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Impact of Goods and Service tax (GST) on Common Man in India

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**Abstract**

The Goods and Services Tax (GST) is a comprehensive tax on manufacture, sale and consumption of goods and services throughout India. It replaced the plethora of different taxes that the Central and State governments levy separately. Even a tiny change in the tax chain leads to a domino effect; we can very well imagine the radical changes that would be brought in by the GST. The new tax law will bring far-reaching reforms, affecting every member of the society. GST will be beneficial to the Centre, states, industrialists, manufacturers, the common man and the country at large since it will bring more transparency, better compliance, an increase in GDP growth and revenue collections. Thus, GST has been a hot topic of discussion everywhere in India. Therefore, we need to be aware of different aspects of GST. In this connection, this paper is an outcome of an explanatory research which is based on secondary data to understand the concept of GST, kind of GST implementation and the impacts of GST on common man. This paper will also focus on the advantages/benefits associated with GST system in India.

**Keywords:** Tax, Dual GST, implementation, common man, benefits.

**Introduction**

The word 'Tax' is derived from Latin word 'Taxare' which means 'To Estimate'. A tax is an enforced contribution, exacted pursuant to legislative authority. Taxation System in India includes both Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most debated Indirect Taxation reforms. GST is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. Therefore, the introduction of GST is a substantial step in the reform of indirect taxation in India. Merging several Central and State taxes into a single tax would diminish cascading or double taxation, facilitating a common national market. The simplicity of the tax would lead to easier administration and enforcement. From the consumer point of view, the major advantage would be in terms of a reduction in the overall tax burden on goods and free movement of goods from one state to another without stopping at state borders for hours for payment of state-tax or entry-tax and reduction in paperwork to a large extent.

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### Review of Literature:

**According to Anushuya and Narwal (2014)** studied, “Application of CGE Modals In GST” and concluded that both GST & CGE are very popular all over the world but GST is a powerful concept in the field of indirect taxes.

**Chaurasia et al. (2016)** Studied, “Role of Goods and Services Tax in the growth of Indian economy” and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two per cent.

**Kumar (2014)** studied, “Goods and Service Tax - A way forward” and concluded that after implementation of GST in India many indirect tax system will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

**Pinki et 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.

**Sehrawat and Dhanda (2015)** studied, “GST in India: A Key Tax Reform” and concluded that due to dissilent environment of India economy, it is demand of time to implement GST.

### Objectives of the Study:

- To understand the concept of GST and kind of GST implementation.
- To grasp the impacts of GST on common man.
- To identify the benefits of GST in India.

### Scope of the Study:

The scope of the study is extended to understand the concept of GST, its impact and implementation in India.

### Research Methodology:

Being an explanatory research it is based on the secondary data. The data collection is done through various sources like newspapers, articles from different journals and from different websites. Considering the objectives, the descriptive research design is adopted for the study.

### Concept of GST:

Indirect Tax system was highly complicated in India because there were various types of taxes that were charged by the Central and State Governments on Goods and Services. These taxes included Entertainment Tax for watching film, Value Added Tax (VAT) for purchasing goods & services by consumer. Other taxes were excise duties, Import Duties, Luxury Tax, Central Sales Tax, Entry tax, and

Service Tax. Many experts have suggested that to resolve the issues of different types of taxes, there is a need to streamline all indirect taxes and implement a "single taxation" system. This system is entitled as Goods and Services Tax, abbreviated as GST. The GST will be levied both on Goods and Services. In simple term, GST is a blanket of Indirect Tax that will subsume several indirect state and federal taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more. GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations. Now, India adopted it. After its implementation in India, India had become 166th nation to adopt it. In India before 16-17 years, in 2000 Shri Atal Bihari Vajpyee brought this system but no one paid attention on it and due to some reasons it was not passed. On 28th February 2006, the finance minister P. Chidambaram, had announced the target date for implementation of GST on 1 April, 2010. The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha by Finance Minister Arun Jaitley, on 19th December 2014, and passed by the house on 6th May 2015. The bill was passed by Lok Sabha on August 2016. The bill, after ratification by the States, received assent from President Pranab Mukherjee on 8th September 2016 and finally launched on the historic midnight of 30<sup>th</sup> June – 1<sup>st</sup> July. GST bill is brought for the reason that the different taxes paid by us on different rates would be brought under one roof so that all the taxes may get cancelled and only one tax is paid which is GST. Goods and Services Tax (GST) included "One Tax - One Nation"; this statement was given by the honorable Prime Minister Mr. Narendra Modi of India.

#### **Kind of GST Implemented In India:**

India has implemented the Canadian model of Dual GST, i.e., both the Centre and State will collect GST. 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.

The former taxes like excise duties, service tax, custom duty etc. merged under CGST. The taxes like sales tax, entertainment tax, VAT and other state taxes are included in SGST. GST levied on:

- Intra-state supply and consumption of goods and services;
- Inter-state movement of goods;
- Import of Goods & Services.

### Impacts of GST on Common Man:

- ❖ **GST will positively impact the common man in many ways:** GST is a unified tax system removing bundle of Indirect Tax like VAT, CST, Service Tax, CAD, SAD, and Excise Duty which will have a positive impact on common man. There will be less tax compliance and a simplified tax policy as compared to earlier tax structure, GST will reduce the cascading effect of taxes i.e. tax on tax system, It will help in removing the manufacturing cost which will bring price of consumer goods down, the lower price will further lead to an increase in demand/consumption of goods, increased demand will lead to increase supply hence this will ultimately lead to rise in production of goods. The increased production will lead to more job opportunities. GST will curb circulation of black money. Thus GST will have a positive impact on common man in many ways.
- ❖ **Negative Impact of GST in India:** GST is confusing the common man even large scale businesses; they need to rely on advocates and chartered accountants to make them understand What is GST and how it works. Not only that but using computerized process, online registration and return filing is a hassle for those who are barely in touch with technology. The government has estimated that Indian economy will require at least 2 years becoming stable.

### Advantages/ Benefits of GST bill:

- The tax structure will be lean and simple.
- The whole Indian market will be an incorporated market which may transform into lower business costs. It can simplify seamless movement of goods across states and reduce the transaction costs of businesses.
- It is beneficial for export businesses. Because it is not applied for goods/services which are exported out of India.
- Its implementation has long term benefit. The lower tax burden could translate into lower prices on goods for customers.
- The Suppliers, manufacturers, wholesalers and retailers are able to recover GST suffered on input costs as tax credits. This decreases the cost of doing business, thus enabling reasonable prices for customers.
- It can bring more transparency and better compliance.
- GST implementation can control corruption. Number of departments (tax departments) will reduce which in turn may lead to less corruption.

- More business persons will come under the tax system thus broadening the tax base. This may lead to better and more tax revenue collections.
- Companies which are under unorganized sector will come under tax area.
- The procedure of GST registration would also be made simple, thereby improving the ease of starting a business in India.

### Conclusion/ Findings:

The GST System is basically structured to simplify current Indirect Tax system in India. A well designed GST is an attractive method to get rid of deformation of the former process of multiple taxation also government has promised that GST will reduce the compliance burden at present there will be no distinction between imported and Indian goods & they would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT etc., got finished because there is now be one nation - one tax system i.e. GST, that will reduce compliance previous burden. GST is going to face many challenges and will result to give many benefits. In overall, through this study we conclude that GST will play a dynamic role in the growth and development of our country.

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