

# Impact of GST on Service Sectors

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**Abstract:** GST abbreviation for "Goods and Services Tax", and is an inclusive indirect tax imposed on the production and consumption of goods and services at the national wide replacing the taxes levied by the state and central governments of India. Globally it was introduced in the year 1954 in France. Across the world more than 150 countries have adopted it. It is one of biggest tax reform. With GST implementation, Indian market will be unified and will lower the business cost in long run. Along with reduced cost it will also help in seamless movement of goods and services across states. The present paper tries understanding impact of GST on different sectors of economy.

**Key words:** Goods and Service Tax, Impact, service Sector, reform

## I. INTRODUCTION

GST is an inclusive tax levied on manufactures, sales and consumption of goods and services at a nation level. "GST is a tax reform in India that has a broad base that initiates the applicability of a proficient and synchronized tax system. GST is concept that has been acknowledged worldwide and more than 140 countries have accepted the same. General rate of GST ranges between 15%- 20% in most of the economies.

## II. REVIEW OF LITERATURE

**Anand Nayyar and Inderpal Singh, July 17, 2017 - A Comprehensive Analysis of Goods and Services Tax (GST) in India**

They analysed that The Goods and Services Tax (GST), implemented on July 1, 2017, is regarded as a major taxation reform till date implemented in India since independence in 1947. GST was planned to be implemented in April 2010, but was postponed due to political issues and conflicting interest of stakeholders. They said that primary objective behind development of GST is to subsume all sorts of indirect taxes in India like Central Excise Tax, VAT/Sales Tax, Service tax, etc. and implement one taxation system in India. The GST based taxation system brings more transparency in taxation system and increases GDP rate from 1% to 2% and reduces tax theft and corruption in country. The paper highlighted the background of the taxation system, the GST concept along with significant working, comparison of Indian GST taxation system rates with other world economies, and also presented in-depth coverage regarding advantages to various sectors of the Indian economy after levying GST and outlined some challenges of GST implementation.

**T. Priyadharshini, A Study on Impact of GST on Healthcare and Pharma Sector in India, 2017.**

It is summarised that The GST regime is expected to bring a great boost to the pharmaceutical industry by making the supply chain management efficient and reducing the cost of manufacturing pharmaceutical products. The reduction in the costs will get added to the profit margins which is a good thing for manufacturers. Since the bill has gone through several rounds of discussions and it was under consideration for more than two years, it is quite obvious that it has come out as the foolproof bill. The government is determined to make it a success by taking all the necessary means. Now the constitutional hurdles are the matter of the past, now corporate world is gearing for understanding the possible impacts of GST on the business.

**Ms. R. Lavanya Kumari: Impact of goods and service tax (GST) on Indian economy :2017 states that** GST means 'Great Step towards Transformation', 'Great Step towards Transparency' in India and it is also true that someone gives 'birth' while someone else 'nurtures it'. It has been long pending problem to streamline all the specific types of oblique taxes and put into effect a "single taxation" system. This machine is referred to as GST (GST is the abbreviated form of goods & services Tax). The principle expectation from this system is to abolish all indirect taxes and only GST would be levied. Because the name indicates, the GST could be levied each on items and offerings. GST is a tax that needs to pay on supply of products & offerings.

## III. OBJECTIVES OF THE STUDY

1. To have a brief understanding on GST
2. To compare indirect tax rates with present GST rates
3. To analyse the impact of GST in hotel sector

## IV. METHODOLOGY OF THE STUDY

The paper attempts at descriptive analysis taking data from the secondary sources like journal articles, reports and the internet. Extensive use of secondary data for analysis and interpretation of research outcomes are done in the study.

### 1. Samples:

Under service sectors the TOURISM AND HOSPITALITY industry is taken into consideration in this research.

## V. INTRODUCTION TO TOURISM AND HOSPITALITY INDUSTRY

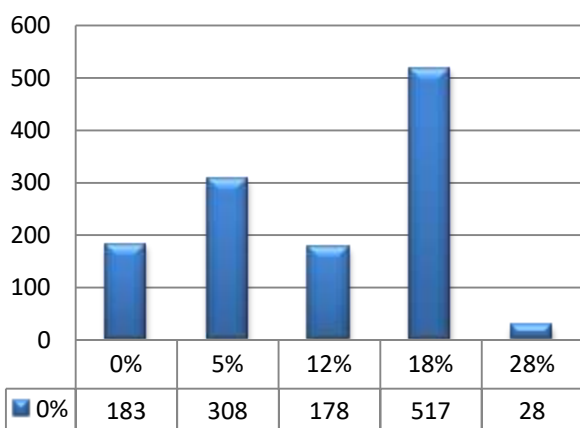
India is a large market for travel and tourism. It offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural and religious tourism. India has been recognized as a destination for spiritual tourism for domestic and international tourists.

Total contribution by travel and tourism sector to India's GDP is expected to increase from Rs 15.24 trillion (US\$ 234.03 billion) in 2017 to Rs 32.05 trillion (US\$ 492.21 billion) in 2028. India was ranked 7th among 184 countries in terms of travel & tourism's total contribution to GDP in 2017. Travel and tourism is the third largest foreign exchange earner for India. During 2018, FEEs from tourism increased 4.70 per cent year-on-year to US\$ 28.59 billion. Foreign Tourist Arrivals (FTAs) increased 5.20 per cent year-on-year to 10.56 million in the same period. Foreign tourist arrivals for medical purpose increased from 427,014 in 2016 to 495,056 in 2017(P). During 2018, arrivals through e-tourist visa increased 39.60 per cent year-on-year to 2.37 million

### VI. GST TAX RATES IN INDIA

GST % in India	Total products and services comes under GST
0%	183
5%	308
12%	178
18%	517
28%	28
Total number of goods and services	1213

### GST STRUCTURE IN INDIA



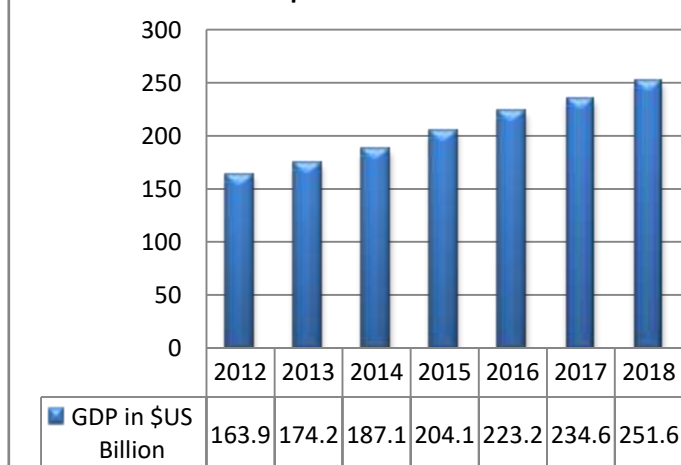
## VII. INDIRECT VS GST RATES FOR HOTEL SECTORS

Basic room	Before GST	After GST	Differences
Room Tariff	2700	2700	
Luxury charge on stay 10%	270	---	
Service tax 9%	243	---	
<b>GST 18%</b>	-----	<b>486</b>	
<b>TOTAL</b>	<b>3213</b>	<b>3186</b>	<b>Rs 27 less</b>
Room with complimentary breakfast	Before GST	After GST	
Room Tariff	2200	2200	
Complimentary Breakfast	500	500	
Luxury charge on stay 10%	220		
Service tax 9%	198		
VAT 14.5% on food	73		
<b>GST 18%</b>		<b>486</b>	
<b>TOTAL</b>	<b>3191</b>	<b>3186</b>	<b>Rs 5 less</b>
Luxury With Complimentary Breakfast			
Room Tariff	8000	8000	
Complimentary Breakfast	2500	2500	
Luxury charge on stay 10%	800		
Service tax 9%	720		
VAT 14.5% on food	363		
<b>GST 28%</b>		<b>2940</b>	
	<b>12383</b>	<b>13440</b>	<b>1057 more</b>

## TOURISM AND HOSPITALITY SECTOR GROWTH IN INDIA (SOURCE: IBEF.ORG)

It is observed here that GST rate for luxury hotels and its services are high compared to basic facilities. GST has created many opportunities in hotel sectors by reducing GST rates. The result of reducing tax burden in Hotel sector leads to 8.3% growth in the hotel sector in 2018-2019(source: cleartax)

### GDP in \$ US Billion



### VIII. CONCLUSION

GST is going to be an efficient and harmonized destination-based tax system and will remove the problems faced by the sector leading to cost optimization and a free flow of transactions. GST is a glimmer of hope for the Hotel and Tourism Industry if we can keep the GST rate between 10 to 15%. GST might herald with its uniformity of tax rates, a better utilization of input credit which in turn benefits the end user in terms of affordability

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