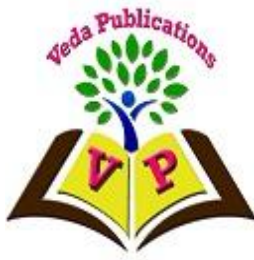


**GOODS AND SERVICE TAX (GST) IMPACT ON INDIAN ECONOMY AND COMMON MAN**

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*(Lecturer in Economics, University PG College (KU), Mahabubabad, Telangana State.)***ABSTRACT**

India is a federal country where indirect tax is levied by federal and state government. GST is also known as Goods and Service Tax. Goods and Service Tax law in India is a comprehensive, multistage, destination – based tax that will be levied on every value addition. More than 160 country implemented GST so far. It will include many state and central level indirect taxes. The main rational behind GST is to eliminate cascading effect (tax on tax) and to replace existing taxes like VAT, excise duty service tax and all sales tax with single comprehensive tax, bringing it all under single umbrella. GST will be implemented from July 1<sup>st</sup>, 2017.

**Keywords:** *GST, Impact on Indian Economy & Common Man Etc.,*

**INTRODUCTION**

Most countries have a unified GST system. Goods and Service Tax is one of the revolutionary steps in the domain of indirect taxes in the country after seventy years of independence, France was the first to introduce GST. 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 state 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 other indirect taxes like VAT, central sales tax, service tax, purchase tax, excise duty, CAD, SAD, Octroi, Entry tax, luxury tax, cess etc., all the above indirect taxes shall be replaced with a single tax i.e., GST. VAT and service tax GST will bring uniform taxation across the country and allow full tax credit from the be set off against GST output liability. The aim of GST is thus to simplify tax hurdles for the entire economy. There will be 3 types of GST.

SGST	-	Collected by State
CGST	-	Collected by Centre
IGST	-	Collected by Centre

Dual system of GST means taxes collected by state and central government.

**RESEARCH METHODOLOGY:-**

The study is based on secondary data collected from various referred books, national and international journals, government reports, publications from various websites which focused on various aspects of goods and service tax.

**OBJECTIVES\_OF\_THE\_STUDY:**

- To analyze the impact of Goods and Service Tax (GST) and its impact on Indian Economy
- To analyze the impact of GST on common man

**REVIEW OF LITERATURE:**

**Dr.Mohd.Komlunabi & Vivek (2017)** in his study mentioned that the GST is widely expected to transform India into a common market; along with it increased efficiency and productivity. The biggest advantage would be in terms of reduction in the overall tax burden on goods and services.

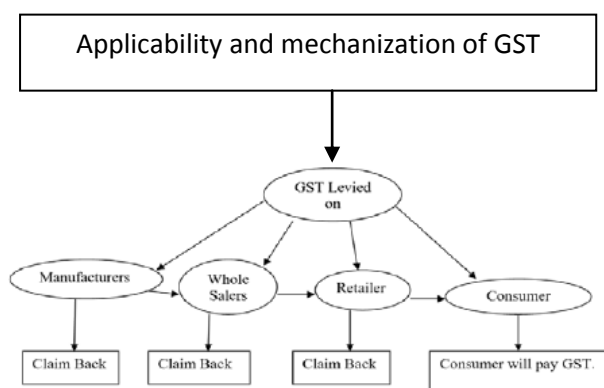
**Jai Prakash (2014)** in his research study mentioned that the GST at the central and the state level are expected to give more relief to industry, trade, agriculture and consumers through more comprehensive and wider coverage of input tax set off and service tax set off. Subsuming of several taxes in the GST and phasing out of CST.

**Supriya Komma & Richa Verma (2014)** says that the new NDA government in India in positive towards implantation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implantation is backed by strong IT infrastructure.

**Dr.R.Vasanthgopal (2011)** studied “GST in India: a big leap in the indirect taxation system” and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

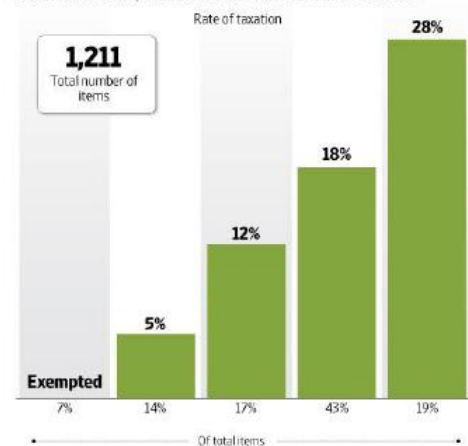
On 3<sup>rd</sup> November 2016 a four tier GST rates structure has been passed the final slab rates agreed upon are 5%, 12%, 18% and 28%.

**ZERO RATED ITEMS: (0%):-** Food grains used by common people.



### GST TAX STRUCTURE

The council decided on the tax rates for 1,211 items of goods and services, of which 7% will be exempted, 14% will fall in the 5% slab, 17% in the 12% slab, 43% in the 18% slab and 19% in the 28% slab.



In India, most of the poor states are those which are not industrialized. The examples are Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh, Rajasthan etc. These states are only the consumers of goods and services rather than the producers / manufacturer GST is a destination based tax. This means that tax would accrue to the state where the goods or services are consumed.

### BENEFITS OF GST –INDIAN ECONOMY:

- A single unified indirect tax system
- Remove cascading effect of taxes
- Reduction in manufacturing cost due to labour
- Unify India as one market place
- A consumption based tax
- Increased demand and consumption of goods
- Boost to the Indian economy in the long run
- Control of black money circulation as the system
- Increased demand will lead to increase supply

Let us hope GST or goods and service tax leaves a positive impact and helps to boost up the Indian economy and convert India into a unified national market with simplified tax regime.

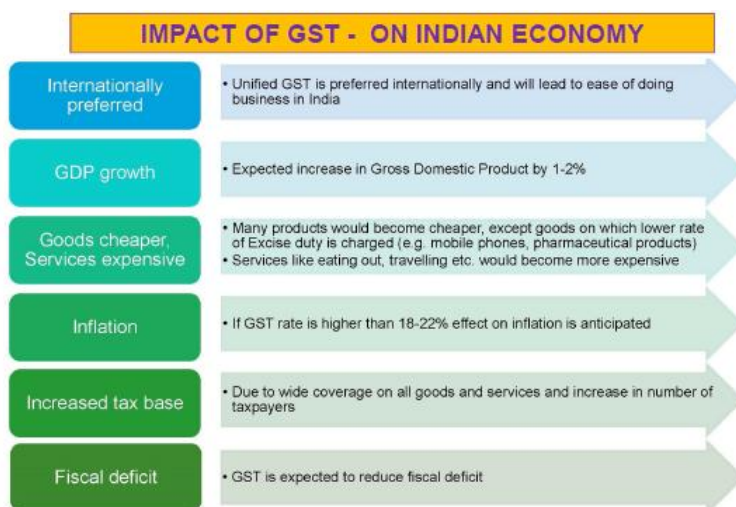
TWO SOURCES ARE BENEFICIAL TO THE POOR.

- Through increase in the income levels and
- Through reduction in prices of goods consumed by them. The proposed switch over to the flow less GST should, therefore, be viewed as pro-poor and not regressive.

**GST will help bringing in the following benefit for a Common Man:-**

**Uniformity in Computing Taxes for Goods and Service:-** GST will lead to the elimination of multiple excise, CST, VAT, service tax calculations.

**Uniform Tax Regime:-** For both goods and services and less confusion in determining what constitutes a good or what is a service.



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**Elimination of Double Taxation:-** Double taxation means the consumer pays tax on an item, on which already government has collected tax from the manufacturer under some other head.

**More Transparent Pricing:-** Currently hidden taxes actually push up the taxes on a majority of goods to anywhere in the 27% to 32% range. But with GST coming in, the 12-18% is proposed.

**More Disposable Income:-** In the shorter term, consumers will pay less taxes on goods and services and thereby have more disposable income.

**Aiding GDP Growth:-** The centre and state will also earn more tax from the GST rollout, which will aid in GDP growth (according to most research reports an estimate 1-2%) over then next 3 to 5 years. This incremental income can be used in developing public infrastructure in the longer term.

**Discouragement of Black Money Practices:-** Black money will get stifled and this may lead to more income for the government exchequer. This will then percolate to public spends and better quality of life.

#### **POSITIVE IMPACT OF GST ON THE COMMON MAN-**

- A unified tax system removing a bundle of indirect taxes.
- Removes cascading effect of taxes.
- Manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
- Lower prices will increase demand/consumption and will lead to increase supply.
- The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get cheaper goods.
- A unified tax regime will lead to less corruption which will indirectly affect the common man.

#### **RATES OF A FEW ITEMS THAT ARE USEFUL FOR COMMON MAN**

- Sugar, tea, coffee (not instant) and edible oil to fall under 5% slab
- Cereals and milk have been exempted for GST
- Capital and intermediate goods would be taxed at 18%, which is expected to be a good boon for the industrial growth
- Coal is kept in 5% tax slab which is currently 11.69%
- Common man items have been kept under 12% and 18% slab
- All raw food items including food grains are exempted from GST
- Processed food of daily needs & Indian sweets to be in 5% slab

**GST RATES FOR THE HOUSEHOLD NEEDS -**

Now, let us categorize all household expenses into 5 buckets i.e., food, entrainment, personal care, transportation and communication services.

Food items	-	Earlier tax	12.5%	-	New tax under GST	5%	-	Positive news
Entrainment	-	Earlier tax	30%	-	New tax under GST	28%	-	Positive news
Transportation	-	Earlier tax	15%	-	New tax under GST	18%	-	Negative news
Personal care	-	Earlier tax	28%	-	New tax under GST	18%	-	Positive news
Communication (mobile and internet services)	-	Earlier tax	15%	-	New tax under GST	18%	-	Negative news

**NEGATIVE IMPACT OF GST ON THE COMMON MAN**

- Services will become expensive e.g. Telecom, banking, train-airline etc.
- It shall take considerable time to understand its implications.
- FMGC products like shampoo, baby foods, tooth paste, hair oil, sanitary napkins, paints, detergents, skin care & ayurvedic medicine etc... price have been increased drastically.
- Certain item of almost every uses like petroleum, electricity, real estate are excluded under GST which is negative impact to the common man

However, GST is a long term strategy and the real impact can be seen in the long run only.

**CONCLUSION**

The implementation of GST, India would eliminate all the taxes levied by different states are would come under the category of 'one nation, one tax' although there is lot of confusion in its application. 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.

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