



A STUDY ON IMPACT OF GST: IMPACT ON OUR HOUSEHOLD BUDGET

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ABSTRACT The tax system in India has seen an overhaul with the launch of Goods and Services Tax (GST) from July 1, 2017. The GST, in its making, was met with both inhibitions and excitement. While the country is still debating the impact of the four-structure tax system, some of its benefits have already started to trickle down to the masses. India now has four tax slabs – 5%, 12%, 18% and 28% and an exempt and additional cesses category. A separate 3% for Gold, Silver, Diamond and other articles. Though GST will impact the budget of everyone differently, depending on their lifestyle patterns, the change in household expense is set to be more or less the same for everyone. Some household articles have seen a price increase, while the prices of many others have come down. Food products have seen a GST imposition of 0-5%, while toiletries have seen an imposition of 18%.

KEYWORDS : Cess, Articles, Imposition, Services, Levy.

INTRODUCTION

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1st July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

Impacts of GST

GST have some of the positive impacts like the death of all taxes, Digitized Process, GDP Growth, Market Competition, No filing of Income Tax returns without Aadhaar, Reduced Cost of Production, End of multiple valuation methods, Market Competition, No filing of Income Tax returns without Aadhaar, Reduced Cost of Production, End of multiple valuation methods, Supply chain restructuring based on economic factors, No Dual Control and so on.

Impact on Our Household Budget

Some household articles have seen a price increase, while the prices of many others have come down. Food products have seen a GST imposition of 0-5%, while toiletries have seen an imposition of 18%. Let us take a look at the overall impact of GST on your basic household expenditure:

Groceries – While some grocery items like milk, bread, pulses, flour, fruits and vegetables, tea, coffee and basmati rice have been left outside the ambit of GST, other items like packaged curd, paneer, cheese, biscuits, corn flakes, shampoos, face creams, hair oils, medicines, etc. have become cheaper. Things which have become expensive include packaged chicken, butter, bhujia, etc.

Lifestyle expenses – Entertainment expenses have come down as the tax has been reduced to 28% from 30% earlier.

Airfares – The economy class airfare too has come down as the new tax regime levies 5% tax on airfare against the old rate of 9%.

Cab rides – Your monthly expense on travel is sure to come down if you take cabs for regular commute as the service tax has now been reduced to 5% from 6%.

Telecommunication services – DTH and cable TV charges have become dearer as these services will charge 18 per cent GST instead of 15% service tax.

Education – Pre-schools and school education will remain tax free under GST. Services offered by colleges and higher universities will attract 18% GST levy as compared to 15% earlier.

Luxury spending – Stay in 5-star hotels, restaurant bills etc have gone up with the implementation of GST. Luxury expenses are now taxed at 28%.

Car prices – Many companies have revised the prices of their car models after the GST roll out. Now car purchases are taxed at 28 per cent GST with an additional cess between 1% and 15%. Cars with diesel engines less than 1,500 cc will attract 3 per cent cess, while small cars with petrol engines less than 1200 cc will be imposed with 1% cess. Big cars with engines over 1,500 cc and SUVs with length over 4 metres will be imposed with 15% cess in addition to 28% GST. Electric vehicles have been kept at 12%.

GST has certainly brought in changes in prices of various items, but what you need to do is plan your household budget smartly to avoid getting into any financial mess.

CONCLUSIONS

In conclusion, weighing the positives against the negatives, it can be safely said that GST will surely be beneficial to the manufacturing segment – with most benefits immediate, and some benefits in the long run. While there are certain aspects which could be challenging in the short term, it is most natural as part of the larger change which augurs a good time ahead, and truly bring to life the efforts and thoughts behind – **“Make in India!”**