

GST – And Its Impact on Common Man

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Abstract: The introduction of Goods and Service Tax is one of the biggest tax reforms for India .Goods and Service Tax is an indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. GST is not just a tax change but it will benefit the economy as a whole and have far reaching impact on business.

GST was initially proposed to replace a slew of indirect taxes with a unified tax. As GST implementation in India is dual in nature i.e., the taxes are levied at central, state level and union territories. The GST which is implemented from 1st July 2017 with the aim of replacing current complex structure of multiple indirect taxes .since the central and state taxes are likely to be subsumed under GST, it may results in fungibility of tax credit across intra and interstate transactions. The Indian GDP growth by 1-2 % would be boost up because of GST implementation .GST is expected to decrease the cost of collection of tax revenues of the government and will lead to higher revenue efficiency. It is the biggest way to mobilize revenues and reduce the fiscal deficit .GST has been commonly accepted by more than 140 countries in the world looking at the magnitude, GST is going to impact all the sections of the society from small time businessmen to huge conglomerates and from a developing state to developed state in the country. The implementation of GST will give a boost to the growth engine pursued by government. This paper studies about the concept of GST in India. It also highlights the challenges in implementation of GST in India. The purpose of present study is to analyze the impact of GST on common man.

Key words: GST in India, GDP, Revenue surplus, cost Benefit analysis, Reduction in deficit, GST Impact on common man.

I. Introduction:

GST was implemented on 1st July 2017 .Goods and service tax is a futuristic tax with the goal of making India a global participant .India has witnessed substantial reforms in indirect taxes over the past two decades .GST is the biggest tax reform in India .Indian government has structured GST for efficient tax collection, reduction in corruption, easy interstate movement of goods etc...India does not follow in ideal VAT. Central sales tax which the central imposed on the sale of goods from one state to another will continue in different form called IGST. It has taken 17 years (2000-2017) for the GST to come into force. It is a dual taxation regime, where the only two components will be central GST (CGST) and state GST (SGST).

Objective Of The Study:

- The purpose of this study is to examine the impact of GST on common in India
- This paper examines how different taxes under GST impacted consumer or common man in India.

Gst Implementation Process:

- 2000-PM Vajpayee set up a committee to draft GST law
- 2004- task force concludes GST must be implemented to improve current tax rate structure
- 2006-finance minister proposes GST introduction from 1st April 2010
- 2007-CST to be phased out ,rates reduced from 3-4%
- 2008-ec finalizes dual GST structure to have separate levy, legislation
- 2010-project to computerize commercial taxes launched but GST implementation postponed
- 2011-consitution amendment bill to enable GST law introduce
- 2012-standing committee begins discussion on GST but stalled it over clause 279b

- 2013-standing committee tables its report on GST
- 2014-gst bill reintroduced in parliament by finance minister
- 2015-gst bill passed in Loksabha but not in Rajya sabha
- 2016-ammended model of GST passed in both houses, president give assent
- 2017-four supplementary GST bills passed in lok Sabha and approved by cabinet,
- Rajya Sabha passes the supplementary bills to implement GST “On 1st July 2017”

Concept Of GST:

GST or Goods and service tax is applicable on supply of goods and services. It will replace the current taxes of excise, VAT and service tax. GST will be paid by all manufactures and sellers. It will also be paid by various service providers etc. However being an indirect tax, GST will be ultimately borne by the end consumer, just like in the current process.

Kind of GST implemented in India

India implemented the candinan model of dual GST i.e.,both the central and state will collect GST and there are three types of GST’s

CGST- central goods and service tax collected at central level

SGST-state goods and service tax collected at state level

IGST-Applicable on inter state sales .It will help in smooth transfer between state and the centre

GST will be charged on the place of consumption of goods and services. It can be levied on following:

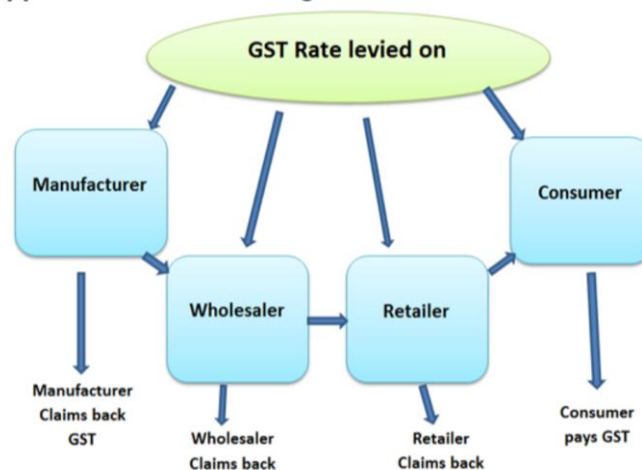
- Intra state supply and consumption of goods and services.
- Interstate movement of goods.
- Import of goods and services.

Example: Suppose, again hypothetically, that the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say Rs. 100, the ad company would charge CGST of Rs. 10 as well as SGST of Rs. 10 to the basic value of the service.

He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government. Of course, he need not again actually pay Rs. 20 (Rs. 10+Rs. 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his purchase (say, of inputs such as stationery, office equipment, services of an artist etc). But for paying CGST he would be allowed to use only the credit of CGST paid on its purchase while for SGST he can utilize the credit of SGST alone.

In other words, CGST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST

Applicability and Mechanism of GST:



Example For Understanding Gst Mechanism Works:

Manufacturer Sells To Wholesaler:

Selling price	100
GST rate@6	6
Selling price inclusive tax	106

Manufacturer hands over the GST collected

Wholesaler Buys From Manufacturer:

Buys at	100
GST	06
Purchase price	106

Wholesaler claims back GST (06)

Wholesaler Sells To Retailer:

Selling price	300
GST	18
Selling price inclusive tax	318

Wholesaler hands over GST to Govt.

Retailer Buys From Wholesaler:

Buying price	300
GST	18
Purchase price	318

Retailer claims back GST (18)

Retailer Sells To Consumer:

Selling Price	500
GST	30
Selling price inclusive tax	530

Retailer hands over GST to Govt.

**Consumer cannot claim back the GST.
He will bear the GST.**

Rate Structure Of GST:

GST Tax Slab Rate

Tax rate	Indicative items
0%	50% of the consumer price basket, including foodgrains 
5%	Mass consumption items like spices and mustard oil 
12%	Processed foods 
18%	Soaps, oil, toothpaste, refrigerator, smartphones 
28%	White goods, cars 
28% plus cess	Luxury cars, pan masala, tobacco, aerated drinks 

Source: GST council

II. Impact Of GST On Common Man:

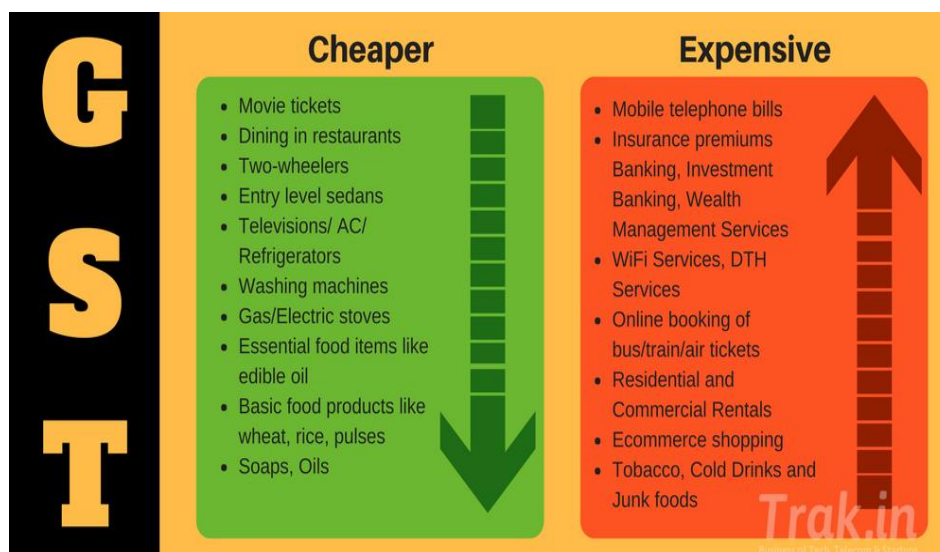
Here in India, the maximum population is of the **middle class and lower middle class** where people either belong to service class or they depend on agriculture for their living. So according to our paper the common man refers to a middle class family.

Benefits Of GST:

- Under the current tax rate regime , the consumers pays approximately 25-26% more the cost of production for the most manufactured goods due to central excise duty and value added tax.
- With GST rate excepted at around 18% , Goods such as TV's and washing machines are excepted to become cheaper
- A unified tax system removing a bundle of indirect taxes
- Removes cascading effects of taxes which will lead to lower cost to consumers.
- Uniformity of structure all over India including Jammu and Kashmir
- Increased demand will lead to increase supply hence rise in production of goods .The increased production will lead to more job opportunities.
- A unified tax regime will lead to less corruption which will indirectly effect the common man
- The whole process is digitized leaving no chance of tax evasion with the help of digitized record of all businesses. Each business whose annual turnover is over 20lakhs will have to digitalize their business for transparency in paying taxes and input credit benefits
- Items of mass consumption like toothpaste ,soaps , hair oil etc have been put under the 18% slab rate of GST ,significantly lower than the 22-24% tax which used to be paid earlier
- In FMCG sector, under GST schedule 81% of the goods are taxed under 18% tax bracket or below, the remaining 19% are taxed under 28% slab rate of GST.

Drawbacks Of GST:

- Certain item of almost every individual uses like petroleum ,electricity ,real estate's are excluded under GST which is a greater disadvantage to the common man
- Services become expensive like telecom, banking, airlines etc...
- Being a new tax it will take some time for the people to understand it completely as some of the sectors in the Indian economy are unorganized
- FMGC products like shampoo, baby foods, sanitary napkins, paints, detergents, skincare, and ayurvedic medicine etc... prices have been increased drastically.
- An increase in inflation might be seen initially.



Impact Of GST On Various Sectors

1. FMGC sector:

- FMGC companies have a mix of own manufacturing plants; manufacture through job workers
- Excise duty for most products is on MRP basis with abatement.
- Job worker pays excise duty based on the selling price of the principal manufacture.
- No VAT on job worker as the activity is manufacture.
- FMCG sector has a long supply chain involving manufactures –depots-wholesale distributor-sub distributor-dealer-retailer.
- Major business decisions will have to taken in the context of dealer/ C&F/depots/job workers.
- GST would initiate a leaner supply chain.
- Huge cost saving on account of savings in inventory cost insurance, transport, rentals, security, employee costs local compliance, etc.,
- Savings on account of elimination of cascading effects of VAT on excise duty; elimination of entry tax and octroi; elimination of CST cost.

2. Readymade garments:

- GST as against exemption from excise duty.
- Complex chain of manufacture with multiple job workers working in sequence.
- GST rate has been fixed at 12% for above 1000 where as VAT rates are 5-6% & 7-7.5% for garments above 1000 before GST.
- Inter- state supply would involve savings in cost since CST would be eliminated and IGST would qualify for credit.

3. Auto component sector:

- Significant inter-state sale
- CST charged has been a cost to customer and a factor in price negotiation.
- Better pricing due to availability of credit for the buyer.
- The components which are taxed at 19% constitute about 30% of total auto components made in India rests are at 28%. So, we have a hike in prices of cars and bikes.
- Increased credit on services due to elimination of the concept of manufacture.

4. Retail sector:

- ED (excise duty) which is cost and forming part of the purchase price would be eliminated.
- Savings on account of elimination of cascading effect of VAT, CST and ED.
- Taxes on gifts and promotional items.
- Possibility of cost savings on account of credit in respect of other purchases by a retailer subject to legislation.
- Impact on e-commerce.

5. Manufacturing sector:

- Removal of multiple valuations will create simplification. Better pricing due to availability of credit for the buyer.
- It contributes 16% to countries GDP.
- Cost savings on account of business reviews.
- Cash outflows on account of transactions coming into the tax net (job work).

6. Banking, financial services and insurance:

- Better credit across goods and services.
- Increase in credit pool due to availability of GST credits on purchase of goods.
- Interest on loans expected to be taxed under GST.

7. Industry and trade:

- GST will not be levied on the goods and services which would be exported from India, the export oriented businesses like the textiles, beverages, industrial machinery for food and textile and transport equipment sectors will benefit.
- It is a competitive advantage if it understands GST tax structure.

- If the transaction is with the state, then if both the branches have the same business identification number (BIN) then the transaction would be free else it would be charged.
- If GST is rolled out, new accounting and Tax software's should be developed and updated.

8. Education sector:

- In India education is provided by both public and provided private. Services provided by the schools and colleges are not taxed the same is expected to continue even after the implementation of GST.

III. Conclusion:

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. Currently, tax rates differ from state to state. GST will ensure a comprehensive tax base with minimum exemptions, will help industry, which will be able to reap benefits of common procedures and claim credit for taxes paid. GST, as per government estimates, will boost India's GDP by around 2 per cent.