



EFFECTS OF GST IMPLEMENTATION IN ORGANIZED RETAIL INDUSTRY-OVERVIEW STUDY OF CONSUMER DURABLES PRODUCTS

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Abstract

In India, Retailing is predominantly unorganized. The growths of organized retailing in India especially in metros are very high and attractive in nature. Retailing in India is gradually inching its way toward becoming the next boom industry. Consumer behaviour changes make “Yesterday’s luxuries are today’s necessities”. India is emerging as an attractive market for consumer durables. India registered a robust economic growth rate of 5% in the financial year 2012-13 and demand for consumer appliances would continue to surge further. The steady economic growth will continue to provide consumers with higher disposable income and benefit those seeking to upgrade their lifestyles. A robust 400 million Indian middle class with growing disposable incomes has been instrumental in driving demand of various consumer electronic devices. High growth and relatively early stage markets typically witness rise in competition, dissipation in profitability and erosion in market shares. India’s CSD market is going the other way around—leaders are building market shares in different sub-segments and consolidation activity is on the rise. And, with the unorganised sector likely to get squeezed further (brands, GST, formalisation) this will only accelerate. While there are a mix of brands and businesses, large local and a few dominant MNCs (and ready to invest), it will be competitive, with a still large unorganised market (26% in FY17), the leaders will only widen the gap (unorganised market to fall to 18% in FY22E). Further this paper is going to discuss about the GST effects reflects. Secondary data collection has been used for this study also convenience sampling method is used.

Keywords: Consumer Behavior, Consumer Durables, Electronic Devices, Gst, Brands, Lifestyles.

Retail Market in India

After Liberalization, Privatization and Globalization era, retailing in India is getting more attraction like never before. In service industry, especially retailing sector growth is very rapid and moving steep upward trend. Retail sector contributes more than 50% of GDP and its annual growth is estimated 8.9% in current years. It is one of the fastest developing sector and it is gained fifth place in the top five retail market in the world by economic value. As the Indian council for research and international Economic relations (ICRIER) retail sector is expected to contribute 22 percent of the India’s GDP. In India, Retailing is predominantly unorganized. The growths of organized retailing in India especially in metros are very high and attractive in nature. Retailing in India is gradually inching its way toward becoming the next boom industry. The Indian population is witnessing a significant change in its demographics a large young working population, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sqft in size. In India the emergence of a few medium sized Indian Retail chains, namely Pantaloon Retail, RPG Retail, Shoppers Stop, Westside (Tata Group) and Lifestyle International. Given the attractiveness of the Indian retail sector, foreign retailers like Wal-Mart, Carrefour SA, Europe’s largest retailer and Tesco Plc, the UK’s largest retailer, were keen to enter this growing market. In the last few years, Indians have gone through a dramatic transformation in lifestyle by moving from traditional spending on food, groceries and clothing to lifestyle categories that deliver better quality and taste.

Consumer behaviour changes make “Yesterday’s luxuries are today’s necessities”. India is emerging as an attractive market for consumer durables. But the vibrant environmental factors and fierce competition is making it imperative to understand the dynamics of consumer durable market. Market survival depends on consumer satisfaction. Consumer satisfaction depends on their perception and brand preference of particular brand.

Research Methodology

Aim: find out the effects of GST implement in organized retail industry-overview study of consumer durables.

Objective of the Study

1. To find out the real effects in consumer durable industry.
2. To know the future sale of consumer durables
3. To understand the economic status of Indian middle class mind-set.



Sampling Method

1. Convenience sampling methods has been used for this study as researcher's rights.
2. Details of data's are taken from social media samples.

Data Collection Method: Conception frame work method is taken for this study. Purely secondary data collection methods used for this study.

Limitations of the Study

1. It is purely taken consumer durable industry.
2. Time period is constrained.
3. This study is taken by secondary data only.

The Indian Economy

It performed well even under economic duress and conditions improved alongside a recovering global economy. India registered a robust economic growth rate of 5% in the financial year 2012-13 and demand for consumer appliances would continue to surge further. The steady economic growth will continue to provide consumers with higher disposable income and benefit those seeking to upgrade their lifestyles. A robust 400 million Indian middle class with growing disposable incomes has been instrumental in driving demand of various consumer electronic devices. Price pressures due to high inflation, fuel costs, a weakening rupee and rising input prices will remain major concerns for manufacturers. A large number of consumer electronics and home appliances were increasingly imported towards the end of the year 2013. Importing products into India proved to offer good quality products, and turned out to be more economical than manufacturing these products within the country. As such, more manufacturers opted to continue following the import route. Better quality products were available to consumers at lower prices as the quality offered by smaller players improved substantially due to imports and prices not appreciating proportionally.

Background

Consumer durables' is one of the fastest growing industry segments in India. This sector attracted significant investments even during global recession. During FY03-FY13, the industry expanded at a healthy CAGR of 13 per cent. Urban markets account for the major share (65 per cent) of total revenues in the consumer durables sector in India. Rural markets are expected to grow at a compound annual growth rate (CAGR) of 25 per cent. Also, increasing electrification of rural areas would augment the demand. 100% FDI is allowed in the electronics hardware manufacturing sector under the automatic route.

Consumer Electronics market in India

Overview

Indian Consumer Electronics market has been witnessing sustained double digit growth rate in the past few years. Increasing product awareness, affordable pricing, innovative products and the high disposable incomes have aided in the strong growth in the consumer electronics market in India. Rapidly shrinking replacement cycle for consumer durables is observed as sustaining demand in urban India. The existing low penetration rates and the increasing usage of consumer durables have catapulted rural India to the high demand generating segment. The consumer electronics market in India is characterized by technological advancements, innovative product introductions, price fluctuations and intense competition. www.adl.com

Economic Importance of Consumer Choice

Consumer preference is critical to economics because of the relationships between preferences and consumer demand curves. It is important to understand what Eddie and other consumers prefer to spend their income on which will help predict consumer demand. The purpose in understanding the consumer choice theory is a way of analysing how consumers may achieve equilibrium between preferences and expenditures by maximizing utility or satisfaction in terms of their consumer budget limits.

Consumer preferences are portrayed through indifference curves. If an economist uses this chart, they would be able to create a demand schedule even if the price of one good change. In other words, each indifference curve illustrates a household budget line which is used to determine the point of maximum utility or satisfaction.

Consumer Preferences

The underlying foundation of demand, therefore, is a model of how consumers behave. The individual consumer has a set of preferences and values whose determination is outside the realm of economics. They are no doubt dependent upon culture, education, and individual tastes, among a plethora of other factors. The measure of these values in this model for a particular good is in terms of the real opportunity cost to the consumer who purchases and consumes the good. If an individual



purchases a particular good, then the opportunity cost of that purchase is the forgone goods the consumer could have bought instead.

Importance of Consumer Behavior

To Marketers, It is important for marketers to study consumer behavior. It is important for them to know consumers as individual or groups opt for, purchase, consumer or dispose products and services and how they share their experience to satisfy their wants or needs (Solomon, 2009). May 18, 2017.

India's consumer durables industry is valued at \$9.7 billion as of 2015. This sector is expected to grow to \$20.6 billion by 2020 and become the fifth largest in the world by 2025.

The Consumer Durables Industry Can Be Categorized Into Two Segments:

1. Consumer electronics (brown goods) – such as televisions, laptops, cameras, computers, and audio systems.
2. Consumer appliances (white goods) – washing machines, kitchen appliances, microwave ovens, cleaning equipment, air conditioners, and fans.

About two-thirds of India's consumer durables are currently sold in urban markets. The most popular consumer electronics are colour television sets. Electric fans and air conditioners are popular due to India's hot climate. Other top consumer durables include refrigerators and washing machines.

The majority of consumer durables production occurs in Delhi and Uttarakhand in the north, West Bengal in the east, Tamil Nadu in the south, and Maharashtra and Gujarat in the west.

Trends: Consolidation & Market Leadership

High growth and relatively early stage markets typically witness rise in competition, dissipation in profitability and erosion in market shares. India's CSD market is going the other way around—leaders are building market shares in different sub-segments and consolidation activity is on the rise. And, with the unorganised sector likely to get squeezed further (brands, GST, formalisation) this will only accelerate. While there are a mix of brands and businesses, large local and a few dominant MNCs (and ready to invest), it will be competitive, with a still large unorganised market (26% in FY17), the leaders will only widen. The gap (unorganised market to fall to 18% in FY22E). That should throw up M&A opportunities, should grow some businesses even faster than the market and structurally support the sector's profitability.

Industry Synopsis of Consumer Durability of Present Scenario

Strong Macro Drivers in Places

A) Burgeoning Middle Class Impelling Consumer Durables Sales

India's middle class population is fast expanding and set to double over FY16-26E to 547mn. In our view, this segment will fuel demand and penetration of consumer durable goods going ahead. Burgeoning middle class households with rising disposable incomes will be marked by higher consumption among the youth & affluent segments and propel discretionary spending from 29% in 2015 to ~45% in 2025 (as proportion of total spending).

Expanding Middle Class: Key Growth Catalyst

Domestic consumption is a vital driver of India's growth engine, primarily owing to the country's large population and an expanding middle class—key driver of consumer goods demand. A rising middle class with higher disposable incomes, aided by favourable demographics, burnish the consumer goods industry's prospects significantly. As per NCAER, India's middle class will more than double from 2015-16 levels to 113.8mn households or 547mn individuals by 2026, entailing humungous growth opportunities for the consumer goods sector.

Leading the Way to GST

While Finance Minister Arun Jaitley on Thursday announced the tax slabs for all products and services in the country, he did not specify the items under each of the four tax slabs -- five, 12, 18 and 28 per cent.

The efforts to bludgeon the black economy and rein-in tax evasion cannot end with demonetisation. The Goods and Services Tax (GST) is the next logical step which will work against tax evasion in an institutionalised manner by creating inter-locking incentives to pay taxes. This, in turn, is likely to create a level playing field for companies. Pertinently, businesses will have to register and report all transactions to the government, thereby increasing transparency. GST will also change the way businesses are conducted and recorded in India. Companies will take business decisions gauging where and how the best



Results can be achieved on the operational front rather than preferential tax treatment. This will enhance efficiency in the economy. As informal businesses get registered and start paying taxes, it will be easier for them to access loans.

Objectives of GST

One of the main objective of Goods & Service Tax (GST) would be to eliminate the doubly taxation i.e. cascading effects of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax till the level of final consumers will significantly improve the competitiveness of original goods and services in market which leads to beneficial impact to the GDP growth of the country. Introduction of a GST to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative. Integration of various taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST, being a destination-based consumption tax based on VAT principle.

GST will simplify India of its complex and complicated indirect tax structure and will ensure a single unified tax regime, which will be reshaping India's indirect tax structure.

Surveillance and Tracking of Movement of Goods under GST

A stringent surveillance and tracking system will be a deterrent for tax evasion and escalate costs for unorganised players. This will narrow the pricing gap between organised and unorganised sectors, strengthening the former's competitiveness. Further, reduction in tax threshold to INR1.0-1.5mn under GST from INR15.0mn under excise will bring small players under the ambit of GST.

Pan-India Distribution Reaches

Organised players are increasingly focusing on expanding their distribution network, which is likely to help companies gain market share. While unorganised players lack pan-India reach, companies like Crompton Consumer, Bajaj Electricals and Havells boast of robust distribution networks.

The current tax structure is deeply engaged with complexities in the method of payment, a myriad of direct and indirect taxes and perplexing compliance requirements. In order to rid the taxation system of this ambiguity, the GST Law will see the light of day on the 1st of July. This fuels a promise of 'One Nation, One Tax'. Under this singular tax, as many as 17 indirect central and state tax levies are to be mitigated, thus ending years of complication and tax cascade. After receiving an overwhelming response in both the Lok-Sabha and Rajya-Sabha, this ambitious law is going to change the way India does business. Thronging the nation with its digitalized approach, every sector of the economy will experience its implications.

The consumer durable industry majorly, stands by the implementation of GST as it eliminates the problem of double taxation. With a revised cost structure, this industry will be one of the most positively impacted sectors. This will simplify the taxation for the end consumer and will attract more buyers that will boost the sales of consumer durables like TVs, ACs, refrigerators, etc.

In a bid to ease the muddled up taxes and scores of additional taxation at various points of the journey of goods from production to the consumer, one of the hindrances involved was in interstate transportation of goods which will be solved. In the past, in the event of a vehicle crossing a state border, a CST tax was levied and contributed to the added expense and the delay due to queuing of vehicles. Since CST will be subsumed in GST, companies will no longer be required to have depots/warehouses in close proximity of their different markets. Most of the times, these warehouses were forced to operate below their capacity thus increasing their operating costs. With the absence of these warehouses, it is estimated to see almost a 10-15 % dip in cost for logistics, the benefit of which will be reflected onto the costs of consumer durables. Thus, as GST replaces the central sales tax on inter-state sale of goods and several other levies, costs for manufacturers will notice a relative slash. This will help companies channelize their investments better and also enhance their business.

Each state is bound by its own set of taxation policies and rules of governance. This fragmentation accounts for about 20-30% of the price. A law promising a common market will mean an end to the wide variance in prices for the same product across the country. The consumer durables sector happens to be an inventory-heavy sector. With the advent of GST, uniformity in tax rates will be widespread. This will ease the pressure faced by this industry.

When GST goes live, consumer durables will be placed under the 28% tax slab. Though it is the highest tax slab, a majority of goods are currently taxed at 26-31 per cent rate, depending on their nature and usage. However, one thing that companies may have to watch out for is whether excise duty exemption zones continue to get that benefit. "There was an initial impact of GST for first few weeks but slowly and steadily it has picked up. We have strategically timed our product launches around the festive season and are also giving mega festival offers, including attractive discounts and combo offers., CEAMA



(Consumer Electronics and Appliances Manufacturers Association) President Manish Sharma said: "Pent-up demands due to GST, favourable monsoons leading to a good harvest and the implementation of the 7th pay commission will drive the sales of consumer durables by up to 20 per cent this festive season".

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Tax Credit a Buffer

Unless the cost of raw materials is increased, consumer durable player's claims that input tax credit will be a buffer to their cost of operations.

"We are expected to get an input tax credit between 1.5 and 1.7 per cent and unless the raw material for finished goods increases, we can absorb the GST rates," added Nandi.

Others like Mirc Electronics, the makers of Onida televisions, are also holding on to prices. "We are not raising prices since we are getting input credit, making its neutral in terms of any price impact," said GuluMirchandani, CMD, Mirc Electronics.

Old Stock Clearance

Videocon Industries is also trying to insulate its consumers from an immediate price hike. "At our level, we are trying to control the pricing till such time the old stocks are available with us. Dealers have been trying to clear the stocks through secondary sales in June. There are going to be multiple layers of taxes with GST but we will take a 2-3 per cent increase only when we have cleared all the old stocks, says CM Singh, COO of Videocon Industries. However, MNCs like LG have readily passed on the GST impact with a two per cent price hike across all its product categories. "Having liquidated our stocks with our trade partners, we have kept our dealer margins intact and at the same time, increased prices by two per cent as the impact of the GST would be borne by the customer," said Vijay Babu, Business Head, Air-conditioners, LG India.

Octroi Abolition Impact

Meanwhile, consumer durable retailers like Vijay Sales acknowledge that most of the brands are trying to keep their prices intact. "Before GST, durable brands did drop their prices to liquidate stocks but most are now trying to absorb the GST rates since they have been compensated with the abolishing of octroi duties in states like Maharashtra which has benefited companies like Videocon and Godrej," said Nilesh Gupta, Managing Partner, Vijay Sales. (This article was published on July 11, 2017)

Compulsory Registration: Formal Corporate Sector Stands To Benefit

The government's plan to formalise the economy will throw up winners as well as losers. Currently, unorganised players hold market share due to cost advantages, especially on the tax front. However, in the future, formal businesses are expected to benefit as a level playing field is created. Potential impact of the change, however, will not be uniform across industries.

Table 1: Tax Rates for Consumer Durable Goods

Source: Ministry of Finance, Edelweiss research

Product New Rates as per GST Old Rates Effect

Stabilizers	18%	18%
UPS	18%	18%
Pumps	12%	12%
Cables & Wires	28%	19%
Fans	28%	20/26%
Cook tops	28%	19%
Domestic Appliances	28%	26%
LED Lighting	12%	15%
Air Conditioners	28%	26%
Air Coolers	28%	24%
Washing Machines	28%	26%
Refrigerators	28%	26%
Solar Water Heater	5%	0%
Water Heaters	28%	

Source: Ministry of Finance, Edelweiss research



Market to Double over FY17-22E to INR3.0tn

Aggregate consumer durables/light electrical market clocked a healthy 11% CAGR over FY12-17 to INR1.4tn led by rising penetration and demand for premium products (ACs, air coolers, lighting, fans, etc., posted high growth in value terms). We estimate the industry to double over FY17-22 to INR3.0tn (13% CAGR) driven by: (a) sustained penetration and rising premiumisation; and (b) government's thrust on Housing/Power For All. Consequently, large organised players in our coverage universe are estimated to log higher 15% growth led by market share gains from unorganised players—a fallout of the ongoing shift towards formal economy.

Distribution Network Strong Growth Driver

In discretionary products—primarily cell phones, paints and white goods—distribution reach and penetration levels are key variables driving overall sector growth. White goods compared to other segments are one of the most under penetrated segments with less than 20% with scope for significant expansion potential (refer exhibit below). With significant structural tailwinds getting in place—formalisation of economy, rising preference for premium products—large consumer durables players are positioning themselves to build a pan-India distribution network, apparent from recent M&A activities.

Expected Improvement In AC Market Expected To Grow 2x By FY22 Chart 53: Market Share Of Key Players

Source: Industry, Edelweiss research

85

Total market size of ACs No. of Units (mn)

CAGR-14.4%

CAGR-15.6%

CAGR-16.3%

The domestic AC market is expected to clock a healthy 17% CAGR (FY17-22E) given paltry <5% penetration and rising temperature levels. Despite the recent trend of shift to energy-efficient inverter ACs, we expect domestic players to maintain market share given focused brand and distribution network strategies.

Voltas-21%

LG-19%

Daikin-12%

Blue Star-11%

Hitachi-11%

Havells

Lloyd-11%

Market Size

The growing purchasing power and rising influence of the social media have enabled Indian consumers to splurge on good things. By 2020, the electronics market in India is expected to increase to US\$ 100 billion from US\$ 28 billion in FY17. The production is expected to reach to US\$ 104 billion by 2020. By 2018, the television industry in India is expected to grow to US\$ 11.78 billion from US\$ 9.23 billion in 2016, registering a growth of 12.97 per cent. Smartphone shipments rose 15 per cent year-on-year to 29 million between January-March 2017. India's tablet PC shipments increased 2.9 per cent to 722,000 between April-June 2017 over the previous quarter,

Investments

According to the data released by the Department of Industrial Policy and Promotion (DIPP), the electronics sector attracted foreign direct investment (FDI) worth US\$ 1.78 billion between April 2000 and June 2017.

Following are some major investments and developments in the Indian consumer market sector.

1. 2015, revenue from consumer durables sector in India stood at US\$ 9.7 billion, which further increased to US\$ 12.5 billion in FY16.
2. Consumer durable market expected to grow at CAGR of 13 per cent from FY05 to FY20.
3. Around two third of the total revenue is generated from urban population and rest is generated from rural population.
4. Godrej group, Onida Electronics, Blue Star and Videocon Industries are few of the major domestic players operating in India consumer durable market

Source: Electronic Industries Association of India



5. Japan-based imaging major, Nikon, expects India to be one of its top five markets in the world over the coming 3-4 years as it retains its lead in the DSLR segment and expands its retail presence in India by adding 10-15 Nikon Experience Zone stores.
6. South Korean electronics major, LG, is planning to make India as its export hub, on the back of improved ties between South Korea and India, as per Mr Ki Wan Kim, Managing Director, LG Electronics India (LGEI).
7. Amazon India has set up seven new warehouses in India, which will be used exclusively for large appliances and furniture, with an aim to boost the sales of its high-priced products such as televisions, refrigerators and furniture.
8. Dyson, the UK-based manufacturer of innovative vacuum cleaners and air purifiers, plans to enter Indian consumer market by 2017 and invest GBP 154 million (US\$ 190 million) over the next five years in areas of retail infrastructure, marketing, promotion and taxes to the government.
9. AO Smith, a US based water technology and air purification solutions company, sees India as one of key markets and plans to grow at double-digit growth rate, having invested US\$ 75 million so far.

Government Initiatives

1. In the Union Budget 2017-18, the Government of India increased the allocation for incentive schemes like the Modified Special Incentive Package Scheme (M-SIPS) and the Electronic Development Fund (EDF) to Rs 745 crore (US\$ 111 million) for providing a boost to the semiconductor as well as the electronics manufacturing industry.
2. In the Union Budget 2017, the government has proposed to spend more on the rural side with an aim to double the farmer's income in five years; as well as the cut in income tax rate targeting mainly the small tax payers, focus on affordable housing and infrastructure development will provide multiple growth drivers for the consumer market industry.
3. The Union Cabinet has approved incentives up to Rs 10,000 crore (US\$ 1.47 billion) for investors by amending the M-SIPS scheme, in order to further incentivise investments in electronics sector, create employment opportunities and reduce dependence on imports by 2020.
4. The Ministry of Electronics and Information Technology plans to revise its policy framework, which would involve the government taking a more active role in developing the sector by providing initial capital, with the aim to attract more private players and make India a global semiconductor hub.
5. The Government of India has allowed 100 per cent Foreign Direct Investment (FDI) under the automatic route in Electronics Systems Design & Manufacturing sector. FDI into single brand retail has been increased from 51 per cent to 100 per cent; the government is planning to hike FDI limit in multi-brand retail to 51 per cent

Road Ahead

By 2025, India would rise from the 12th to the 5th largest position in the consumer durables market in the world. The consumer durables market in India is expected to reach US\$ 20.6 billion by 2020. Demand growth is likely to accelerate with rising disposable incomes and easy access to credit. Increasing electrification of rural areas and wide usability of online sales would also aid growth in demand.



Exchange Rate Used

1. INR 1 = US\$ 0.015 as of October 6, 2017
2. INR 1 = GBP 0.012 as on February 9, 2017

References: Media reports, press releases, Press Information Bureau (PIB), Union Budget 2017-18, Boston Consulting Group, International Data Corporation.

Notes: # - According to a report by Boston Consulting Group (BCG)

Disclaimer: This information has been collected through secondary research and IBEF is not responsible for any errors in the same.

The implementation of GST will be a revolutionary step for the country. With the GST already in place, we are keen to help in smooth transition for retailers and distributors, who we have such long-standing relationships with.

Videocon along with Ascham has undertaken to hold GST Summit across 200 cities in India including the tier II and III cities to ensure that all members of the industry move positively at a pace which is in line with the nationwide rollout of India's greatest tax reform.

Apart from minimizing issues arising out of tax compliance and transparency, we see organized sector making huge benefit under the GST. Our consumer durable industry is a combination of organised and unorganised market participants.

The provisions under GST such as lower limit of eligibility for obtaining registration and applicability of reverse charge mechanism from purchase of unregistered trader, will lead to more registered traders and assist in making this industry make a sharp move towards more organised sector.

This will further assist in reducing the discrepancy between organised and unorganised component leading to growth of industry as a whole. Also the logistics cost will be reduced drastically due to better management of warehousing facility and improvement in transit time for movement of goods.

Mr C M Singh is chief operating officer, Videocon. Views expressed in this article are his own.

What Will Get Cheaper?

1. Branded goods: The Indirect Taxes on branded goods have been fallen to 18 percent. At present, the effective rate of tax for these items is pegged at 23-24 percent.
2. Hotels and Restaurants: Hotel stay after the implementation of GST will become cheaper. Currently, the tax rate on staying in hotel taxed at the rate of 22% which will come down to 18% tax bracket. Good news for the people who love to eat out as the tax on restaurant slashed from 22 percent to 18 percent.
3. Food grains will get cheaper under GST regime.
4. Processed food products that attract 15% tax rate under the existing scenario will be taxed at 5% under GST.
5. The tax rate on Entertainment services will come down from 22 percent to 18 percent under GST.
6. The soap which is taxed at 28 percent under existing tax regime will be taxed at 18 percent under GST. Likewise, toothpaste will be brought down 18 percent from 22-24% current tax system.
7. Personal hair products – Hair oil will be cheaper as the tax rate will come down to 18 percent from existing tax rate of 28 percent.
8. Entry level cars, two-wheeler s, electrical items, paint, cement, consumer durable are likely to get cheaper under the GST.

What Will Hurt Your Pocket?

1. All luxury goods, tobacco products, and aerated drinks are likely to be taxed at 28 percent
2. Taxes on Tea-coffee and measles from 3-9 percent will go up to 5 percent under GST
3. Insurance premiums, Mobile bills, the internet, wifi, DTH service and banking charges will get costlier
4. School fees, air tickets, and courier services will be a little more expensive under GST
5. Small cars will be a little expensive under the GST regime, with a maximum tax rate of 28 percent.

No Tax Will Be Levied On the Following Items

Printed books, newspapers, bangles, handloom, natural honey, eggs, fresh meat, curd, milk, buttermilk, fresh fruits, Prasad, salt, stamps, judicial papers, vegetables, flour, bean, bread etc.



Advantages of GST

1. GST will reduce numbers of indirect taxes. With GST the customer will be able to find out exactly how much tax is being paid on a product or service.
2. Under GST the obligation of tax will be divided equally between the manufacturers and services providers.
3. In GST system prices of some manufactured goods and services will go down which in turn will bring down the inflation and benefit the middle class.
4. Business will become easier as all the other indirect taxes like Octroi, central sales tax, entry tax, state sales tax, license fees, turnover tax will clubbed in single GST tax.
5. In GST there will be no hidden taxes and costs involve in doing Business. Hence, GST will bring transparency in all taxes.
6. It will promote exports of the country that will not only boost economic growth but also generate employment.
7. It is predicted that GST will also indirectly increase the country's GDP.

With advantages, GST also has some disadvantages, as follows:

Disadvantages of GST

1. It may disappoint people who want to purchase new homes as GST can add up to 7 percent to the cost of new homes. This may thus impact negatively on real estate industry as the demand of consumers may decrease.
2. There is no direct monetary tax benefit by GST. GST is nothing new, Just a new name for various old taxes collected as one.
3. Since the mechanism is still complicated, it cannot completely eliminate black money and tax evasion.
4. Introduction of GST would also make Indian products competitive in the domestic and international markets.
5. Last but not the least, this tax, because of its transparent character would be easier to administer. However, once implemented, the system holds great promise in terms of sustaining growth for the Indian economy

Conclusion

For a common man GST stands for ' Goods and Services Tax', and is proposed to be a comprehensive indirect tax levied on manufacturing, sale and consumption of goods as well as services at the national level. It will replace all other indirect taxes levied on goods and services by the Indian Central and State governments. The existing taxes on most of the consumer goods is on the higher side. Most of the goods (for e.g. electronics, beauty products, and non-luxury automobiles) attract an excise duty of 12.5% and a state levy of VAT at 12.5% to 15%. Additionally, in the current scenario, there is numerous cascading effect i.e. tax on tax on the account of CST, VAT, Octroi, entry tax, local body tax, etc till the product reaches the ultimate end-customer.

A combined effect of such indirect taxes leads to an effective tax rate of 25% to 30% and the burden is solely on the end customer. With the unified rate of GST, the prices of the most goods would reduce significantly in the overall indirect tax cost. This decrease in indirect tax can lead to decrease in manufacturing cost and increase in baseline profits, giving ample space for reducing prices and benefiting end-users.

goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. It is expected that the malicious activity of tax theft will go away under Goods and Service Tax regime in order to benefit both governments as well as the consumer. In reality, that extra revenue that the government is expecting to generate won't come from the consumers' pocket but from the reduction of tax theft.

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