A Study of GST and its Impact on Jewelers

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Abstract
Goods and Services Tax (GST) is a comprehensive tax levied on manufacture, sale and consumption of goods and services at a national level. One of the biggest taxation reforms in India the (GST) has been implemented to integrate State economies and boost overall growth. Earlier, companies and businesses paid many indirect taxes such as VAT, service tax, sales tax, entertainment tax, octroi and luxury tax. After GST implementation, there is only one tax, that too at the national level, monitored by the central government. GST is also different in the way it is levied — at the final point of consumption and not at the manufacturing stage**.** This Paper analyzes Earlier Taxation System, identifies the current GST, compares the GST framework and earlier Taxation System and describes its impact on jewelers. However, the researcher also observed earlier studies.

Keywords: *Tax, Indirect tax, Goods and Services tax (GST).*

Introduction

Tax system is an important part of any country's economic development. Taxation system is one of the major contributors to the revenue of any country. In India earlier we follow different tax types eg. VAT, Excise, Central Sales Tax etc…. which is a very complicated and confusing for a layman or less educated person. To make the tax system more effective and efficient GST was introduced by Indian government. Indian parliament passed the GST bill and made effective from 1St July 2017. The main aim of GST was to raise sufficient revenue by enforcing the tax law in efficient, effective and equitable manner. Good tax system should keep in view the issues of income distribution and focus on strategies to generate tax revenues to support government expenditures on public services and infrastructural development.

Introduction to Goods and Services Tax

GST was in process from a long time and finally implemented in India in 2017.The spread of Goods and Services Tax system of Indirect taxes across the world is showing an increasing trend more than 160 countries, India is the recent country to implement effective from 1st July 2017. GST is for Goods and Service Tax; the various divisions of industry which comes under GST are manufacturing, sales and consumption of goods and service at a national level. GST means value addition at each stage and continuous chain of set of benefits from producer's point up to the retailer level where only final consumer bear the tax .It will be levied in the form of a value added tax on all goods and services, in practice with some exemptions. One level of tax is efficient way of collection, because it goes to either the state or central level. Multiple level of tax is distortion in case of destination of tax collection. Tax should go to the state in which the concerned consumer lives. This will automatically take place if tax is levied at the central level or state is in unitary level with the one and only level of tax collection.

Literature Review

Dani Shefali, Business Economic Journal, November 20, 2016, A research paper on impact of GST on Indian Economy - GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, Vajpayee government in 2000 mooted the idea of GST in India and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation.

Lourdunathan F and Xavier P, International Journal of Applied Research, A Study on implementation of GST in India - GST will bring One Nation and One Tax market. It will provide relief to producers in terms of input tax credit set-off, service tax set off and subsuming the several taxes. GST will lead to revenue gain for both Centre and States, majorly through widening of tax base and improvement in tax compliance. So it can be concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. In addition, electronic processing of tax returns, refunds and tax payments through 'GSTNET' will reduce corruption and tax evasion. Therefore It is becomes necessary on the part of the government to educate, conduct seminars, proper training and workshop on GST which is need of the hour. Thus, necessary steps should be taken.

Alistair Hewitt, World Gold Council, published on july 2017: They believe GST may be disruptive in the short term as the industry adjusts to the new tax regime. Small-scale artisans and retailers with varying degrees of tax compliance may struggle to adapt. Consumer demand faces a headwind from the higher rate of tax. Consumers, jewellers may try to conduct recycling transactions under the counter, away from the prying eye of the tax man. But the positives are significant. GST should eliminate double taxation and improve supply chains efficiency. GST can help to make the gold industry more transparent with hallmarking legislation, should ensure gold buyers have confidence in the gold products they buy, rather than continuing to suffer from the gross level of under-carating they have previously endured. And India's entire economy is on a rapid journey to becoming more organised and more transparent, boosting economic growth. This is important for India's gold market: our econometric analysis reveals that income growth is the single biggest driver of gold demand in India. In summary, GST represents a radical step forward for India's economy. While it could present short-term challenges to the gold industry, we believe it will boost the economy and make the gold industry more transparent to the benefit of gold buyers. This should support India's gold demand, which we expect to be between 650-750t in 2017, rising to 850-950t by 2020.

Sutanuka Ghosal, Economic times article, published on 05 aug 2016 KOLKATA: Branded jewellers fear that if the government fixes GST on gold jewellery at 4%-5, several customers,

particularly those in rural areas, may prefer parallel market to the organised sector, because of a likely price difference of Rs 30-Rs 50 per gram. Currently there is a value added tax of 1% on gold jewellery in the recent Union budget an excise duty of 1% was introduced. "If the government keeps GST at 2%-3% on jewellery that would be ideal. Anything above this may run the risk of seepage to the unorganised sector where people may be tempted to look at ways of not paying taxes," said Vijay Jain, CEO at branded jeweller Orra.

Research Methodology

The study focuses on

- The primary data collected mainly by observation.
- Secondary data obtained from published sources via various books, national & international journals, government reports, publications from various websites, which has been published and focused on various aspects of Goods and Service tax.

Objectives of the Study

1. To study the concept of Goods and Services Tax (GST).
2. To find the differences in various parameters of tax before GST and after GST on jewelers.
3. To check the impact of GST on jewelers.

Concept of Goods and Service Tax: GST or Goods and Services Tax is applicable on supply of goods and services. It has replaced the earlier taxes of excise, VAT and service tax. The problems of earlier taxes were, especially when businesses sell to different states. In addition to this most businesses have to pay different taxes – excise, VAT, and service tax and comply with them. GST will bring uniform taxation across the country and allow full tax credit from the procurement of inputs and capital goods, which can later be set off against GST output liability. GST was introduced to simplify the earlier complicated tax system and the main question arises that, Who will pay GST? The answer to this question is very clear that all manufacturers and sellers, Service providers such as telecom, consultants, chartered accountants etc will pay GST. The kind of GST which India has implemented is Dual GST, i.e., both the Centre and State will collect GST. GST is a destination based tax system. Supply of goods and services are base for charging tax. GAT is very comprehensive indirect taxation system on manufactured products and services, sale and consumptions of goods and services at national level.

GST is one of the biggest tax reform after independence till the date. GST is very comprehensive indirect taxation system on goods manufactured and services provided. It is one of the biggest tax reform in country. Clause 366(12A) of the Constitution Bill defines GST as “goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Further the clause 366(26A) of the Bill defines “Services” means anything other than Goods.

GST – How It Works In India?

GST is based on the grounds of VAT. It is basically a indirect tax form whose aim is to remove taxation restrictions across the states and provide one market throughout the nation for traders. Following are some of the module of GST.

Components: GST will be divided into two components i.e. namely, Central Goods and Service Tax and State Goods and Service
Applicability: GST will be also applicable to all the Goods and Services sold and provided in India, only except from the list of exempted goods which fall outside its purview.
Payment: At central and State level GST will be paid separately.
Credit: The facility of Input Tax Credit at Central level will only be available in respect of Central Goods and Service tax .

Dual GST

- Non-Concurrent Dual GST: –Under this model, GST on goods can be levied by the States only and on services by the Centre only. The States already have the power to levy the tax on the sale and purchase of goods (and also on immovable property), and the Centre for taxation of services. No special effort would be needed for levying a unified Centre tax on interstate services. This model of dual GST would not be acceptable to the Centre as well as the States. Hence, the Government has already announced its intention to follow the Concurrent Dual GST.
- Indian Model of GST –
  Concurrent Dual GST: Indian GST model would be Concurrent Dual GST consisting both the Central GST and State GST levied on same base. Under this model, both tiers of Governments concurrently will levy GST. There will be Central GST to be administered by the Central Government and there will be State GST to be administered by State Governments. In this model, both goods and services would be subject to concurrent taxation by the Centre and the States. All types of goods and services will be brought under this proposed GST structure except few exceptions.

Impact of GST on Jewellers

Meaning: It is an indirect tax throughout India to replace taxes levied by the central and state government.

- The gems and jewellery sector plays an important role in indian economy. It being a major foreign earner to a significant contributor of country's GDP.

GST on Jewellery

- The yellow metal too is all set to become expensive. Earlier, only 2% was paid by the buyer, But sadly through according to GST 3% is to be paid by buyers .

Advantage

- The only advantage of GST is likely to have is that it will bring some order into this rather unstructured sector by bringing all the unorganized players into tax net.

Burdened

- According to GST regime, the taxes on the gem and jewellery sector has gone up there by bringing a significant increase in the rate structure burdening the companies associates .
- It has increased paper work and lot of compliance.

Impact

- The impact which has affected the gold consumers is that the resale value of gold has gone below by 3%.
- The transaction impact cost has increased from 1% to 3%.

Advantages

- The consumers will face a slightly higher tax rate and the industry will go through a period of adjustment, so the net effect on the gold industry is viewed positive.
- The other advantage to consumer is that the gold market in India has become more organized and transparent.
- The jewellery and gems sector plays an important role in Indian economy.It being a major foreign exchange earner to a significant contributor of country's GDP (6-7%).
- The state taxes on the gem and jewellery sector are likely to go up to 2-5% as proposed in the GST regime, bringing a significant increase in the rate structure burdening the companies associates.
- In organised sector, the entire flow of jewellery from manufacturing to whole sales /retailer to end customer with a complete flow of tax credit .
- Precious metals have received a favourable treatment in india because gold is also a mode of investment here.
- Gems and jewellery welcomed the government's decision of fixing the rates at 3% for gold and 0.25% for rough diamonds, stating the step will help in boosting the business.
- Jewelers across the country are happy to have 3% rate fixed on gold and jewellery under the goods and services tax (GST).
- At present there is no service tax on making charge of jewellery .The GST council has not announced a similar GST rate of 3% on making of jewellery customer typically pays 12% of the gold value as making charges gold jewellery could become costlier.

Explanation How the Price of Gold Jewellery has Changed after GST Assuming Gold Price Remains Unchanged.

- There is standardised biling procedure in the country for selling gold jewellery. Some jewellers show making changes separately, while other include them in the price of gold .
- Making charges, wastages and storms , among other things must be shown separately in the sales voice at the time of selling gold jewellery.
- Those jewellers who does not have their own manufacturing unit then they have to pay 18% GST to workers making jewellery and collecting only 3% from the customer.
- No customs duty cut in near future.
- Government will not look at on custom duty on gold.

PARTICULARS	BEFORE GST	AFTER GST ROLL OUT
1.PRICE OF GOLD (100GM 995,INRS	263636	263636
2. CUSTOMS DUTY (10%)	26364	26364
3=1+2	290000	290000
4. EXCISE (1%)	2900	0
5=3+4	292900	290000
6. VAT (1.2%)	3515	0
7=5+6	296415	290000
8. GST (3%)	0	8700
9=7+8	296415	298700
10. MAKING CHARGES (12%)	34800	34800
11=9+10	331215	333500
12. GST on making charges (18%)	0	6264
13.Total price of jewellery (11+12)	331215	339764
14.Total taxes and duties (2+4+6+8+12)	32779	41328

Difference Between Business Conditions of Jewellers after and Before Implementation of GST

AFTER GST	BEFORE GST
1. It started in 2017 of 1st July.	1. It started in 1956.
2. There is benefit to the jewellers for not to pay tax on double basis.	2. There is double payment of taxes to gold and other jeweller product.
3. There is an payment of 3% of tax.	3. There is an payment of 1% of tax.
4. There is proper making of records by making bills of transactions.	4. There is making of record but taking profit as much as they can .
5.There should be payment of gold as well as other product of jeweller will be consider as same price in	5.There should be payment of gold and other product of jeweller will be consider for making product where as earlier VAT is charged for making profit .
6. No impact of demonetisation on this tax.	6. There is higher impact of demonetisation on jewellers.
7. Burden to CA for making tally or other transactions.	7. There is burden on the suppliers who making transaction based on profit motive on basis of double side.

Conclusion

Due to dissilient environment of Indian economy, it was demand of time to implement GST. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in earlier tax regime administration complexities and compliance, cost was accelerating. Thus, a simple, user -friendly and transparent tax system was required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system, which will colligate most of indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. If implemented successfully, it can also be used as an effective tool for fiscal policy management due to nation-wide same tax rate. Its

execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market. However, GST will give India an excellent tax system by grabbing different treatment to manufacturing and service sector. Nevertheless, all this will be subject to its rational design and timely implementation. There are various challenges in way of GST implementation. More analytical research is required to resolve the contradicting interest of various stakeholders and help to accomplish the commitment for a cardinal reform of tax structure in India.

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