



## Impact of GST on Common Man

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### ABSTRACT

**GST also known as Goods and service tax. Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition. More than 150 country implemented GST so far. It will include many state and central level indirect taxes. SAbT will bring uniform taxation across the country and allow full tax credit from the procurement of inputs and capital goods which can later be set off against GST output liability. This reform gives equal footing to the big enterprises as well as SMEs. The aim of GST is thus to simplify tax hurdles for the entire economy.**

**Keywords---** GST, Common Man

### I. INTRODUCTION

Most countries have a unified GST system. 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 sale 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 the current taxes of excise, VAT and service tax. GST will bring uniform taxation across the country and allow full tax credit from the procurement of inputs and capital goods which can later be set off against GST output liability. This reform gives equal footing to the big enterprises as well as SMEs. The aim of GST is thus to simplify tax hurdles for the entire economy. 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.

### II. WHY GST NEEDED

GST will break the complicated structure of separate central and state taxes which often overlap with each other to create a uniform taxation system which will be applicable across the country. Taxes will be implemented more effectively since a network of indirect taxes like excise duty, service tax, central sales tax, value added tax (VAT) and octroi will be replaced

by one single tax. The state will still have a say in taxation, as the number of taxes will be reduced to three with Central GST, State GST and Integrated GST for inter-state dealings.

### III. GST WILL HELP BRINGING IN THE FOLLOWING BENEFITS 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.

**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 % tax number is proposed to be much lesser - however the number has not been finalized yet.

**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.

### IV. 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.
- Reduced costs means some products like cars, FMCG etc. will become cheaper.
- Lower prices will increase demand/consumption.
- Increased demand will lead to increase supply. Hence, rise in 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.
- A unified tax regime will lead to less corruption which will indirectly affect the common man.

## V. NEGATIVE IMPACT OF GST ON THE COMMON MAN

- Services will become expensive e.g. Telecom, banking, airline etc.
- It shall take considerable time to understand its implications.

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

## VI. EXEMPTIONS UNDER GST

Under GST, the government has fixed GST rates on 1,211 goods and 500 services in the range of five to 28 per cent. Certain items such as alcohol, petrol, diesel and natural gas will be exempt under the GST. In addition to these, the GST Council has also classified certain items under the 0 per cent tax rate, implying that GST will not be levied on them. This list includes items of daily use such as wheat, rice, milk, eggs, fresh vegetables, meat, fish, sindoor, bindi, stamps, judicial papers, printed books, newspapers, bangles, handloom, bones and horn cores, bone grist, bone meal, kajal, children's' picture,

## VII. CONCLUSION

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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