



GST AND ITS IMPACT ON SOCIETY

Mayank Raj*

DDU Kaushal Kendra, Mahatma Gandhi Chitrakoot Gramodya Vishwavidhyalya, Chitrakoot

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ABSTRACT

GST (Goods and Service Tax) is a comprehensive tax levy on manufacture, sale and consumption of goods and services. GST is termed as biggest tax reform In Indian Tax Structure. It will not be an additional tax, it will include central excise duty, service tax additional duties of customers at the central level, VAT, central sales tax, entertainment tax, state surcharge, luxury tax, lottery tax and other surcharge on supply of goods and services. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing it all under single umbrella. The purpose is to eliminate tax on tax. This paper will throw light on GST, its benefits and positive & negative impact of the GST in the Indian Tax System.

INTRODUCTION

The Rajya Sabha unanimously passed the constitution (22nd amendment) bill 2014, on 3rd August 2016 with 203 votes in favour. All parties, except the AIADMK, backed the bill. GST would be a comprehensive indirect tax on manufacture consumption and sale of goods and services throughout India, to replace taxes levied by central Govt. and state Govt. GST would be levied and collected at each stage of sale or purchase of goods and services. Taxable goods and services are not distinguished from one another and are taxed at single rate in supply chain till goods and services reach the consumer. The easy passage was facilitated by the congress after the Govt. made key changes, including scraping of 1% manufacturing tax and incorporating clearer provision for compensating state for revenue loss for five years. Mr. Arun Jaitly assured the house that the tax rates would be kept as low as possible.

Some taxes which was levied by the State Govt. and Central Govt.:

Central Taxes

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toiletries

Preparation Act

- Service Tax
- Surcharges & Cesses

State Taxes

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Surcharges & Cesses

How nice will it be if there is only one unified tax rate instead of all these taxes, GST is applied on goods and services at the place where actual consumption happens. It is based on the Destination Principle. GST would be levied and collected at each stage of sale or purchase of goods and services. Goods and services are not distinguished and are taxed at single rate in supply chain till the goods and services reach consumer. It is the consumer of goods and services who bears the tax. The manufacture or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism. Administrative responsibility would be generally rest with single authority to buy tax on goods and services. Under the current system, levies are charged at multiple points and by different authorities, for example at the police at check points, by state Govt. agencies at inter-state borders. This encourages corruption, that a common nationwide tax is expected to eliminate. It is believed that it would make the tax procedure more fair, transparent and efficient. The current tax structure does not allow business person to take tax credit. There are many chances of overlapping or doubling of taxation at every step of supply chain. This will be eliminated with the implementation of GST. Indian Govt. is opting for dual system of GST. This system will have two components which will be known as: -

*Corresponding author: Mayank Raj

DDU Kaushal Kendra, Mahatma Gandhi Chitrakoot Gramodya Vishwavidhyalya, Chitrakoot

- Central Goods and Service Tax (CGST)
- State Goods and Service Tax (SGST)

The current taxes like excise duties, service tax, custom duty etc. will be merged under GST. The taxes like sales tax, entertainment tax, VAT, and other state taxes will be included in GST.

How GST is levied

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

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

Benefits of GST

- Overall reduction in Prices for Consumers
- Reduction in Multiplicity of Taxes, Cascading and Double Taxation
- Uniform Rate of Tax and Common National Market
- Broader Tax Base and decrease in "Black" transactions
- Free Flow of Goods and Services – No Checkpoints
- Non-Intrusive Electronic Tax Compliance System

It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth. Ultimately it will help in poverty eradication by generating more employment and more financial resources. GST Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply.

Goods and Services Tax Network

Goods and Services Tax Network (GSTN) has been set up by the Government as a private company under erstwhile Section 25 of the Companies Act, 1956. GSTN would provide three front end services, namely registration, payment and return to taxpayers. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 25 States who have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue departments of both Centre and States are pursuing the presently registered taxpayers to complete the necessary formalities on the IT system operated by Goods and Services Tax Network (GSTN) for successful migration. About 60 percent of existing registrants have already migrated to the GST systems. GSTN has already appointed M/s Infosys as Managed Service Provider (MSP) at a total project cost of around Rs 1380 crores for a period of five years.

Example of GST Calculation

Let us assume that the GST is set at 5% Suppose that the manufacturing cost of a Product A is 100 and assuming a GST of 5% the total amount is Rs. 105 The next step of taxation would be when the Product is sold to consumers, let's say at a price of 150. So the GST will charge another 5% on just the difference of Rs. 150 and Rs. 105 i.e. only 5% on Rs. 45 which is equal to Rs. 2.25. So the final price is Rs. 150 + Rs. 2.25 i.e. Rs. 152.25.

Positive Impact of GST: All most every industry body are "fully prepared" for implementation of the new indirect tax regime, while commanding the government's efforts towards its rollout. The nationwide GST will overhaul India's convoluted indirect taxation system and unify the over \$2 trillion economy with 1.3 billion people into a single market.

The medium-term impact of GST on macroeconomic indicators is expected to be extremely positive. Inflation will be reduced as cascading of taxes will be eliminated. Assocham president Sandeep Jajodia said India would move many notches up the global ease of doing ladder by this single, but the most important tax reform in the country.

Negative Impact of GST: India has adopted dual GST instead of national GST. It has made the entire structure of GST fairly complicated in India. The centre will have to coordinate with 29 states and 7 union territories to implement such tax regime. Such regime is likely to create economic as well as political issues. The states are likely to lose the say in determining rates once GST is implemented. The sharing of revenues between the states and the centre is still a matter of contention with no consensus arrived regarding revenue neutral rate.

Impact of GST on organized Sector: Another major regime is that it will shift trade from unorganized to organized sector and improve efficiency in the system. India has significant presence of unorganized sector. According to some estimates in 2005, out of 485 million persons employed in India, 86% to 395 million worked in unorganized sector, generating 50.6% of GDP. Implementation of GST is expected to narrow the large indirect tax difference between organized and unorganized segments. This would be achieved by ensuring better compliance and enforcement by reducing the threshold limit for exemption from indirect taxes, tracking the flow of GST in entire chain.

Impact on Employment: Analysis say that the fear of job losses in GST regime persist as it hits the unorganized players, who have to now come under tax compliance while benefitting the mid large sized companies which are already under the organized sector.

CONCLUSION

There are approx. 140 countries where GST has already been implemented. Some of the popular countries being Australia, Canada, Germany, Japan, and Pakistan, to name a few. Implementation of GST impacts a nation both ways, positively and negatively. Ignoring negative & positive aspects can be taken into consideration, in order to improve the economy of the country. In order to measure the Impact the GST we need to wait for the time and the Government needs to communicate more and more about the systems. It could be a good way to reduce the black money and good effort by the Government of India after the Demonetization of the money in 2016.

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