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EVALUATING THE IMPACT OF GOODS AND SERVICES TAX (GST) ON THE MEDIA AND ENTERTAINMENT INDUSTRY IN INDIA: A DESCRIPTIVE STUDY

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ABSTRACT

The Indian Government took a fundamental step in eliminating indirect taxes in India. Since First of July (2017), the Indian government applied and implemented (GST) in replacement of multiple other indirect taxes. The main motive behind GST was to bring uniformity (one nation one tax) in GST price throughout the entire nation. The new system of GST brought about a lot of openness in the indirect tax methods of our country, India. With the implementation of GST it has also helped in tracking down and to an extent eliminating tax evasion. GST has helped in removing hurdles of doing and conducting business in India. Business development in various domains has even enhanced the infrastructure and overall economic growth in our nation. GST has successfully laid the path of rapid and efficient growth in government revenue and has even helped raise and implement various gov. programs such as but not limited to Digital India (DI) and so on.

Globally, the Media and Entertainment Industry is the fifth (5th) largest industry worldwide. The Entertainment Industry is far-reaching and widespread and it is soon over taking several other business sectors as well. This particular industry has a Rapid Growth Curve (RGC). The Entertainment industry is considered in the tertiary sector of the Indian economy, and it also houses a vast number of sub-industries included as a sub part to the entertainment industry. Humans have always seen media and entertainment as one of the crucial and fundamental methods of relaxing and taking time off from major daily activities.

The Indian media and entertainment industry is a ever rising sector, with a rapid growth curve. In this paper, the tax rates before Goods & Service Tax (GST) and after GST in the media and entertainment industry has been analyzed in order to understand whether it has become more unaffordable or not. This paper also discusses the existing tax structure and the impact of GST on various players in the Media and Entertainment industry.

KEYWORDS GST, VAT, Tax Structure, Rapid Growth Curve, Tertiary

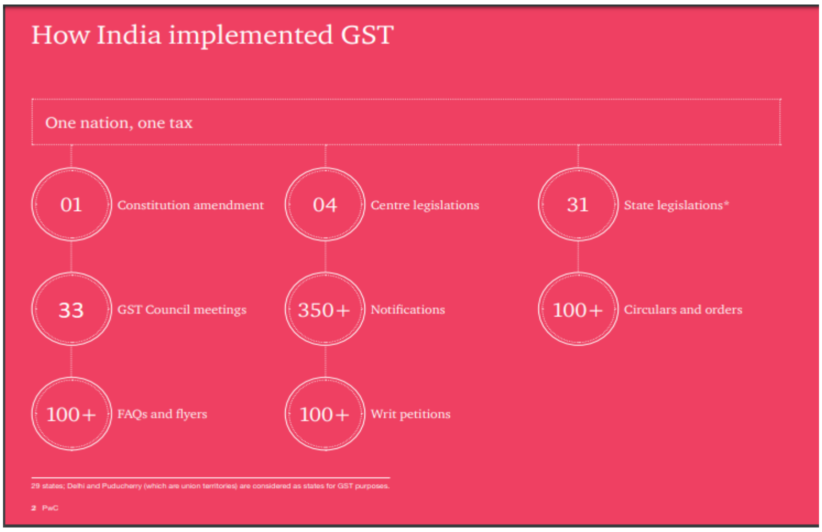
INTRODUCTION

There are two types of taxes levied by the government of India - direct tax and indirect tax. The direct tax consists partially of income tax, which is levied by the central government of India on individuals, companies, and body of individuals. The second type of tax, indirect tax, is levied on the manufacture of goods, provision of services and on consumption. The Central government levies taxes on the manufacture of goods and services while state government levies on consumption. Multiple forms/variations of indirect taxes like CST, entertainment tax, VAT, import duty, service tax are also a part of the tax bracket in India. For example, when it comes to manufacturing, the central government levies an indirect tax at the gate of a factory/industrial plant known as central excise. The state government will charge VAT at the time of consumption on the final price which already includes tax. Likewise, on the transfer of goods between states, central sales - as well as an excise tax – is charged. Hence an economic amelioration was made by the introduction of Goods and Services Tax on 1st July 2017 to unite India's markets into one common market.

GST is considered an indirect tax, which neutralizes indirect taxes as mentioned above, some of which are additional excise duty, service tax, central sales tax, countervailing duty and special additional duty of customs, VAT, entertainment tax, taxes on lottery, betting and gambling. Goods and Services Tax is, as the name suggests, applied on the sale and purchase of goods between producer and consumer. Under GST, the uniform tax will be levied on manufacture, sale, and consumption of goods and services. The Goods and Services Tax will be paid only on the value added at each stage by deducting taxes that have already been paid at each stage so the cost for consumers will be reduced by the input tax credit and the reduction in cascading effect of taxes on taxes. There are three components: "Integrated Goods and Service Tax (IGST), Centre Goods and Service Tax (CGST) and State Goods and Service Tax (SGST)"

BRIEF HISTORY OF GST:

During the 2006-2007 budget, a Union minister first time said that GST would be implemented on April 1, 2010.	2006
115 Amendment Bill was introduced and subsequently lapsed.	2011
122 Amendment Bill was introduced in Lok Sabha.	2014
The first GST Council Meeting was conducted.	Sept 2016
CGST, IGST, SGST, UTGST, and Compensation cess act was recommended by the GST Council.	March 2017
CGST, SGST, IGST, UTGST, and Compensation cess act were passed.	April 2017
The IGST rules, or the Goods and Services Tax, were implemented across India.	1 July 2017
The GST was passed by the state legislature of Jammu & Kashmir.	7 July 2017



OVERVIEW OF MEDIA INDUSTRY IN INDIA:

The Indian Media and Entertainment industry is considered to be a sunrise sector with a rapid growth curve. In the year of 2015, the industry grew at 11.76% with economic market size of USD 19 billion (INR 1,281 billion). In totality, the industry was expected to grow at 13.98% by the year 2018. By 2025, the industry is expected to reach a market size of USD 100 billion (INR 6,743 billion). Globally, India is the fifth largest market in terms of the Media and Entertainment market.

The primary sub-sectors of the Media and Entertainment industry are Television, Print, Films, Sports, Music, Radio, Digital Advertising, Out of home advertising, Animation and VFX and Gaming.

Television, print, and films make up the three largest sub-sectors in India. Key demographics and statistics of the Indian Media and entertainment industry are outlined below:

- India has the world’s second-largest television sector with 168 million television households and 890 television channels approximately (including 400 news and current affairs channels approximately).
- India owns the world’s largest film industry in terms of the number of tickets sold and the number of films produced (over 1,250 films are produced yearly in around more than 20 languages).
- India has the biggest newspaper market compared to the rest of the globe with above 100 million copies sold daily and over 100,000 registered newspapers.

In India, the Media and Entertainment (M&E) industry has outperformed expectations and is one of the country's fastest-growing industries. The industry catalyses its own expansion as the economy expands.

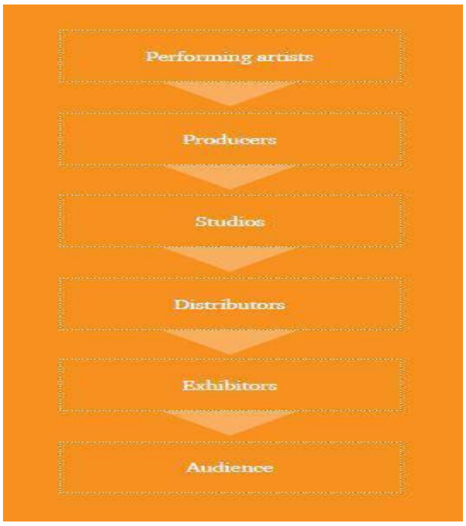
With varied degrees of offline and online delivery, the industry comprises both large and small screens, as well as media, events, exhibitions, amusement parks, and gaming zones. The Entertainment Tax was integrated into the GST, which is a significant step forward. Prior to the introduction of GST, the rate of Entertainment Tax for the film industry varied from state to state, ranging from 15% to 110 percent. GST has eliminated and stabilised rate variations, resulting in a more stable market across the country. There is an 18 percent GST on movie tickets up to 100 INR, and a 28 percent GST on tickets exceeding 100 INR.

Arbitrage is prevented by the uniform rate across the country. Furthermore, with the installation of GST, the rates of DTH and cable services decreased significantly. Sporting events, such as the IPL, are subject to a 28 percent GST duty, making them more expensive than other resources/commodities accessible in the market.

FILM INDUSTRY

In India, cinema has always been associated with the media and entertainment industry. The sector has a lengthy and complicated value chain, and indirect tax is a transaction tax that affects it at every stage. Things are expected to become relatively simpler for the entertainment industry with the introduction of GST, as it will be subject to a single tax and permissible local body taxes.

The GST law classifies going to the movies as a luxury item, subjecting it to the highest tax rate of 28 percent. Given the increasing rise in global socioeconomic growth, going to the movies may no longer be considered a luxury, at least in India's major cities.



RESEARCH PROBLEM

Elaborate analysis of the implementation of GST on the informal sector, in specific, the media and entertainment industry in the Indian economy and find the effect of pre and post GST implementation on the informal sector in India.

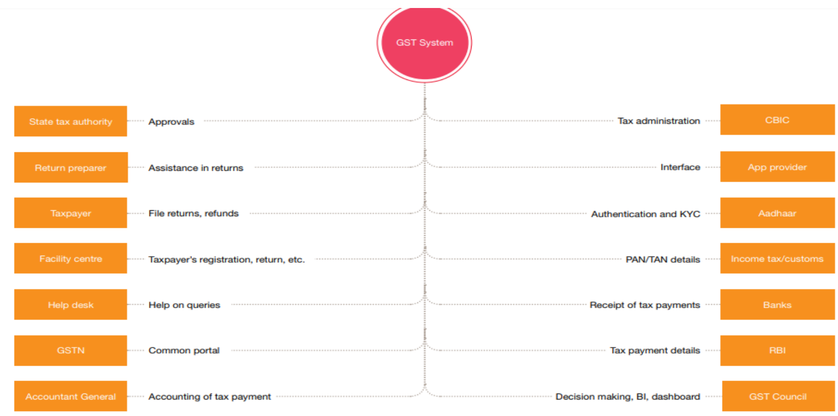
RESEARCH OBJECTIVE

- To analyze the tax rates before GST and after GST in the entertainment industry of India.
- To understand the overview of the 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.

RESEARCH METHODOLOGY

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

GST ECOSYSTEM



GENERAL VIEW OF GST ON M&E

- Overall Tax Burden: GST will anticipate in lowering the overall tax pressure on consumers. It is a government in terms of administration and acquiescence.
- Seamless input tax credit: Tax paid for the consumption of goods can be used as accountability for further services.
- Entertainment tax: Entertainment Tax is absorbed by GST, therefore enhancing the possibility of using input tax credit for output tax.
- Exemption taken away: Exemption has been removed mostly from literary, dramatic, musical or artistic works or cinematograph films.
- Higher tax rate
- No more dual levy on food and beverages: Before GST, VAT and Service Tax both were applied on Food and Beverages. Due to GST they have been removed.
- Unified regime, yet separate records: Services were no input tax credit is allowed, one can maintain multiple accounts to meet the government rules.

GST COMPLIANCES FOR MEDIA AND ENTERTAINMENT

1. **Registration:**
   - Majority of Taxpayers registered under indirect taxes have switched to GST.
   - GST registration process have been quite simple.
   - Service providers do not have to apply for centralized registrations.
   - Service providers do not get composition scheme.
2. **Invoicing:**
   - Invoice Bill for providing of taxable goods/services
   - Exempted goods/services are provided with Bill of Supply.
   - An invoice should be issued for ourselves for goods/services received from unregistered vendors.
   - At the time of payment, voucher should be shown under RCM
   - For Adjustments, Credit/Debit notes should be provided
3. **Liability under reverse charge mechanism:**
   - Import of services
   - Transportation of goods service by Goods Transport Agency
   - Services such as legal provided by an advocate/firm of advocates
   - Transportation of goods service from outside India
   - Sponsorship services
   - Government/Local authorities services

- Services provided by an author, music composer, photographer or artist via copyright of original works
- Non-executive director services towards a company
- Rent a cab service and works contract service

4. Tax payment:

- Electronic tax register shall be maintained on a common portal for each person liable to pay tax.
- First, the person must be free of all previous taxes and dues (if any), followed by the current tax period.
- The GST common portal will generate an electronic challan.
- Payment dates should be inflexible. (by 20th of the next month)

5 Returns:

- A single payment and return gateway for all sorts of taxes
- Separation of returns for different types of taxpayers
- Timeframe for filing returns: monthly, quarterly, and annually
- Late fees should be applied
- GST Council to should simplify compliances on representations from trade and industry

TAX ON ENTERTAINMENT BEFORE GST

There were several taxes on entertainment before the GST, ranging from 0% to 110 percent depending on area and type of service given.

Previously, entertainment-related services such as delivering food and beverages at movies were subject to both VAT and Service Tax. VAT was charged at a rate of 14.5 percent, while service tax was charged at a rate of 15%. However, the film industry used to receive a 60% subsidy and only had to pay 6% of the overall service tax. In addition to the above-mentioned entertainment tax, the total tax was 20.5 percent (6 percent service tax + 14.5 percent VAT).

GST RATE ON ENTERTAINMENT IN INDIA

The Goods and Services Tax (GST) is a standard tax system that applies to all taxable supplies in India after it was implemented. As a result, all previous entertainment taxes are replaced by a single tax, the GST.

Depending on the type of entertainment service and/or product, the GST rate ranges from 18 to 28 percent.

Sports Events like IPL	28%
Circus, Concerts of classical dance as well as folk dance, Theatrical Performance and Drama	18% (exemption up to consideration for admission of RS 250/per person)
Cable Tv or DTH Services	18%
Television and other content producers	
Outright Sales	12%
Print Media	5%
Renting of Hoardings	28%
Subscription Revenue	12%

GST IMPACT ON CONSUMERS

After observing different taxes in specific states, GST has either increased or decreased the overall cost of entertainment for end consumers bringing tax at a uniform level.

Before GST, movie tickets were taxed at 30% at cinema halls and theaters and the food provided there was charged with 20.5% VAT + Service tax.

After GST, there is a 28% tax on movie tickets and food and beverages are charged at the standard rate of 18%. If we have a look at figures, the GST rates are lower now as compared to the previous taxes collected over entertainment. However, the states that had lower taxes will see an increase in tax. GST on entertainment mainly the cost of movie tickets may differ from one state to another.

Particulars	**Before GST**	**After GST**
Ticket sales	10,00,000	10,00,000
Entertainment tax @30%	3,00,000	-
GST @28%	-	2,80,000
Food & Beverages sold	15,00,000	15,00,000
VAT & Service Tax @23.5%	3,52,500	-
GST@18%	-	2,70,000
Total Output GST	-	5,50,000
Rent	6,00,000	6,00,000
Service Tax@,15% of 6,00,000	90,000	-
Input GST@18%	**-**	**1,08,000**
Total Tax paid	**7,42,500 (3,00,000+352,500+90,000)**	**4,42,000 (5,50,000-1,08,000)**

In addition to the aforesaid tax, the GST has the jurisdiction to allow individual states to levy a local body tax (LBT) on entertainment services provided in their respective states. End users will pay a higher price as a result of this.

The GST also allows local governments to levy an extra tax on entertainment services in their jurisdictions. This could raise the price of these services much more.

GST ON ENTERTAINMENT SERVICE PROVIDERS

The earnings on ticket sales, food items etc are also eligible to be taxed under GST. This added tax is then regained by using a system of input credits.

In conclusion, Goods and Service Tax will have a positive as well as negative impact on states, depending on their previously applied entertainment tax; states will see a drop in overall prices where entertainment tax was formerly higher than 28%, and vice versa.

Entertainment Tax Structure in %

State	Earlier	GST
Delhi	40	28
Maharashtra	40	28
Rest of India	22	28
F&B	11	21

The Big Players	INOX (No. of Screens)	PVR (No. of Screens)
Maharashtra	105	147
Delhi	13	47
Rest of India	342	375
Total Screens	460	569

CONCLUSION

The introduction of GST has had a positive as well as a negative impact on the media and entertainment industry depending on the state. The GST bill proves to be a boon for media companies which deal with varying tax rates in different states. For the states where entertainment tax is relatively higher, GST will be beneficial for the end user as it significantly reduces the prices of services provided. On the other hand, GST will have a negative effect on states having low rate of entertainment tax. For example, the current 18% tax rate applied to movie tickets compared with the previous rate of 28% priced below Rs.100 works well for single screen theatres. This signifies reduction in the cost of tax and a noticeable increase in profits. Besides this, dual taxes were also waived off due to introduction of GST. The overall impact of GST depends on the smooth implementation of it and the abstinence of any other taxing by the government and local authorities. In conclusion, GST appears to be a positive legislation for the entertainment industry so far.

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