

Impact of GST on various sectors

GST may be a reality soon. But the tax (likely to come in 17-18 percent) may not have a uniform impact on all sectors, given their varying taxation structures.

Current:

Customer pays service tax on fees (including cesses) is at 15%

GST Impact:

Tax will change to GST rate :18%

Overall Impact on Banks will Low

Bank



Consumer Staples



Current:

Excise rate: 0-12%; VAT: 12.5-14.5% for most products and 25-26% for cigarettes;

Entry Tax: 1% (states)

GST Impact:

Tax will change to GST rate :18%

Key stocks (Positive): Asian Paints, Dabur, HUL, Emami;
(Negative): ITC, United Beveries

Current:

Current tax rate of 1-2% on precious metals.

Service tax at 15% on quick Service Restaurants .

GST Impact:

CEA recommends raising GST rate on precious metals to 2-6%.

Moderate increase in service tax outgo from GST rate near 18%.

Key stocks (Negative): Jubilant Foodwork, Coffee Day Enterprises, Titan
(depending on rate on previous metals)

Consumer Discretionary



Media



Current:

Service Tax on DTH companies-15%

Entertainment tax charged by states -7% (wghd. Avg. for Dish TV)

GST Impact:

Should benefit from a rate below the total tax incidence (currently 22%)

Key stock (Positive): Dish TV, Videocon DTH, Big TV

Current:

Service Tax on telecom services 15%

GST Impact:

Moderate rise in tax incidence could lead to marginal dip in consumption/Teleco revenue.

Key stocks (Negative)- Airtel, Idea, and RCom

Telecom



Auto



Current:

Excise Rates of 2-30%

Vat at 14.5%

Central Sales Tax at 1% on inter-state trade

GST Impact:

Should benefit from a rate below the total tax incidence (currently >27%)

Key stock (Positive): Maruti, Exide, M&M, Hero, Bajaj Auto, Eicher Motor, Ashok Leyland.

Current:

Steel and Aluminum
Excise Duty of 12.5%
VAT of 4%
Central Sales Tax at 1-2% on inter state trade

GST Impact:

For aluminum and steel the current tax is similar to expected GST rate (18-20%)



Metals

Cement



Current:

Excise Rates of 12.5%
Vat at 14%

Central Sales tax at 1-2% on inter state trade

GST Impact:

Should benefit from as total taxes are 27% - although with lower than expected GST rate producers may pass some benefits to consumers.

Key stock (Positive): Ultratech, Shree Cement, Ambuja Cement.

Current:

Excise Duty of 4-8%
CST of 2%
VAT of 5%(different across states)
Additional customs duty of 4% (Cenvat credit available)

GST Impact:

GST implementation should bring about supply chain effectiveness over time but if rate is more than 15% it could be negative.

Many companies enjoy excise holidays in states such as Himachal Pradesh & Uttarakhand need clarity whether this would be grandfathered.

Pharma



Current:

Stamp Duty not part of GST

Companies pay 15-16% taxes on inputs (input credit available)

GST Impact:

May not be a part of GST

Real Estate



Current:

Organized large scale logistics business is predominantly exim-based owing in part to supply chain considerations driven by the indirect tax regime.

GST Impact:

Supply chain in India likely to see overhaul/transformation, inter-state trade barriers to reduce and likely lead to growth in inter-state commerce.

Key stocks: (Positive) Container Corp, Allcaro Logistics, Gati, Gateway Distriparks (could get into domestic business).

Logistics

