

IMPACT OF GST IN INDIA WITH REFERENCE TO MEDIA AND ENTERTAINMENT SECTOR – AN INSIGHT

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ABSTRACT

The biggest tax reform since independence i.e., Goods and Services Tax (GST) has now become a part of Indian economy from 1st July, 2017. It is a comprehensive indirect tax on manufactures, sales and consumption of goods and services. GST was introduced just after demonetization in November, 2016 and has changed the whole scenario of indirect tax system in India. It aims at boosting overall growth of Indian economy by integrating all indirect taxes into one. The media and entertainment (M&E) industry in India is one of the fastest growing sectors and has outperformed expectations in recent years. With the expansion of the economy, the sector has accelerated its growth. Introduction of GST has stabilized the rate variance and provided a uniform market across the nation. In this study, we have also made an attempt to study the pre and post GST effects on different activities of the media and entertainment industry like exhibition of movies, food and beverages sold at movie halls, services rendered by artists and other technician, sponsorship and brand promotion and advertisement. Thus, this paper is an endeavor to understand the impact of GST on media and entertainment sector and aims at pointing out the challenges of the same under the present structure and provide some way outs to it.

Keywords: Goods and Services Tax, Media & Entertainment, Impact, Challenges, Way outs.

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 goods and services while state government levies on consumption.

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.

In India, GST is levied on the supply of goods or services or both since 1 July 2017. At present, GST applies to all goods and services, except alcoholic liquor for human consumption and five petroleum

products on which the erstwhile duties continue. Also, electricity and real estate (except supply of construction services) have been kept outside the ambit of GST. In India's GST scheme, states and the Centre will have simultaneous power to levy, administer and collect this tax on supply of goods and services. GST is a work-in-progress today, reaching new heights while responding to a constantly changing business environment.

OVERVIEW

The media and entertainment (M&E) industry in India has outperformed expectations, and is amongst the fastest growing sectors. With the expansion of the economy, the sector accelerates its own growth. The sector spreads into big and small screens, media, events, exhibitions, amusement facilities and gaming zones, with varied combinations of offline and online delivery.

According to a Deloitte report titled '**Media and entertainment industry - India tax landscape**,' "India is globally the **fifth largest** media and entertainment market." In 2015, the industry grew at 11.76% with a market size of INR 1,281 billion. Overall, the industry is expected to grow at 13.98% till 2018. By 2025, the industry is expected to attain a market size of INR 6,743 billion. India is globally the fifth largest Media and entertainment market. Television, Print, Films, Sports, Music, Radio, Digital Advertising, Out of home advertising, Animation and VFX and Gaming are the key sub sectors of the Media and Entertainment industry. The three largest sub-sectors in India are Television, print, and films. Key demographics of the Indian Media and entertainment industry are outlined below:

- India is the world's second largest television market with 168 million television households and 890 television channels approximately.
- India has the world's largest film industry in terms of tickets sold and the number of films produced.
- Globally, India has the biggest newspaper market with more than 100 million copies sold daily and more than 100,000 registered newspapers.

OBJECTIVES OF THE STUDY

The study is based on the following objectives:

- To get an overview of GST system and media and entertainment sector in India.
- To analyze the tax rates before GST and after GST in the entertainment industry of India.
- To understand the impact of GST on media and entertainment sector.

REVIEW OF LITERATURE

Poonam (2017) studied "Goods and Services Tax in India: An Introductory Study" and concluded that GST would be a really necessary step in the field of indirect taxation. The paper has tried to relinquish information concerning GST system. She in her research paper additionally quoted that Consumer's

tax burden can just about scale back to 25% to 30%. Indian manufactured products would become a lot more competitive in the domestic and international markets. This taxation system would instantly encourage economic growth. GST will prove easier to administer due to its transparency.

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 effect on various sectors except some sectors having negative effect.

Shefali (2016) studied “A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy” and found that GST will simplify existing indirect tax system and will help removing inefficiencies created because of the heterogeneous taxation system in the previous regime only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. The government should refrain from implementing such regime, until the consensus is reached.

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 well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Nitin (2014) examined, “Goods and Service Tax- A Way Forward” and opined that implementation of GST in India will help in removing economic distortion created by previous indirect tax system and is expected to encourage unbiased tax structure which is same throughout all geographical locations in India.

Garg, G (2014) studied, “The basic concepts and features of GST in India” and 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.

RESEARCH METHODOLOGY

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

REVENUE GROWTH OF MEDIA AND ENTERTAINMENT INDUSTRY

Media and Entertainment is the most popular and ever-growing industry. M&E market in India is globally the fifth largest. The Media and Entertainment 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. 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 are it now.

According to the FICCI-EY report 2021, the media and entertainment business is estimated to grow 25% to reach Rs. 1.73 trillion in 2021. According to an EY report, the Indian media and entertainment (M&E) sector stood at Rs. 1.38 trillion in 2020 and is estimated at Rs. 1.73 trillion in 2021. Further, it is projected to grow to Rs. 2.23 trillion by 2023 due to acceleration of digital adoption among users across geographies. Television would account for 40% of the Indian media market in 2024, followed by print media (13%), digital advertising (12%), cinema (9%), and the OTT and gaming industries (8%). The market is projected to increase at a CAGR of 17% between 2020 and 2023.

In FY20, digital and online added revenue stood at Rs. 26 billion in the M&E sector and their contribution to the sector increased to 23% in 2020 from 16% in 2019. Within the M&E sector, Animation, Visual Effects, Gaming and Comic (AVGC) sector is growing at a rate of 29%, while the audiovisual sector and services is rising at the rate 25%; is recognized as of one of the champion sectors by the Government of India. The AVGC sector is estimated to grow at 9% to reach Rs. 3 lakh crore by 2024, stated Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Mr. Piyush Goyal. Advertising revenue in India is projected to reach Rs. 915 billion in 2023, from Rs. 596 billion in 2020.

TAX RATES ON ENTERTAINMENT INDUSTRY PRE AND POST GST

PRE GST

Earlier, prior to GST, the rate of Entertainment Tax for the film industry varied from state to state, ranging from 0% to 110%, with an average of 30%. This source of revenue has grown with the advent of pay television services in India. Since, entertainment is being provided through the services such as broadcasting services, DTH Services, Pay TV Services, cable services, etc. The component of entertainment is intrinsically intertwined in the transaction of service, that it cannot be separated from the whole transaction. Given the nature of transaction of service, it is being subjected to tax by the Union and the State governments both.

A list of the entertainment tax generally charged by states:

- Andhra Pradesh - 20% (15% for Telugu Films)
- Assam, Himachal Pradesh, Jammu & Kashmir, Rajasthan, Punjab and Uttaranchal (Nil)
- Bihar - 50.00%

- Delhi- 20.00%
- Gujarat -20.00% (Nil for Gujarati Films)
- Haryana -30.00%
- Jharkhand -110% (Nil for Jharkhand Films)
- Karnataka -30% (Nil for Kannada Films)
- Kerala- 30.00%
- Madhya Pradesh -20.00%
- Maharashtra -45% (Nil for Marathi Films)
- Orissa -25.00%
- Tamil Nadu -15% (Nil for Tamil Films)
- Uttar Pradesh -30% to 40%
- West Bengal- 30% (2% for Bengali Films)

Before the introduction of Goods and Services Tax there was entertainment tax on entertainment industry. The lowest tax was NIL in Assam, Himachal Pradesh, Jammu & Kashmir, Punjab and Uttaranchal and the highest was 110% in Jharkhand (NIL for Jharkhand Films)

POST GST

One of the major changes has been the subsuming of Entertainment Tax under GST. Introduction of GST has stabilized the rate variance and provides a uniform market across the nation. A GST of 18% is levied on movie tickets up to 100 INR, and 28% on movie tickets costing more than 100 INR. The uniform rate across the nation prevents the arbitrage. Further, the prices of DTH and cable services came down after the implementation of GST. However, sporting events such as IPL attract a 28% GST levy, which makes them costly.

Items falling under 18% tax rate

- TV and DTH services, circus, theatre, and Indian classical dance (including folk dance and drama)

Items falling under 28% tax rate

- Services by way of admission to entertainment events or cinematography films in cinema theatres. These include movie tickets, movie festivals, casinos, racing, and any sports events (like IPL), etc. with ticket prices above 100 rupees.

The table below shows the rates applicable to the entertainment industry:

TYPE	GST RATE
Circus, Indian classical dance including Folk dance Theatre Drama	18%
Cinema Movie festival Amusement parks Race Any sporting events like IPL	28%

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%.

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 events like IPL will attract 28 per cent GST rate which is far more than the current tax rate which was 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.

Film Industries

Cinema has long been synonymous with the M&E sector in India. There is a long value chain in the industry, and indirect tax being a transaction tax impacts the industry at every stage. With the advent of GST, things are expected to become relatively simpler for the entertainment industry as it would be subject to only one tax and permissible local body taxes. The GST legislation classifies access to cinema as a luxury and puts it under the highest tax rate of 28%. Given the socioeconomic developments round the world, the cinema may not really be a luxury, at least in metro cities.

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 @20.5% (Assumed) and Service Tax @15% 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 attract 18% GST. GST, thus, will have a mixed effect on the entertainment industry, depending on the states.

Watching movies in various states before and after GST

Particulars	Punjab (0% entertainment Tax)		Uttar pradesh (60% entertainment Tax)	
	Before GST	After GST	Before GST	After GST
Ticket Price	300	300	300	300
Tax	0	84	180	84
Total Price for Ticket	300	384	480	384
Popcorn + Cock Combo	150	150	150	150
Tax on above	36	27	36	27
Total Price for Combo	186	177	186	177
Total Payment	486	561 (Increase)	666	561 (decrease)

The above table shows the cost of watching movies before and after GST for Punjab and Uttar Pradesh. It includes ticket price along with food available in the movie hall. Punjab with an entertainment tax of 0% will have to pay more after GST whereas Uttar Pradesh with an entertainment tax of 60% will have to shed less.

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% 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 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.

BIRD'S EYE VIEW OF GST IMPACT ON M&E

- **Overall tax burden:** GST is expected to reduce the overall tax burden on consumers. It is considered to be a simple tax regime in terms of compliance and administration.
- **Entertainment tax:** Entertainment tax is subsumed under GST, thereby increasing the opportunity to use the input tax credit for payment of output tax and reducing one compliance.
- **Exemption taken away:** A key exemption has been taken away, namely on transfer of IP relating to original literary, dramatic, musical or artistic works or cinematograph films.
- **Higher tax rate:** Aside from the highest tax rate of 28% GST on tickets, the power of municipal or local bodies and continued power with the states to further levy local body taxes may add on to the increased burden.
- **Working capital:** The recipient of certain services would face working capital issues due to services being subject to tax under reverse charge basis in the recipient's hand.
- **No more dual levy on food and beverages:** Earlier, there was VAT and ST on the sale of food and beverages, which has now been done away with under GST.
- **Seamless input tax credit:** Tax paid on procurement of goods can be used for payment of liability on providing services and vice versa.
- **Unified regime, yet separate records:** For providing services where no input tax credit is allowed, one could explore the option of maintaining separate accounts for procurements to meet the compliance requirement.

CONCLUSION

To conclude, it may be said that 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.

GST has not only amalgamated several types of indirect taxes into one in order to remove cascading effect, but also has reduced the overall tax burden on consumers. It is considered to be a much simple tax regime in terms of compliance and administration as compared to its predecessor. Moreover, now tax paid on procurement of goods can be used as credit for payment of output tax liability on providing services and vice versa. Thus, GST in every way is a better solution than the previous tax regime. However, the existing tax rates and its procedure of implementation including the compliance system attract certain controversies. Keeping in mind that GST is at its nascent stage, if necessary, modifications are made in the regulations, it can provide Media and Entertainment sector an edge in growth over the previous system of taxation.

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