Our Heritage

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A Study on Impact of Gst on Media And Entertainment Industry In Chennai City

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Abstract:

GST is considered as India's biggest tax reform since Independence. The main agenda of the Goods and Services Tax ('GST') is to revamp the existing structure of taxation within the federal setup, to create one simultaneous levy on goods and services imposed by the Centre and States. GST is a determined effort by the Government to move the taxation structure of the economy to a purely destination based-consumption tax, and avoid the cascading effect of taxes. India is globally the fifth largest media and entertainment market, (Source Deloitte report.) The Indian media and entertainment industry is a raising sector, with a rapid growth curve. In this paper, the tax rates before GST and after GST in the media industry is analyzed in order to understand whether it has become more expensive or not. This article also discusses the existing tax structure and the impact of GST for various players in the M & E industry.

INTRODUCTION

There are two types of taxes levied by the Indian government- direct tax and indirect tax. Direct tax includes income tax, which is levied by central government on individuals, companies and body of individuals. Another tax is an indirect tax, which is levied on the manufacture of goods, provision of services and consumption. Central government levies taxes on manufacture of

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goods and services while state government levies on consumption. So politically, India is one country, but economically, it is fragmented (Shankaran, 2016). Many types of indirect taxes like entertainment tax, value added tax, excise duties, import duties, luxury tax, central sales tax, service tax are also levied in India. For example, for manufacturing central government levies an indirect tax at the factory gate known as central excise then state government will charge value added tax at the time of consumption on price which include tax already paid. Similarly, on the transfer of goods from one state to another state, central sales as well as excise tax are charged. So an economic reform was taken by introducing GST on 1st July, 2017 to unify India into one common market.

The concept behind GST was introduced by a French tax official in the 1950s. In some countries, it is known as VAT, or Value-Added Tax. Today, more than 160 nations, including the European Union and Asian countries such as Sri Lanka, Singapore and China practice this form of taxation.

GST is an indirect tax, which subsumes most of the indirect taxes levied by center and state like center excise duty, additional excise duty, service tax, center sales tax, countervailing duty and special additional duty of customs, value added tax/sales tax, entertainment tax, octroi and entry tax, purchase tax, luxury tax, taxes on lottery, betting and gambling. GST is an indirect tax levied on goods and services from manufacturer to consumers. Under GST, uniform tax will be levied on manufacture, sale and consumption of goods and services. GST will be paid only on the value added at each stage by deducting taxes already paid at each stage so cost for consumers will be reduced by the input tax credit and the reduction in cascading effect of taxes on taxes. Canadian model of dual GST system will be implemented by Indian government. There are three components: Centre Goods and Service Tax (CGST), State Goods and Service Tax(SGST) and Integrated Goods and Service Tax.

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OBJECTIVES OF THE STUDY.

- To analyze the tax rates before GST and after GST in the entertainment industry of India.
- To understand the overview of media industry in India.
- To study the impact of GST rates in the entertainment industry and whether it is becoming expensive under GST or not.

REVIEW OF LITERATURE:

Garg (2014) studied about the basic concepts and features of GST in India. He highlighted that GST would be a good indirect tax reform in our country because it would cover all goods & services and all sectors like industry, business including government sector and service sector. All big, small scale units, medium, intermediaries, importers, exporters, traders, professionals, and consumers would be affected by GST. This uniform tax rate for center and state would also likely to improve economic development by increasing tax collections. Through these exemptions have been minimized and equal tax will be borne by manufacturing and service sector.

Neha Rani and Sunil(2016) conducted a study to understand the expected positive and negative impact of GST on different sectors like Startup Business, E-Commerce, IT, Hospitality& Tourism, Automobiles and Media &Entertainment etc. It has been found that GST has a positive affect on various sectors except some sectors having negative effect.

Pinkiet al. (2014) studied, “Goods and Service Tax-Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as wellas for consumers in long run if itsimplementation is backed by strong IT infrastructure.

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RESEARCH METHODOLOGY

As the study is descriptive in nature, we have used secondary data collected from various reports, research papers and journals.

TAXES IN MEDIA AND ENTERTAINMENT INDUSTRY

The Media and Entertainment Industry ('M & E industry') is one of the classic examples of an industry that has been impacted by the federal structure of taxation in India. Some of the key challenges pertain to the multiplicity of taxes, lack of delineation between subjects taxed by the Centre and State, compliance costs in terms of both Central and State levies, and blockage of credits(Shah and Kalyani, 2017).The impact of GST on the entertainment industry will vary from state to state. For that, we need to know how taxes were levied before GST and how is it now.

CINEMA

The GST Council has fixed a tax rate of 18% for cinema tickets costing Rs 100 or less. For the tickets costing Rs 100 or more, the rate is fixed at 28%. The new tax structure will replace the old entertainment tax. Earlier, the price of a movie ticket was based on the entertainment tax levied by state governments. In the states, entertainment tax ranges from zero to 110 per cent. If one is from a high entertainment tax state like Jharkhand (110%) or Uttar Pradesh (60%), one will only have to pay 28% tax. But people from Assam, Himachal Pradesh, Punjab and Uttarakhand will pay more for a movie ticket since these states levy zero entertainment tax. In movie theaters (multiplexes), food and beverages were taxed at a VAT of 20.5% and an average of 30% tax was levied on tickets, depending on the state. Movie tickets will now attract GST at 28%. As food and beverages fall under the supply of food/drinks in outdoor catering, they will

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attract 18% GST. GST, thus, will have a mixed effect on the entertainment industry, depending on the states.

DTH AND CABLE SERVICES

Prices of Direct-To-Home (DTH) and cable services will come down. The GST Council has fixed 18% tax rate for cable TV and DTH services. Earlier, these services attract an entertainment tax in states in the range of 10-30% besides the service tax levy of 15%.

AMUSEMENTS PARKS

The ticket price for amusement or theme parks is set to increase under the new GST regime. Earlier, the service tax levied on parks stands at 15%, but under the new tax structure, parks will be charged 28 per cent GST rate.

CRICKET AND CONCERTS

Sporting events like IPL will attract 28 per cent GST rate which is far more than the current tax rate which is nearly 20%. This will mean a rise in the price of tickets. The GST rate for circus, theatre, Indian classical dance including folk dance and drama will be 18%, which would be lower than the current tax rate.

ADVERTISING IN PRINT MEDIA

A 5 per cent GST would be levied if an advertisement agency buys space from the newspaper and sells such space for advertisement to clients on its own account. However, if the

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advertisement agency sells space for advertisement as an agent of the newspaper on commission basis, then it would be liable to pay GST of 18 per cent of the commission it receives from the newspaper.

CONCLUSION

The film industry of India is one of the largest in the world. The impact of GST on the film industry has both positive and negative effects depending on the state. The states who never imposed any tax aimed only to promote their films. In such states, GST has become a burden now. But, few of the states with high entertainment tax rates have to pay only lesser. The new tax structure under GST is seen as positive for the multiplex operators on a net basis, and expected to boost their profitability. This is primarily owing to the input tax credit (ITC) expected on the fixed costs that a multiplex incurs like rental, CAM, electricity, etc.

The prices of DTH and cable services and advertisement in print media have come down with the implementation of GST. As the usage of DTH and cable services have increased, this would benefit the end consumer.

The ticket prices for amusement or theme parks and for concerts have increased under the new structure. The idea of entertainment, especially going for a concert or to the amusement park is significant in cities. It not only attracts the youth in the city, but also youngsters from nearby towns and villages. As the prices have increased, these places will be deserted, which affects both the owners and consumers.