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IMPACT OF GOODS AND SERVICE TAX ON INDIAN BANKING SECTOR

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ABSTRACT

The introduction of GST in India is a substantial shift from the current tax regime. It is expected that service sectors will have a major impact on GST than the manufacturing or trading sector. Among the services provided by Banks and NBFCs, financial services such as fund based, fee-based and insurance services will see major shifts from the current scenario. The purpose of this study is to know the challenges faced by the Banking sector and its effects on the customers after the implementation of the GST.

Keywords: Banking sector, GST (Goods and Service tax), Cascading of tax, Simplified tax regime, Banking product and services.

INTRODUCTION

Goods and Services Tax (GST) regime was introduce in India on 1st July 2017, and since then every sector and industry saw its effect in varying proportions. The GST impact on the banking sector is high. The GST functioning of banks is affected the most. The introduction of GST in India is a substantial shift from the current tax regime. It is expected that a major impact on GST than the manufacturing or trading sector. The services provided by Banks and NBFCs, fee-based and insurance services, financial services such as fund based. India has chosen Canadian model of dual-GST. GST to be collected by central government and state government. GST collected by central government then revenue to be shared by state and central government based on destination of goods. The GST impact on Banking Sector

(Corporate Taxation) 06-12-2017. The application of GST, the tax has been increased to 18%, which was earlier 15% with service tax.

CHANGES AFTER GST ON BANKING SECTOR

1. **Decrease of falling of charges**: There was countless expenses like administrations charge, customs obligation, esteem included duty and so forth forced on merchandise and enterprises exchanged our economy. After the presentation of GST, there the falling or covering of charges in various areas of the items from generation to utilization has decreased. The assessment for the great and administrations is paid similarly to the state and the focal government. in straightforward words, it is numerous assessments to a solitary incorporated duty.

2. **A general decrease in value**: The costs of the products are relied upon to lessen later on because of the uniform expense forced on various merchandise and enterprises. the expense on every great and administrations are appointed or demanded by the diverse class where the merchandise lies.

3. **Self-controlled duty:** GST encourages the clients or the citizens to have a simple consistence and make their installment easy. GST has presented the idea of "Auto Notified", "Befuddle Mechanism" so as to discover any jumbles in the assessment documenting instrument. The bungle can occur from the side of the beneficiary and in such cases, the beneficiary himself can cause a revision or the provider to can commit errors like he/she didn't transfer or pay charge on the receipt which he/she was given. In these two cases, the beneficiary or provider of the merchandise can do rectifications in the expense documenting.

4. **Non-Intrusive electronic assessment framework**: GST has been presented as a non-meddlesome duty framework as it is circumscribed expense framework and diminishes the dark cash exchange and the free progression of merchandise and ventures.

5. **Streamlined duty system:** The assessment framework is increasingly disentangled, there is no falling impact as each degree of the exchange the expense has been set off.

6. **Consistency of assessment framework**: There is uniform expense rates for different items in the market as the duty charged on different items are 0%, 5%, 12%, 18%, and 28% relying upon the worth and of the classification of the item.

OBJECTIVES.

1. To study impact of goods and service tax on indian banking sector.
2. To know the issues faced by the banking sector after the implementation of GST

METHODOLOGY

The research paper is an attempt of research, based on the secondary data sourced from journals, Internet, articles, previous research paper which focused on the various aspects of goods and service activities. According to the objectives of the study, the design is descriptive type. The accessible secondary data is used only for study.

IMPACT OF GST ON BANKING SECTOR:-

1. Under GST, banks are expected to obtain individually separate registrations for every branch set up across the country. The mainly pushing the banking employees from their comfort zones as there was single centralized registration concept for all the banks till now. The problem becomes more complex being directly proportional to the enormous number of banks and their respective branches that exist in India.
2. The advent of GST, the internal, as well as the external monetary transactions between two separate banks, is no longer free. Now this is comes with a small amount we are expected to pay at the time of a financial transaction.
3. Two types of taxes – Central GST controlled by the central government and the State GST which is controlled by the state itself. The banking sector are changed in terms of the service they provide to their customers.
4. Previously input tax credit was not allowed according to the CENVAT protocols. But with GST in its full charge, this input tax credit is granted to the banks, reducing the tax evasion during an external supply of funds.
5. In the course of GST, we now have the access for ensuring smooth business across India and its neighbouring countries. With such exponential growth in business, a sudden increase in the demands of funds led to the growth in the number of transactions benefiting the banks. This lead to the overall advantage for the baking sector.
6. A bank provides a diversity of services to its customers: debit card, credit card, net banking etc. With the new rules and regulation for banking under GST, the IT department demanded the up gradation of every system, along with the ATM machines and transaction systems.

BENEFITS OF GST ON BANKING SECTOR

- Under GST, tax evasion will be difficult. The ease of doing business is given a push through GST. The increase in demand for funds required for business will help banks grow.

- Banks will be able to set off their GST liabilities against credit received on purchase of goods.
- Goods and services used for provision of output services on which excise duty is paid, can be partially reimbursed to the banks.
- Elimination of inter-state taxes will decrease paperwork and procedural compliance to a great extent.
- Creation of single market under one tax procedure will result in better and efficient outcomes.

CONCLUSION:-

The issues faced by the banking sector a highlighted in this paper in order to understand how challenging the implementation of GST in the banking sector. The banks have to register in each state they operate in. All the services are provided with the same tax rate of 18% except deposits which is exempted from tax and services like ATM withdrawals, input tax credit, cheque, loans, investments have a negative impact after the implementation of GST which made all these services very expensive to the customer, but it generates a large amount to the Indian banking sector

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