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Impact of Goods and Service Tax on Common Man

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Abstract: A system of indirect taxes called the Goods and Services Tax is imposed on the consumptionof products and services. It has established a dual system that the central and the states wouldimplement simultaneously. This study's main goal is to bring India's tax structure closer to uniformity byimplementing the GST. GST stands for One Nation, One Tax, One Market. It tries to examine how theGoods and Services Tax affects the average person. This research discovered that additional awarenesscampaigns and commercials may be supported to help the average person understand the GSTproposal.

Keywords: Goods and Services Tax, common man, indirect taxes, consumption, uniformity, India, One Nation One Tax One Market, awareness campaigns, commercials, GST proposal

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INTRODUCTION

The Goods and Services Tax (GST) is the most significant recent tax reform in India, with the stated goals of fostering greater tax compliance, raising government revenue, consolidating taxation at the national and state levels into a single, all-encompassing system, and leveling the playing field for businesses large and small. GST council has decided prices for all commodities and main service categories under different tax slabs, which is intended to address the inadequacies in the current system and stimulate the Indian economy after much consideration.

The Goods and Services Tax (GST) was implemented to provide consistency and transparency across the Indian tax system. It's a major change since it eliminates the domino effect of the previous tax structure. With GST, tax is collected uniformly throughout all stages of production. Companies and the economy as a whole have benefited greatly from this revolutionary tax reform. The implementation of the Goods and Services Tax has created a more level playing field, which is good news for small and medium-sized businesses.

The Goods and Services Tax (GST) has lowered logistical costs and opened up the national market to small and medium-sized enterprises (SMEs) for future growth.To improve taxes clarity and confidence between buyers and sellers, several GST rates have been set. Various factors determine which classes of goods are included in each slab. The GST Council sets the rates. The price of several commodities is regularly adjusted by this Council. Generally speaking, GST rates are higher for luxuries and lower for necessities. The value-added tax (GST) rate in India is stratified into four brackets (5%, 12%, 18%, and

28%) based on the kind of product or service being taxed.

With the goal of harmonizing the indirect taxes for all states across India, the new GST system is likely to make basics cheaper and the luxuries things more costly. Under the new GST framework, the set tax rate is as follows: The tax rates range from 0% to 28%, with roughly half of all products and services falling into the 18% tax bracket. It appears to have a complicated effect on the average person's bank account..

REVIEW OF LITERATURE

Dr.N.Gunasekaran, Rajeshwari M and Ranjitha S(2020) found that after GST is implemented in India, this research will help people understand how it would influence their ability to buy products and services. The effects of GST on consumer behavior and buying power will become clear when more research is conducted. As a result, businesses may better tailor their advertising and pricing to customers' budgets, and they can gauge how content the general populace is with GST and its subsequent tweaks.

Annya Kalra and Monika Mewarguru(2019) highlighted the difficulties of implementing GST in India while stressing the need of doing so. The study's goals are to investigate the effects of GST on the Indian economy and the effects of the various taxes levied under GST on Indian consumers.

M. Uma and Dr. R. Uma Maheswari (2018) elucidated the fundamentals and practical implications of GST for the average person's routine. The research set out to provide an analysis of taxpayers' knowledge, happiness, and issues with GST. 328 tax payers participated as main data in this research. This is because the survey questions asked were quite broad and assumed knowledge on the part of the respondents. As a result, most respondents had an unfavorable opinion of GST's effects.

Vinod Kumar (2017) focused on whether the installation of GST will have a positive or negative effect on the average Indian and the country's economy. Tax savings will be used to determine new rates at both the federal and state levels. The average person will profit from the resulting drop in retail prices. This will have an impact on the everyday person's ability to buy necessities. According to the study's implication, GST would dramatically reduce instances of double taxation and simplify taxation across sectors since it will replace a huge number of existing Central and State taxes.

OBJECTIVES

1. To assess the implementation of GST is to bring into uniform tax system in India

2. To examine the impact of Goods and Service Tax on common people.

METHODOLOGY OF THE STUDY

The present paper is based on secondary data. The secondary data were collected from books, journals, periodicals, Government and Non-Government reports, articles, internet, etc.

LIMITATIONS OF THE STUDY

The key restriction of the research is that primary data collection was not done because of time constraints. And it is an effort to deal with the mathematical components to determine how it will affect the average person's pocketbook.

IMPACT ANALYSIS OF GST ON COMMON MAN POCKET ON THE BASIS OF EXPENDITURE

With the introduction of the Goods and Services Tax (GST) on July 1, 2017, it unites all areas of the Indian economy in order to promote economic development. GST's creation was greeted with both joy and humiliation. People in the nation are reacting differently, and the argument about the effects of India's four-tiered tax structure is still going on. The Goods and Services Tax is a destination-based tax on the consumption of goods and services that is assessed at every step, from production to final consumption, with the ability to set off taxes already paid at earlier stages. Prior to the introduction of the GST, origin-based taxes was subject to duty. In contrast to taxes imposed on the production, sale, and supply of products and services, GST is now applied to the "Supply" of goods and services. The products and services in India are divided into seven categories for the purpose of applying the GST tax. The GST Council first proposed a four-tiered GST rate structure, with rates of 5%, 12%, 18%, and 28 percent. The necessities were subject to the 5% rate. The typical rates are between 12 and 18 percent. The majority of products and services are subject to one of these two tax rates.

Since the Goods and Services Tax (GST) was introduced, the GST Council has altered the GST rates for a number of items. The 47th GST Council Meeting, which was held in June 2022, is when the most recent rate modification went into effect. Prior to it, several rate changes had been proposed at many GST Council Meetings. The government recently sought to alter the GST rates and to maintain them at their original levels, but changes in consumer preferences and other reasons forced an alternative course of action.

The following examples illustrate how the Goods and Services Tax (GST) may affect people generally depending on their spending:

Household Expenses: Food commodities including milk, bread, lentils, wheat, fruits and vegetables, tea, and coffee are exempt from GST under the new system. Rice, wheat, atta, paneer, curd, jaggery, lassi, buttermilk, labeled meat (excluding frozen), and fish would all be subject to a 5 percent GST charge. However, in businesses like salons and dry cleaners, etc. Some products, including condensed milk, refined sugar, sugar cubes, pasta, curry paste, mayonnaise, salad dressings, mixed seasonings, diabetic food, etc., were less expensive as they fell under the 12 percent tax category from the 18 percent bracket. With the change in the rate from 18 percent to 12 percent slab, several things like sugar-boiled candies, drinking water packaged in 20-liter bottles, etc. also become less expensive.

Consumers may have to pay more for their daily shopping as the government increases government income, streamlines rates, and reduces conflicts by changing the GST rates on a variety of commodities. Food goods that are packed and labeled and weigh up to 25 kg per pack or retail packs are among the main things that have seen a change in price. While these items were previously free from the GST, there will now be a 5% charge on them. It follows that consumer staples like packaged wheat flour or atta, pulses (different kinds of dals, chana, etc.), and cereals like packaged rice would cost more starting today, maybe by as much as 5%. Milk, curd (dahi), lassi, and puffed rice will all be subject to a 5% GST. The GST rate for household goods and office supplies has increased from 12% to 18%. Examples include LED lights, lighting fixtures, paper knives, knives with cutting blades, paper knives, pencil sharpeners and blades, spoons, forks, ladles, skimmers, and cake servers. Manufacturers claim that a higher GST might result in a 4-6% price increase for certain goods.

GST rates were also lowered for a few commodities. One of them is the rental of vehicles and/or goods carriers when fuel costs were included, which will be less expensive starting today due to the reduction in the GST rate from 18% to 12%.

Education cost: Preschools, schools, and universities are excluded from having to add GST to the tuition they charge their pupils. However, any short-term initiatives, events, or non-conventional arrangements are subject to taxes at a rate of around 18%. Additionally, as long as the residential lodging and boarding facilities are provided by separate institutions, the Tax is payable; but, if the systems are integrated, the Tax is not applicable. Residential arrangements are tax-free since the administration determines the dominant component of education. Instruments, lab apparatus and models, equipment purchased or built for demonstration purposes, and technical assistance for education, rehabilitation, vocational training, and employment are all subject to a 28 percent GST rate.

One of the most crucial industries for every nation is education since it fosters improved comprehension, long-term thinking, innovative solutions, and productivity-boosting strategies. The services offered by educational institutions, from preschools to upper secondary levels, would not be subject to taxes under the GST and will continue to be governed by the same rules as they are now. On the other side, students require the appropriate platform and future-oriented education in today's competitive world, which has resulted in the establishment of training institutions for students. Institutions and universities now impose an 18% GST levy. Therefore, the student studying for government examinations, IITs, banking, and other professional courses will be disappointed.

Restaurant Bills/Eating out: Common people are subject to the GST on food goods, which presently has rates ranging from zero to 18 percent GST. The GST levied was 12 percent if the eatery lacked air conditioning. 18% GST is applied to restaurants that have air conditioning or a liquor license. The GST rate for restaurants inside of five-star hotels was set at 28% at the time, and all Indian restaurants in India were eligible for the input tax credit. This suggests that you might deduct the GST you spent while purchasing restaurant supplies from your tax bill. That helped many eateries save expenses. Because small restaurants and food delivery services would pay a lower tax rate, their consumers would likely spend more as a result of the new tax system. Let's use an example to illustrate so that you may comprehend. Let's say we purchase a sweet from the counter or outside the store; the GST fee is merely 5%. But depending on the services we use, the price may range from 5% to 18% for the same treat. There is an 18% GST fee that must be paid if one wishes to eat the same dessert in an air-conditioned restaurant.

Apparels and Footwear: Textiles now have a 12 percent Goods and Services Tax (GST), up from a 5 percent rate. To address the issue of inverted duty structures, which only impact a tiny segment of the textile value chain, the GST on textiles will be increased. The textile business is unable to claim ITC (Input Tax Credit) since the tax rate on raw materials is greater than that on completed items. The government has made certain adjustments to the tax rate that will take effect in January 2022 in order to address this problem.

With effect from January 2022, the GST rate on textiles has increased from 5 to 12 percent, and the rate on clothing of any value has increased from 5 to 12 percent, compared to the previous rate on products costing up to 1,000 Indian rupees.

Rates for textiles, which include synthetic yarn, woven fabrics, blankets, pile fabrics, tents, accessories like serviettes or tablecloths, tapestries, and carpets, have also gone up from 5 to 12 percent. Any item of apparel or clothing would be subject to a 5 percent GST under both categories if the taxable value of the goods did not exceed INR 1000 per piece. According to Schedule II of Chapter 62, all types of apparel and garments with a retail value more than INR 1000 are subject to GST (Goods and Service Tax).

Footwear Products: The tax rate for a product is 5 percent if the cost of the footwear is less than 500 Indian rupees.

A GST Rate of 18 percent applies to all other types of Footwear, as follows

- Shoes with leather or composition leather outer soles, plastic midsoles, and leather or rubber uppers.
- Waterproof footwear with exterior soles made of plastic or rubber and uppers not linked to the sole or put together using rivets, stitching, screws, plugs, nails, or other similar techniques.
- Footwear with textile uppers and outside soles made of rubber, plastic, leather, or composite leather.
- Other shoes have rubber or plastic uppers and exterior soles.

As a result, we can see how the ordinary man's perspective has a good effect since they will pay a lower GST rate of 5% instead of the pre-GST rate of 18%.

Mobile Bills: Mobile phones and accessories were subject to a 12 percent GST rate up to April 1, 2020; it was then increased to 18 percent. Following that, regardless of the state in which they were acquired, mobile phones started to be subject to an 18% GST rate. The GST rate for USB cables is 28%, whereas it is 18% for mobile phones, Power banks, Tempered glass screen protectors, Memory cards, Lithium-ion batteries, Headphones, Earphones, and Speakers. Currently, the assessable value of products is added to the basic customs tax and any extra duties that may be charged to the items in order to determine the cost of imported mobile phones. Due to GST, imported mobile phones are often more expensive than domestically made ones. The burden on mobile phone customers has grown due to the new tax regime. Due to a 3 percent tax rate rise, both post-paid and pre-paid users now have to pay higher rates.

Train Fare: The GST rate for works contracts services for roads, bridges, trains, metro, effluent treatment plants, crematoriums, etc. was raised from 12 to 18 percent at the 47th GST Council Meeting. When moving railroad supplies and equipment by rail or ship, the exemption is revoked. On first-class or air-conditioned coach tickets, a 5 percent GST is applied. On cancelled non-AC train tickets, there is no GST charge.

In reality, the modest rise in the tax rate will result in a little increase in ticket pricing. To assist companies save costs, travellers who are traveling for work may now claim ITC on the cost of their train tickets.

Second, sleeper, and metro train passengers are excluded from the GST's coverage. However, first-class and business-class travellers will have to fork up extra money. Once again, if a traveler is traveling for business, they may claim input tax credit on their train ticket, which will lower their out-of-pocket costs. GST is taxed uniformly at 5% for all supply of food and drink made on stations, platforms, and trains. This includes both stationary and mobile railway catering services. However, there is no ITC (input tax credit) available for it.

Airline tickets: The tax rate for tickets purchased in economy class has been lowered under the new GST system by 1%, or from 6% to 5%. However, it will be subject to the business class tax rate of 12 percent, resulting in a 3 percent rise from 9 percent to 12 percent. As a consequence of lower flying fares after the GST, domestic airlines would undoubtedly see growth. As a result, travelers on a tight budget will be happy today and have a solid cause to celebrate and make holiday plans.

Medical Facilities: The Goods and Services Tax (GST) Council resolved to impose a 5 percent GST on non-ICU hospital rooms with room rent exceeding Rs 5,000 per day during its 47th meeting, which took place on June 28–29, 2022. On July 18, 2022, the 5% GST on these hospital rooms will start to apply. This choice was taken by the GST Council as part of a wider effort to rationalize tax rates.

Since the aforementioned statement was made a few days ago, the sector has been quite critical of the government's decision to charge this new tax, and officials have defended their stance. Industry participants argue that the 5 percent GST on hospital beds should be "reassessed" since it adds to the patient's medical expenses.

Automobile prices: To increase demand in the market, the association of auto dealers, FADA, has requested the government to lower the GST rates on two-wheelers to 18%. Currently, the government levies a 12–18% GST on pre-owned vehicles. Vehicles under 4,000 mm are subject to a GST of 12%, while those beyond 4,000 mm are subject to an 18% tax.Electric cars will be subject to a GST of 12%.

Rented Property: On hospital rooms with rent above Rs 5,000, there would be a GST of 5%. Because there is no service tax assessed on residential properties under the Goods and Services Tax, this is excellent news for those who rent a home. However, there would be an 18% GST charge if the premises were rented out for businesses including stores, offices, and factories. As a result, the rent on commercial premises has increased.

Banking and Insurance sector: The price that banks charge for issuing checks will now be subject to the new GST rates of 18%. Life insurance premiums have risen by 3% under the GST system compared to the service tax regime, which taxed policyholders on their term insurance premiums at a rate of 15%. The total tax that must be paid for the term plan is 18%. Protecting one's health comes first in the hierarchy of necessities, and with the impending pandemic, health insurance is more important than ever. To make access to high-quality healthcare more accessible, health insurance ought to be included in the GST tax bracket with a 5 percent rate. More individuals will purchase health insurance if the GST rate is significantly reduced from the current 18% to only 5% for all personal items. Senior persons should be excused from it.

Jewelry: In 2022, there will be a 5 percent GST on gold jewelry purchases. GST is often applied to gold jewelry as either a flat fee or a predetermined percentage of the gold value. This explains why the production costs often differ amongst jewelers and affect the GST on gold coins and jewelry. But since one must pay a 3 percent GST on gold in the post-GST era, investing in gold will become somewhat more costly.

Holidays: Hotel rooms with rates up to Rs 1,000 per night will now be subject to a 12.5% GST. These rooms were previously excluded, thus passengers must now pay 12% extra for less expensive hotel accommodations. The 47th GST Council Meeting decided to discontinue the exemption for room rentals up to Rs 1000 per day. Room rates between 0 and 7,500 are subject to GST at a rate of 12 percent, and ITC is permitted. Room rates beyond 7,500 are subject to GST at an 18 percent rate, and ITC is permitted.

Movie Tickets: The GST rate would be decreased from 28 percent to 18 percent for movie tickets costing more than Rs. 100 and from 18 percent to 12 percent for those costing less than Rs. 100. Since the GST has replaced the entertainment tax, the overall tax burden on consumers would decrease in those areas where the GST rate was greater than the entertainment tax. Since the amount of the entertainment tax is included in the base value for the imposition of GST, the impact of the entertainment tax imposed by local governments is one of cascading taxes.

FINDINGS

On July 18, 2022, the new GST rates went into effect. During the 47th meeting of the GST Council, which took place in Chandigarh last month, the revised GST tax structure was adopted. As a result, a number of food items—including those that are pre-packaged and labeled—such as paneer, rice, wheat, jaggery, curd, and lassi—have increased in price. From July 18, these common home products will be subject to a 5% GST. Additionally subject to 5% GST are labeled meat and fish, puffed rice, dried makhana, and meslin flour. Previously, the GST tax was not applied to any of these commodities. In addition, a 12 percent GST will now be applied to all mango products, including mango pulp. Loose, unbranded, and unlabeled commodities will still be exempt from the GST, nevertheless. Additionally, the GST rates for hotel and banking services have increased. The price that banks charge for issuing checks will now be subject to the new GST rates of 18%. Hotel rooms will also become more costly as they will no longer be excluded from GST and will instead be subject to a 12.5% tax.

Cost-wise, services increase in price as soon as GST is implemented. Our monthly costs will grow as a result of the rising cost of services. Therefore, anytime a new rule or reform is implemented in a nation, it undoubtedly affects the average person. They had to prepare for the consequences since the average person is not an exception..

CONCLUSION

The Goods and Services Tax (GST) rollout is part of the government's long-term strategic objective to simplify indirect taxes in India. Therefore, it would be premature to make any generalizations about GST's effects. But it is believed that a favorable influence would come soon. The implementation of various GST rates in each State also plays a significant part in determining how much of an effect the GST would really have on the average person. A well thought-out government tax policy has the potential to transform the nation. A sizable IT software has been created for this reason in order to successfully apply GST and put everything online. To implement GST, tax officers are also receiving training. But in the next years, the true performance and outcomes may be seen. As a result, GST would be the greatest tax reform, combining many levies under a single, comprehensive tax structure. It is intended to replace production-based systems with consumption-based ones. There is no question that the introduction of the GST would be beneficial for the whole economy, but the average person would only gain after commercial organizations had reaped the benefits. There are high hopes for the health of the economy from this new tax system.

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