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IMPACT OF GOODS AND SERVICES TAX (GST) ON COMMON MAN IN INDIA

DODDA YALLAPPA JINDAPPA
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
GULBARGA UNIVERSITY
KALABURAGI

ABSTRACT

Goods and Services Tax (GST) is an indirect tax that is applicable throughout India. The Govt. of India was implemented from 1st July, 2017 neither Govt. nor business men nor common man are ready to implement these changes in the system. How does GST affect common man? In India, the maximum population is middle class and lower middle class where people either belong to service class or they depend on agriculture for their living. In this scenario, the most important question is what will be the impact of GST on a common man or a middle-class family. There are lots of question in the mind of a common man in these days. 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 and how its impact on common man.

KEYWORDS

goods and services tax (GST), impact of GST on a common man.

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 would be 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, which is currently estimated at 25% - 30%, 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.

GST is also called as one country one tax as under this tax regime it amalgamates all different central and state tax under one single tax and avoids cascading/double taxation [i.e. tax on tax].The entire Indian market will be under the single umbrella for taxation. Under GST, it is expected to improve compliance procedures and better tracking on the supply of goods and services. This will lead to a lesser chance of tax evasion, reduced paperwork, more collection of tax revenue by Central and State Government.

The Common Man of India is still trying to understand GST and its impact on them. People believe GST law will yield positive results although there may be some teething issues at the implementation stage. As per the previous indirect tax laws, there were different products in different states with different tax rates, now with the implementation of GST, the entire nation will charge the same rate for the product in every state.

THE CONCEPT OF GST

GST or Goods and Services Tax is applicable on supply of goods and services. It will replace the current taxes of excise, VAT and service tax.

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.

REVIEW OF LITERATURE

Srinivas K. R (2016)⁶ concluded in his study that the introduction of GST provides more opportunities to the concept of 'Make in India' which would attract new foreign investment, and it would also reduce the manufacturing cost of the products.

Pradeep Chaurasia et. al., (2016)⁴ pointed out that, in India, the unified tax will take the form of a Dual GST, to be levied concurrently by both the Centre and States. They concluded that, GST will be helpful for the development of Indian economy as well it will be very much helpful in improving the GDP of our country higher than 2 percent

Monika Sehrawat et. al., (2015)² concluded that, GST implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, will generate more employment opportunities and will flourish GDP by 1-1.5%. Further they stressed that, GST will give India a world class tax system by clutching different treatment to manufacturing as well as service sectors.

Nitin Kumar (2014)³ inferred from his study 'Goods and Service Tax- A Way Forward' that, the implementation of GST in India would help in removing economic distortion by current indirect tax system and this would encourage an unbiased tax structure which is indifferent to geographical locations.

According to Dr. R. Vasanthagopal (2011)⁷, switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. He also inferred that the success of GST will lead to its acceptance by more number of countries in world and a new preferred form of indirect tax system in Asia too.

Rizal Palil et. al., (2011)⁵ stated that the implementation of GST in Malaysia is of course to increase the efficiency of the tax collection system as well as become a major source of indirect income to the government. They also suggested that the government could use media more to promote GST so that people will be ready to accept its impacts. This study also found that consumption behaviour of people would change significantly with the implementation of GST as they are selective in their purchasing behaviour. This may lead to potentially distort the economic growth particularly on aggregate demand.

OBJECTIVES OF THE STUDY

The study has the following objectives:

1. To know the concept of GST.
2. To study the impact of GST on common man in India.

SCOPE OF THE STUDY

The scope of the study is extended to understand the concept of GST, its impact of GST on common man in India.

RESEARCH METHODOLOGY

The 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.

IMPACT OF GST ON COMMON MAN IN INDIA**POSITIVE IMPACTS OF GST ON COMMON MAN IN INDIA**

At this initial stage, it may be difficult for the common man to understand benefits of GST however, in the long run, it will become extremely beneficial. As to now, it is a question in the minds of every common man of India on understanding what impact GST will have in their wallets, whether the goods will be more expensive or economical, or whether tax returns and other compliances processes will be lesser cumbersome, or what would be the treatment of old stocks or which industries would get more impacted, or whether the system would be updated correctly. With the unified tax regime we said goodbye to a big pile of indirect taxes making India **One Nation One Market One Tax** country. Now, businesses or common man don't need to worry about the plethora of taxes.

- Reduction of prices due to reduction of tax costs of the manufacturer, dealers and service providers
- Easy access to goods and services due to the elimination of toll plazas and check posts at the time of transportation
- Improved service levels due to lesser complications on tax procedures, formalities and administration as everything is bucketed under one tax
- 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.

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 GST is** and how it works. Not only is that but using computerized process, online registration and return filing a hassle for those who are barely touch with technology. The government has estimated that Indian economy will require at least 2 years becoming stable.

- 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 increase 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 reorganize your budgets to bear the additional services cost.
- An increase in inflation might be seen initially.
- 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.

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

With the implementation of GST, India would eliminate all taxes levied by the different states and would come under the category of "one nation, one tax although there is lot of confusion in its application. The banks, finance professionals, traders, industries and common man seems to be not fully prepared accept the changes of implemented the GST. Therefore GST affected the life of a common man as they were the ultimate consumers. Many things become cheaper and many things become costly. There are various challenges in way of GST implementation as discussed above in paper but with the passage of time and proper implementation of GST could overcome these challenges.

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