An Analysis of GST and How It Affects Pricing and Sales

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Abstract

An important change to the Indian tax system was the implementation of the Goods and Services Tax (GST) on July 1st, 2017. Excise duty, VAT, service tax, and other indirect taxes were superseded by GST, resulting in a single tax system. This study looks at how GST affects organisations' pricing and sales methods. The study demonstrates how GST has affected customer demand, profit margins, pricing choices, and cost structures. The study comes to the conclusion that while GST has increased consistency and transparency, it has also made it more difficult for firms to comply.

Keywords: *Goods and Services Tax (GST), Pricing Strategy, Sales Performance, Indirect Taxation, Tax Reform, Input Tax Credit (ITC), Consumer Behavior,Cost Structure, Profit Margin, Supply Chain Management, Tax Compliance-Commerce and GST,Market Generations Rates and Slabs, Tax Transparency*

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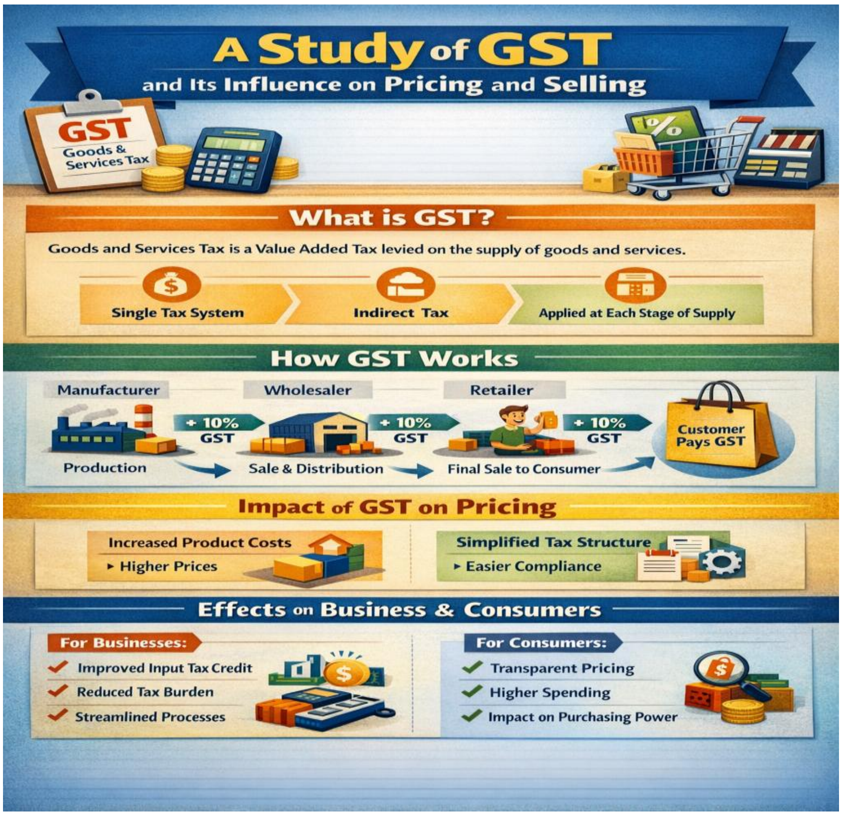
Introduction:



Taxes have a significant impact on selling tactics and product prices. India had a complicated indirect tax structure with several tax tiers prior to the Goods and Services Tax (GST), which resulted in cascading consequences (tax on tax). The GST's implementation sought to:

• Get rid of cascading taxes
• Establish a unified national market
• Increase openness
• Make the tax system simpler. The Goods and Services Tax (GST) is a destination-based tax imposed on the supply of goods and services.

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Objectives of the Study:
1. To comprehend the idea and framework of GST.
2. To examine how the GST affects the cost of products and services.
3. To investigate how GST affects marketing tactics.
4. To determine the difficulties firms encountered following the introduction of GST.

Research Methodology:
The study is based on secondary data collected from:

- Government reports
- Research articles
- Journals
- Official GST portal publications
- Books on taxation and cost accounting

The study is descriptive and analytical in nature.

Concept and Structure of GST:
GST in India consists of:

- CGST (Central GST)
- SGST (State GST)
- IGST (Integrated GST)
- UTGST (Union Territory GST)

It follows the **Input Tax Credit (ITC)** mechanism, which allows businesses to claim credit for taxes paid on inputs.

GST's Effect on Pricing:
1.Removal of the Cascading Effect
Businesses paid tax on tax prior to the GST (cascading effect). The final selling price went up as a result.
Using GST:
a) Every stage offers the Input Tax Credit (ITC).
b) Value addition is the only thing that is taxed
c) This stabilises prices and lowers the total tax load.
As a result of the elimination of double taxation, product prices decreased in numerous industries.
2.State-by-State Uniform Tax Rates
Common tax slabs (5%, 12%, 18%, and 28%) were introduced throughout India under GST.
Effect on Cost:
a) Diminished regional pricing disparities
b) Established a single national market.
c) Uniform prices for goods
d) This increased pricing transparency.
3.Impact on Cost of Production
a) Businesses can obtain input tax credits under GST on:
b) Unprocessed materials
c) Services
d) Transportation
Reduced production costs could result in:
e) Reduced price of sale
f) Increased profit margin
g) Competitive pricing tactics
4.Impact on Prices for Consumers:
(a) **Essential Products**
Many necessities were made cheaper by being placed under reduced tax slabs (5% or exempted).
(b) **Goods of Luxury and Sin**
Cars and tobacco were taxed at higher slabs (28% + cess), driving up the cost of luxury goods.
5. Influence on Pricing Strategy:
Following GST, businesses implemented new pricing strategies:
Tax-inclusive pricing (MRP with GST included)
Competitive pricing to reduce the tax burden
Pricing promotions to sustain demand
Changes in margin as a result of input tax credit benefits
6. Impact by Sector:
a) Manufacturing Sector: Stable pricing → Lower logistical costs
b) Service Sector: Certain services, like telecom and insurance, have increased in price.
c) E-commerce: State-to-state uniform pricing
7. Beneficial Impacts on Cost:
Transparency in the tax aspect
Tax computation made simpler
decrease in unstated taxes
Better cost management
6. Influence of GST on Selling:
1 Clear Billing Process-
GST increased accountability by making invoice-based selling mandatory
2 Compliance with Digital –
Systematic selling and record keeping were enhanced by online tax filing.
3 Modification of Marketing Approaches –
Companies changed their pricing tactics to:

- Absorb tax burden
- Offer discounts
- Remain competitive

4.E-Commerce Growth-The introduction of the Goods and Services Tax (GST) has significantly influenced the growth of e-commerce in India. GST created a uniform tax structure across states, which helped online businesses expand smoothly without facing multiple state-level tax barriers. GST simplified inter-state trade, benefiting online sellers and expanding market reach. The term "e-commerce" describes the purchase and sale of products and services via electronic channels like websites and mobile applications.

- Amazon,
- Flipkart,
- Myntra, and
- Snapdeal are some of the biggest online retailers in India.

5.GST's Effect on the Development of E-Commerce-
1 Elimination of Several Taxes
E-commerce companies had to deal with VAT, entry tax, octroi, and service tax prior to GST. GST reduced complexity
by replacing these with a single, unified tax system
2 Consistent Tax Rates Throughout India
By establishing a single national market, GST made it possible for vendors to conduct business across state lines without having to deal with disparate tax systems. Small vendors were encouraged to sign up for internet marketplaces as a result.
3 Streamlined Warehousing and Logistics
In order to avoid tax issues, warehouses were previously located in several states. Under GST, businesses reduced operating expenses by optimising

warehouse sites based on efficiency rather than tax advantages.

4 Benefit of Input Tax Credit (ITC)

Input tax credits are available to e-commerce sellers, which reduces overall costs and increases pricing competitiveness.

5 Increased Transparency

GST increases transparency and lowers tax avoidance in online commerce by requiring correct invoice creation and return submission.

6.Tax Collection at Source (TCS) in E-Commerce :

E-commerce companies are required by GST to gather Tax Collected at Source (TCS) from vendors and deposit it with the government.

Although this increases compliance, small sellers originally faced difficulties with working capital.

7.GST's benefits for online shopping:

Expansion of inter-state trade

expansion of small and medium-sized internet retailers

Enhanced tax adherence

decrease in the cascade effect

A rise in customer confidence

7. Advantages of GST in Pricing and Selling

- Elimination of several taxes
- Increased transparency
- Improved adherence to tax laws
- Motivation for the organised sector
- Enhanced effectiveness of logistics

8. Challenges Faced by Businesses

- Regular adjustments to GST rates
- Small firms' burden of compliance
- Blockage of working capital as a result of ITC delays
- Technical problems in filing returns

9. Findings of the Study

1. The GST has significantly reduced cascading taxation.
2. Pricing is now more consistent and transparent.
3. Sales procedures are becoming more digitalised and regimented
4. At first, small enterprises had trouble adapting.
5. Online vendors must register for GST.
6. Small enterprises' burden of compliance
7. complicated procedure for filing returns
8. TCS-related working capital blockage

Conclusion

India's indirect tax structure has undergone an absolute transformation since the introduction of GST. By lowering taxes and boosting transparency, it has had a good impact on price. Requirements for digital compliance have made selling procedures more structured. To promote small and medium-sized businesses, however, policies must be continuously improved and made simpler. Overall, by encouraging fair pricing and organised selling methods, GST has improved the Indian economy.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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