

## A Study upon lifestyle of an individual in the light of GST

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### Abstract

GST is an indirect tax reform which is formulated to stop the tax obstruction between States and thus create a single market. GST is a single tax on the supply of goods and services, right from manufacturer to the consumer. Credit of input taxes paid at each stage will be available in the subsequent stage of value addition which means GST is essentially a tax only on value addition at each stage. Due to the effect of GST, the lifestyles of an individual get affected. Some food item becomes the gainer and some are loser in this transformation. From the smallest entity of the economic food chain to multi – billion conglomerates, no one will stay untouched by the GST. In our study, we have segregated the household goods in five heads i.e. common consumer goods, beauty and personal care, home appliances, services and cars. Thus division has been done on the basis of priority of every individual. Here in our discussion we have shown that before GST system the tax is being levied on each stage of transferring the goods whereas in GST system the tax is being charged at the time of selling of goods to the consumer. So the overall system of GST is getting simple and as a result consumer will get more benefits in the bill of purchasing of households goods.

**Keywords:** *GST, One Nation One Market One Tax, Lifestyle, Input Tax Credit, SGST, CGST, IGST, Rates of GST, Household Goods.*

### Introduction

It is a fee charged by a government on income, product or activity. It is a mechanism through which governments finance their expenditure by imposing charges on citizens and corporate entities. The main reason for levying of taxes is to raise revenue to fund governing and/or to alter the prices to affect demand. One of the most important uses of taxes is to finance public goods and services. Since public goods and services do not allow a non-payer to be

excluded, or allow exclusion by a consumer, there cannot be a market in the good or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through taxes. Now if tax is levied directly on personal or corporate income, then it is called a direct tax. If tax is levied on the price of a good or service, then it is called an indirect tax.

**The various tax laws are levied and collected as follows:**

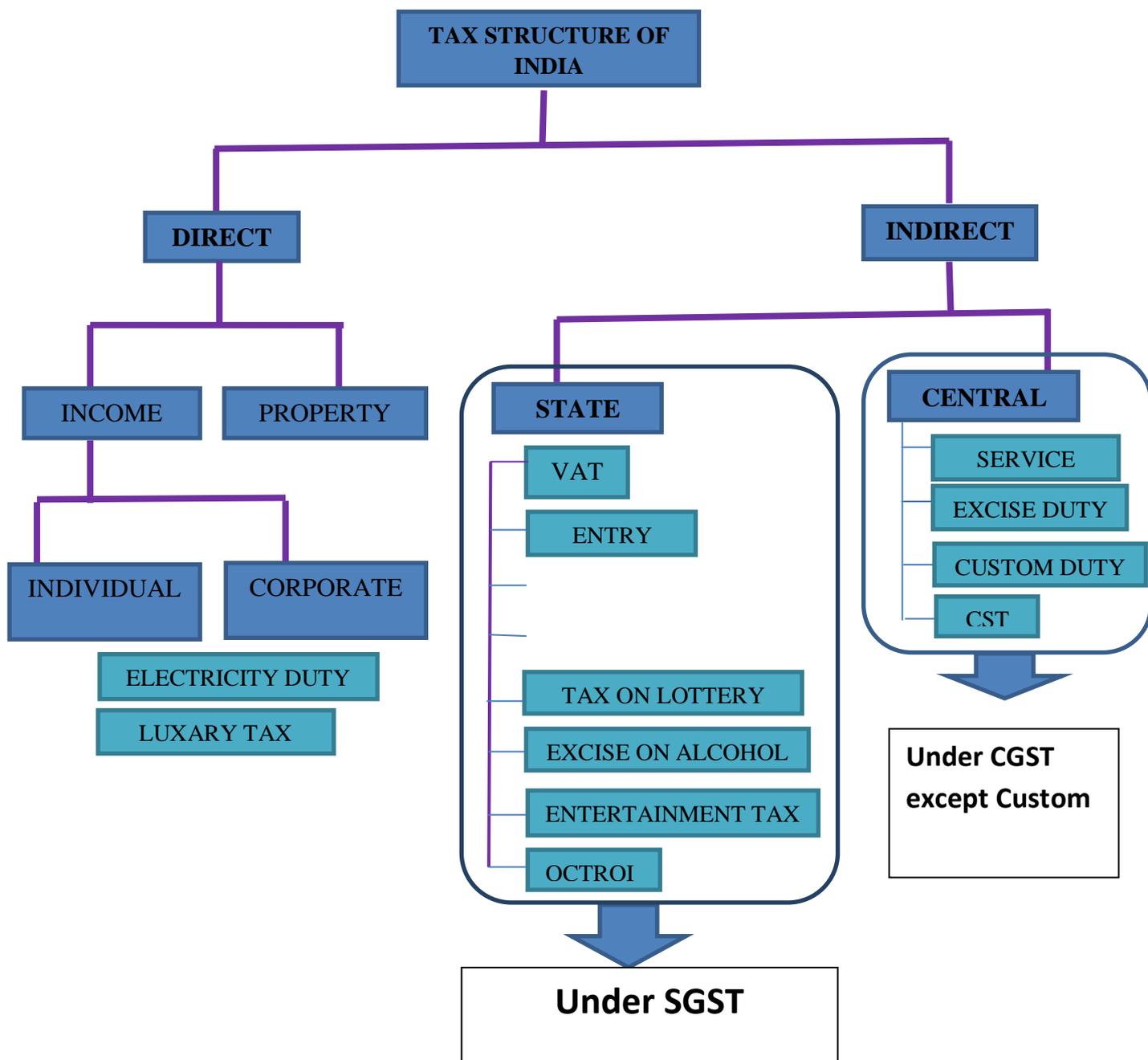
Tax	Taxable Event	Levied by	Collected by
<b>Central Excise Duty</b>	Manufacture of Goods in India (excluding goods manufactured in SEZ in India)	CG	CG
<b>Service Tax</b>	Provision of Service in Taxable Territory	CG	CG
<b>Sales Tax/ VAT</b>	Sale of goods within the State	SG	SG
<b>Customs Duty</b>	Import into India from a place outside India or Export from India to a place outside India	CG	CG
<b>Central Sales Tax (CST)</b>	Sale of goods Inter-State (i.e. from one State to another State)	CG	SG
<b>Local Body Tax (Entry Tax/Octroi)</b>	Entry of goods to a State from a place outside the State	SG	SG

Where, CG = Central Government; SG = State Government

The full form of GST is Goods and Service tax. It is an indirect tax which is applicable for the whole nation, that will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. It is a reform which aims to remove tax barriers between states and create a single market.

The constitution of India has been amended by 101st Constitutional Amendment Act, 2016 on 9th day of September, 2016 and GST council was appointed on 12th September, 2016 to decide key factors for introduction of GST. One of the thorny issues of adjudication of assesses has been sorted out by the GST council on 16th January, 2017 which was their last meeting before Union Budget 2017. The issue was discussed in almost five to six meetings of GST councils held on various dates. There are several such issues pending before the GST council for discussion and considering it, the date for roll out of GST has been once again postponed from 1st April, 2017 to 1st July, 2017.

The tax structure of India is as follows:



### Review of Literature:

Ahmed and Poddar (2009) studied, 'Goods and Service Tax Reforms and Intergovernmental Consideration in India' and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Syed Mohd Alif Taqvi, (2013) studied 'Challenges and Opportunities of goods and services in India' found that GST would eliminate the cascading impact of taxes on production and distribution of cost of goods and services where it would eliminate the concept of tax on tax and brings a new concept of tax system of setting off of tax which would in turn enhance GDP of the economy and reduce the transaction cost and unnecessary wastage, in turn reduce the corruption.

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya and others (July 2014) studied, 'Goods and Service Tax- Panacea For Indirect Tax System in India' and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

### OBJECTIVES OF THE STUDY

The objectives of the study are depicted as follows:

- To find out the differences between present Indirect Tax System and GST.
- To identify the impact of GST upon different products of Households.

### CONCEPTUAL FRAMEWORK

#### Benefits of GST implementation in India

##### For Business and Industry

**Easy compliance:** A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

**Uniformity of tax rates and structures:** GST will ensure that indirect tax rates and structures are common across the country, thereby increasing

certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

**Removal of cascading:** A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

**Improved competitiveness:** Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

**Gain to manufacturers and exporters:** The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

##### For Central and State Governments

**Simple and easy to administer:** Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

**Better controls on leakage:** GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.

**Higher revenue efficiency:** GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

##### For the Consumer

**Single and transparent tax proportionate to the value of goods and services:** Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

**Relief in overall tax burden:** Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

##### **Challenges of GST Bill**

Majorly manufacturing states like Maharashtra, Gujarat and Tamil Nadu were opposing GST as they

will have revenue loss once GST is implemented. GST is a Value Added based which means is a Consumption based tax so states which are manufacturing oriented will lose money. The main reasons for opposing GST are as follows:

GST will impact on the fiscal autonomy of states and the huge permanent revenue loss.

GST Council as a constitutional body would have a negative impact on the legislative sovereignty of Parliament and the State Legislatures and would jeopardise the autonomy of the states in fiscal matters.

GST council's decision making and voting right gives veto to Centre.

State wanted petroleum and petroleum products out of GST's ambit permanently.

A broad consensus on important issues such as the compensation period and methodology, revenue neutral rates, floor rates with bands, commodities to

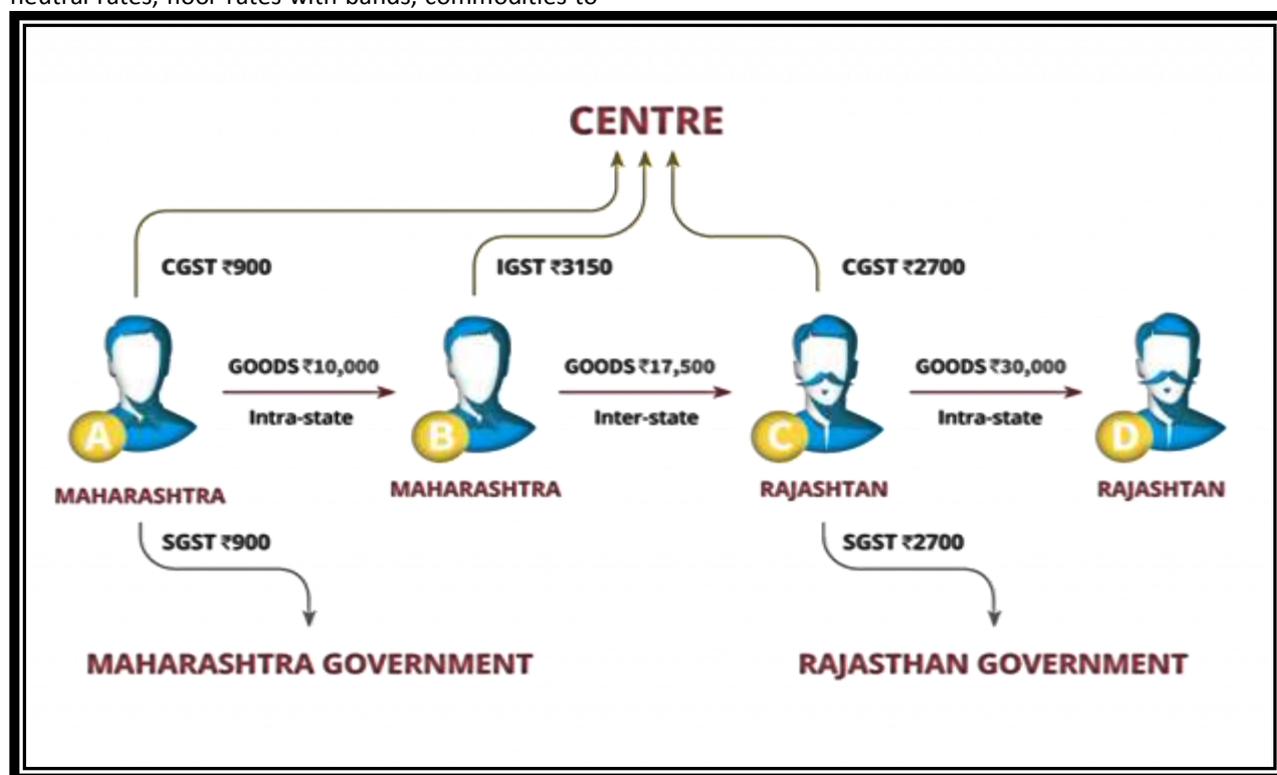
be excluded from GST and clarity on dual administrative control among others.

#### **Modes of Operation under GST:**

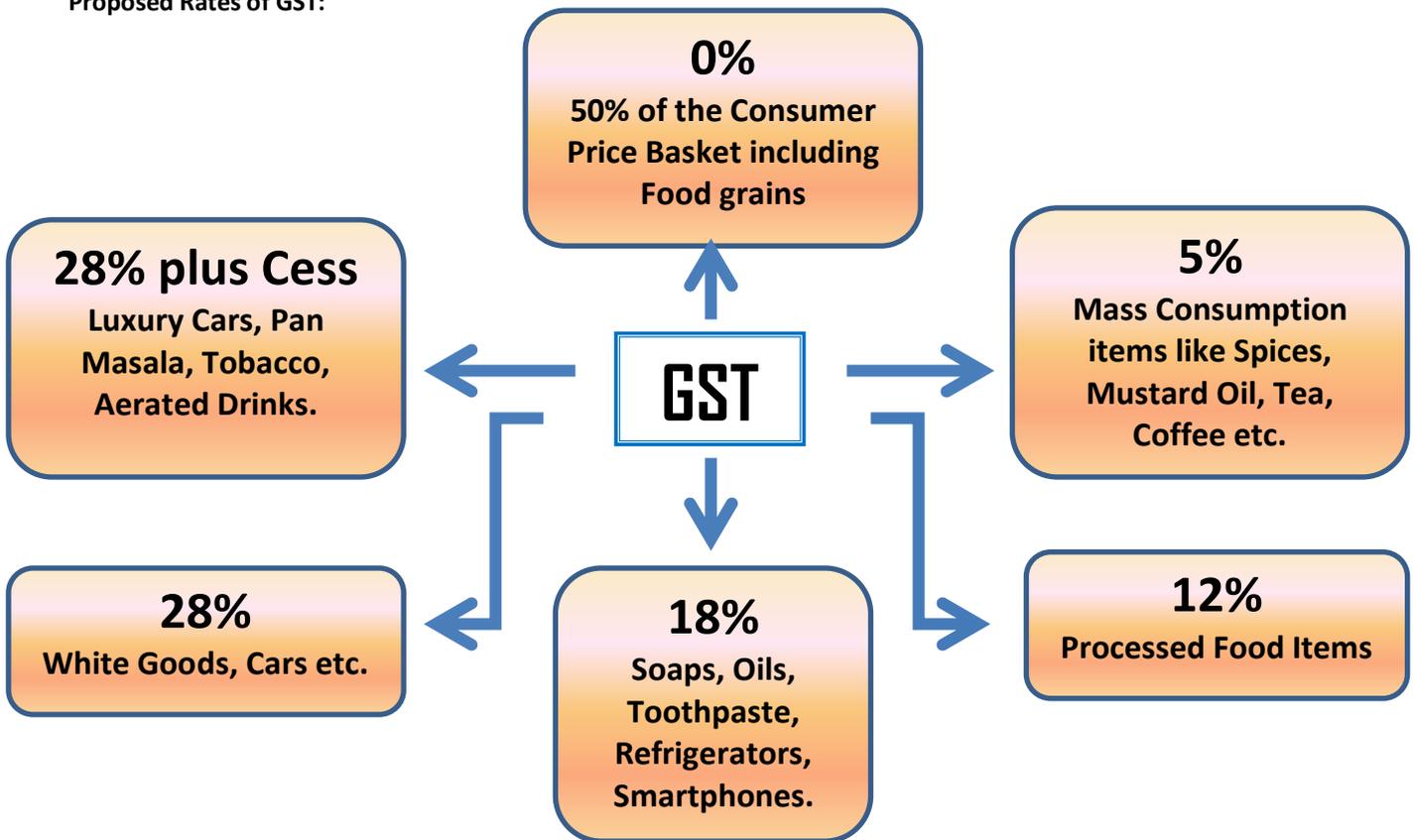
The GST to be levied by the Centre on intra-State supply of goods and/or services is Central Goods and Services Tax (CGST) and that by the States is State Goods and Services Tax (SGST).

On inter-state supply of goods and services, Integrated Goods and Services Tax (IGST) will be collected by Centre. IGST will also apply on imports.

GST is a consumption based tax i.e. the tax should be received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured. IGST is designed to ensure seamless flow of input tax credit from one state to another. One state has to deal only with the Centre government to settle the tax amounts and not with every other state, thus making the process easier.



**Proposed Rates of GST:**

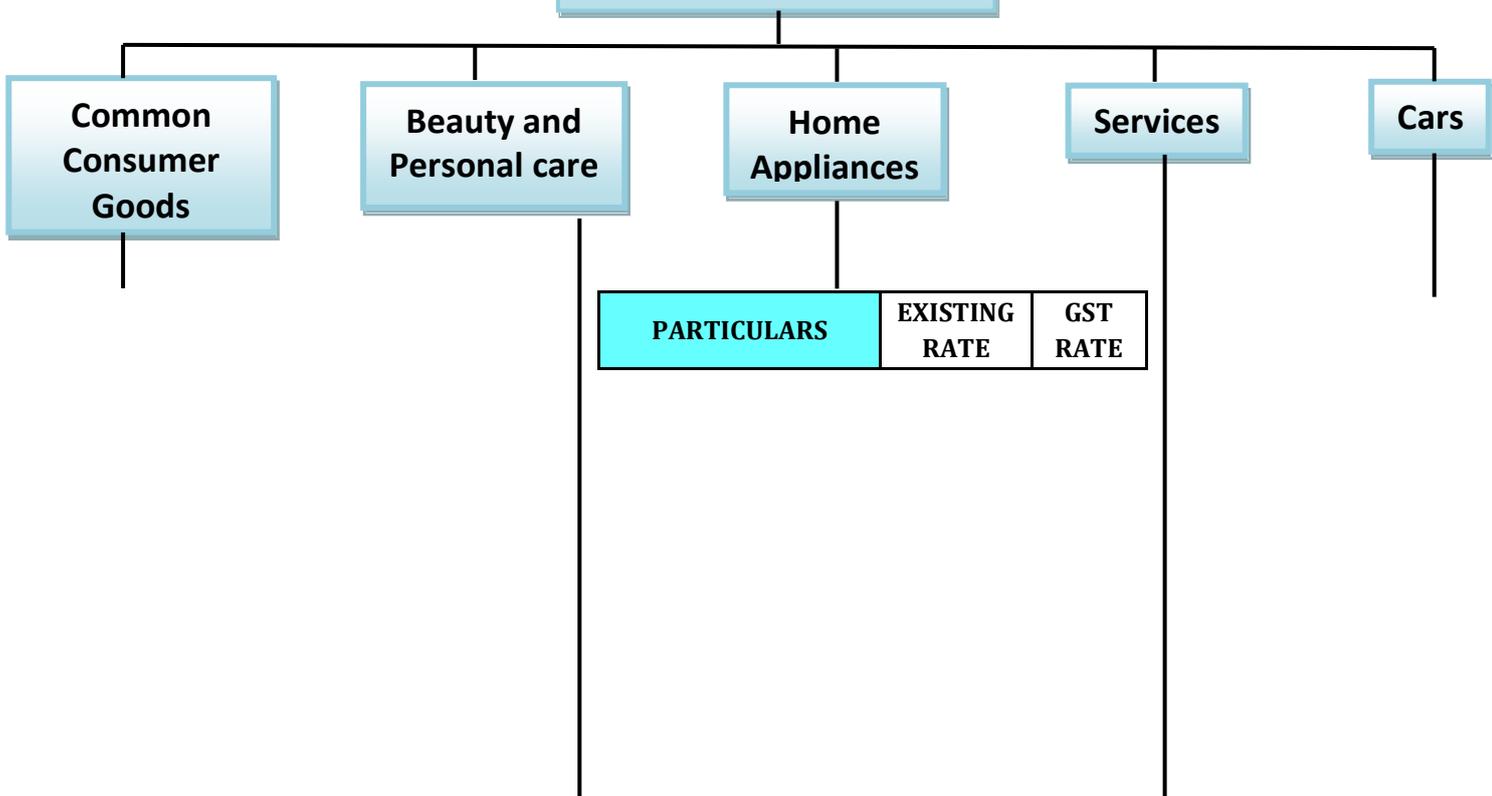


**Source:** <https://gst.taxmann.com/>

**PRESENTATION OF DATA AND KEY FINDINGS:**  
 India is moving forward for implementation of **GST (Goods and Service Tax)**. It is to be considered as one of the biggest indirect tax reforms as we have already said that all the

taxes like excise tax, service tax, VAT, etc. would be replaced with one tax. We are segregating the household budget in various categories which is now going to be portrayed in a chart.

**Households Goods**



PARTICULARS	EXISTING RATE	GST RATE
Dry fruits	6	12
Jams, jellies	12	18
Pasta, corn flakes, and cakes	19.5	18
Coffee, tea	6	5
Condensed milk	18.5	18
Vegetable fats & oils	12	5
Milk beverages	26	12
Ice cream, instant food mixes	26	18

Leather bags	6	28
Cell phones	6	18
Air conditioners	26	28
Refrigerators	26	28
Furniture	26	28
Sports goods	18.5	12
Spectacle lens	18.5	12
Proteins & fitness supplements	26	18
Steel utensils	18.5	5

PARTICULARS	EXISTING RATE	GST RATE
Toothpaste	26	28
Deodorants	26	28
Shaving cream	26	28
Soap	26	18
Hair oil	26	18
Perfumes	26	28
Beauty or makeup preparations	26	28
Shampoos, hair cream, hair dyes	26	28

PARTICULARS	EXISTING RATE	GST RATE
Railways (AC)	5.2	5
AC, alcohol-serving restaurants	22	18
Non AC/Non - Alcohol-serving restaurants	13-14	12
Movie Tickets	45-100	28
Five-star restaurants	18	28
Airlines (Economy)	6	5

The new tax regime, the Goods and Services Tax (GST) brings massive changes in one of the largest economies of the world. The GST will change the way people conduct businesses in India as the country will become a single market with a single tax rate. From the smallest entity on the economic

beneficial for lower income strata, increases disposable income.

The above chart for household goods is being segregated in five heads. It has been done on the basis of priority of every individual. If we go from left to right then we can see the first priority has been

Cereals, Meat, Fish, Eggs, Milk, Butter Milk, Salt, Fresh Vegetables, Flour, Natural Honey, Jaggery, Prasadam, Kumkum, Bindi, Pappad. Also, Sindoor, Stamps, Judicial Papers, Printed Books, Newspapers, bangles, handloom etc have been exempted from GST levy.

the brunt of higher tax rate or get the benefits of lower. From this chart we can see that the extreme necessity goods are being exempted from GST so the basic staple food in India consumed by all Indians reducing the household expenses, especially

The benefit which one can generate from GST is being illustrated in the following diagram. This diagram shows the angle of manufacturer to wholesaler, wholesaler to retailer and retailer to ultimate consumer.

Wholesaler to Retailer	PARTICULARS	EXISTING RATE (@ 26%)	GST RATE (@28%)
	Wholesaler cost with Excise	10125	9000
	Profit Margin 10%	1012.5	900
	Total value	11137.5	9900
	VAT 26%	2895.75	-
	GST 28%	-	2772
	<b>BILLAMOUNT</b>	<b>14033.25</b>	<b>12762</b>

Manufacturer to Wholesaler	PARTICULARS	EXISTING RATE (@ 26%)	GST RATE (@28%)
	Cost of production	7000	7000
	Profit Margin	2000	2000
	Manufacturer price	9000	9000
	Excise Duty 12.5%	1125	-
	Total value	10125	9000
	VAT 26%	2632.50	-
	GST 28%	-	2520
<b>BILL AMOUNT</b>	<b>12757.50</b>	<b>11520</b>	

Retailer to Consumer	PARTICULARS	EXISTING RATE (@26%)	GST RATE (@28%)
	Cost to retailer	11137.5	9900
	Profit Margin 10%	1113.75	990
	Total value	12251.25	10890
	VAT 26%	3185.33	-
	GST 28%	-	3049.20
<b>BILLAMOUNT</b>	<b>15436.58</b>	<b>13939.20</b>	

The above table shows that even if the rates of GST prima facie higher than existing rate for FMCGs like Toothpaste, Deodorants, Shaving cream and durable commodities like Air Conditioners, Refrigerators and Furniture, the total bill amount to the consumer will be lesser and as a result they gain an amount of ₹ 1497.38

In this way if we are going to consider the existing rate of some goods (mentioned in the table) as 18.5% which actually is changing in the GST as 12% then we can easily see that the gaining amount will be of ₹ 2320.93 and for existing rate as 6% which is converting to 18% giving the benefit of ₹ 136.13.

Now we are considering the maximum difference between existing and GST rate.

Manufacturer to Wholesaler	PARTICULARS	EXISTING RATE (@ 6%)	GST RATE (@28%)
	Cost of production	7000	7000
	Profit Margin 10%	2000	2000
	Manufacturer price	9000	9000
	Excise Duty 12.5%	1125	-
	Total value	10125	9000
	VAT 6%	607.50	-
	GST 28%	-	2520
	<b>BILL AMOUNT</b>	<b>10732.5</b>	<b>11520</b>

Wholesaler to Retailer	PARTICULARS	EXISTING RATE (@ 6%)	GST RATE (@28%)
	Wholesaler cost with Excise	10125	9000
	Profit Margin 10%	1012.5	900
	Total value	11137.5	9900
	VAT 6%	668.25	
	GST 28%	-	2772
	<b>BILL AMOUNT</b>	<b>11805.75</b>	<b>12672</b>

Retailer to Consumer	PARTICULARS	EXISTING RATE (@6%)	GST RATE (@28%)
	Cost to retailer	11137.5	9900
	Profit Margin 10%	1113.75	990
	Total value	12251.25	10890
	VAT 6%	735.06	-
	GST 28%	-	3049.2
	<b>BILL AMOUNT</b>	<b>12986.31</b>	<b>13939.20</b>

Now it is evident from the above representation for leather bags when the existing rate is 6% then the billing amount for the consumer is ₹

12986.31 whereas for GST (28%) it is ₹ 13939.20. In this case the consumer will lose ₹ 952.89 instead of gaining.

### Conclusion

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, the new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. On the other hand according to Asian Development Bank, The Indian economy will grow 7.4 per cent this fiscal and 7.6 per cent in the next as the bankruptcy and GST laws will help create a better business friendly environment (3<sup>rd</sup> May 2017, The Economic Times).

GST system is making common people's life simpler by adopting this "ONE NATION ONE MARKET ONE TAX". It has created a great impact on individual's life by keeping some commodities are zero rated whereas some of

the goods have notable difference in the existing and the current GST parameter.

In our discussion at one point we have shown that a difference of 2% (28% to 26%) has created a positive impact on consumer and in other side if the difference is huge like 22% (6% to 28%), the consumer is in the losing point. But in maximum cases due to implementation of GST the consumers are actually in a better side. Before GST system tax is being levied on each stage of transferring the goods whereas in GST system the tax is being charged at the time of selling of goods to the consumer. So the overall system of GST is getting simple and as a result the consumer will get more benefits in the bill for purchasing of household goods.

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