



# INDO JAPAN CONSULTANTS PVT. LTD.

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## GST: One Tax, One India

### What is GST?

GST stands for Goods and Services Tax. It is an indirect tax that will be levied by the government replacing all other indirect taxes such as Excise Duty, Service Tax, VAT, Luxury Tax, Octroi, Entertainment Tax, etc. It is the first major structural tax reform since Independence.

### What will be the impact?

Currently the rate of interest of Indirect Taxes on Goods is 27-32% and on services is around 15%. Although a fixed GST rate has not yet been decided, it is expected to be between 18-22%.

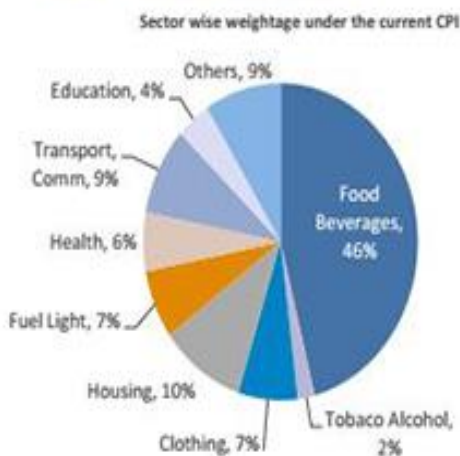
This will lead to an increase in the cost of services and a fall in the prices of goods. Purchasing groceries, small cars, two-wheelers, consumer electronics, etc. will become cheaper whereas air-tickets, mobile phones, eating out, insurance premiums will all face a rise in prices.

### Are there any exemptions from GST?

Yes, the following do not fall under the purview of GST -

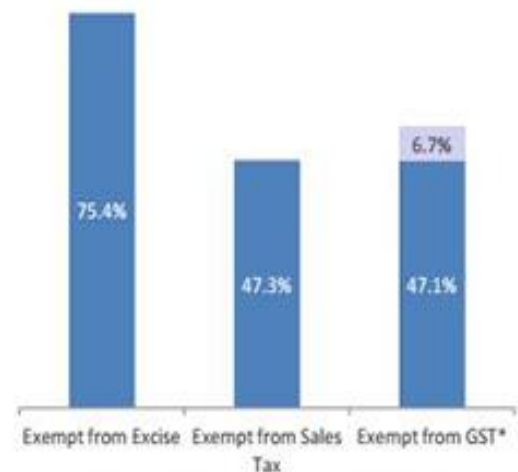
1. Petroleum products
2. Entertainment and amusement tax levied and collected by panchayat /municipality/district council
3. Tax on alcohol/liquor consumption
4. Stamp duty, customs duty
5. Tax on consumption and sale of electricity

Impact of GST on the CPI Basket:



Note: GST will have a significant impact on only 20-25% Items in the CPI basket

Impact of GST on Excise and Sales tax:



Note: Over 50% of goods under the CPI Basket will be exempt from Excise or Sales tax

Source: Edel Invest Research

### What is the Expected Rollout Date?

The bill has been passed by the Upper House of Parliament i.e. Rajya Sabha. The next step is for it to be cleared by the Lower House or Lok Sabha with a 2/3<sup>rd</sup> Majority. After which it must be ratified by at least 15 of the 29 state assemblies and lastly it must get Presidential assent.

The expected rollout date is 1<sup>st</sup> April 2017.

## Sector wise impact of GST-

### Impact On Different Sectors

	Impact of Tax Rate	Inventory Management	Logistics	For Organised Players	Overall Impact
Cement	😊	😊	😊	😊	😊
Consumer Durables	😊	😊	😊	😊	😊
FMCG	😊	😊	😊	😊	😊
Pharmaceuticals	😊	😊	😊	😞	😊
Automobile	😊	😊	😊	😊	😊
Cap Goods	😊	😞	😊	😞	😊
IT/ITES	😊	😞	😊	😞	😊
Media	😞	😞	😞	😞	😞
BFSI	😊	😞	😞	😞	😊
Textile	😞	😊	😊	😊	😞
Building /Home Material	😊	😊	😊	😊	😞
Telecommunications	😞	😞	😞	😞	😞
Metals	😞	😞	😊	😞	😊
Multiplex	😊	😞	😞	😞	😊

😊 Positive      😞 Neutral      😞 Negative

\*\*References –The Economic Times, Business Standard, The Indian Express, Bankbazzar.com, Quora.com.

11<sup>th</sup> August 2016  
 By Anirudh Vasdev,  
 Team New Projects,  
 IJC