

A Study on Impact of GST

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ABSTRACT

GST: merchandise and repair Tax may be a comprehensive tax levy on manufacture, sale and consumption of products and services. GST is termed as biggest tax reform In Indian Tax Structure. it'll not be an extra tax, it'll embrace central excise duty, service tax further duties of consumers at the central level, VAT, central nuisance tax, recreation tax, octroi, state surcharge, luxury tax, lottery tax and alternative surcharge on offer of products and services. the aim of GST is to interchange of these taxes with single comprehensive tax, conveyance it all beneath single umbrella. the aim is to eliminate tax on tax. This paper can throw light-weight on GST its options and conjointly impact of GST on costs of products and Services.

1. Introduction

The Rajya Sabha nem con passed the constitution (22nd amendment) bill 2014, on third August 2016 with 203 votes in favour. All parties, except the AIADMK, backed the bill. GST would be a comprehensive taxation on manufacture consumption and sale of products and services throughout Republic of India, to switch taxes levied by central Govt. and state Govt. GST would be levied and picked up at every stage of sale or purchase of products and services. taxable merchandise and services don't seem to be distinguished from each other and square measure taxed at single rate in offer chain until merchandise and services reach the buyer.

The easy passage was expedited by the congress once the govt. . created key changes, as well as scraping of one % producing tax and incorporating clearer provision for compensating state for revenue loss for 5 years. Mr. Arun Jaitly assured the house that the tax rates would be unbroken as low as attainable.

As nowadays some taxes ar levied by the state Govt. and a few ar levied by central Govt. however nice can or not it's if there's just one unified charge per unit rather than of these taxes, GST is applied on merchandise and services at the place wherever actual consumption happens. it's supported the Destination Principle. GST would be levied and picked up at every stage of sale or purchase of products and services. merchandise and services don't seem to be distinguished and are taxed at single rate in provide chain until the products and services reach shopper. it's the buyer of products and services WHO bears the tax. The manufacture or middleman or retail merchant can pay the applicable GST rate however can claim back through diminution mechanism.

Administrative responsibility would be usually rest with single authority to shop for tax on merchandise and services. beneath this system, levies area unit charged at multiple points and by completely different authorities, for instance at the police at check points, by state Govt. agencies at inter-state borders. This encourages corruption, that a standard

nationwide tax is anticipated to eliminate. it's believed that it'd create the tax procedure additional truthful, clear and economical.

The current tax structure doesn't permit business person to require diminution. There are a unit several possibilities of overlapping or doubling of taxation at each step of provide chain. this may be eliminated with the implementation of GST. Indian Govt. is choosing twin system of GST. this method can have 2elements which is able to be identified as: -

Central merchandise and repair Tax (CGST) State merchandise and repair Tax (SGST)

The current taxes like excise duties, service tax, custom duty etc. are united beneath GST. The taxes like excise tax, recreation tax, VAT, and different state taxes are enclosed in GST.

GST are levied on the place of consumption of products and services. It are often levied on following states.

- Intra-state offer and consumption of products and services.
- Inter-state movement of products. Import of products and services.

2. Features of GST

GST can subsume central indirect taxes like excise duty, services tax etc and conjointly state levies like VAT, Octroi, entry tax, luxury tax etc.

It will have 2 parts, central GST levied by Centre and State GST levied by the States.

Only Centre could levy and collect GST on provides just in case of inter-state trade and assortment of tax are divided between centre and state.

A two-rate structure are adopted. It means that lower rate for necessary things and merchandise of basic importance and a typical rate for merchandise normally. there'll even be a special rate for precious metals and a listing of exempted things.

Over-lapping of tax, tax on tax are eliminated with GST.

Both merchandise and Services ar taxed in same manner in chain of offer until they're reached to shopper. they're not distinguished underneath GST.goods and services and convey them beneath one rate. we will simply predict the subsequent impact of GST on costs.

3. What would be cheaper?

- **Electronic Goods:** Electronic product like AC, microwave ovens, refrigerators, laundry machines etc are going to be cheaper as a result of presently there's twelve.5% excise and fourteen.5% VAT is levied on them however when GST solely tax are going to be levied which is able to bring the costs of those electronic product.
- **Restaurant Bill:** intake out will be cheaper as a result of presently each VAT and repair tax ar levied on that. however once GST are going to be levied, it'll cut the bill.
- **Multiplex and Media:** presently twenty two to twenty four % taxes are charged on multiplex and media as service tax and recreation tax each are levied. however when implementation of GST this tax quantity are going to be reduced to eighteen to twenty %.
- **Medicines:** On medicines totally different taxes ar levied. when GST the speed of tax is also reduced by half-dozen %.
- **Small suv Cars:** tiny cars will be cheaper.
- **Cement:** when implementation of GST eighteen to twenty % less tax are going to be charged on cement, this can scale back the costs of cement. Accepts these luxury cars, FMCG merchandise, shopper sturdy, ready-made clothes etc are going to be cheaper once GST are going to be implementation. On the opposite hand following are some things which is able to be expensive when levy of GST.

4. What will be Costly?

- **Packed Food:** Packed food are going to be expensive by twelve p.c. It embrace tea, coffee etc. on that presently no duty is charged, however when levy of GST, if Govt charge at interest rate, even then costs of packed food can increase.
- **Diamonds, Jewellery, Ready-made clothes:** After GST implementation diamonds, jewellery and readymade clothes are going to be expensive as a result of presently 3 p.c tax is charged on them and

when implementation GST the tax is also 12-tone system

- **Services:** there'll be increase in costs of mobile bill, mastercard bill etc. Presently V-day tax is charged on these services and with levy of GST it'll be eighteen, which can build these services expensive.
- **Textile, edible oil, Low worth Footwear:** rate of excise duty is nada and VAT in most states is five-hitter. so the tax value for these product is regarding eight to nine p.c. If these product area unit unbroken at normal GST rate of eighteen then there would be important increase in value of those things for the tip customers. If these area unit unbroken at lower GST of 12-tone system there would be a rise in value for shoppers.

While the govt. is bound of the advantages of GST can bring round common person, it's still period to predict that that things are going to be a lot of cheaper area unit pricy. specialists say inflation will go up for a year when implementation of GST that is has been the international expertise. we've got on economy wherever services tend to dominate and GST can on services are going to be higher that current state of affairs. On the opposite hand some articles area unit outside the taxation right away which can conjointlyget additional. this is often conjointly the rationale of upper costs.

5. Impact of GST on organized Sector

Another major regime is that it'll shift trade from unorganized to organized sector and improve potency within the system. Asian country has vital presence of unorganized sector. per some estimates in 2005, out of 485 million persons used in Asian country, 86% to 395 million worked in unorganized sector, generating 50.6% of GDP. Implementation of GST is predicted to narrow the massive tax distinction between organized and unorganized segments. This would be achieved by ensuring higher compliance and social control by reducing the thresh-hold limit for exemption from indirect taxes, tracking the flow of GST in entire chain.

6. Impact on Employment

Analysis say that the concern of job losses in GST regime persist because it hits the unorganized players, World Health Organization need to currently come back below tax compliance whereas benefitting the middle massive sized firms that are already under the organized sector.

7. Conclusion

At the tip we will say little doubt it's the largest ever modification in tax structure of Asian country. there'll be fall in costs of some commodities however on the opposite hand value of another merchandise and services can rise. there's threat of inflation too and states could face reduction in their money resources. But overall it'll be a good modification.

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