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IMPACT OF 122ND CONSTITUTIONAL AMENDMENT BILL ON COMMON MAN

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ABSTRACT:

The Goods and Services Tax (GST), the biggest reform in India's indirect tax structure since the economy began to be opened up 25years ago, at last has become real. The Goods and Service Tax Bill or GST Bill, officially known as 'The Constitution (122nd Amendment) Bill, 2014", would be a Value Added Tax (VAT) to be implemented in India from April 2017. GST is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian central and state governments. It is aimed at being comprehensive for most goods and services.

The GST was passed in Rajya Sabha on 3rd August, 2016 by a full majority. AIADMK staged a walk out in protest of the GST Bill during the voting period. The GST Bill has been approved by the Lok Sabha on 8th August, 2016. The Government believes that this will boost the nation's economy and bring fresh investments. The Bill was ratified by 15 states in one month after it was passed in the Parliament. Under the GST regime, the goods will be taxed at the consumption rate, avoiding multiple taxations on different rates. It is also believed that the new system will also generate government revenues in a better way. However, the losses experienced by the manufacturing states will be compensated by the central government from the date of introduction of GST for a period of 5years. The present paper focuses on the brief history of taxation, evolution of Goods and service tax, its ratification in various states of India, Types of GST implemented in India and its Impact of GST on common man.

KEY WORDS: ***Tax, Indirect Tax, GST, VAT.***

BRIEF HISTORY OF TAX:

The concept of Tax was first introduced by British rulers in India in 1860. The period between 1860-1866 is called as the period of experiment of Taxes. In the year 1866 the first Income Tax Act has come into existence.

Several modifications were made and a new Act (II-Act) was emerged in 1918. The III Income Tax Act was emerged in 1922. On the recommendations of Law Commission and Direct Taxes Enquiry Committee and in consultation with the Law Ministry a Bill was framed and passed in September, 1961. This was the final bill and it came into force on 1st April, 1962. The Income Tax Act of 1961 has 298 Sections, Sub-sections, Schedules, rules and sub-rules applicable to the whole of India.

INTRODUCTION:

Tax is a compulsory charge or payment levied by the State by virtue of its Sovereign power on individuals, Goods, Property, Business activities and services etc., within its territorial limit. Tax constitutes government's revenue. Both the Central and State government are empowered under the constitution to make laws for the levy and collection of taxes in India.

Government needs funds for various purposes like maintenance of law and order, defense, social and health services etc., In order to provide the common and essential facilities to the needy people, the Government obtains funds from various sources, out of which one main source is taxation. Tax revenue is the main source of income for the government to meet its expenditure.

Depending upon the nature and purpose taxes are broadly categorized into two types:

Direct Taxes: The Direct tax is paid by the person on whom it is legally imposed. The burden of Direct tax can't be shifted to others. Generally, the Central government fixes the direct tax. **Examples for Direct taxes** are Income Tax, Wealth tax and Gift tax.

Indirect taxes: Indirect taxes are those taxes which are levied on one person and are collected from other person. In simple words indirect tax is imposed on one person but it is partly or wholly paid by another/ person. This tax is fixed and it is levied by both the central and state government. It can be levied either at production stage or at sales level. **Example for indirect taxes** are Goods and Service tax, Central Excise duty, Customs duty, Central sales tax, service tax, Value Added sales tax, octroi, Interest tax, expenditure tax, foreign travel tax etc.

The Goods and Services Tax (GST) in India has replaced several taxes charged earlier. It has replaced VAT, service tax and taxes of excise. For a common man, GST means a lot different than to a businessperson. While the common man (no service providers) does not have to do GST registration or pay GST via input credits, he/she will still be affected directly under the new tax regime in many ways because as GST is an indirect tax, which will be ultimately born by the end consumers.

REVIEW OF LITERATURE:

1. Ehtisham Ahmed and Satya 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
2. Dr. R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.
3. Agogo Mawuli (May 2014) studied, "Goods and Service Tax – An Appraisal", and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth in India. But the benefits of GST are critically dependent on rational design of GST.
4. 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.
5. Pinki, Supriya Kamma and Richa Verma (July, 2014) studied, "Goods and Service Tax – Panacea for Indirect Tax System in Inda"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 implantation is backed by strong IT infrastructure.
6. Monika Sehrawat, Upasana Dhanda (2015) have studied, : GST in India: A Key Tax Reform", have presented an overview of GST Concept, explained its features along with its timeline of implementation in India and the paper has more focused on advantages of GST and Challenges faced by India in execution.

OBJECTIVES:

As the GST bill is going to be implemented from 1st April, 2017 the study focuses on the following two aspects:

1. Evaluation of GST
2. Ratification of GST
3. Types of GST implemented in India.

4. Impact of GST on common man

METHODOLOGY:

The present article tries to summarize the current state of knowledge about GST and its impact on common man. The relevant secondary data is collected through various sources such as websites and especially from the Hindu daily newspaper and the times of India daily news paper.

EVOLUTION OF GOODS AND SERVICE TAX:

The Goods and Service Tax Bill or GST Bill, officially known as The Constitution (One Hundred and twenty second Amendment Bill 2014 proposes a national Value Added Tax (VAT) to be implemented in India from 1st April, 2017.

"Goods and Service Tax", would be comprehensive Indirect tax on manufacture, sale and consumption of goods throughout India, to replace taxes levied by the Central and State Government. Goods and services tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method.

This method allows GST registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer.

From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, is currently estimated at 25%-30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paper work to a large extent.

For time being the tax rate under GST may be nominal or zero. Exports would be zero rated and imports would be levied the same taxes as domestic goods and services adhering to the destination principle.

GST will be levied on petroleum and petroleum products. The central government has assured states of compensation for any revenue losses incurred by them from the date of introduction of GST for a period of 5years.

The Bill, after ratification by the states received assent from Present Pranab Mukherjee on 8th September, 2016.

RATIFICATION ON GST BILL:

The Act was passed in accordance with the provisions in accordance with the provisions of Article 368 of the Constitution, and has been ratified by more than half of the state legislatures, as required under clause (2) of the said Article. On 12th August, 2016 Assam became the first state to ratify the Bill, when the Assam legislative assembly by unanimously approved it. State legislatures with the list of ratification and non-ratification of GST bill is shown below:

Sl.No	Name of the State and UT Ratified GST	Date of Ratification	Sl.No	Name of the States not Ratified GST
1.	Assam	12-08-2016	1.	Jammu & Kashmir
2.	Bihar	16-08-2016	2.	Karnataka
3.	Jharkhand	17-08-2016	3.	Kerala
4.	Himachal Pradesh	22-08-2016	4.	Manipur
5.	Chhattisgarh	22-08-2016	5.	Tamil Nadu
6.	Gujarat	23-08-2016	6.	Tripura
7.	Madhya Pradesh	24-08-2016	7.	Uttar Pradesh
8.	Delhi	24-08-2016	8.	Uttarakhand
9.	Nagaland	26-08-2016	9.	West Bengal
10.	Maharashtra	29-08-2016		
11.	Haryana	29-08-2016		
12.	Telangana	30-08-2016		
13.	Sikkim	30-08-2016		
14.	Mizoram	30-08-2016		
15.	Goa	31-08-2016		
16.	Odisha	01-09-2016		
17.	Puducherry	02-09-2016		
18.	Rajasthan	02-09-2016		
19.	Andhra Pradesh	08-09-2016		
20.	Arunachal Pradesh	08-09-2016		
21.	Meghalaya	09-09-2016		
22.	Punjab	12-09-2016		

TYPES OF GST IMPLEMENTED IN INDIA:

- The GST collected by Centre: CGST
- The GST collected by State: SGST
- The GST applicable on inter – state sales to facilitate smooth transfer between the Centre and the State: IGST

GST RATES RANGE OVER 5%, 12% 18% AND 28% PLUS LUXURY CESS:

GST Slab rates	Current GST rates	Previous Rates	Products
1	5%	Up to 9%	Coffee, tea, edible oil, spices
2	12%	9% to 15%	Processed food, computers, electronic items
3	18%	15% to 21%	Shaving sticks, oil, soaps
4	28%	21%	Luxury goods such as tobacco, high-end cars, aerated drinks etc.

7 IMPACTS OF GST ON COMMON MAN IN INDIA:

The tax rate for services has increased from 15% to 18%. Thus, in short – run, the common man will encounter 3% rise in service prices, but also benefit from GST in the following ways:

1. **Real Estate:** Lets assumes that Tulja Bhavani, purchases an under – construction property of Rs.1 crore. The earlier tax regime would have asked for 5.5% tax levy (both service tax and VAT). However variation in taxes was seen from state to state. Post GST, the tax rate is 12%, resulting in inflation at the start. If Tulja Bhavani purchases a ready to move in property, which has completion certificate, the taxation will remain steady; as these properties are do not come under GST.
2. **Banking and Insurance:** There is an increase in service tax by 3%. The service tax on banking service and insurance was pegged at 15%, which is now replaced by GST of 18%.
3. **Cab Expenses:** Mokshit takes Uber or OLA ride, which costs him Rs.100. The service tax otherwise pre - GST applicable on the fare would have been 6%, but after GST it is 5%. A marginal difference in cab expenses is seen.

4. **Holidays:** Dhruvansh stays in a hotel, and the stay for a day – night costs him Rs.8000. The pre – GST period, would have included service tax + luxury tax, ranging between 19% and 25% as per the state luxury tax. Thus, the total tax amount would have ranged between Rs. 1520 and Rs.2000. After GST, any tariff over Rs. 7,500 will attract 28% tax, thus causing tax amount to be Rs. 2100. Thus, higher tier hotels would be more expensive for people. Post GST, hotels charging tariff between Rs.1000 and Rs.2,500 will attract 12% GST and tariff between Rs.2,500 and Rs.7,500 will attract 18% GST. Thus, lower tier hotels would be cheaper for customers.
5. **Restaurant Bills:** Before GST was applicable, Taksheel visited a restaurant and bought a meal of Rs. 1000, with an applicable VAT of 12.5%, service tax as 6%, thus the total excess to be paid over 1000 rupees, was Rs.185. But, after GST implementation, the tax on the bill account for 18%, which means, the tax amount on Rs.1000 bill would be Rs.180. Thus, there is no substantial difference in pricing here.
6. **Air Travel:** Harshit travels in domestic economy class on airfare of Rs.1000. Under previous tax regime, the service tax would have been 6%, thus raising the ticket cost to 60 additional rupees. But, for those travelling in business class, the tax has been increased to GST 12% from earlier 9% of service tax.
7. **Household Expenses:** Under GST regime in India, food prices fall within 0% to 5% tax, thus food prices are not likely to increase. FMCG products (toothpaste, soaps, tissue papers, shampoos, packaged food, pharmaceutical items, coolers, television etc.), have the potential to become cheaper. However, services such as dry cleaning, saloon, and telecommunication can witness a rise in prices due to increased taxation.

CONCLUSIONS:

- `Goods and Service Tax is the biggest reform in India's Indirect tax structure which has at last come true.
- The implementation of GST will reduce the Tax burden of the Manufacturer, Wholesaler and Retailer. GST will boost the nation's economy and it has been ratified by 15 states in a single month after its approval in parliament.
- Once any bill getting the assent of the President has nothing to do with the state legislatures as it becomes a Law of the land.
- The impact on pricing due to additional credits and reduced cost of supply are two separate aspects.
- Goods and services tax shall bring greater transparency in taxation regime in India and enhance compliance levels for creating common playing field for businesses and leveling the central and local taxes accountably.
- GST has definitely changed the earlier tax regime taxation, which was production – based, to now – consumption based system.

- The common man, in the long – run would be benefited from GST in terms of infrastructure and economic growth of the country, and a lot more.

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