

IMPACT OF GST ON KEY INDUSTRIES



After one of the biggest tax reforms of the nation and all the hullabaloo as to its long term and short term results, the anxiousness of such a change is palpable in the country throughout, let's have a peek into the **various sectors on the implementation of the new tax laws.**

- **Agriculture:**
 A comforting sigh for this one, the agriculture sector has been relieved from undertaking GST compliances and all the primary agriculture products (unprocessed) which were not chargeable in earlier VAT Laws are not being charged to tax in GST as well.
 The chief effect that GST in agriculture would cause is the inflation with 4% VAT being raised to 8% on various food articles comprising cereals and grains as the exception under VAT is limited to unprocessed food.
- **Automobile:**
 The two taxes charged to the end consumer on car and bikes were excise and VAT, with an average combined rate of 26.50 to 44% which is higher than the anticipated rates of 18 and 28% in GST. Hence, there will be less load of tax on the consumer in GST. Cess has been levied on various kind of automobiles ranging from 1 to 15%.

- **Banking and Finance:**

Majorly all the financial services have been taxed at a higher rate of 18% GST in comparison to the previous 15%. Amongst the various banking services which are attracting a higher rate of tax are debit cards, fund transfers, home loans, rents for locker, on issue of cheques books/drafts/duplicate passbooks, on collecting bills, and collection of outstation cheques, cash handling charges and SMS alerts.

- **FMCG:**

The rates for various FMCG segments have mostly been along expected lines. Items of day to day utility, such as —toothpaste, soaps, hair oil—have been put under the 18% tax slab, significantly lower than the 22-24% tax rate they have been paying. This has been decided in regard with the government's stand of maintaining low tax rates for mass consumption goods.

- **Health Sector and Pharmaceuticals:**

Under the proposed tax regime the Healthcare Sector remains exempted. As of now, medicines that treat ailments like malaria, HIV-AIDS, tuberculosis, and diabetes, had been relieved from excise and customs duties, and only a few states charged 5% tax on them. Whereas GST has now located them mandatorily under the 5% rate slab, while categorizing formulations into the 12 percent slab (up from nine percent) and 18% for APIs.

- **Jewellery and Gems:**

The Goods and Service Tax Council has been generous enough to charge a distinct 3 per cent GST to gems and jewellery segment. Whereas the making charges under the new tax law will be subject to 18 per cent GST. Seeming an undesired result for many.

- **Real estate:**

The advantages of financing in under-construction properties will be greater than the advantages of investing in entirely built homes under the new Goods and Services Tax (GST) regime. The real GST rate on under-construction properties is 18%. Though, the operative tax on such properties would be 12 per cent as in the new system developers will be allowed input tax credits.

- **Textile Industry:**

The council has levied a 5% GST rate on cotton fiber, yarn and fabric in comparison to the previous 'nil' status. Man-made or synthetic fiber yarn will draw 18% GST. Where all apparels now attract 12% GST, apparels below worth Rs.1,000 would levy 5 per cent GST.

- **Telecommunication:**

Telecommunication industry already experiences a number of levied taxes , as decided under the GST regime telecom services will now attract tax rate of 18 per cent, three percentage points higher than the current 15 per cent services tax.

- **Tourism and Hospitality:**

Under the GST rates the Five star hotels are being charged a 28% tax rate, while AC restaurants and those with liquor license are taxed an 18% rate. Hotels and guesthouses pricing a day's cost of Rs1,000 are exempted from GST. Rate for hotels with tariff of Rs1,000 to 2,000 per day are to be 12% while those with cost of Rs2,500 to Rs5,000 are taxed at 18%.

GST for hotels with tariff above Rs5, 000 is to be 28%.

- **White Goods Industry:**

In accordance with the suggested GST slab, all home appliances and consumer durables are to attract a 28% tax, which varied for different earlier. For products like TV, AC, Refrigerator and Washing Machine the cumulative tax (excise and value-added tax) was around 23-28% depending from state to state.

Moving a step ahead towards a positive change, it is expected that these tax reforms will be a great contributor to the economic growth of India, a higher GDP and uniform system of Taxation. A minimal short term adjustments in front of a long term breakthrough, should be readily accepted and confirmed by these industries and consumers.