CHAPTER 1
A STUDY OF THE IMPACT OF THE GOODS AND SERVICE TAX ON THE RAJASTHAN HOTEL INDUSTRY

1.1 INTRODUCTION:

On September 8, 2016, the President of India approved the Constitution Amendment Bill for Goods and Services Tax (GST), which had previously passed the Indian parliament and been accepted by more than half of the state legislatures. By July 2017, GST will have taken the place of all federal and state indirect taxes on goods and services. The implementation of GST will have far-reaching consequences for India's economic structure.

India has long been an exception in a world where more than 140 countries have adopted some kind of GST. GST, or goods and services tax, is a value-added tax that is imposed at every stage of the supply chain. Taxes paid on the inputs used to make the supply are credited. It would apply to both commodities and services in a broad sense, with few exceptions.

In accordance with India's federal structure, the central government (CGST) and the state governments would levy the GST simultaneously (SGST). For specific states, it is anticipated that CGST and SGST bases and other core design elements will be comparable. Interstate purchases made within India are subject to an integrated GST (IGST), which is the result of adding the CGST and SGST of the destination state.

The following are the key aspects of the GST system that have been proposed:

1. The Central government will continue to have the authority to establish laws regulating goods purchased during interstate trade or commerce. GST will be allowed to be applied by states to all intrastate purchases, including services.

2. The power to create laws affecting goods purchased during interstate trade or commerce will remain with the Central government. On intrastate transactions, including services, states would be entitled to impose a GST.

3. The central government would impose an IGST on products and services supplied between states.

4. Basic customs duty and IGST will apply to items imported.

5. GST is referred to as a tax on the provision of goods and services (except alcoholic beverages for human consumption).

6. “GST will incorporate state-level taxes like VAT or sales tax, central sales tax, entertainment tax, entry tax, purchase tax, luxury tax, and octroi as well as central taxes like central excise duty, additional excise duty, service tax, additional customs duty, and special additional duty.”[1]

7. There would be a clause put in place to do away with the octroi or entry fee that is applied across all of India.

8. State-imposed entertainment taxes on movies, theatres, and other forms of entertainment will be absorbed into GST, but taxes on entertainment at the panchayat, municipality, or district level will persist.

9. Stamp duties, which are normally charged by states on legal agreements, will continue to be applied.

1.2 THE KEY BENEFITS ASSOCIATED WITH GST ARE:

1. Provides a larger tax base, which is required to reduce tax rates and eliminate classification conflicts.

2. Get rid of several taxes and their cascading effects.

3. The tax structure is rationalised, and compliance procedures are simplified.

4. Reduces errors and improves productivity by automating compliance procedures.

GST will be calculated using the destination concept. Exports would be exempt from taxation, while imports would be taxed in the same manner as domestic goods and services.

The tax proceeds will be distributed to the states of origin. The GST Council has suggested that this tax be levied for the first two years or for a longer period of time. The GST tax base is expected to be broad, as almost all goods and services will be taxable, with only minor exceptions. The GST system would replace the current tax system with a more modern one that ensures efficient and effective tax administration. It will increase transparency and strengthen oversight, making tax evasion more difficult.

While the GST implementation process unfolds in the coming months, businesses must understand the implications and opportunities presented by this reform. GST will affect all industries, regardless of sector. It will affect every aspect of the value chain, including sourcing, manufacturing, distribution, warehousing, sales, and pricing.

1.3 SIGNIFICANCE OF RESEARCH:

1.3.1 Governments:

The hotel business contributes significantly to the improvement of a country's national income. GST will have a beneficial and bad impact on the hotel industry. The government should charge an accurate GST rate on services and food offered by hotels; otherwise, it may have a negative influence on the country's national income, GDP, employment, and per capita income.

GST will simplify India's tax structure, broaden the revenue base, and establish a shared market among states. “This will increase compliance and raise India's tax-to-GDP ratio. GST is predicted to boost economic growth by 0.9 to 1.7 percent, according to a report by the National Council of Applied Economic Research. Exports are predicted to rise by 3.2 to 6.3 percent, while imports are expected to rise by 2.4 to 4.7 percent. As a result, it is vital to investigate how it may affect the hotel industry.”[2]

1.3.2 Hotels

GST is a single indirect tax on consumers' food and lodging expenditures in hotels. It will have an impact on income, food sales, services, and hotel room rates. As a result, a study of the hotel industry's influence is unavoidable.

1.3.3 Customers

Because GST is a single indirect tax levied on consumer bills, it aids in the growth of the hotel industry's customer base. As a result, research is important.

1.4 GST INTRODUCTION

To construct civil laws in a country, governments require finances. They require income in order to sustain and encourage development in the state for the benefit of the general population and economic progress. Taxation is their principal source of funding, income, and revenue.

The federal government, state governments, and local governments make up India's hierarchical government structure, which is democratic and republican. The central government and the state work together to meet the country's development needs, boost economic growth, and so on, using taxation as their primary source of revenue.

A tax is not a voluntary donation; rather, it is a mandatory contribution. The funds raised are used for the benefit of all people and are not credited or assigned to any one person.

1.5 HISTORY OF TAX

Tax is a Latin term that means “to estimate” or “to tax.”

It was first used in ancient Egypt when the monarch would take a tour throughout the old realm every now and again to collect revenue for his dynasty.

The government takes taxes from taxpayers' earnings. Lawmakers strive to create a tax system that is both competitive and efficient in order to raise cash.

In India, before civilisation, the economy was controlled by the early tax system. It completely changed in favour of the British Empire during the British Empire. Old procedures were replaced by modern and scientific approaches.

The tax collection system is divided into two categories: indirect taxes and direct taxes.

The Indian Constitution divides revenue-generating powers among the three levels of government. They are the only ones who can manage, levy, and alter taxes.

1.5.1 Tax Collection Bodies*:*

In India, the three powers dedicated to fetching **taxes** are: -

- **The Central Government:**

The Central Government of India levies taxes such as customs duty and income tax.

- **The State Governments:**
- **“The taxation system in India empowers the state governments to levy income tax on agricultural income, professional tax, value added tax (VAT), state excise duty, land revenue and stamp duty.”**[3]
- **Local Bodies:**

“The local bodies are allowed to collect property tax and other taxes on various services like drainage and water supply.”3

1.5.2 Other Government Bodies:

For harmonised and efficient working, the government has established three bodies renowned as the revenue bodies.

- **CBDT (The Central Board of Direct Taxes).**

This department is overseen by the Ministry of Finance. It assists the Income Tax Department in handling the country's direct tax. It also organises everything related to income tax in India.

- **CBEC (The Central Board of Excise and Customs).**

CBEC has the authority to formulate policies in the areas of excise duty and customs duty.

- **CBIC (Central Board of Indirect Taxes & Customs)**

“Under the GST regime, the CBEC has been renamed as the Central Board of Indirect Taxes & Customs (CBIC) post legislative approval. The CBIC would supervise the work of all its field formations and directorates and assist the government in policy making in relation to GST, continuing central excise levy and customs functions.”3

1.6 ADVANTAGES OF THE TAX SYSTEM*:*

Everyone must pay tariffs since they provide the government with resources for improved administration and, as a result, economic success.

It encourages people to pool their funds and invest in order to make their earnings tax-free.

As a result, it encourages both savings and investment.

Paying taxes on time increases a person's creditworthiness and demonstrates their discipline, allowing them to obtain simple bank loans. To create confidence and faith among taxpayers, banks examine their discipline and review filing paperwork from previous years.

1.7 CATEGORY OF TAXES

Based on the point of taxing, i.e. incidence and influence on the economy, the tax system is divided into the following categories.

- **Direct Tax**

Direct tax is a type of tax paid directly to the government by an individual or a business. The tax incidence and impact both fall on the same organisation or persons in this case. It simply states that the assessee cannot shift his tax burden to another individual. In India, it is called Income Tax.

- **Indirect Tax**

Indirect tax is a tax levied on goods sold and services supplied. Customers bear the burden, which is collected and paid by the vendor, service provider, or manufacturer. Indirect tax is defined as a tax that is imposed on the consumer. These taxes are included in the price of the products or services sold or delivered, and the customer is responsible for paying them because he is the one who buys the commodity. VAT, GST, Customs charges, and so forth.

It is a tax that is collected by a company or individual but is borne by someone else. The individual who is responsible for collecting tax is responsible for remitting it to the government.

- **Regressive Nature of an Indirect Tax**

The main objective of indirect taxes is for the government to produce income. Taxpayers are assessed these fees regardless of their income.

As a result, they are regressive since persons with lower incomes pay the same amount of tax as those with higher incomes. Some also contend that taxes only harm particular businesses while leaving others out. It causes market disruption by deviating from the equilibrium price.

1.8 INDIRECT TAX STRUCTURE OF INDIA

In India, indirect taxes are levied on the production, sale, export, import, and provision of services. These laws are enacted by the government through bare-acts orders, circulars, and notifications.

1.8.1 Characteristics of Indirect Tax

The main features of indirect taxes are:

- **Liability of tax:**

The merchant or service provider is responsible for paying the tax, which is passed on to the client indirectly.

- **Payment of tax:**

The customer is responsible for paying indirect taxes to the government, which are collected from the vendor of products.

- **Nature of tax:**

After GST, Indirect taxes are progressive in nature. Earlier, their basic characteristic was regressive.

- **Saving and investment:**

GST is designed to foster growth by forcing consumers to pool their resources and invest.

- **Evasion:**

Because it is imposed directly on products sold and services done, there are no loopholes for tax evaders to exploit.

1.8.2 Advantages of Indirect Tax

The major benefits of indirect taxes are:-

- **Convenience:**

They save time and effort since they are simple to gather. It is also more convenient for state governments to collect taxes directly from retailers and companies.

- **Collection from the poor:**

Direct tax is not paid by persons whose income falls below the exemption level; however, indirect tax is collected from all individuals regardless of their income because it is collected at the point of sale. It means that their contribution to economic progress is nothing.

- **Equitable contributions:**

These taxes assure equal contributions since they are linked to the price of goods sold and services supplied.

1.8.3 Disadvantages of Indirect Tax

The major drawbacks of Indirect Tax are:

- Indirect taxes are cumulative in nature. Because each intermediary will levy their own service tax, costs are likely to rise.
- The nature of indirect tax is regressive, which means that penalties for noncompliance will be the same for affluent and poor alike.
- Indirect taxes are neutral for industrial goods because taxes on raw materials raise the cost of manufacturing, preventing industries from competing freely.

1.8.4 Different Class of Indirect Tax[4]

Various kinds of indirect tax in India before GST were: -

- **Service tax:**

This tax is levied by the service provider in place of payment for his services. The tax collected by the taxpayer is subsequently deposited with the Indian government.

➢ **Excise duty:**

"Excise duty is a tax that is imposed on produced goods in India by any corporation. The manufacturing firm is responsible for paying the tax to the government and then collecting the tariff from customers."[5]

➢ **Value Added Tax:**

This tax is imposed on transportable commodities and items sold directly to customers.

➢ **Custom Duty:**

This tax is imposed on goods that are exported from India and imported into India.

➢ **Entertainment Tax:**

This tax is imposed by the state government on transactions involving entertainment. For example, movie tickets, amusement parks, and sporting activities.

➢ **Octroi Tax**

When things move from one location to another, they are subject to this tax, which is set by the state government.

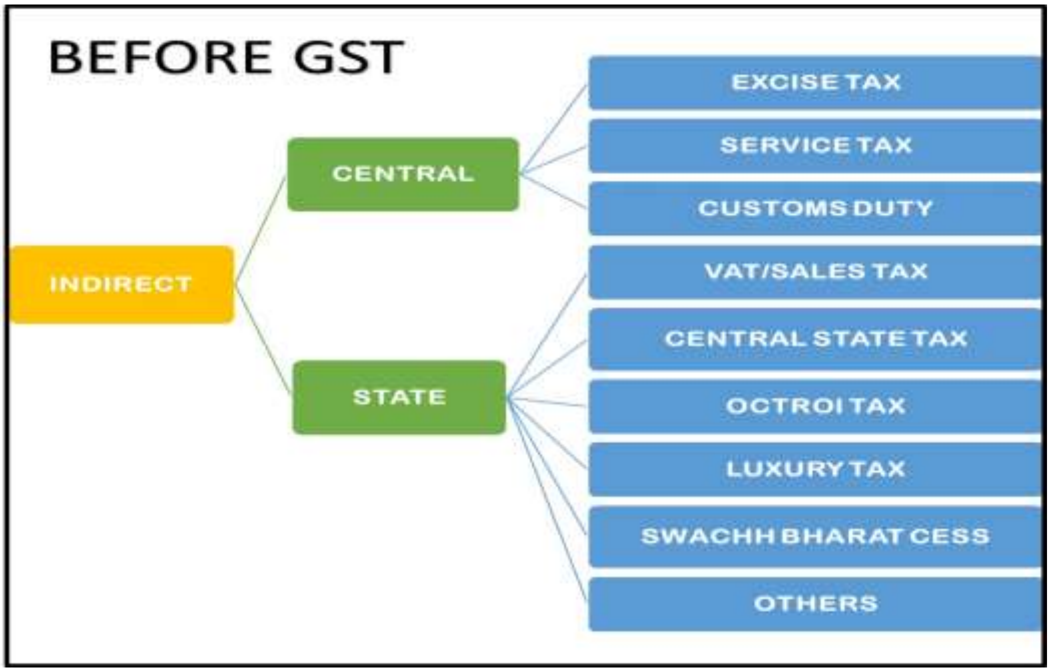

Figure 1.1 Tax System before GST

1.9 TAXATION POWERS UNDER THE INDIAN CONSTITUTION

The Indian constitution is paramount, and legal forces are bound by its provisions. It states that authorities can only collect taxes and create money if they are given legal authority.

Our country's federal constitution refers to India as a union of states. The Union and the States have equal power. The central government has rights and powers over the entire country, whereas states have rights over their own territories.

The three-tier structure of India includes:

(a) The Central Government of India

(b) The State government or Union territory government

(c) The local government of INDIA

The right to levy tax is divided among three, i.e., union, state, and local, as laid down by the Indian Constitution.

1.10 DRAWBACKS OF THE INDIAN INDIRECT TAX SYSTEM DURING THE PRE-GST ERA

The government levies many indirect taxes on Indian citizens, such as excise duty, VAT, and so on. The Indian tax structure was complicated before VAT and CENVAT were implemented. The tariff imposed in one location was likewise imposed in another, resulting in each article being taxed twice. Many tax reforms have been implemented since then, including VAT, CENVAT, and service tax. GST was then implemented to address the economic issues.

The primary and serious problems of indirect tax are

1. CENVAT or excise charge does not allow for a smooth and efficient transfer of tax credits; hence, it has been replaced with VAT in many jurisdictions.

2. The division of tax collection powers between the centre and the states is not neutral since the state has sole jurisdiction to tax the state's purposes and affairs, yet the central authority dominates in the case of service tax. In addition, state government regulations control employment.

3. Lawmakers neglect intangible assets such as trademarks, copyrights, goodwill, patents, and software. It made categorisation and collecting more difficult and time-consuming.

4. The central government has sole authority to tax the service industry. State governments, on the other hand, do not have the authority to collect taxes from taxpayers' services.

5. Interstate sales of products are not eligible for offsets or tax credits.

6. Adopting improvements for improved control requires updated technology and equipped staff, which takes a long time and is not possible.

7. Confusion and tax evasion stemmed from inconsistencies and a lack of synchronisation in filing tax returns.

8. The intricacies of the Indian tax system resulted in inflation and high pricing since the same commodity was taxed differently.

India's overall GDP is substantially smaller than that of the United States, Japan, China, France, and other countries, resulting in a desire to overhaul the whole tax structure by adopting GST in India.

1.11 GST

In India, the GST was implemented on July 1, 2017. It overhauled the government's whole indirect tax structure. It included India's different indirect taxes. It has eliminated the tax cascade effect, and customers are no longer required to pay for every value addition.

It is “a tax on products and services that creates value at every stage, with a thorough and continuous chain of benefits from service providers to retailer level, with only end customers bearing the tax.” The goods and services tax (GST) is a destination-based consumption tax that combines many taxes such as excise, octroi, VAT, and service tax. It is based on the transaction value, which includes all costs that are directly related to the sale. The fact that goods and services are taxed only once before buyers may utilise them is a key feature of GST. As a result of the reformation, corporations and small businesses now have equal rights.

1.11.1 The Three Components of GST are:

- **CGST-**

  "It stands for **Central Goods and Services Act**. It is collected by the central government on intrastate supply of goods or services."[6]

- **SGST-**

  "It stands for **State Goods and Services Tax**. It is collected by the state government on an intrastate supply of goods or services."6

- **IGST-**

  "It stands for **Integrated Goods and Services Tax**. It is collected by the central government for inter-state sale of goods or services."6

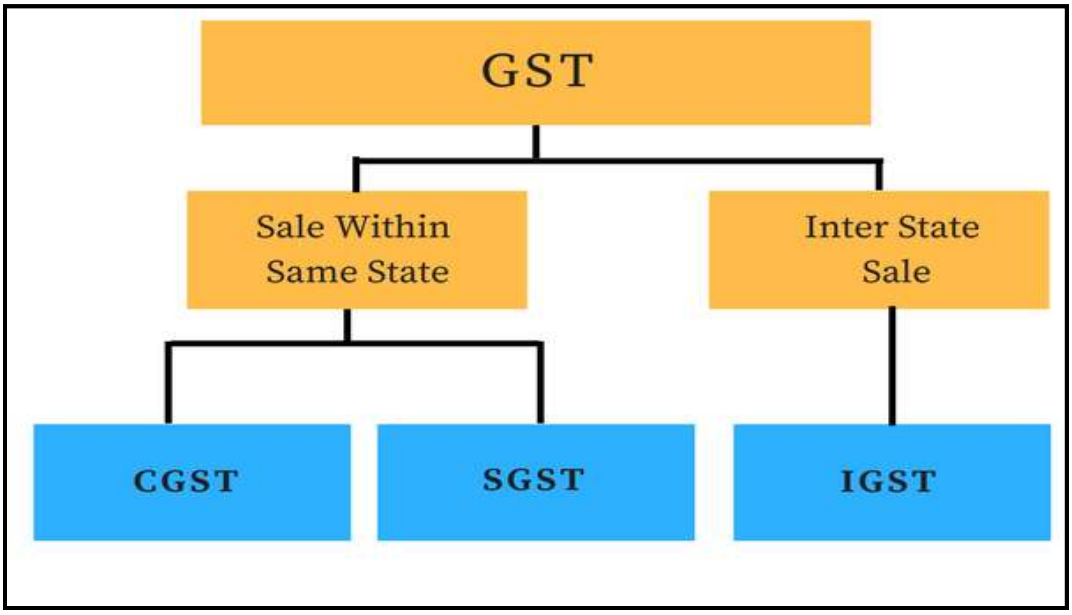

Figure 1.2 GST Structure

1.11.2 Basic Scheme of the GST

The main features of GST are as follows –

1. On the delivery of goods sold and services performed, two rates will apply in the Indian economy: SGST and CGST.
2. CGST is the tax paid to the federal government, whereas SGST and UTGST are the taxes paid to the states and union territories, respectively.
3. In the event of foreign delivery, IGST is paid to the government.
4. Importers must pay the education cess and the SHEC on imported items.
5. The notion of tax credits on inputs, intermediate consumption, and capital goods was introduced to minimise double taxation and tax-cascading consequences.
6. In the case of CGST and SGST / UTGST, the tentative rates for goods and services are NIL, 0.25 percent, 3 percent, 5 percent, 12 percent, 18 percent, and 28 percent. IGST is taxed at the same rate.
7. The GST Council was established under the Act to develop rules, regulations, and recommendations.

Figure 1.3 Salient Features of GST

1.11.3 Importance of the Goods and Service Tax System – Trade, Government, and Consumers

The positive aspect of GST is that it improves interaction and communication between systems and reduces the risk of double taxation. Here, the government will be able to collect tariffs early.

1. **Trade:**

GST will harmonise trade and will promote development in the sector in the following ways:

- It will decrease multiple taxes,
- It will neutralise taxes for export goods,
- It will develop one common economic market,
- It will simplify tax rates

2. **Governments:**

- GST has made everything transparent for the government in the following ways:
- One standard tax will make everything easy and simple.
- It will broaden the tax system.
- Continuous changes in the method of collecting tariffs.

3. **The customers:**

The GST ensures the following things for consumers:

- It will reduce the price of products sold and services rendered,
- It will increase the buying potential of consumers,
- It will increase the savings of the common man.
- Also, investment should be increased with increased savings.

1.12 GST COUNCIL:

To implement GST, the Council was introduced by the President and consists of the following members:

- The state minister,
- The central Finance Minister,
- The minister appointed by each state government or minister of taxation.

The GST Council was set to perform the following tasks:

1. GST to merge with central and state taxes and surcharges
2. To differentiate exempted goods from taxable goods.
3. To levy IGST on Interstate Commerce and distribution.
4. To decide the threshold limit for GST registration.
5. To set minimum prices in the GST scheme.
6. To set prices in the event of disaster.

1.13 POSITIVE ASPECTS OF IMPLEMENTING GST IN INDIA

1.13.1 Advantages for Citizens are:

- It will simplify everything.
- It will reduce the prices of goods and services
- It will improve transparency in the system
- It will increase employment opportunities for citizens.

1.13.2 Benefits For Trade, Commerce and Industry are:

- It will reduce diversity in taxes.
- It will reduce the cascading effects
- It will neutralise taxes mainly for exports
- It will develop a joint national market for goods and services.

1.13.3 Threats in Implementing GST

The emerging threats in implementing GST in India are as follows:

- Layout and Design issues
- Procedural and Operational issues
- Infrastructure and structural issues.

1.13.4 Amendment of Constitution

As the constitution has not granted any powers to the state and centre to levy tariffs on the supply of services rendered and on inter-state transactions of goods, respectively, lawmakers need to amend this power in favour of authorities to generate more revenue. Thus, with the amendment mentioned above in the constitution, GST will be enacted in India.

1.14 BASIC DESIGN ISSUES[7]:

Though lawmakers have designed GST firmly, they have to properly identify, analyse and address special issues like exempted goods, transitional provisions, place of supply, time of supply, etc.

1.14.1 IT Infrastructure

The government need a reliable and efficient system to track interstate transactions and manage large amounts of data. To meet this objective and introduce GST in India, the authority has created a special-purpose vehicle called the GSTN.

1.14.2 Tax Administration

CBEC and state authorities are responsible for enabling GST in India and require smooth tax management to keep track of the mobility of products. An inefficient tax management system will eventually increase the chances of non-compliance and result in a less efficient system.

1.14.3 Revenue Neutral Rate

RNR rates are a matter of debate as states are charging varied rates for VAT @0%,1%,5%,12.5%,13.5%, and 20%, and the central government is charging excise duty, CST and service tax@ 12.5%,2%, and 14% respectively. It is the most difficult task for the committee to decide the rate to be able to preserve revenue at current levels.

1.14.4 Migration of Existing Taxpayers

Last but not least, a challenge for existing indirect taxpayers would be migration, applying for a provisional GST registration, and receiving the final GST upon furnishing additional information. Many taxpayers are unable to meet the prescribed requirements across different states.

1.15 IMPORTANT ISSUES IN GST

The post-GST era has been difficult for both government and taxpayers. Strikes, errors and mismatches in returns made reformation difficult to adapt and implement. This regarded GST as a very complex Taxation system. On July 1st, 2017, India took a major step in its taxation History.

Despite socio-economic, technical and compliance issues, lawmakers and authorities are ready to handle losses and transitional drawbacks in return for giant gains and development.

Below is a list of some important issues that small traders and businesses have continuously faced, such as e-waybills, technical glitches, and much more.

- **Issues for Small traders**

Operational costs for implementing GST in small businesses are too high for them to be able to afford the technology and manpower required to make bills and file tax returns. Also, high GST rates on certain goods, like electronic items, automobiles, etc., force potential customers to purchase from unregistered dealers.

Small artisans and dealers lack the ability to determine the MRP of handcrafted or document their work. Businesses working on a smaller scale face trust issues as they ask for invoices from small traders who are exempted from GST.

- **Issues for E-commerce Companies**

TCS provisions are applied to E-commerce operators like Flipkart, which have to collect TCS from the sellers at the time of payment. Thus, it blocks their working capital and affects their operational costs.

- **Tax Evasion**

The consistent provisions and amendments have given birth to tax evaders. Composition schemes, as well as too many returns, have affected revenue generation. Also, taxpayers face difficulty in matching the initial and final returns that have been filed. GST Council needs to understand discrepancies and take rigorous measures to tackle the menace of tax evasion.

- **Adapting to IT change is Hard.**

Indian economy consists of SMEs and traders. It is difficult for small businesses to introduce changes in IT. They make errors in filing returns. The cost of deploying SRP is an issue for such enterprises.

- **The Confusion**

The government need to take strict measures against tax evaders and firms involved in anti-profiteering activities. Multiplying revenues and generating more tax revenue is the only way to implement a complex system like GST in the Indian demographic.

- **Technical GST Issues for Indian Taxpayers**

"Goods and services tax is going through the burnings and solution-seeking problems of the year-old implemented indirect tax regime. The government in authority needs to take care of the GST return filing issues and forms-related consequences that taxpayers have to face."[8] The burning topics of GST on which the GST council and the finance ministry must work immediately:

i. September Return Due Dates

"It might be wrong to the taxpayers as they cannot claim the ITC before matching the sales invoice as credit of ITC claimed or unclaimed is to be claimed or reversed according to the filing dates, so the dates must be extended." 8

ii. GSTR 2A Availability

"As the annual GSTR 2A can't be downloaded and has to be viewed monthly, this has created difficulties in matching the books and returns." 8

iii. **GSTR 3B Issues**

There is no facility for modifications, and there is a lengthy one-month period for the amendment, making it an interest liability issue.

➢ **Other Issues**

i. The GST tax practitioners are writing letters to the council that have been faced by taxpayers.

ii. **Automobile sector** wants to resolve GST problems for manufacturers of auto parts & cars.

iii. The revenues of the States are plummeting and need an hour to be taken care of. Continuous state tax revenue collection is affected by reduced GST rates. An important consideration on this matter is to be needed.

iv. Tax Practitioners want an immediate solution as businesses are facing difficulties due to these technical issues.

v. **Economists possessing knowledge in the field of law & commerce** want some structural changes to the GST Act. Furthermore, there is a need to revise the GST structure.

Today, GST fails to address taxpayer grievances and solve operational and technical issues. The council should design policies that can reduce the burden of compliance on taxpayers. They should educate businesses, consumers and intermediaries by organising communications campaigns, compulsory education, assistance programs and risk-based audit programs.

1.16 CHALLENGES CA IS FACING UNDER GST[9]

To become a taxpayer under the GST Act, an assessor must register for GST online and file returns electronically. Among regular changes and digitalisation of tax-related work, Chartered Accountants face a variety of obstacles, ranging from using the online GST procedure to maintaining correct books and records. As a result, CAs must devote more time and effort to invoicing facts such as the customer's address, GST Number, HSN Code for items, and SAC Code for services.

CA's administrative duties include e-filing returns based on the company's revenues and turnover. A CA must also manually provide details and insert data into the GST procedure before uploading information to the Government's GST portal.

A CA is required under GST to reconcile data in order to obtain the entire ITC and avoid paying needless taxes. Reconciliation is a laborious and time-consuming task.

1.16.1 Difference Between New and Old Tax Regime

i. Point of taxation

The point of taxation in the case of GST is the supply/delivery value of goods and services. On the other hand, in the case of VAT, was the sales value of goods only.

ii. Regulations and provisions

In the case of GST, the mobility of goods requires only one valid document, i.e., an e-way bill, whereas several forms need to be filled out in the case of VAT, as different states follow different rules and regulations.

Quarterly returns are submitted with an annual return, whereas, in the case of VAT, different documents had to be submitted for each state.

iii. Tax collection

GST benefits both the centre and the state, whereas, in the case of VAT, the state government collects tax and has full access to revenue earned.

iv. Tax regime

GST has suspended all taxes levied at the centre and state. All over the country, only one tax has been levied and collected. There are certain exceptions to this rule. Numerous taxes were charged at the state level and at the centre, making it complicated under the previous tax regime.

1.17 IMPACT OF GST ON VARIOUS INDUSTRIES

1. The implication of GST on the redevelopment of housing society is an argumentative issue.

2. GST on services rendered by restaurants E-commerce operators are liable to pay tax on restaurants via e-commerce operators instead of suppliers.

3. Advocates, firms of advocates, and senior advocates are liable to pay tax at 18%.

4. GST on solar-based devices are defined under the act

5. GST is not levied on sanitary napkins as it is totally exempted from its purview.

6. GST assessment taxes are placed offline for businesses and solutions.

7. GST on YouTube and blogging income are receipts under GST law.

8. Slump sale means transferring the going concern business and is charged to tax as a whole unit.

9. A reverse charge mechanism is applicable to renting motor vehicles under GST by non-body corporates to a body corporate.

10. Carbon credits also fall under the purview of GST and also play a vital role in environmental protection.

11. GST is applicable on liquidated damages, i.e. failure to perform as per a predefined contract.

12. GST on labour contracts is applicable along with exemptions.

13. 18% GST is applicable on mobile phones and has removed the cascading effects.

1.18 SECTOR WISE IMPACT ANALYSIS[10]

1.18.1 Logistics

The logistics sector forms the backbone of our Indian economy. It will organise the logistics sector and will potentially support the government's initiative.

1.18.2 E-commerce

In the case of the E-commerce sector, GST has come up with TCS provisions that will ensure the growth and development of the sector.

1.18.3 Pharma

GST will benefit the Pharma and healthcare industries in many ways. It will simplify and sort everything. Also, it will make healthcare services affordable for everyone.

1.18.4 Tele-communications

The telecom sector will record a cut down in prices after the implementation of GST. Through efficient management of inventory and consolidating warehouses, manufacturers will be able to save additional costs. Manufacturers and dealers do not require state-wise registration and can easily transfer inventory across sites.

1.18.5 Textile

The textile industry is generating more employment in the nation and is contributing more towards exports. This will increase GST revenue as SMEs opt for the cotton textile industry, which previously attracted nil excise duty.

1.18.6 Real Estate

Again, the Real estate sector is creating more employment in the country. The sector will benefit from this reformation in many ways as the system ensures more transparency and responsibility.

1.18.7 Agriculture

GST will improve the transportation problem in the agricultural sector and will contribute more to the nation's overall GDP.

1.18.8 FMCG

Here, GST has eliminated state-wise registration and has increased savings in logistics and distribution costs.

1.18.9 Freelancers

GST has helped freelancers by allowing them to file taxes online easily. It has set up new rules and regulations for them and, in turn, made them more accountable and responsible.

1.18.10 Automobiles

GST has subsumed various taxes applicable to this industry, such as VAT, excise, registration duty, etc.

1.19 IMPACT OF GST ON THE HOTEL INDUSTRY

1.19.1 Pre-GST Rates on Hotel

Multiple taxes, such as VAT, service tax, and luxury tax, were levied.

Service tax	15% (effective rate 9% after abatement of 40% 6% after abatement of 60% 10.5% after abatement of 30% for bundled services
VAT	12% TO 14.5%
LUXURY TAX	Top of above

1.19.2 Post-GST

GST RATES ON HOTELS

1. GST rates of hotels based on tariff from 1/7/2017 TO 30/9/2019

Less than 1000per day	NIL
1000-2499per day	12% with full ITC
2500-/5000	18% with full ITC
>=/5000	28% with full ITC

*Before GST, LUXURY AND SERVICE TAX was at about 19% and has now gone up to 28%.

While GST is a gross tax and there is going to be an input tax credit, the cost for hotel companies goes up by almost 10%

*Too complex and high rates, the hotel industry pleaded to make it either 12% or 18%.

GST rates of hotels based on tariff w.e.f. 1/10/2019

4. Less than 1000	NIL
5. 1001-7500	12% with full ITC
6. 7501 AND ABOVE	18% with full ITC

COMPOSITION SCHEME FOR RESTAURANTS

7. Having turnover less than 1.5 CRS	5%

1.19.3 GST Rates on Restaurants

1. GST RATES ON RESTAURANTS w.e.f.	1/7/2017
○ Restaurants without A.C.	12%
○ Restaurants with A.C.at any time during the year	18%
○ Other than above	18%
2. GST RATES ON RESTAURANTS w.e.f 15/11/2017	
○ All stand-alone restaurants with/without A.C. without ITC	5%
○ Food parcels or takeaways without ITC	5%
○ Restaurants in hotels with tariff<7500/day without ITC	5%
○ Restaurants in hotels with tariff>7500/day with full ITC	18%
○ Outdoor catering with full ITC	18%
3. GST RATES ON RESTAURANTS wef 1/10/2019	
Outdoor catering other than in premises having a tariff >7501/day	5% without ITC
Outdoor catering on premises has a tariffof	18% without ITC

	>7501/day
o	Indian railway catering 5% without ITC
4.	GST will be 18% on commission paid to e-commerce operators Such as Oyo, Swiggy, Zomato, etc.
5.	W.E.F 27/07/2018 GST on hotel room tariff is levied on the value of supply and not declared value
6.	The hotel industry is exempted from REVERSE CHARGE MECHANISM, i.e., tax does not need to be paid.
7.	W.E.F 14/6/2018 services provided to SEZ developer or SEZ unit will be considered as inter-state supply, thus charged with IGST and not CGST and not SGST.
8.	In the case of the hotel industry, the place of supply will be the location of immovable property, and in the case of Restaurant, the place of supply will be where the services are actually performed

1.20 CONCLUSION

Thus, GST has shifted the Indian economy swiftly. Also, the government need to take lessons from other economies that have already enacted GST. All other economic areas of India will be portrayed in terms of GST effects. GST would not only enable a uniform tax rate all over the nation but also improve tax levy and collection and the socio-economic growth of the nation. Undoubtedly, GST will provide a clear and transparent picture of India's tax system.

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