



GST & ITS IMPACT ON COMMON MAN IN INDIA

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ABSTRACT

India is going through a lot of change right now, first demonetization attempt to curb the black money and eradicate corruption and now a few months later GST bill to make sure there should be no space for the reasons of corruption which will directly boost our Indian economy. GST is termed as biggest tax reform In Indian Tax Structure. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing it all under single umbrella. The purpose is to eliminate tax on tax. This paper presents an overview of GST concept, explains the effects and impacts of GST on various aspects of our lives.

Keywords: Indian Tax structure, Goods & Sales Tax and Common Man.

INTRODUCTION

The demonetization of the highest denomination currency notes is part of several measures undertaken by the government to address tax evasion, counterfeit currency and funding of illegal activities. The requirement to deposit currency notes in excess of specified limits directly into bank accounts has resulted in the declaration of hitherto unaccounted income, subject to higher tax and other penalties. India has one of the highest levels of currencies in circulation at over 12% of GDP and of this cash, 87% is in the form of Rs500 and Rs1,000 notes. Globally, this is not unusual as the central banks of several countries pump massive amounts of cash into the economy, mostly in very large denominations. Facilitating faster payment services The payments eco-system in the country provides multiple options to different segments of users for funds

transfer as well as for making payments in exchange of value for goods and services. With increasing adoption of electronic payments, particularly those driving e-commerce and m-commerce, there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions.

LITERATURE REVIEW

AgogoMawuli (May 2014) studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Pinki, SupriyaKamma and RichaVerma (July 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.

Monika Sehrawat, and UpasanaDhanda, (December 2015) studied “GST IN INDIA: A KEY TAX REFORM” and concluded that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation.

OBJECTIVES OF THE STUDY

The study aims at:

- To recognize the concept of GST.
- To study the Impact of GST on common man

METHODOLOGY

The study is based on secondary sources of data/ information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The study attempts to examine Impact of GST on Common Man.

⊗ INTRODUCTION

Most countries have a unified GST system. However India is opted for a dual GST system prevalent in Brazil and Canada. Under this Model both the centre and states have the right to levy and collect tax on the sale of Goods and Service. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. It will replace the current taxes of excise, VAT and service tax. GST will bring uniform taxation across the country and allow full tax credit from the procurement of inputs and capital goods which can later be set off against GST output liability. This reform gives equal footing to the big enterprises as well as SMEs. The aim of GST is thus to simplify tax hurdles for the entire economy. There will be 3 types of GST:

- **CGST**- Collected by Centre
- **SGST**- Collected by State
- **IGST**- Applicable on inter-state sales. It will help in smooth transfer between states and the Centre

GST or Goods and Services Tax as the name implies, it is an indirect tax applied both on goods and services at a uniform rate. This means goods and services will be subject to a uniform tax rate and both will be treated at par. A single form of tax known as GST or Goods and services tax will be applied throughout the country, replacing a number of other indirect taxes like VAT, Service tax, CST, CAD etc.

GST or Goods and Services Tax – A new law, a new tax will bring with it new challenges to face that need to be tackled with utmost care. So, GST bill covers the Goods and Services Tax and shall be the biggest indirect tax reform providing a uniform and simplified way of Indirect taxation in India. Once introduced GST will replace a number of other indirect taxes like VAT, CST, Service tax, CAD, SAD, Excise, Entry tax, purchase tax etc.

So, a bundle of indirect taxes will get replaced by a new tax in India known as GST or Goods and Services Tax. Hence, leading to a much simplified tax regime as compared to the earlier complicated tax structure comprising of numerous taxes.

⊗ WHAT WILL BE THE GST RATES?

The GST rates have not yet been passed by the Lok Sabha. The proposed rates are: 5%, 12%, 18%, 28% (+luxury cess).

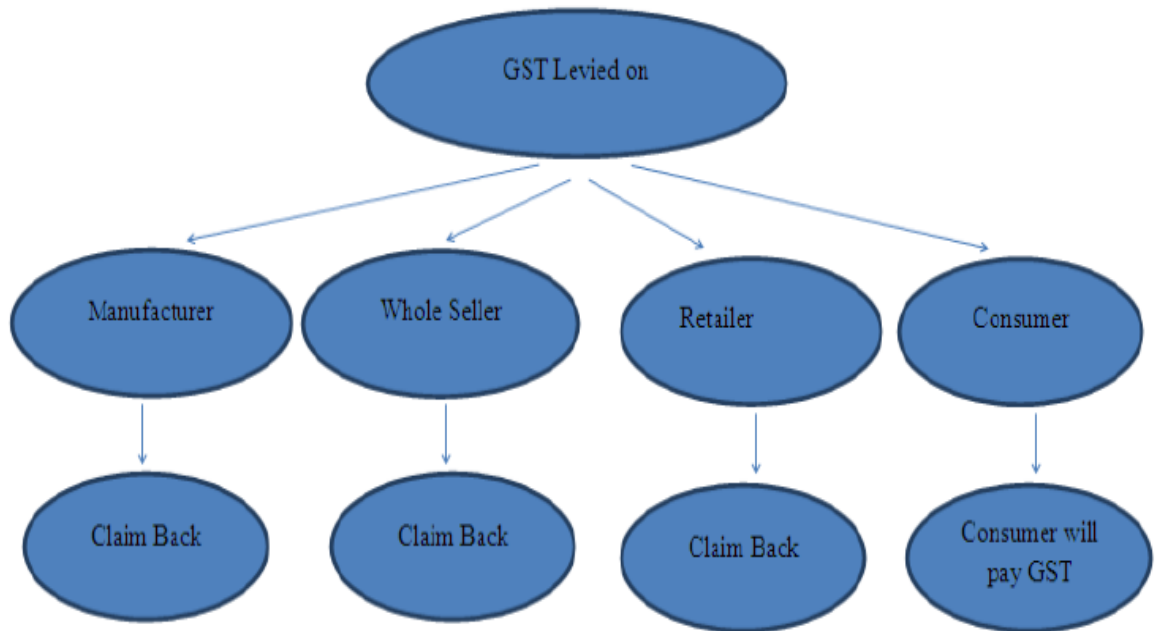
EXEMPTIONS UNDER GST

Under GST, the government has fixed GST rates on 1,211 goods and 500 services in the range of five to 28 per cent. Certain items such as alcohol, petrol, diesel and natural gas will be exempt under the GST. In addition to these, the GST Council has also classified certain items under the 0 per cent tax rate, implying that GST will not be levied on them. This list includes items of daily use such as wheat, rice, milk, eggs, fresh vegetables, meat, fish, sindoor, bindi, stamps, judicial papers, printed books, newspapers, bangles, handloom, bones and horn cores, bone grist, bone meal, kajal, children's' picture.

Slabs	New GST Rates	Current Rates	Products
1.	0 %	-	Foodgrains used by common people
2.	5%	Upto 9%	Edible oil, spices, tea, coffee
3.	12%	9%-15%	Computers, processed food
4.	18%	15%-21%	Soaps, oil, shaving sticks
5.	28%	21%	Luxury goods (luxury cars, tobacco, aerated drinks)

As and when a new reform or bill comes and a new law is imposed, it surely leaves its impact especially on the common man. It is ultimately the common man who is directly or indirectly affected by the implementation of any new tax.

And this time too there's no exception, the common man has to get ready for the implications. The common man includes not only the final consumer of goods but all the small traders and service providers who shall be directly affected after the introduction of GST.



⚙ **POSITIVE IMPACT OF GST ON THE COMMON MAN OR ADVANTAGES OF GST:**

- A unified tax system removing a bundle of indirect taxes like VAT,CST,Service tax,CAD,SAD,Excise etc.
- A simplified tax policy as compared to earlier tax structure.However, it's not as simple as it seems to be, Check disadvantages below to grab more details.
- Removes cascading effect of taxes i.e. removes tax on tax.
- 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.
- Due to reduced costs some products like cars,FMCG etc.will become cheaper.
- This will help in lowering the burden on the common man i.e.you will have to shed less money to buy the same products which were earlier costly.
- The low prices will further lead to an increase in the demand/consumption of goods.
- Increased demand will lead to increase supply.Hence,this will ultimately lead to rise in the production of goods.
- The increased production will lead to more job opportunities in the long run.But,this can happen only if consumers actually get cheaper goods.

- It will curb circulation of black money. This can happen only if the “kacha bill” system, normally followed by traders and shopkeepers is put to check.
- A unified tax regime will lead to less corruption which will indirectly affect the common man.

Most importantly, experts hope to see a positive impact of GST on Indian economy in the long run.

But, this is possible only if the actual benefit of GST is passed on to the final consumers. There are various other factors also like the sellers profit margin that determine the final price of goods. GST alone does not determine the final price of goods. The anti-profiteering clause has been inserted in the GST Act to protect the interest of the consumers.

⚙ **NEGATIVE IMPACT OF GST ON THE COMMON MAN OR DISADVANTAGES OF GST:**

- The first and the foremost point of concern: All small traders and service providers dealing in interstate supply of goods or services need to get registered, pay GST and file GST returns also irrespective of the sales/income they generate (whether high or low).
- The numbers of GST returns that you need to file i.e. you have to file 3 monthly returns, these amounts to total of (3*12) 36 returns plus 1 annual return. Filing 37 returns in a year... Moreover, this applies to one state, if you function in different states, you need to register in each state separately and file the respective returns. It is too much for a small trader or service provider or an online service provider who has just started working.
- Although big businesses having ample of staff can handle the whole process very easily. But, what about small traders/service providers or individuals who have just started their business or service, it is getting a bit complex for them. A small exemption in this regard could have been a big sigh of relief for such people! Really hope to see some relaxation to it in the coming days.
- 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. GST shall be charged @ 18% on maximum services and shall reach upto 28% for few services. In simple words, all the services like telecom, banking, airline etc. will become more expensive.
- Increased cost of services means, an add on to your monthly expenses.

- You will have to reschedule your budgets to bear the additional services cost.
- Businessmen and service providers are still learning about the new laws. This will increase reliance on tax experts and professionals and further add to your business expenses.
- Being a new tax, it will take some time for the people to understand it completely. Its actual implications can be seen after a certain period of time.
- It is easier said than done. There are always some complications attached. It is a consumption based tax, so in case of services the place where service is provided needs to be determined.
- Proper invoicing and accounting needs to be done to ensure better compliance. However, GST Accounting Software are being developed in this regard by various companies.
- If actual benefit is not passed to the consumer and the seller increases his profit margin, the prices of goods can also see a rising trend.
- An increase in inflation might be seen initially that may come down gradually. A strict Check on profiteering activities will have to be done, so that the final consumer can enjoy the real benefits of GST.
- Although a large number of officers are being trained and systematic IT software is being developed for the successful implementation of GST. But, it will take some time for the people including the manufacturers, the wholesalers, the retailers or the final consumers to understand the whole process and apply it correctly.

GST training and Courses are being provided by the Government, various institutions and companies to educate the people all around.

However, GST or Goods and Services tax is a long term strategy planned by the Government and its positive impact shall be seen in the long run only. The rates of GST and how effectively GST is introduced in all the States and at the Centre also plays a crucial role in deciding the actual impact of GST on the common man.

CONCLUSION

Goods and Services Tax (GST), hailed as one of the most powerful tax reforms which India has ever seen, purports to do away with the multiple tax regulations on most of the goods and services. GST affected the life of a common man as they were the ultimate consumers. Many

things become cheaper and many things become costly. The movement of goods will now become much simpler across the country and cheaper as the new regime replaces the old system, where a product was taxed multiple times and at different rates. Let us hope this “One nation, one tax” proves to be a game changer in a positive way and proves to be beneficial not only to the common man but to the country as a whole. A rising Indian economy will anyways help in the financial growth of the common man!

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