

# IMPACT OF GST ON VULNERABLE SECTION OF SOCIETY AND LOCAL BODIES

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*Abstract: "The real wealth of a nation is its people, and the purpose of development is to create an enabling environment for people to enjoy long, healthy and creative lives."*

*The first human development report  
( UNDP) 1990 ( [www.thenation.com](http://www.thenation.com))*

*From the ancient times, it is advised that sound tax policies are an indication of strong governance and sustainable development. July 1st, 2017 was the most Revolutionary day in the history of Indian tax reform. On this day goods and service tax was implemented all over the country, for converting entire economy into one single market. With the implementation of GST India joins the league of over 160 countries, which have introduced a GST regime. France was the first country introducing GST in 1954 to address the problem of tax evasion. The introduction of GST in India is a big step in the direction of improving the country's ranking in the ease of doing business. GST has affected every section of the society. This paper mainly focuses the impact of GST on a vulnerable section of the society. It analyses the impact of GST on persons with disabilities, women and scheduled tribes. The paper also highlights the effect of GST on local bodies.*

**Keywords:** GST, Tax Evasion, Persons with Disabilities, Scheduled Tribe, Local Bodies, FMCG

## I. REVIEW OF LITERATURE:

**R.Rupa** (2017) in her paper threw an insight into the Goods and Service Tax concept, advantages, disadvantages and international scenario. She concluded that in addition to the passage of the Bill, it is also imperative to have a robust country-wide IT network and infrastructure to make the implementation seamless. The IT network work is still in progress. The most important issue on which consensus eludes states and the Centre is regarding the states. States also anticipated that they will suffer heavy revenue losses.

**Girish Garg** (2014) in his paper has discussed the possible challenges, threats and opportunities that GST brings before us to strengthen our free market economy. He has also analysed the impact of GST on Food industry, housing and construction industry, Fast Moving Consumer Goods (FMGC) sector, Rail Sector etc.

**Monika Sehrawat and Upasana Dhandra** (2015) in their paper presented an overview of GST concept, explains its features along with its timeline of implementation in India. The paper is more focused on advantages of GST and challenges faced by India in execution. They suggest a for need more analytical research to resolve the battling interest of various stake holders and accomplish the commitment for a cardinal reform of tax structure in India.

**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 in India. But the benefits of GST are critically dependent on rational design of GST.

**Nitin Kumar** (2014) in his study, "Goods and Service Tax- A Way Forward" 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.

**Board of Governors of the Federal Reserve System** (2017) in their paper has analyzed the effect of GST on Indian growth. They first documents India's current tax system and describes the changes approved under the new GST legislation. Second, it analyzes the impact of the new GST on Indian GDP and welfare through the impact on domestic and international trade. Their results indicate that the GST should be welfare improving for all Indian states and, therefore, would be an inclusive policy. The effect on Indian real GDP of the new GST system would depend on the exact allocation of goods and services to each of the four tiers of the GST, which has not yet been finalized by the Indian government.

## II. INTRODUCTION:

July 1st, 2017 was the most revolutionary day in the history of Indian tax reform. On this day goods and services tax was implemented all over the country, for converting entire economy into one single market. The rollout of GST in India has been a result of cumulative efforts of many political leaders, economic thinkers and officials of the center and the state governments. The idea of GST was first mooted in the year 2000 during the prime minister ship of Shri Atal Bihari Vajpayee, and a committee was set up headed by the West Bengal finance minister Shri Asim Das Gupta to design GST model. In 2003, the Vajpayee government set up another task force to recommend tax reforms. In the 2006-07 budget, GST was proposed to be introduced from April 1, 2010. The state finance ministers committee who designed VAT was requested to structure GST model. After examining various aspects and detailed discussion the empowered committee released its first discussion paper (FDP) on GST in November 2009. The FDP spelled out the features of the proposed GST and has formed the basis for the present GST regime.

An introduction to GST required a constitutional amendment; the political consensus could not be garnered for a long time. The efforts to introduce GST in India picked up momentum after the formulation of the present NDA government. The constitution (122 amendment) Bill, 2014 was introduced in Loksabha on December 19, 2014, and was passed by Loksabha in May, 2015. The Bill was taken up in Rajya Sabha and was then referred to the joint select committee. On July 22, 2015, after submitting the report and by consensus, the revised

constitutional Amendment Bill was moved in August 2016. The Bill was passed by Rajyasabha on August 3, 2016 and in the Lok Sabha on August 8, 2016. After ratification by a required number of state legislature and assent of the President the constitutional Amendment was notified of the constitution (101 Amendment) Act 2016 on September 8, 2016. The constitutional amendment paved the way for the introduction of Goods and Service Tax in India.

- GST is a destination based single tax on the supply of goods and services from the manufacturer to consumer.
- GST has replaced 17 indirect taxes ( 8 Central + 9 state level) and 23 cesses of the center and States, eliminating the need for filing multiple returns and assessment to rationalizing the tax treatment of goods and services.

Following Central Taxes should be, to begin with, subsumed under the Goods and Services Tax:

- Central Excise Duty (CENVAT)
- Additional Excise Duties
- The Excise Duty levied under the Medicinal and Toiletries Preparations (Excise Duties) Act 1955
- Service Tax
- Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- Following State taxes and levies would be, to begin with, subsumed under GST:
- VAT / Sales tax Entertainment tax (unless it is levied by the local bodies)
- Luxury tax Taxes on lottery, betting and gambling State Cesses and Surcharges in so far as they relate to supply of goods and services
- Octroi and Entry Tax
- Purchase Tax

### III. STRUCTURE OF GST:

Table 1				
GST Rates and exclusion from GST base				
	IGST (%)			
	CGST (%)	SGST (%)	TOTAL (%)	Major Goods/ Sectors Excluded
0	0	0	88	Alcohol
1.5	1.5	3	1 (Gold and jewelry)	Petroleum and energy
2.5	2.5	5	173	Electricity
6	6	12	200	Land and real estate
9	9	18	521	Education
14	14	28	229	Healthcare
	Cess (multiple)			

Source: Economic Survey 2016-17 Volume 2

However, the items covered are being reshuffled on a basis of the requirement. A major rejigging took place on 10<sup>th</sup> November, 2017 in which the number of items covered under 28% slab was reduced to a 50 items confining it to luxury and sinful items.

### IV. OBJECTIVES:

Sound tax policies of a nation are an indication of strong governance and sustainable development. This fact is reflected from historical perspective also. All the successful rulers have their name to fame was not just because of the political Supremacy but also because of the taxation policy they pursued. Effective taxation ensures that Public Finance is sustainable in the term to support social objectives and promote economic development. The new regime aims to transform the tax scenario of the country by streamlining the system through a single tax for the supply of all goods and services across the country.

Against this backdrop following paper has following objectives:

1. To analyze the impact of GST on persons with disabilities.
2. To identify the impact of new tax regime on schedule tribes, collecting 'tendu' leaves for their livelihood
3. To recognize the effect of goods and service tax on women.
4. To analyze the impact of GST on local bodies.
5. Impact of Goods and Service Tax on a vulnerable section of the society:

### V. IMPACT ON DISABLED PERSONS:

The constitution of India ensures equality, freedom, justice, and dignity of all individuals and implicitly mandates an inclusive Society for all including the persons with disabilities. The constitution in the schedule of subjects lays direct responsibility of empowerment of persons with disabilities on the state governments.

GST on aids and appliances for disabled points to government's misplaced priorities. Unfortunately, items of luxuries like gold and jewelry levied 3% GST, who's deprivation causes no challenges to human existence. Instead, the essential items (aids and appliances calipers, crutches, hearing aids, working frames all replacement albeit artificial) for persons with disabilities are levied at 5% GST.

Though, these items are a necessity for their daily routine, access opportunities of education and employment or enjoyment of other rights on the discharge of duties as a responsible citizen. While Kajal, Bindi, Kumkum, bangles and even human hairs are no tax at all. Furthermore, to please the devotee, Pooja samagri like Rudraksha, prasadam, panchamrit, cotton wicks are also exempt from GST. This exhibits the glaring misadventure of the government.

#### VI. IMPACT OF GST ON SCHEDULE TRIBES:

The forest right act, 2006 gives the right to tribals to collect minor forest products like Tendu leaves, bamboo, and honey, etc. for their earning. The recent decision of levy of 18% tax on Tendu leaves has put the tribals in distress. Earning through Tendu leaves collection is a significant source of subsistence for the Adivasi which is already down in the dumps due to the successive government's ineffective handling and beedi wrapping is now starting down the barrel of goods and service tax with both beedi and Tendu leaves has levies under 18% GST regime. The new tax regime is likely to cost its shadow on the Bidi manufacturer units with the increase in beedi prices which will result in following ways:

1. Tendu leaves have been exempted from tax in many states, in Rajasthan 5% VAT now 200% increase will reduce profits.
2. Tribals mainly depend on Tendu, and it is the only source of their livelihood, so the present tax leads to loss of their income leading to their economic and social deprivation.
3. The traders of tendu leaves who get tender from the government will reduce the profit margin given to the tendu collectors.
4. Under Income Tax Act Gram Sabha are exempted from income tax and the present GST will be collected from them, will violate the rights of gram sabha. It will reduce the gram sabha funds, which are entitled to the profit made in the process of selling the leaves by the State Corporation.

Though taxing Tendu leaves has some good points also as follows:

1. It will help in achieving the objective of control consumption.
2. Help in fulfilling the constitutional objective of discouraging drugs as envisaged under article 47 of Directive Principles of State Policy in the Constitution.
3. Protect people from chronic diseases.

Despite these ill effects of beedi consumption, the government should keep in mind that Tendu leaves collection and beedi rolling is a means of livelihood for lakhs of tribal people. The government by enforcing 85% graphic health warning on bidi packets should reason about new tax regime on Tendu leaves.

#### VII. IMPACT OF GST ON WOMEN:

The imposition of 12% tax on a sanitary napkin under the new GST regime is showing lack of perspective in decision making and the sad absence of pro-female thoughts. In the GST classification on sanitary pads as a "luxury" item shows tax regime's male gaze. Indian constitutional law and Philosopher the author of the blog Gautam Bhatia writes that taxation gives the state a powerful weapon to mold behavior and taxation regime must be tested against constitutional norms.

Levy of GST on sanitary napkins tells us that there can be no perception of the recognition of the equality of persons, disadvantage, the importance of women works in this country. When compared to the "tax-free" status of products like bindis, bangles and betel leaves, one is left wondering if the Indian government needs to take another look at priorities about the taxes. Latest national family health survey(NFHS) 2015-16 report shows that the use of sanitary napkins among Indian women is 48.5 percent in rural and 71.5 percent in urban and 57.6 percent in total. According to a 2016 study by the Indian Council of Medical Research (ICMR) in the national capital, the majority of adolescent girls (84%) and mothers of adolescent girls (92.9%) were using cloth during menstruation, which they were reusing, after washing it. Raising GST on sanitary napkins may become the reason of some severe problems like:

- I. Increase in infection and complications: most of the Indian women are suffering from severe infections and complications due to lack of menstrual hygiene. Because of Weak economic conditions they used cloth, sand, ash and even cow dung cake in their menstrual time, leads to significant reproductive and urinary tract infections, and sometimes it becomes the cause of death.
- II. School dropout: raising the cost of GST on sanitary napkins can increase drop rates in our adolescent girls. According to a report by the citizen Bureau, there is about 20% drop out rates of girls who reach puberty. India periods their faces significant difficulties and this can affect their education and mental status. In India menstruation is not only biological it is associated with gender discrimination, superstitious, and culture taboos. A Study was undertaken by AC Nielsen' sanitary protection: every women's health right ' in the year 2010 involving 1033 women in the menstrual age and 151 gynecologists from all over India. This study reveals the poor women hygiene care and shows widespread unhygienic sanitary practices. The study reveals some embarrassing results:
  1. Nearly 97% gynecologist in study believes that sanitary napkins reduce the risk of severe reproductive tract infection.
  2. 64% gynecologist believed that sanitary napkin reduces the risk of cervical cancer.
  3. The study reveals that in Eastern India 83% women cannot afford sanitary napkins.

Furthermore, the study identifies that in North India over 30% of girls drop out schools after menstrual starting. To keep in mind, the importance of personal hygiene of women, union health ministry announced rupees 150 crores scheme to increase access to and use of sanitary napkins to adolescent girls in rural areas.

Despite that, a 12 percent GST on sanitary napkins shows sheer ignorance of female health and the decision is being defended as a protectionist measure for domestic sanitary pad making industry.

#### VIII. IMPACT ON LOCAL BODIES:

The eleventh schedule of the constitution enshrines the distribution of powers between the state legislature and the panchayats. These are 29 subjects relating to agriculture, small-scale industries, minor forest products, rural housing, drinking water, roads, rural electrification, non conventional energy resources, technical training and vocational education, adult and nonformal education, libraries, cultural activities, family welfare, women and child development ,social welfare, welfare of weaker section, mentally and physically disabled sections. Although the state legislature can authorize the panchayats to collect local taxes and provides Grants in aids from the consolidated fund of the states.

Enforcement of GST will dry up sources of revenue for urban and local bodies. Under the GST Regime, consolidated revenues will be divided between center and state based on a mutually accepted formula. No such formula has been developed for revenue sharing between

states and local bodies; this will dry up sources of revenue for urban local bodies. States would not make any effort to ensure the financial autonomy of local bodies and they will become more significant and more dependent. With no independent revenue sources and no share in the consolidated GST revenue will stifle the autonomy of local bodies. In every five years, state government appoints the finance committee to review the financial position of local bodies and recommended suggestions on tax distribution and grants in aid. After GST enforcement States would not make any effort to ensure the financial autonomy of local bodies. The aim of empowering local bodies is an illusion.

### IX. CONCLUSION

Although GST has many long-term benefits like reducing tax frauds, eliminating the need for filling multiple returns, enhance continuous movement of goods and services, making the goods and services more competitive, unifying tax rate across the country, vulnerable section of the society (persons with disabilities, women, scheduled tribes, small entrepreneurs) may be adversely hit.

In the new tax regime, raising GST on aids and appliances used by persons with disabilities to 5% is a retrograde step. Also 12% GST on sanitary napkins is against the spirit of empowerment and upliftment of women. If GST makes accessibility of sanitary napkins difficult then the Swachh Bharat Abhiyan can be defeated in its purpose of cleanliness.

Also, the GST on Tendu leaves will affect adversely to tribal people to decreasing their income. Moreover, GST has no formula has been developed for revenue sharing between states and local bodies. With no independent revenue sources and no share in the unified GST, will stifle the autonomy of local bodies and will dilute the effectiveness of 73rd Amendment Act.

Effective taxation shows that public finance is sustainable in the term to support social objectives and promote economic development. Hence, it would be wise on part of the policy makers to revisit certain provisions of GST which may pose challenges before the already needy section of the society.

As various arrangements under GST are already being reworked, it is hoped that above mentioned aspects of GST will also be reconsidered for the betterment of the women, tribes, local bodies, disabled and like.

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