic industry. Now GST rate are uniform.
4. Tax evasion will be difficult in GST system hence government will gain more revenue through indirect taxes.
5. Transport of Goods interstate will be hassle free.
6. Commodities fall in 28% GST tax bucket will increase customer tax burden pay when compared to Pre GST VAT rates
7. Cost price for manufacture is reduced due to GST credit manufacture enjoys over excise duty

Suggestion

1. GST rate of 28 % on consumer durable electronic rate should be reduced by at least 3%
2. GST rate of 28 % uniformly should be changed based on value of goods similar to slab rate in textiles like lower GST rate for commodities below 10,000 Rs .
3. Customers should be given tax credit in there income tax similar to how a business man gets credit from GST.
4. Cost price for manufacture is reduced due to GST hence government should ensure the benefit is passed to consumers by reduction of MRP.

9. CONCLUSION

Due to resilient environment of Indian economy, it has been right time to implement GST.Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in pre GST tax regime administration complexities and compliance cost is more. Thus, a simplified user -friendly and transparent tax system like GST will facilitate ease of doing business implementation of GST will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate.

It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But 28 % tax bucket will make consumer durable electrical goods costlier.

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