IJERMT
International Journal of Engineering Research & Management Technology
ISSN: 2348-4039
March-2018 Volume 5, Issue-2
Email: editor@ijermt.org www.ijermt.org

POST GST IMPACT ON BANKING SECTORS IN INDIA

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INTRODUCTION

Implementation of GST is standing true to its slogan of 'One Nation, One Tax' and turning it into reality. GST is making an impact on every business sector in the country, including the service sector. The service sector, most specifically, financial services based on funds and insurances, (Non-Banking Financial Company) NBFCs and Banks are impacted the most. Withdrawing money from an ATM has become easier owing to its presence in every locality, irrespective of whether you have an account in that bank or not. However, almost all of us have received a text message or a phone call from our respective banks where we have an account, informing us that after a certain number of transactions and specific amount withdrawal the bank will charge us a nominal fee as per the instructions of the Reserve Bank of India. Though this isn't new to us now with the implementation of GST, where service tax was earlier charged at 15 percent now, it will be replaced by 18 percent GST.

KEY WORDS: Bank, NBFCs, GST, Supply.

OBJECTIVES OF THIS PAPER: This paper will provide you all insights and help you understand the impact of GST on the banking sector in India. This paper will help to study about the concepts of GST.

METHODOLOGY

This study is descriptive in nature. The data for the study were gathered from the secondary sources such as journals, articles published online and offline on various newspapers and websites.

LEGISLATIVE HISTORY OF GST BILL IN INDIA

The GST Bill was initially proposed by the committee under the then Prime Minster Atal Bihari Vajpayee during the year 2000 which headed by Asim Dasgupta, the Finance Minister of West Bengal. Later on 2004, The Kelkar Task force which was instrumental in the implementation of Fiscal Responsibility and Budget Management Act (FRBM) Act, 2003 suggested about the implementation of GST under the principle of VAT. On 2006, the then Finance Minister of Union P.Chidambaram, announced the target date for the implementation of GST in India as 1st April, 2010. During 2007, an empowered committee was formed by the finance ministers of each state to submit the roadmap for GST and they have submitted it. On 2008, that Empowered Committee submitted a report entitled "A Model and Roadmap for Goods and Services Tax (GST) in India" containing the roadmap for the implementation of GST in India. They also made some suggestions with regard to that report. Later on November 2009, the EC submitted the first paper and conducted a debate with regard to gather the opinion of all stakeholders. In 2010, the then finance minister Pranab Mukarjee assured that effective implementation of GST Bill on April 1, 2011. And on 2011 the 115 Amendment Bill was passed in Lok Sabha in order to implement the GST Bill for certain goods and services and it was sent to the standing committee. In 2013 the standing committee submitted its report. But later it was lapsed due to some political discrepancies. On 2014, Union Finance Minister Arun Jaitley has passed a 122 Amendment on December 17, 2014. Later, on the budget the Finance Minister said that the Bill will be passed on 1st April 2016, and which could not happen and as of during the budget of 2016, Arun Jaitley said that the GST bill will be implemented through the One Hundred and One Amendment Bill officially known as The Constitution (One Hundred and One) Amendment Act 2016 will be in force from 1st July, 2017 [6-8].

IMPACT OF GST ON BANKING INDUSTRY:
GST was recommended in 1978 and could see the light on 1st July 2017. GST which would replace 11 indirect taxes in India has impact on all major business sectors. Banking industry would get impacted significantly. Obtaining separation registration in each State, identifying inter-state transactions, valuation, operational restructuring, reconciliation of branches State wise, filing of returns on monthly basis are some of the challenges. In this article, we have discussed few issues which could impact the banks.
Banks would be having multiple branches spread across different states and the transactions would also be voluminous. GST levy is on supply concept which is very wide. Banks need to review all the income transactions to assess GST impact. All reports and returns are being automated in GST law. Therefore, compliance plays a key role in GST and it is expected that compliance would substantially increase for the banks due to the numbers.

COMPLEXITIES IN THE NATURE OF TRANSACTIONS
The banking industry has come up with many ways of doing business where the transaction trials are very difficult to identify even for the banking employees. All the banking transactions are routed through CBS (Core Banking System) where debits and credits of lakhs of transactions happen on real time basis. Banks deal with number of diversified partners right from the Government till the individual citizens. Further the accounts are maintained at home branch where in the services are received by the customer at any of its branches located anywhere in the world which would be transacting branch.

The GST impact needs to be analyzed at each level of operations like cheque / Drafts/ cards/ issue process, ATM operation, credit wing, securities, letter of credit, net banking, cash backs and reward points, loans and advances, deposits, point of sale transactions and it goes on and on. The conditional free services say free cheque books for maintaining minimum balance of certain amount could be subjected to valuation issues unless care taken. The major challenge for each bank would be to identify and understand its own nature of supplies, the transaction flow and then the place & time of supply of such supplies, the valuation in absence of consideration and majorly identification of the location from where the service is rendered. Banks have the practice of providing a number of facilities to its officers (staff at various grades) like free /concessional accommodation, food, travel, health kits, vehicles, loans, etc. provided over and above the terms of employment. These benefits are liable to GST. Schedule I covers for the same. Segregation of so many facilities into either gifts, or supply of goods or services would be difficult for the management.

REGISTRATION WOES
During the pre-GST regime, banks and NBFCs with Pan-India operations could release its service tax compliance by a single centralized registration process. Now, under the current GST regime, these banks and NBFCs need to get different registration for each state that they work into.Even if ATMs are installed without actual branches, then also registration could be required under GST.More number of registrations lead to more administrative woes, Along with the burden of GST compliance, the filing of returns has also expanded generously wherever periodicity of returns, level of details needed in such returns and number of return formats are concerned.

ADJUDICATION AND ASSESSMENT MADE DIFFICULT
The assessment was performed by the state regulators under which a particular branch is registered in the previous tax regime. Now, under GST, all registered branches of banks and NBFCs will need to justify its position as per its chargeability in a respective state and a valid reason for using ITC in different states. As far as adjudication is concerned, the process will be prolonged owing to more than one adjudicating authority and the difference in their opinions on a similar underlying issue. Under the pre-GST regime, a taxpayer was adjudged by only one adjudicating authority for an issue. Under GST, dealing with the difference in the opinion by different authorities has become difficult.

TRANSACTIONS SUBJECT TO GST

There are certain services provided by banks and NBFCs that are impacted by the implementation of GST. Some of the services include

1. Loan: Loan being money to money transaction, is not subject to GST. Moreover, the interest that is to be charged on loans is also exempted from GST.

2. Lease: Lease, in financial sectors, can either be a supply of services (transfer of the right to use goods for cash, deferred payment, etc.) or supply of goods (transfer of title in goods), which will attract GST at the rate similar to assets that are leased out.

3. Hire Purchase: Hire purchase transaction includes a hirer providing an asset for use on hire rental basis and a right to acquire that asset at the end of the hiring tenure at a nominal rate. This transaction will, therefore, be charged at the same rate at which a hired asset is charged under GST.

SBI Releases New Rule on Saving Accounts after GST Implementation

One of the 50 largest banks in the world and the country's largest bank, State Bank of India (SBI) has changed some of its rules and fees. If you also have an SBI account, then be aware of these rules as soon as to avoid any problem.

After the GST (goods and services tax) being implemented across the country from July 1, the charges which have been extended by the banks have been put on the customer's side altogether. If taking into consideration the service charges, earlier the service tax used to be 15 per cent, but now after GST it is 18 per cent. In such a situation, the bank customer will now have to pay a higher price for the banking services.

SBI had made changes to the service charge of some cash transactions related to ATM withdrawals, including users of their mobile app SBI Bank Buddy, a few weeks ago, which has come into effect from June 1. Customers using the SBI Bank buddy app will be charged 25 rupees per withdrawal. It must be noted that the SBI bank's Buddy App is a relatively new facility, which provides the facility to withdraw money from the ATM through the use of the bank's mobile wallet.

Now in a new notification, after the rollout of the GST, SBI has said that withdrawal of money from ATM through the use of bank's Buddy app, will now incur more charges. If you transfer money from SBI Buddy to your bank's savings account, you will have to pay 3% + tax. SBI has said this through press release.

LIMITATIONS OF THE STUDY:

1. The study is completely based on the secondary sources
2. No Quantitative data were collected
3. The Study is not based on the research

CONCLUSION

The GST will be the levied on the manufacture, sale and the consumption of goods and services in India. It is said to be the biggest form of reform in the indirect taxation aspect ever since 1947. The council of the GST will be headed by the Union Finance Minister that is currently Arun Jaitley. The main purpose of GST is to bring about the single tax system for the manufacture and the sale of goods at the both central and the state level in the country. The GST is mainly implemented to remove all other taxes like VAT (Value-Added Tax), Excise duty and Sales Tax. The GST is very crucial tax reform since independence of India, so it must be better handled with utmost care and analysed well before implementing it. And, the governments both central and state have to conduct awareness programmers' and various literacy programmes about GST to its various stakeholders

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