

# Impact of implementation GST on Common man & Indian economy: Positive or Negative

Vinod Kumar

Assistant professor , Department of Medical science, Madhav University, Abu road , Rajasthan, India

Email - vinosjeengar8@gmail.com

**Abstract:** Goods and services tax is a comprehensive tax system on the manufacture, sale and use of goods, services at the national level. GST is an indirect tax which will be the only way of supplying goods and services across the country from manufacturers to the consumers, which will transform the whole country into a seamless trading. After GST, the benefits of the inputs made at each stage of production will be available in the price phase in this case only at the production level it will be levied only on value addition so that the final consumer will have to give GST the last dealer in this supply chain. Thus, the effect of tax on different phases must be overcome. GST is essential for the development of the country, it will help to improve the country's gross domestic product (GDP), according to a report from the National Council of Applied Economics Research (NCAER), after the GST was implemented, the increase in GDP from 0.9% to 1.7% Estimates. GST will increase government revenue by increasing the base. After the GST is implemented, the rate of tax will be between 0% to 8% on essential commodities including food items, so that the common man will be able to fulfill their needs. President Pranab Mukherjee and Prime Minister Narendra Modi implemented the GST with the historic program in the Parliament House on the midnight of June 30, 2017, Since July 1, 2017, except for Jammu and Kashmir, the entire country was implemented, and this will have a major impact on the common man and the Indian economy in the coming time.

**Key words:** GST, Tax system, Economy, GDP growth, product cost.

## 1. INTRODUCTION:

India's biggest tax reform till now, goods and services will prove to be a milestone for simplifying the present system and converting the country into a single market. It will adjust almost all indirect taxes and create a simple tax system. In India, the jurisdiction between the Central and the State Governments regarding the jurisdiction of the indirect tax and the consequence of litigation is also found in many areas both the governments impose taxes and the challenge of making the non-direct tax laws becomes a challenge. India is the center of the country where people pay lots of taxes which create illusions in the people. At present we pay two types of taxes, direct and indirect

Direct taxes are paid to the direct government by the taxpayer in the form of direct taxes such as income tax, wealth tax, and corporation tax. While indirect tax is levied on goods and services rather than income or profit. It is not paid directly to the government but it is collected from the intermediaries (retail market). Prior to GST, the tax was levied separately by the Central and the State, but after the introduction of GST, a uniform tax will be levied on the goods and services in the entire country.

Table 1. Different taxes were levied at central and state level without GST such as

CENTRAL TAXES	STATE TAXES
Central Excise Duty	State VAT
Duties of Excise (Medicinal and Toilet Preparations)	Central State Tax
Additional Duties of Excise (Goods of Special Importance)	Luxury Tax
Additional Duties of Excise (Textiles and Textile Products)	Entry Tax (all forms)
Additional Duties of Customs (Commonly Known as CVD)	Entertainment Tax
Special Additional Duty of Customs (SAD)	Taxes on advertisements
Service Tax	Purchase Tax
Central Surcharges and Cesses so far as they relate to supply of goods and services	Taxes on lotteries, betting and gambling
	State Surcharges and Cesses as for as they relate to supply of goods and services

After the introduction of GST, all these indirect taxes will be a tax system. Currently, GST has been implemented in about 160 countries. The first was to introduce GST to the French. Currently Canada has a dual GST system. India, the GST legislation was discussed in the year 2000 when then Prime Minister Atal Bihari Vajpayee had flagged it. But both houses could not be passed because there was no majority. Then in March 2011, the Congress government passed the GST Bill, which was not passed due to the Opposition's opposition in the era of coalition government. At present, the Modi government has amended 122 constituencies which were passed by the Lok Sabha in May 2015 and on August 4, 2016, the GST Bill was passed in the Rajya Sabha. For the amendment, the Constitutional Bill was passed in less than 30 days within 50% of the States (i.e., at least 16 states in 31 State Legislatures) since the bill was passed with the unanimous consent of all parties; this situation was not so difficult. Within 23 days, 16 states confirmed the GST bill and Assam was the first state to approve the GST bill. After obtaining the requisite number, the GST bill was ready for the approval of the presidential post. After that, the Constitution (122th) Amendment Bill, 2014 became a law! After this, the Constitution (122th) Amendment Bill, 2014 became a law! This is called the 101st Constitution Amendment Act. When the Hon'ble President of India gave final approval on 8th September, 2016! And then from July 1, 2017 it has been decided to apply all the country except the J & K. But on July 6, the resolution was passed to implement the GST in the Jammu and Kashmir Legislative Assembly. This led to a tax system in the entire country.

**After implementation GST there will be 3 kinds of applicable Goods and Services Taxes:**

**CGST:** where the revenue will be collected by the central government

**SGST:** where the revenue will be collected by the state governments for intra-state sales

**IGST:** where the revenue will be collected by the central government for inter-state sales

In most cases, the tax structure under the new regime will be as follows:

Transaction	New Regime	Old Regime	Comments
Sale within the state	CGST + SGST	VAT + Central Excise/Service tax	Revenue will now be shared between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) now in case of inter-state sales.

Let us assume, a businessman in Rajasthan has purchased goods for Rs 10,000 and the tax of goods and services at 18%, which will include 9% CGST tax and 9% SGST tax. In such a case, if the dealer has to pay Rs 1800, then Rs 900 will be given to the Central Government and 900 rupees of Rajasthan government.

Now, a dealer from Rajasthan, sold a dealer in Gujarat for Rs 10,000, on which the rate of GST was 18%. In such a case, if the dealer charges Rs 1800 on that goods, then it will be reimbursed to the Central Government as IGST.

One of GST's basic specialties is that there will be uninterrupted flow of input credit across the chain. The input tax credit is the duty given on raw materials which the government will refund. The first level used for the use of any goods will be asked by input tax and will work as a credit for the next level. That is, this tax will be reduced and the input tax credit is going to be forwarded to buyers from the wholesale traders to save a goods maker.

## 2. HOW GST WILL WORK?

If a shirt producer purchases Rs 100 a raw material before the introduction of GST, then it has to pay 10% tax on it, then the cost of the shirt will now be Rs 110. In the next phase, if the wholesaler buys shirt from the manufacturer for Rs 110 and its label is labeled it means it is adding its own values. If it adds 40 rupees to the label, the cost of the shirt will be Rs 150. If it adds 40 rupees to the label, the cost of the shirt will be Rs 150. Now the wholesaler will have to pay a 10% tax on it so that the shirt will be worth 165 rupees. The shirt will sell to the merchant retailer for Rs 165. he retailer will now peck the shirt and add their own prices. Suppose you added 30 rupees to him, then now the shirt values will be Rs. 195. Now the retailer will have to pay 10% tax on it, then the final values of the shirt will be Rs 214.50. In the end, the customer will have to pay Rs 214.50 including doing all the while buying that shirt. Meaning the burden of all will come to the common man.

Action	Cost	10% Tax	Total
Buys Raw Material @ 100	100	10	110
Manufactures @ 40	150	15	165
Adds value @ 30	195	19.50	214.50
Total	170	44.50	214.50

Credits for tax paid in obtaining input after GST is currently applied.

When a wholesaler buys a shirt from the manufacturer, then adds the value to the cost of Rs.40, then its value becomes Rs.140, now it will have to pay 10% which will be Rs.14. But the trader has already repaid the manufacturer 10% while buying the goods. This time, instead of paying the government Rs 14 rupees as tax, this time, the amount of payment already decreased. So this time the government will have to pay only Rs.4. Rs. 10 input credit will be made. The wholesaler will sell that shirt to the retailer at Rs. 154. The retailer will add Rs. 30 to Peking on that shirt and 10% tax will also be given to the government. When the retailer adds his / her values, the shirt will be Rs. 170 and it will be 10% to Rs. 17. But the retailer has already paid Rs. 14 to the wholesaler, now it will have to pay the government Rs. 3 instead of Rs. 17. In the end, the customer will have to shell out all the shirts, including Rs.187. Every time input credit is made in GST, the sale price will be reduced.

Action	Cost	10% Tax	Total
Buys Raw Material @ 100	100	10	110
Manufactures @ 40	140	4	154
Adds value @ 30	170	3	187
Total	170	17	187

Thus, after the introduction of GST, the customer will have to pay only Rs 187 for a shirt of Rs 214.50. Thus, two-way benefit from GST will first reduce the effect of this tax and the second input will reduce the burden of doing tax by allowing tax credits.

### 3. GST IMPACT ON THE COMMON MAN:

The general burden of untested taxes is to be taken by the common man. In this case, the GST will benefit the common man only. According to GST, the tax rate will be different from the current level. Due to which prices of commodities and services will come down, this will be directly benefited by the common man. But some items will increase by comparison to the earlier ones, which can also cost the consumer more value. Taxes of both the central and the states will be charged at the time of sale in the GST system. Also, both taxes will be fixed on the basis of tax saving. This will reduce the prices of goods and goods and benefit the common man. In this way, the common man's budget will be affected on goods and services.

**Eating in the restaurant-** If you spend Rs 1,000 for eating out, you had to pay the first 14.5% VAT and 6% service tax, ie 22.50%, so that you had to pay a total of 1225 rupees. But now after eating GST, you have to pay 18% tax, which will give you a bill of Rs 1180. Thus, eating out will reduce the expenditure on the common man.

**Spent on phone bill-** Prior to GST, 15% service tax on the phone bill of Rs 1000 was required. By which the bill had to pay Rs 1150. But now after the GST is implemented, 18% tax is to be given. This will increase the cost of phone bills on the common man.

**Spending on garments-** After GST, buying clothes and fashion brands will be cheaper. This will reduce the pocket expenses of the common man. Prior to because GST, it was 12.50% tax on which if there was a shirt of 1000 rupees, then it would have to pay 1125 rupees including taxes. But after the GST, only 12% will be required to pay, which will now have to pay 1120 rupees for the same shirt.

**Car buy cheap-** Prior to GST, there were 6.25 lakhs for car tax of 5 lakh cars with excise duty and total weight of 12.50%. But after GST only 18% tax will be reduced, which will reduce the price of the car from Rs 35,000 to Rs 2, 00,000. Now it is easy for the common man to buy a car.

**Buying a phone is now expensive-** Before GST, the total tax and VAT on imported phones was 12.50% but now after GST it will be 18%, which will increase the value of the phone.

**LED TV will be affordable-** Before GST, you had to pay Rs. 24, 9 00 with a tax of 24.50% tax on a LED TV of Rs. 20,000, but now after 18 years GST will have to pay. This will make LED TV affordable to the first.

**LED bulb expensive-** After the GST is implemented, the price of LED bulbs sold by the government agency Energy Efficiency Services Limited under the Ujala scheme has increased. Under the plan, price of LED bulbs had come up to 65 repairs before GST which has now become 70 rupees.

**Online purchase expensive-** Buying shoes, bags, and electronic goods will be more expensive by e-commerce industry, which will increase the burden of expenditure on the common man.

**Jewellery expensive-** The yellow metal too is all set to become expensive. At this point of time, only 2% tax is paid by the buyers, but sadly though, according to GST at least 3% is expected to be paid by buyers. This will impact jewellery sales.

Similarly, there are many things that come in common life, whose prices will fluctuate after the GST is implemented.

#### Expected price movement for items upon implementation of GST

Decrease	No GST	Increase
Television	Bread, White whole meal	Mobile phone

Refrigerators	Cooking oil	Computers
Air-conditioner	Beef, Mutton, Chicken & Pork	Eye pod & Tablets
Spark plug , Car battery	Local fruits	Photocopy machines
Home theatre system	Diesel	Digital photo printing
Hair dryer	Petrol unleaded 95	Transportation of goods
Electric fan	Rice	Drinking water
Gas cooker	Fresh vegetables	Magazines
Electric iron	Fresh fish	Fish balls
Tooth brush	Public transport	Nail colour
Dettol & Antiseptic	Motor oil	Motorcycle
Dinning set	Engine oil	Watches
Diapers	Clinic X-ray	Ice cream
Car850 cc	Toll	Cheese
Toothpaste	Chilli	Oats & Cereals
Plastic mat	Alcohol	
Imported fruits	Tobacco	
Soft drink		

#### 4. GST IMPACT ON THE INDIAN ECONOMY:

According to experts, after the introduction of GST in India, the country will have an economic benefit of \$ 15 billion. The reason for this is that more exports, employment opportunities and development will be encouraged. After GST, all indirect taxes like VAT will be withdrawn from the Indian economy. Thereby simplifying the tax structure at present. With this, due to the low tax burden in the manufacturing sector, the costs of manufacturing will decrease. Thereby, the prices of commodities will fall. Its full advantage will be on the Indian economy. Simple tax system will attract more productive investment for growth. Due to the low cost of goods, both demand and consumption of goods will increase which will increase the production of goods and also increase employment opportunities. Once GST is implemented, the details of all Do's will be done online, which will also control the tax evasion and black money. This will increase the revenue of the country. Increased income of the government will be used for the development of the country's development projects and urban financing. There will be complete transparency in the system because the subscribers will know what they have to pay on the base. Since it is expected that with the implementation of GST the price level will reduced in the economy, it will results in increase in the consumption level and growth in GDP of the economy. According to study by NCAER (National Council for Applied Economics and Research) complete implementation of GST could lift GDP growth by 0.9-1.7%. GST also removes the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction. Thus, after coming GST, there will be a great impact on the Indian economy in some time soon.

#### 5. CONCLUSION:

Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

#### REFERENCES:

1. Kumar Nitin. Goods and Services Tax in India: A Way Forward. Global Journal of Multidisciplinary Studies, 2014; 3(6):216-225
2. CA Rajkumar&S.Adukia, A Study On Proposed Goods And Services Tax [GST] Framework In India, pp., 1-61, 2009, available at - <http://taxclubindia.com/simple/rajkumar.pdf>.
3. HasmukhAdhia and Arvind Subramanian, One India, One Market, The Hindu, July 19, 2016.
4. Girish Garg, (2014), "Basic Concepts and Features of Good and Service Tax in India",
5. Nishita Gupta, Goods and Services Tax: Its implementation on Indian economy, CASIRJ Volume 5 Issue 3 [Year - 2014] ISSN 2319 – 9202, Pg. No.126-133.
6. Monika Sehrawat et al "GST IN INDIA: A KEY TAX REFORM" International Journal of Research – Granthaalayah, Vol. 3, No. 12(2015): 133-141.

**WEB REFERENCES:**

- <http://www.gstindia.com/>
- <http://www.ndtv.com/india-news/delayed-reforms-include-gst-as-modi-government-nears-one-year-mark-762795>
- <http://www.deskera.in/gst-benefits-and-impact-on-indian-economy/>
- <http://www.sify.com/finance/how-will-gst-impact-the-common-man-news-commodities-rghsvyaheifcc.html>
- <https://www.vccircle.com/impact-gst-indian-economy/>
- <http://fintrakk.com/gst-what-is-the-impact-of-gst-on-common-man/>
- <http://economictimes.indiatimes.com>
- <http://www.gstseva.com>