



A study of Goods and Services Tax (GST) with reference to Common Man

Priyanka

Assistant Professor, Aggarwal College, Ballabgarh

Abstract

In this paper the attempt is made to throw light on GST i.e. The Goods and Services Tax. The paper discusses the history of taxation in India and the world, subsequently the history of GST is discussed. It presents the chronological order in which GST came into existence after a struggle of more than 13 years. The concept of GST along with its benefits is clearly explained in detail. GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. The impact of GST with reference to specific industry like food , FMCG, Technology enabled services is analyzed to give a clear understanding of GST to the reader. In sum, implementation of a comprehensive GST in India is expected to lead to efficient allocation of factors of production thus leading to gains in GDP and exports. This would translate into enhanced economic welfare and returns to the factors of production, viz. land, labour and capital.

Keywords: *VAT, GST, excise duty, Dual GST, IGST*

Introduction

In the Era of Post –Independence Goods and Services tax is one of the most important tax reforms in India. It will lead to business transformation for all major industries and Common man. GST is an indirect taxation in India merging most of the existing taxes into single system of taxation. GST is a Destination based tax that will replace the current Central Taxes and duties such as Excise duty, Service Tax, Countervailing duty, Special Additional duty of Customs, Central Charges and Cesses and local state taxes, i.e.(Value Added Tax, Central sales tax , Octroi, Entry Tax, Purchase Tax etc.). It was introduced as the Constitution (One Hundred and first Amendment) Act 2016.The GST is governed by GST Council and its Chairman is Union Finance Minister of India ARUN JAITLEY.

Tax Structure in India:- India offers a well-structured tax system for its population. Taxes are the largest source of income for the government. This money is deployed for various purposes and projects for the development of the nation.

Taxes are determined by the Central and State Governments along with local authorities like municipal corporations. The government cannot impose any tax unless it is passed as a law.

Types of taxes

Taxes are classified under two categories namely direct and indirect taxes. The largest difference between these taxes is their implementation. Direct taxes are paid by the assessee while indirect taxes are levied on goods and services.

A) Direct taxes:-Direct taxes are levied on individuals and corporate entities and cannot be transferred to others. These include income tax, wealth tax, and gift tax. Income tax As per the Income Tax (IT) Act, 1961 every assessee whose total income exceeds the maximum exempt limit is liable to pay this tax. The tax structure and rates are annually prescribed by the Union Budget. This tax is imposed during each assessment year, which commences on 1st April and ends on 31st March. The total income is calculated from various heads such as business and profession, house property, salaries, capital gains, and other sources. The assesses are classified as individuals, Hindu Undivided Family (HUF), association of persons (AOP), body of individuals (BOI), company, firm, local authority, and artificial judiciary not falling in any other category.

B) Indirect taxes:-Indirect taxes are not directly paid by the assessee to the government authorities. These are levied on goods and services and collected by intermediaries (those who sell goods or offer services). Here are the most common indirect taxes in India:

Value Added Tax (VAT):-This is levied by the state government and was not imposed by all states when first implemented. Presently, all states levy such tax. It is imposed on goods sold

in the state and the rate is decided by the state governments. Customs duty Imported goods brought into the country are charged with customs duty which is levied by the Central Government.

Octroi:- Goods that move from one state to another are liable to octroi duty. This tax is levied by the respective state governments.

Excise duty:- All goods produced domestically are charged with excise duty. Also known as Central Value Added Tax (CENVAT), this is paid by the manufacturers.

Service Tax:- All services provided domestically are charged with service tax. The tax is paid by all service providers unless specifically exempted.

C) Goods and Service Tax (GST) As a significant step towards the **reform of indirect taxation** in India, the Central Government has introduced the Goods and Service Tax (GST). GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India and will subsume many indirect taxes levied by the Central and State Governments. GST will be implemented through Central GST (CGST), Integrated GST (IGST) and State GST (SGST). Four laws (IGST, CGST, UTGST & GST (Compensation to the States), Act) have received President Assent. All the States & UT expected to pass State GST Act, by end of May 2017. GST law is expected to take effect from July 1, 2017.

Objectives of the study

- 1) To understand the concept of Goods and Services Tax.
- 2) To Examine the Features of Goods and services tax.
- 3) To analyze the Implementation Strategy of GST in India.

Positive Impact of GST on common man / Advantages of GST

- 1) Removes Cascading Effect of Taxes I.e. Removes Tax on Tax
- 2) Less tax compliance and a simplified tax policy as compare to earlier Tax structure
- 3) Due to reduced cost some products like FMCG etc. Will become cheaper.
- 4) Due to lower burden of taxes on the manufacturing Sector, the manufacturing costs will be reduced, hence Prices of Consumer Goods Likely to come down.
- 5) The low prices will further lead to an increase in the demand/Consumption of goods.
- 6) Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.
- 7) The increased production will lead to more job opportunities in the long run. But this can happen only if consumers actually get cheaper goods.
- 8) It will curb circulation of Black Money. This can happen only if the “Kacha Bill” System, normally followed by traders and shop keepers is put to check.

9) A unified tax regime will lead to less corruption which will indirectly affect the common man.

10) Most importantly, GST will help to boost the Indian Economy in the Long Run.

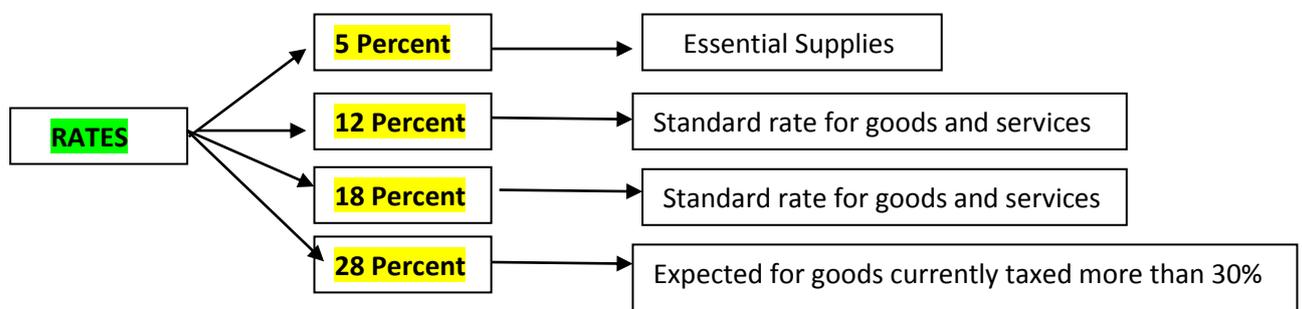
Negative Impact of GST on the common Man or Disadvantages of GST

- 1) Service Tax rate @15% is presently charged on the services. So, if GST is introduced at a higher rate which is likely to be seen in the near future, the cost of services will rise. In simple words, all the services like telecom, banking, airlines etc. will become more expensive.
- 2) Increased cost of services means, an add on to Common man's monthly expenses.
- 3) Common man has to reschedule their budgets to bear the additional services cost.
- 4) An Increase in Inflation might be seen initially.
- 5) Being a new tax, it will take some time for the people to understand it completely. Its actual implications can be seen only when the rate of tax is determined.

GST Impact on Common man

What to expect when GST Rates are announced:

The goods and services tax (GST) will be levied at several rates ranging from 0 to 28 percent. GST council has finalized a four tier GST Tax structure of 5Percent,12percent,18percent and 28 Percent with lower rates for essential items and the highest for luxury and "Demerit" goods that would also attract additional Cess.



GST - Indicative Tax Slab				
Particulars	Central Excise	State VAT	Effective Tax Rate	Expected GST Slab
Milk & Cream	Nil	Nil	Nil	Nil
Milk food for babies	Nil	Nil	Nil	Nil
Milk Powder	Nil	5	4-6	5
Edible Oil	Nil	5	4-6	5
Honey	Nil	5	4-6	5
Coconut Oil	Nil	5	4-6	5
Apparel/Garments	2	4-5	6-7	5
Bullion	1	1	2	4
Biscuits below Rs 100/Kg	Nil	5-12.5	5-12.5	5-12
Rusks, toasted bread etc	Nil	5-12.5	5-12.5	5-12
Fruit juice based drink	2	5	6-8	5-12
Ghee	Nil	5-12.5	5-12.5	5-12
Tractors	8.5	4-5	11.9	12
Sweet biscuits/other biscuits	6	5-12.5	11-18	12-18
Pastries & Cakes	6	5-12.5	11-18	12-18
Malted Milk for infant	6	5-12.5	11-18	12-18
Two wheelers	12.5	12.5-14.5	23.7	18-28
Cement	12.5%+ Rs 125/t (chargable on 30 percent discount to MRP)	12.5-14.5	23-26	18-28
Most other consumer products	12.5	5-12.5	16-24	18-28
Commercial Vehicles	12.5	12.5-14.5	23.7	18-28
Chocolates	12.5	12.5	22-24	18-28
Ice Cream	6	12.5	16-20	18-28
Pasta	6	12.5	16-20	18-28
Hair oil	12.5	12.5	22-24	18-28
Paints	12.5	12.5	22-24	18-28
Sanitaryware	12.5	7-12.5	18-24	18-28
Small cars	12.5	12.5-14.5	23.7	28
White goods (Aircon, microwave etc)	12.5	12.5-14.5	26-30	28
SUV and cars with engine size more than 1500 cc	30	12.5-14.5	28.8	28 + Cess
Mid sized SUVs	24	12.5-14.5	27.1	28 + Cess
Aerated waters containing added sugar	21	15	32-36	28 + Cess
Cigarettes	45 (blended)	25 (blended)	40-70	28 + Cess + current central excise rate

1) Eating Out to get Expensive :- If you spend rs.1000, currently you pay an average 18.5% as service tax and VAT. so apart from the service charge, we usually have to bear the burden of Rs. 1185. Under GST regime, it's expected that rates can be fixed 18% or above. Suppose, 20% will be tax rate, your bill is set to go upto at least 1200 rupees.

2) Phone bills to get Expensive:- On Phone bill of Rs. 1000 we pay service tax 15% and finally pay Rs.1150, Post GST, If Tax rate is fixed at 18 % then you will have to pay atleast Rs.1180.

3) Readymade Garments Get Cheaper: -Buying Clothes and fashion brands will be Cheaper, as the effective Excise duty 7.5% and VAT of Average 5% will be subsumed in GST Slab. So, if you pick up a rs.1000, T-Shirt today, you pay Rs.1125. Including Various taxes-but if GST is kept at 12 %, then your final bill will be rs.1120.

4) Buying Car is Cheaper: -Buying a Car will not only be Easier in different states with price similarity between manufacturing and Non-Manufacturing states but tax experts believe it will be cheaper as well. For eg. A Rs. 5 Lakh Car attracts excise duty of 12.5% and along with VAT roughly comes to Rs.6.25 Lakh, Now under the GST it is expected to go down as much as 35000 if the GST is fixed at 18%, so for you the Price will be Rs. 5.9 Lakh.

5) Buying Phones to Get Expensive:-If you are planning to **buy imported Phone** from the market the CVD and VAT Comes to 12.8%. So if the GST Council decides to peg the rate at 18%, then for a Rs.10000 phone for which you pay rs.11280, currently you will have to shell out Rs. 11800.

Conclusion: - As we studied About GST Regime, It is seen that according to the GST rate structure, the goods will have impact on their prices, so as the rates Increases the prices of those goods will increases, and as the rate of GST decreases in comparison to Indirect taxes prevailing in the country will make the goods Cheaper.

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