

Impact of gst on common man

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ABSTRACT: Goods And Services Tax (gst), hailed as one of the most powerful tax reforms which india has ever seen, purports to do away with the multiple tax regulations on most of the goods and services. gst would change the current tax regime of production-based taxation to a consumption-based system. there is no doubt that the corporates would benefit once the gst has been rolled out. however, the advantages to the common man are still speculative. we hope that the end consumer would also reap the benefits of the new tax regime, once the business houses have transitioned completely to the new tax structure and start to pass on the benefitsto the average indian. the proposed date for gst implementation is the 1st of july 2017.

Keywords: gst, common man.

INTRODUCTION

Indirect tax system is highly complicated in India because there are various types of taxes that are charged by the central and state governments on goodsand services. these taxes include entertainment tax for watching film, value added tax (vat) for purchasing goods & services by consumer. other taxes are **excise duties, import duties, luxury tax, central sales tax, entry tax, and service tax.** businessmen have to maintain accounts which need to obey with allthe applicable laws. many experts have suggested that to resolve the issues of different types of taxes, there is a need issue to streamline all indirect taxes andimplement a "single taxation" system. this system is entitled as goods and services tax, abbreviated as gst. the gst will be levied both on goods and services. Earlier, GST was introduced during 2007-08 budget session. On 17th December 2014, the current union cabinet ministry permitted the proposal for introductionGST constitutional amendment bill. On 19th of December 2014, the bill was offered on GST in lok sabha. The bill is presented in budget session.In simple term, GST is a tax that people need to pay on supply of goods & services. Any person, who is providing or supplying goods and services, is responsible tocharge GST. GST is the huge reform in indirect tax structure in Indian financial scenario since the economy originated to be opened up 25 years ago, at last lookssset to become reality

GST eliminates the present following taxes and introduces news tax of cgst,igst and sgst:

- **Service Tax**
- **Central Excise Tax**
- **Additional Excise Duties**
- **Cvd, Additional Customs Duty, Commonly Known As Countervailing Duty**
- **Sad, Special Additional Duty Of Customs - 4%**
- **The Excise Duty Levied Under The Medicinal And Toiletries**
- **Preparation Act**
- **Surcharges, And Cesses**
- **Vat/Sales Tax**

- **Luxury Tax**
- **Taxes on Lottery, Betting and Gambling.**
- **Entertainment Tax (Unless It Is Levied By The Local Bodies).**
- **State Cesses And Surcharges In So Far As They Relate To Supply Of Goods And Services.**
- **Entry Tax Not In Lieu Of Octroi.**

It is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

Why is GST needed?

Currently there are different vat laws in different states. This creates problems, especially when businesses sell to different states. Also, most businesses have to pay and comply with 3 different taxes - 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.

Who will have to pay GST?

GST will be paid by all manufacturers and sellers. It will also be paid by service providers such as telecom providers, consultants, chartered accountants etc. However, being an indirect tax, GST will be ultimately borne by the end consumers, just like in the current process. GST is a consumption based tax. It is based on the "destination principle." Goods and services tax is imposed on goods and services at the place where final/actual consumption occurs. GST is accumulated on value-added goods and services at each stage of sale or buying in the supply chain. GST paid on the obtaining goods and services can be set off against that payable on the supply of goods or services. The producer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism.

What type of GST will be implemented in India?

India will implement the Canadian model of dual GST, i.e., both the centre and state will collect GST. There will be three categories under GST such as CGST, SGST and IGST with a concept of one tax one nation. CGST, SGST and IGST falls under central goods and service tax act 2016, state goods and service tax act 2016 and integrated goods and service tax act 2016.

1. Central goods and service tax (CGST)

CGST is being introduced, the present central taxes of central excise duty, central sales tax (CST), service tax, additional excise duties, excise duty levied under the Medical and Toiletries Preparation Act, CVD (Additional Customs Duty-Countervailing Duty), SAD (Special Additional Duty of Customs) surcharges and cesses are subsumed. CGST is charged on the movement of goods and services of standard commodities and services which can be amended time to time by a separate body. The revenue collected under CGST is for centre. However, input tax credit on CGST is given to states and such input tax could be utilized only against the payment of central GST.

2. State goods and service tax (sgst)

SGST is being introduced, the present state taxes of state sales tax, vat, luxury tax, entertainment tax (unless it is levied by the local bodies), taxes on lottery, betting and gambling, entry tax not in lieu of octroi, state cesses and surcharges in so far as they relate to supply of goods and services etc. are subsumed. The revenue collected under sgst is for state government.

3. Integrated goods and service tax (igst)

IGST is charged when movement of goods and services from one state to another. For example, if goods are moved from Tamil nadu to Kerala, igst is levied on such goods. The revenue out of igst is shared by state government and central government as per the rates fixed by the authorities. As per GST law: under the GST regime, an integrated GST (igst) would be levied and collected by the centre on inter-state supply of goods and services. Under article 269a of the constitution, the gst on supplies in the course of inter-state trade or commerce shall be levied and collected by the government of India and such tax shall be apportioned between the union and the states in the manner as may be provided by parliament by law on the recommendations of the goods and services tax council.

Application and tools of GST:

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

- ❖ intra-state supply and consumption of goods & services
- ❖ inter-state movement of goods
- ❖ import of goods & services

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