

ECONOMICS

PROJECT

Class 12

Passing on Benefits of GST to consumer

"Anti-Profiteering Clause of GST"

Submitted By:

Name: Roll no.....

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I would like to express my gratitude to my teacher (Name of the teacher)..... as well as our principal (Name of the principal)..... Who gave me the amazing opportunity to do this wonderful Economics project on the topic "Passing on benefits of GST to consumer "Anti-Profiteering Clause of GST"

Secondly I would also like to thank my parents and friends who helped me a lot in finalizing this project within the limited time frame.

..... (Name of the student)

CERTIFICATE

This is to certify that (Name of the student)..... of class 12 has successfully completed the Economics Project as per the guidelines of class XII Board examination conducted by C.B.S.E.

It is further certifying that this project is the individual and bonafide work of the candidate.

Teacher's Sign:

Teacher's Name:

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EXPLANATION OF THE **CONCEPT**

- Implementation of GST has manifold impact on different sectors of economy.
- Some sectors witnessed positive impact of GST whereas few have not been benefitted by GST due to their nature of business.
- Majority of corporates has been covered under beneficial umbrella of GST.
- Benefit received by corporates in terms of low cost of production will lower the price of goods and services.
- But question arises that whether common man will receive the benefit of low prices due to GST regime.
- GST regime has been prepared with all arrangements to tackle with situation like these.
- GST council has added Anti-Profiteering to ensure that all benefits of Low price shall be transferred to consumer.
- This clause is also equipped with penalty provision in case of violation of this clause by any trader.

MEANING AND DEFINITIONS

ITEMS	MEANING
GST (Goods and Services Tax)	Goods and Services Tax (GST) is an indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and state governments.
ANTI-PROFITEERING CLAUSE	Anti-profiteering clause in GST regime has made it mandatory for all traders to pass on benefit of low price of goods and services to consumer.

WHAT IS GST?

- The Goods and services tax is a uniform indirect tax levied on all goods and services produced in the country and all goods and services imported from abroad.
- GST will be a single uniform indirect tax which will treat India as one market.

Benefits of GST-

The GST will enable a benefit to the economy in terms of:

- 1 A fall in product prices
- 2 A single price of a product across the country
- 3 Lower working capital for companies
- 4 A more simplified tax system
- 5 It would facilitate more seamless movement across the nation and will reduce the overall transaction cost of running the business
- 6 It will also reduce the compliance of multiple tax rules and obligations.

APPLICATION OF CONCEPT AND **NUMERICAL EXPLANATION** **RELATED TO CONCEPT**

- With the introduction of GST, the benefit of extra tax input credit or lower rate of tax in certain goods or services will result in reduction of cost price of that product or service.
- In this case there will a big task in front of government to administer that the benefit of low prices of goods or services shall be passed on to consumer. So that, consumer could feel low burden on his pocket.
- Below working will explain the benefit to consumer after implementation of GST, by comparing the price of a product under previous tax regime and under GST regime

BEFORE GST

PARTICULARS	Mr. X (Manufacturer)	Mr. A (Whole seller)	Comments
Cost of wheat bag	Rs. 200	Rs. 242	Rs. 22 paid as excise duty shall not be eligible as input tax credit for whole seller therefore, it shall be included in cost. Whereas, Rs. 30.25 paid as VAT shall be eligible for Input Tax Credit therefore, it shall not form part of cost.
Margin @ 10%	Rs. 20	Rs. 24.20	
Sub Total	Rs. 220	Rs. 266.20	
Excise Duty say @10 %	Rs. 22	Rs. 0	
Sub Total	Rs. 242	Rs. 266.20	
VAT say @ 12.5%	Rs. 30.25	Rs. 33.27	
Total	Rs. 272.25	Rs. 299.47	

In before GST regime, cost of Wheat bag in the hands of consumer is Rs. 299.47 (according to above working)

AFTER GST

PARTICULARS	Mr. X (Manufacturer)	Mr. A (Whole seller)	Comments
Cost of wheat bag	Rs. 200	Rs. 220	Rs. 39.6 paid as GST are eligible for Input Tax Credit therefore will not form part of cost
Margin @ 10%	Rs. 20	Rs. 22	
Sub Total	Rs. 220	Rs. 242	
GST @ 18 %	Rs. 39.6	Rs. 43.56	
Total	Rs. 259.6	Rs. 285.56	

In After GST regime, cost of wheat bag in the hands of consumer is Rs. 285.56 (according to above working)

This states that customer is benefited by Rs. 13.91 in GST regime.

This simply explains that in GST regime consumer will be benefited by Lower price of goods

HOW CAN A SELLER USURP THE BENEFIT OF LOW PRICES UNDER GST REGIME?

HOW A SELLER WILL NOT TRANSFER THE BENEFIT OF LOW PRICES TO CONSUMER?

On analyzing the other aspects of GST regime, whole seller may increase his margin and take the price level equal to the price level in previous tax regime to take benefit of low price level without passing such benefit to consumer.

It can be shown in working mentioned below:

PARTICULARS	Mr. X (Manufacturer)	Mr. A (Wholeseller)	Mr. A (Whole Seller) after increasing his margin
Cost of wheat bag	Rs. 200	Rs. 220	Rs. 220
Margin @ 10%	Rs. 20	Rs. 22	Rs. 44 (Let say Whole seller increases his margin from 10% to 20 % to enjoy benefit of low prices without passing such benefit to consumer)
Sub Total	Rs. 220	Rs. 242	Rs. 264
GST @ 18 %	Rs. 39.6	Rs. 43.56	Rs. 47.52
Total	Rs. 259.6	Rs. 285.56	Rs. 311.52 (Which is similar or more to cost of wheat bag in the hand of consumer before GST)

To tackle with this situation Central Government, The GST Council headed by Sh. Arun Jaitley (Finance Minister of India), has added Clause 163 in GST Act i.e. Anti-Profiteering clause.

FINDINGS AND SUGGESTIONS:

How GST has opened the gates for foreign investors in India?

1. SCOPE OF EARNING HIGH RETURNS

Rate of return will be high due to low intermediate cost, which will attract confidence of foreign investors to invest in India.

2. RELAXATION IN FDI NORMS

Government has relaxed FDI norms in various sectors like Civil aviation, Defence, Single Brand retailing, Pharma etc.

For example:

- a.** In defence sector, previously investment up to 49% were to be permitted by Government which are now under automatic route i.e. without any prior approval of government or RBI
- b.** 100% FDI in Defence Sector, Trading through E-Commerce, Railways etc.

3. REDUCTION IN LOGISTICS COST

Reduction in logistics cost will increase the profit for investors which will increase their willingness to invest in India.

Positive Impacts of increase in FDI after implementation of GST in India

1. INCREASE IN MARKET COMPETITION

With the introduction of foreign direct investment in the country, market competition increases to a considerable level and local companies plus MNCs starts working to deliver their best.

2. CHANGE IN MONOPOLISTIC NATURE OF COMPANIES

FDI shakes the monopolistic nature of local companies. This is beneficial for the customers and for the sellers as well.

3. MORE ACTIVE VENDORS

With the increasing market competition, vendors will become more active and provide their best services without any fraud.

4. SYNERGIC EFFECT

Developing country gets synergic benefit of working with a developed nation's company.

5. NO STRUGGLE WITH PRODUCTION COST

For local business owners, FDI takes all of the hassles and they do not have to struggle with the production cost.

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