

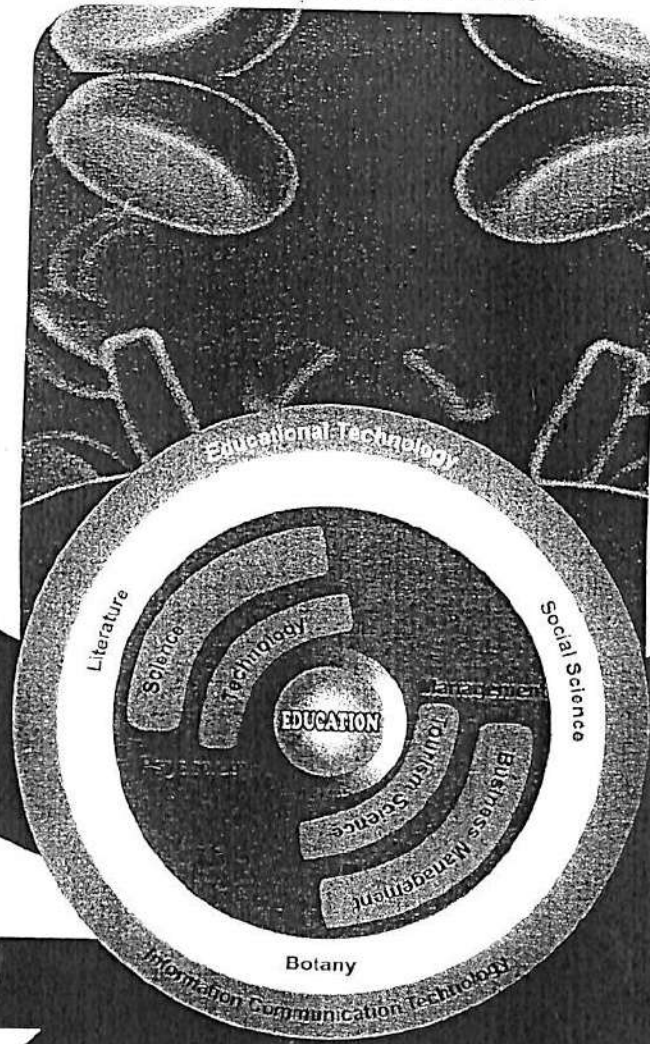
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GST A BOON OR BANE FOR A COMMON CITIZEN

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INTRODUCTION:-

India has observed historical financial restructuring earlier in the year 1991. The policy changes in the year 1991 has given a tremendous shift to Indian economy in developing direction. After 1991 and after independence, the next biggest Tax restructuring policy by Indian Government is GST policy i.e. Goods and Services Tax Policy. The resolution for GST policy having major effects on Indian economy got the acceptance by both the houses in 2014 through 122nd amendment. On 6th May, 2015, it was passed in Lok Sabha by majority voting but BJP Government has to wait to get it passed in Rajyasabha. Finally on 3rd August, 2016, 20 States has accepted the GST resolution and Hon. President Pranav Mukherjee signed it on 8th September, 2016. Government has declared the implementation of GST policy from 1st April, 2017. GST is the only one indirect tax for the whole country. This tax policy is definitely going to be helpful to smoothen the transactions between states and also among other nations. This tax is applied on supply of Goods and Services. And GST is applicable on value additions on further levels. This is going to avoid the Cascading Effect. As before GST, tax was separately implied on taxable prices of goods and services. GST policy has abolished various taxes in India such as Central Excise Duty, Sales Tax, Additional Custom Duty, Service Tax, VAT, Purchase Tax, Advertisement Tax and Octroi etc. GST board in India is designed as follows: Chairman of the board would be the Union Finance Minister. State Finance Minister would be the member of the board. One Nominated minister from each State would be the central secretary. The whole board would run the policy under the Government's Rules and regulations.

GST as a Boon:

- The main objective of GST is **One India, One Tax and One Market**.
- With the help of IT infrastructure, it would be easier for the tax payers to file IT returns and payments with online system.
- It would help to achieve transparency in transactions and would help to control malpractices.
- GST would completely abolish the Cascading Effect.
- GST policy would simplify the tax structure though not immediately but it will show effect in upcoming years. It will take time to change the habitual tax structure policy which was running in Indian Economy since last so many decades.
- It would minimize the documentation and filling procedure for businessmen.
- It would reduce problems faced in Import and Export Policies of India.
- The last but not the least, it would abolish the faulty tax payers from the system.

GST as a Bane: Every coin has two sides. It is not easy to face the change in tax structure policy due to habitual practice of old tax policies running in the country since last so many decades. While facing the GST policy, following are the disadvantages at the initial stages faced by the common people.

- GST policy is Customer Centralized Policy. So the States having their share in tax income through old tax structure may face a risk of losing their share of income at a sudden. For ex. Maharashtra being the largest productive state, it has to leave its right on 14000 crores of tax income. But for this aspect, GST board has already included the rule of paying compensation to the states for their lost income through taxes.
- All Petro Chemical products are excluded from the GST policy. Petro Chemical products are the products having major share for the common peoples' utilization. Even Agricultural market Committees' Market Tax has also been excluded from GST. For ex. A State like Punjab has got relieved from their half share of income to be covered under GST policy.

- Last but not the least; the State Government is going to lose the independence in tax policies and income share from that. Up till now Sales Tax Inspectors has the right to sort out the tax related disputes but from this change in policy, they will lose this right. All the GST matters will be under the jurisdiction of the GST Board which will be time consuming process.

Implementation of the GST in the near term could bring some uptick in inflation, but growth and public finances to be affected positively. Moreover, inflationary impact, if any, should be transitory. Consumption, logistics, house building materials and industrial manufacturing would likely experience a positive impact. Oil and gas could see a negative impact, while cigarettes could see a negative impact only if overall tax incidence goes up, which may be a low-probability event. The remaining sectors would likely see a neutral impact.

Example of change in cost factor before and after introducing GST:

| MATH of GST: An Example of a Car -Maruti Swift LXI | Current - Before GST | Expected - After GST @ 18% |
|--|----------------------|----------------------------|
| Manufacturer's Price | 2,72,375 | 2,72,375 |
| Total Taxes at manufacturer stage | 1,28,657* | 49,028 (18% GST) |
| Cost to dealer | 4,01,032 | 3,21,403 |
| Margin @ 10% | 40,103 | 32,140 |
| Sale Price for dealer | 4,41,135 | 3,53,543 |
| VAT / GST | 55,142 (12.5%) | 63,638 (18%) |
| Net VAT / GST (after claiming credit) | 12,502 | 14,610 |
| Price to Customer | 4,96,277 | 4,17,180 |
| *includes excise duty, infrastructure cess, VAT and Octroi. Example uses Maruti Swift LXI with retail price of Rs. 4,96,277. | | 16% LOWER |
| Source: Times Of India, dated August 04, 2016. | | |

From the above example, it is observed that if GST would be implemented upto 18%, it would show the positive impact on the Indian Economy. But it's too early to count its benefits as GST tax rates are not yet fixed, they will be decided by the GST council. The council will have to be set up in the next 60 days. A finance ministry panel has suggested the standard GST rate of 18%, with a 12% lower and a 40% higher rate.

Conclusion: In this way, GST policy is going to have a tough change in the Indian economy and the common citizen will need time to adjust for the upcoming changes in future. But as the main objective of GST is **One India, One Tax and One Market**, it is going to show the positive results in future.

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2. *Professional Guide to GST- From Ideation to Reality*, Abhishek A. Rastogi, March 2017.