

A STUDY ON IMPACT OF GST ON AUTOMOBILE PRICING WITH SPECIAL REFERENCE TO TVS MOTORS

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Abstract

GST or Goods and Service Tax is a major reform in the taxation system in India. This is an indirect form of taxation that the Government of India has introduced to replace the existing indirect taxes, namely sales tax, service tax, and VAT. Since the introduction of GST, it has led to an impact on the way businesses operate. In this study, we examine the impact of GST on the automobile sector. The new GST has made changes to the tax structure on automobiles. We examine the effect of GST on the automobile sector taking into account pricing of vehicles. TVS Motors has been considered as a case study for this analysis. The impact of GST on pricing on two-wheelers offered by TVS Motors has been studied in this paper.

Keywords: GST, Pricing, Automobile, Taxation, Indirect tax

1.0 INTRODUCTION

Tax refers to compulsory contribution made by citizens of a country to the Government, for the benefits obtained from the Government. The Government of any country levies various taxes on its citizens and all such taxes are broadly classified into two types, Direct taxes and Indirect taxes.

Direct tax refers to the type of tax the incidence (i.e., liability for payment of tax) and impact (i.e., actual payment of tax) of which is on the same person. It is a form of tax which can be traced to the payer and it flows directly from the tax-payer to the Government.

Indirect tax refers to the type of tax the incidence and impact of which are on different persons. It is a form of tax which cannot be traced to the payer and it flows from the payer to the government indirectly i.e., through others

The following table gives details of various authorities authorized to levy tax in India by the Indian constitution and examples of such taxes levied:

1.1 Difference between Direct Tax and Indirect Tax

Authority	Direct Taxes	Indirect Taxes
The Union government	Income tax (other than on agricultural income)	Excise duty (other than liquor), customs duty, service tax, central sales tax
The State Government	Tax on Agricultural income professional or employment tax etc.,	Excise duty on liquor entertainment tax luxury tax, VAT
Local authority	Municipal taxes on property, water tax etc.,	octroi tax

1.2 Goods and Service Tax (GST)

Goods and Services Tax (GST) has been implemented from July 1, 2017, is India's most-awaited change towards strengthening its economy. GST is a destination-based tax or consumption tax rather than the origin-based tax. Post the implementation; two-wheelers will now attract a tax rate of 28 per cent which is lower than the previous total tax of around 30 per cent. GST stands for goods and services tax which is concurrent levy of taxes on 'Supply' of goods and services. GST in India will be dual system. Where the central and state together will levy tax on supply of goods and /or services, within the state (intra-state) and interstate.

1.3 Major features of GST

- GST on supply of goods / service in India, import and export.(supply includes sale, stock transfer, exchange, lease etc.)
- Impact on working capital of TVSM and Dealers I'm case of stock holding.
- GST on advance payment: On receipt of advance payment, GST is payable to govt .
- GST on transaction value: For spare parts GST will not be calculated on MRP but on transaction value.
- Monthly accounts reconciliation with vendors for full GST credit to TVSM. Monthly accounts reconciliation with dealers to enable them full credit.
- Credit of CGST, SGST And IGST are interchangeable except CGST VS SGST and vice Versa
- GST Council: The most powerful body who will have to recommend GST Law for each States and Center. It will ensure uniformity in tax across India.
- Anti profiteering Clause: Law mandates industry to pass on the benefit of GST to customer, due to reduction in overall rate or avoidance of loss of input tax credit.

2.0 DESIGN OF THE STUDY

The present study focuses on the Implication of GST on Automobile sector with respect to TVS Motors only for the term of 2 year. This study attempts to understand impact of GST on automobile pricing.

2.1 Objectives

- To study and understand the concept of GST in detail.
- To ascertain the price difference on two wheeler range with respect to pre and post GST.

2.2 Scope

The proposed study is on the automobile sector relating to TVS Motors Company. The proposed study examine the impact of GST on turnover and profit. The study is conducted in the area of Rajajinagar in Bengaluru south division. The study covers only two wheelers of the company

2.3 Data Collection

Secondary sources of data has been considered for this study. This includes:

1. Published articles
2. The published annual reports.
3. Websites and magazines etc

2.3 Analysis of data

The data collected will be analyzed using Statistical tools such as percentage and mean. Paired T test is used to test the hypothesis.

2.4 Hypothesis:

H0: There is no significant increase in the prices of two wheelers' of TVS motors.

H1: There is a significant increase in the prices of two wheelers' of TVS motors.

3.0 REVIEW OF THE LITERATURE

Literature review is one of the key aspects of every study. The very basic purpose of the literature review is to gain insight on the theoretical background of the research problem. It helps the researcher to gain strong theoretical basis of the problem under study and also help to explore whether any one has done research on the related issue.

That's why literature review helps one to find out the path of problem solving. In this regards the very basic purpose of the literature review in this dissertation is same as mentioned. The literature review has been done from the fallowing sources to gain more knowledge of the concepts and issues.

Neelavathi et al (2017) in their study concluded that automobile industry can become one of the important contributor for the economic development of the country as well as it help in increasing the employment opportunity. They were successfully able to analyze different tax rate levied on vehicles during pre and post GST periods.

Agrawal TJ & Goyal A (2017) have in their study suggested that the real estate and automobile sector can gain from GST if they are properly equipped for the transformations in the business environment.

Chaudhary K, et al (2016) have in their study said that GST helps to get rid of multiple taxation, it will reduce the burden at present, imported and Indian goods would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT are eliminated because there will be one tax system.

Kharde (2017) in his research paper covered the overall impact of GST on automobile sectors in India and made comparative studies between pre-tax policy and GST policy on automobile industry. Author also concluded on GST impact on the economic development of the country.

Pinki, et al (2014) carried out a study where they have concluded that the current government in India has optimistic attitude regarding GST as it is beneficial for both central and state government.

Mahesh A and Karthika K (2018) have opined in their study that decrease in rate of tax in luxury car it may rise in sales but not in case of small cars. it might have positive influence after certain period of time government have invigorated financial budget there is more chances in future for growth in automobile industry.

Neelavathi K has expressed in her study "Impact of GST on Automobile Industry" The accomplishment of GST changes from the origin public to the ingesting it could improve the GDP progress that could push attention for vehicle crosswise over classes. This will affect the duty dwindling will outflow that may reduce in general cost of auto creating as all valuations on input paid are counter stable with the yield obligation of GST.

Tarunika (2017) in the has delivered an inclusive opinion on the impact of GST on the real estate and automobile sector It helps accepted easily it helps in Sympathetic of GST would help policy makers gain superior public acceptance and consequently easier to travel from the old taxation system. In the future, this study helps to comprehend effect of GST and other sectors to the economy.

Prajwal N (2017) in his study "Impact of GST Implementation on Share Prices - A Study on has spoken about the automobile sector in India being facilitated from the introduction of the GST. The tax rates have abridged and the shares have been traded at a higher rate after the application of GST with increased returns. Thus GST for automobile industry is a win-win condition for both the Shareholders and the manufacturers.

Kour M (2016) that stated that there will be one tax system i.e. GST, that will reduce obedience present load. GST will face many challenges after its implementation and will result to give many benefits. In general through this study we accomplish that GST an active role in the growth and development of our country.

Dr Banana (2018) in his study writes that the Government of India has envisioned to effect of GST to the Collecting segment in India. The goal of this exploration is the effect of GST on Automobile and bike parts in India. 'Make in India' cause of the Government of India is furthermore going to appeal in more distant risk into Indian bike share making further development early stages in the coming years.

Roy (2017) in his study has spoken about the apprehensions in GST model which need to be factored. Limitations and conditions on earnestness to tax credits on assets used for business is also a foremost area of concern, and the credit mechanism should be more liberal. Overall GST will be benediction for automobile industry.

4.0 FINDINGS AND ANALYSIS

4.1 Effect of GST on Automobile

Following the GST rollout, assess on bikes has been fragmented relying upon the motor limit. With the new GST structure actualized crosswise over India from July 1, 2017, there have been changes in the costs of most bikes. Bicycles with motor limits under 350cc get burdened at 28 percent, while those more than 350cc get an extra 3 percent cess, taking their powerful expense to 31 percent. The past total expense structure for bikes was 30.2 percent, which implies littler limit bicycles now get saddled less and there is a peripheral increment for higher limit ones. There have by and large been value cuts in all cases for most mass-advertise cruisers, and we're investigating estimating changes from different makers.

4.2 GST Impact on Bikes/Two-Wheelers

Effective from July 1, 2017, the tax on bikes and two-wheelers up to 350cc has come down and hence are going to cost 3-5% cheaper. However, motorbikes with 350cc displacement and above will attract an additional 3% cess which will result in the overall tax of 31%. The discounts on bikes after GST will depend on the bike and the State in which the two-wheeler has been bought. GST is affecting a wide array of the commodities that a common man uses in his/her day-to-day life. So, if you are a die-hard fan of bikes or have plans to buy a bike soon, you must see what is the change in the price of the motorcycles or any two-wheeler after GST impact.

4.3 TVS

TVS has announced similar benefits as Hero Moto Corp, with their commuter segment models getting a reduction in the range of Rs 350 to Rs 1,500, depending on the state. The company's premium motorcycles such as the Apache RTR 200 have become cheaper by around Rs 4,150, subject to the location of purchase. TVS Bike Prices after GST

Model Name	Pre-GST Price	Post GST Price	Savings
TVS Apache RTR 200	Rs 93315	Rs 92315	Rs 1000
TVS Jupiter	Rs 49966	Rs 49766	Rs 200
TVS Apache RTR 180	Rs 91757	Rs 91357	Rs 400
TVS Apache RTR 160	Rs 79304	Rs 78904	Rs 400
TVS Star city Plus	Rs 46,530	Rs 45,390	Rs 1100

4.4 GST Impact on TVS Motors

TVS Motor has announced the reduction in prices for its entire range of vehicles. As per the newly implemented Goods and Services Tax (GST), two wheelers above 350cc capacity will be considered as luxury items and will attract 31 per cent tax, while those below 350cc will be taxed at 28 per cent. All TVS scooters and bikes fall under the 350cc category and are eligible for the price cut.

With the new tax structure kicking in from July 1, 2017, TVS has reduced the prices of all their commuter two wheelers by Rs 350 to Rs 1500 and the entry level performance bikes by up to Rs 4,150. While ex-showroom prices for some bikes have dropped, the on-road prices have gone up because of the hike in RTO charges and vehicle insurance. TVS currently offers the Jupiter, Wego, Scooty Zest and the Scooty Pep Plus in the scooter segment and the Apache RTR 160, Sport, Apache RTR 180, Apache RTR 200 4V, Victor, Star City Plus and the Phoenix in the bikes segment. TVS also sells the TVS XL 100 positioned as utilitarian vehicle.

4.5 Before and After GST Tax Rates on Automobile Industry

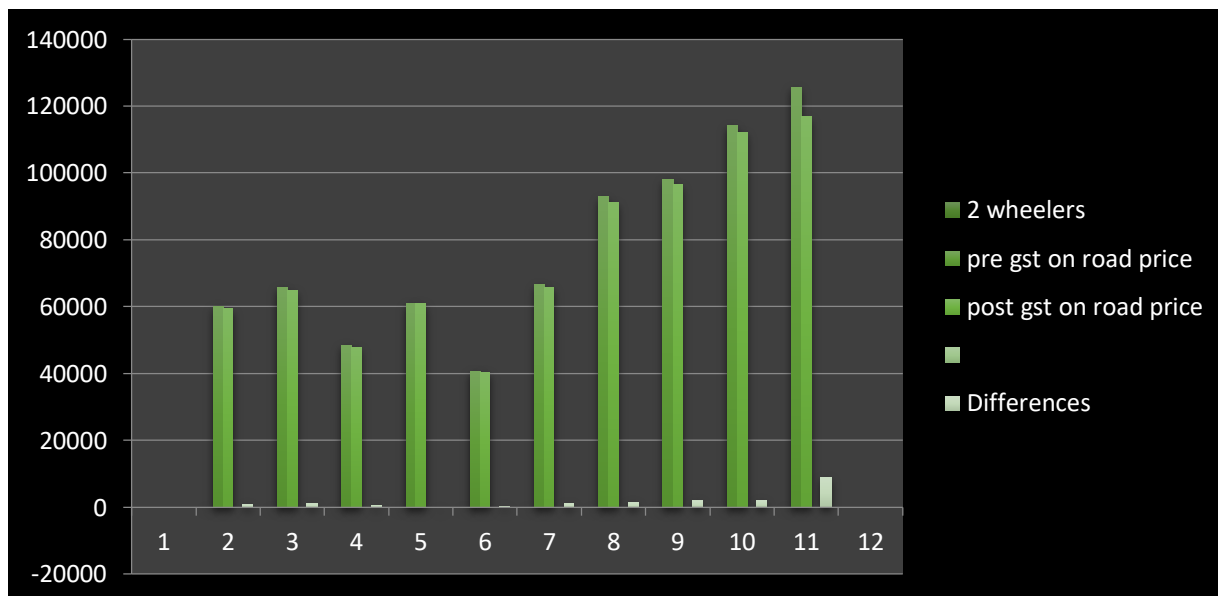
Category	Before GST	After GST
Two wheelers	30.2%	28-31%
Commercial vehicles	30.2%	28%
Luxury cars	50%	42-45%
Small cars	24-25%	29-31%
Hybrid cars	30%	43%
Spare parts	12%	28%

4.6 Table showing the Differences In Price between Pre-Gst and Post-Gst

2 WHEELERS	PRE GST ON ROAD PRICE	POST GST ON ROAD PRICE	DIFFERENCE
STAR CITY	60100	59200	-900
JUPITER	65900	64800	-1100
SCOOTY PEP+	48300	47850	-450
WEGO	60900	60950	+50
XL 100	40700	40400	-300
VICTOR DRUM	66650	65550	-1100
APACHE RTR 160 NEW	92750	91200	-1550
APACHE RTR 180 NEW	98250	96450	-1800
APACHE RTR 200	114250	112200	-2050
APACHE RTR PERELLI	12550	116800	-8750

4.7 ANALYSIS AND INTERPRETATION:

From the above table it states that the difference between the pre GST and post GST of two wheelers on road prices.



4.8 Testing of Hypothesis

Paired T Test Is Used To Test The Hypothesis

H₀: There is no significant increase in the prices of two wheelers' of TVS motors.

H₁: There is a significant increase in the prices of two wheelers' of TVS motors.

RESULT

t-Test: Two-Sample Assuming Equal Variances

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	66035	75540
Variance	883912250	713930444.4
Observations	10	10
Pooled Variance	798921347.2	
Hypothesized Mean Difference	0	
Df	18	
t Stat	-0.751943329	
P(T<=t) one-tail	0.230902598	
t Critical one-tail	1.734063592	
P(T<=t) two-tail	0.461805197	
t Critical two-tail	2.100922037	

Testing of Hypothesis:

The P value is more than 0.05 at 5% level of significance, here the researcher is failed to reject the null hypothesis. Hence there is no significant increase in the prices of two wheelers' of TVS motors. It can be said that the prices of two wheelers of TVS motors are decreased compared to post implementation of GST and pre implementation of GST in India.

4.9 Limitations of the study

1. The study covers the area of Rajajinagar, Bengaluru.
2. There is a time constraint to the study in terms of study period.

4.10 Conclusion

From this study, it is clear that the implementation of GST has led to a reduction in prices of automobiles as studied with reference to TVS Motor Company. The effect of GST on automobile industry has led to decrease in prices, which benefits the consumers.

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