Goods and Services Tax (GST) - Beneficial to Monopoly Capital but Hardship to Poor and Middle Classes

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In India, the implementation of Goods and Service Tax commenced from July 1, 2017 onwards. The government could put serious efforts to liberalise indirect tax structure for the past two decades. However, it is important to recognise that the changes in the ruling party have not at all affected the achievement of goal. The GST will abolish all kinds of indirect taxes that are in implementation. Thus, unified tax regime emerges. For whose benefit, the central government worked so long? From 1991 onwards with the beginning of economic reforms, any liberalisation programme in relation to the structures of economy definitely is for the purpose of accelerating the 'Ease of Doing Business'. This is surely for the benefit of monopoly capital. Therefore, the liberalisation of indirect tax system is part and parcel of it. Though, the GST is imposed on each and every stage of production and sale, the ultimate burden falls on the consumer.

Immediately after the entry of globalisation on the name of New Economic Policy, the then Finance Minister Manmohan Singh was first to initiate discussion as to GST in parliament. Again in 1999, the then Vajpayee Government has brought the proposal of GST in the parliament. For the purpose of tax reforms, a Task Force is constituted in 2022 under the headship of Vijay Kelkar. This committee could submit its report in 2005 with the recommendation of GST. Later on, the Finance Minister Chidambaram in the Congress regime tried to implement it but failed. Afterwards, the then Modi Government was successful and in 2016, the 101st Constitution Amendment Bill passed in Parliament. With this, the implementation of GST started from July 1, 2017 onwards. It will abolish all the pre-GST indirect taxes and only GST prevails which will simplify the complex indirect tax system. GST is destination based tax. The burden of tax did not fall on manufacturer or seller. The entire burden of tax will fall on the consumer only. Thus, the GST is a tool to improve the Ease of Doing Business. However, the alcohol for human consumption, petroleum products, electricity will not fall under the ambit of GST. Its digitalised implementation gives no scope either for evasion or for corruption. The GST as an instrument to strengthen exploitative capitalist system, now prevails in 160 countries and France was first to implement it.

The share of marginal and small units as well as informal sector in Gross Domestic Product is to the tune of 50 percent and which provides employment to as high as 80 percent. In this sector, working conditions will be miserable, low earnings and no guarantee for earnings. As this sector so far, is not in the purview of indirect taxes, the majority people could lead at least vulnerable lives. Therefore, the International Labour Organisation is warning our governments to take measures to remove vulnerable working conditions for the past two decades. The main intention of our Comprador Bourgeoisie government is to formulate policies for the benefit of monopoly capital. Therefore, it could understand the warning of ILO in a different way and made the informal sector into formal by imposing GST on it. This will make the sector more vulnerable. The misery of people who depend upon this sector will be increased further.

Many serious studies revealed clearly that the sudden declaration of demonetisation in 2016 could throw tiny, small units as well as informal sector into critical conditions. Their crisis has been accelerated by the commencement of GST, they say. As a result, as many as 2,30,000 units are closed, it is estimated. Moreover, the GST will raise the prices of all essential goods. It is proved within two months of imposition of GST. In the 21st GST Council meeting held in September 2017, the survey conducted by the Departments of State Finance Ministries submitted its report stating that the GST resulted in 30 percent rise in the prices of daily needs, increase in the medical costs and moreover, businessmen used to charge GST in addition to MRP which raised the burden of price rise. In view of this report, the GST Council took a decision to reduce GST rate on 30 goods.

The GST rate has been decreased from 18 percent to 12 percent on Condensed milk, Refined sugar, Sugar cubes, Curry paste, Pastha and food necessary for diabetic patients. This reduction is implemented from November 10, 2017. Similarly, the GST rate on 20 liter drinking water bottles is decreased from 18 percent to 12 percent and this came into operation from January 18, 2018. The high GST rates on essential goods exploit poor and middle classes to yield more stable and sustainable revenue to the government.

In the 47th GST Council meeting which was held in June 2022 after 5 years of GST implementation, the survey report of Citizens portal connected to Central Government Consumer Affairs department has been submitted. It is based on the interviews of 40,000 people. As many as 54 percent people stated that the prices of their daily needs have been increased. Still, the GST Council searched for other ways to impose GST. Previously, the GST is imposed on branded pulses, rice and cereals packed in containers. But now, the Council has decided to impose GST on these items if they are packed. These items will not be sold without packing. No State questioned. Only the CM of Kerala objected it and declared his decision that there will be no GST on essential goods and 1-2 kg packets sold in small stores in Kerala.

The All India Rice Industry Federation has protested the imposition of GST on rice sales and declared for Rice Mills Bandh on July 16, 2022. The Central Statistical Organisation states that the prices of essential goods are on the rise continuously and the increase is relatively higher in Rural when compared to Urban. While the RBI Bulletin, 2020 indicates that the price rise is higher in Rural from 2012-13 to 2017-18 and later on, it is reversed.

Our share in global unemployment is one fifth. The earnings of 80 percent work force is less than Rs 10,000 per month and only 0.5 percent could get up to Rs 50,000 per month. Their lives are critical. They brought under the purview of GST. They cannot escape and forced to pay it. Sabka Prayaas means imposing GST on essential goods. On the other, Corporatisation of health and education, job losses, no guarantee for earnings, throw them into miserable conditions. As a result, they are caught in debt- trap.

The National Sample Survey, January-December, 2019 states that the average debt of rural households is to the extent of Rs 60,000 while it is Rs 1.2 lakhs for their urban counter parts. The debt burden of farm-households is Rs 74,460 while it is Rs 40,432 for non-farm households. The debt burden of urban self-employed households is Rs 1.8 lakhs while it is Rs 99,353 for remaining households.

It is wonder to notice that the gold and diamond jewellery which are the prestige and status goods of wealthy. They are considered by the government as essential goods and therefore, imposed 3 percent GST on gold and diamond jewellery and 5 percent on making charges. Moreover, this low rate has been continuing since beginning of GST implementation. Contrastingly, the really essential goods consumed by poor and middle classes are imposed high rate of GST and also the council has been searching various ways and means to impose taxes on these goods.

Informal Sector,

Small Tiny Units - GST :

The business, whose annual turnover exceeds Rs. 40 lakhs and in special category States, it is Rs. 20 lakhs, should register for GST. The businesses, whose annual turnover is less than this limit, will have an option for QRMP (Quarterly Reports and Monthly Payments). These units have to pay for the fixed annual income but are not eligible for refund. The registered units have to file the documents 25 times per annum. For this, they should go to tax experts. They have to spend more time which is impossible for small, tiny units and informal sector. Moreover, they should pay the fee to tax consultant. To that extent, either they should forego their meagre margin or increase the prices. During the Pre - GST period, this sector could supply goods and services at cheap rates to the common people. Due to GST, it becomes impossible for this sector. Further, the owners as well as workers will lose their livelihoods. Even if they could stand, they have to increase the prices. Thus, their lives become critical.

The monopoly capital, commercial giants will appropriate the production and sale of these closed tiny, small units and informal sector. Prior to GST, in 2017, the share of informal sector in tiles industry is 40 percent, in light electrical tools it is 35 percent, 60 percent in ready mix concrete market, 70 percent in Apparel, 78 percent in Diary, 75 percent in jewellery, 85 percent in Diagnostic centers, 45 percent in packaging, 75-80 percent in air coolers, 50 percent in Dyes and pigment, 50-55 percent in footwear, 90 percent in textiles, more than 90 percent in retail trade. Thus, high participation of informal sector in various production and sale activities can be noticed. The GST emerged as a powerful tool to abolish informal sector so as to transfer its huge business activities to monopoly capital.

The Central Budget, 2023-24 proposes to construct 50 ports, airports and helipads as well as 100 critical transportation projects to connect last mile under National

Infrastructure Pipeline, mainly aims to expand the customer base of the Business Giants. This will enable powerful corporate forces to appropriate manufacturing and sale activities of informal sector. This will weaken the informal sector and strengthen Monopoly capital.

The GST contains 3 parts - Central GST (CGST), State GST (SGST), Integrated GST (IGST). The purpose of IGST is to ensure inter - sale of goods and services. So that, check posts between States will be abolished. Transport will become easy and time will be saved. One Nation, One Tax. Thus, the goods and services sold by powerful corporates will be available to the people who reside in interior villages also. But, these people are caught in debt - trap owing to loss of jobs and earnings with no purchasing power. The issue is, now can they purchase? This is the highest level of economic crisis explained by Karl Marx.

Does the GST Show any Negative Impact

on Corporate Forces?

GST will be in 5 slabs - 0%, 5%, 12%, 18% and 28%. Cess also charged on some goods. In view of high GST on media, banking, IT, Telecom, Diary products, Air travel and textiles, some people argue that these sectors are negatively affected. As we know that GST is destination based, the entire burden of tax will fall on the consumer. The producer and seller will not bear any part of tax at all. Further, the rise in the prices of these goods and services owing to high GST will not lead to fall in the demand. Because, all of these are essential for all the common people except air travel which is accessible to middle classes for the past one and half decade. Dairy products and textiles are daily needs for all. Likewise, banking services and IT. In the case of mobile and telecom, irrespective of their charges, they became most essential even for poor like street vendors. Thus, the high GST on these goods and services will collect high tax revenue from poor and middle classes as these goods became so essential without which it is difficult for them to live. In this way, the high GST will not show any negative effect on corporate forces that controls the production and sale of these goods and services.

Goods and Services Tax - Interest of Monopoly Capital:

In view of various kinds of indirect taxes during pre - GST period, the producers and sellers are compelled to bear at least part of the taxes. The GST, though imposed on various processes of production of goods and services, the burden of tax is not at all borne by the producers and sellers while it is totally transferred on to the consumer. Further, if they pay any GST, they have to file GST returns and so that the amount will be paid back. This is a clear ease of doing business. It will be beneficial to foreign, domestic monopoly capital. The GST as a neo - liberal policy instrument will also be crucial in achieving ‘Make in India’ announced in 2014.

Further, the GST will be used as a tool to improve the position of industries which are in crisis by imposing less GST rate. This is based on the principle of law of demand where fall in the prices will lead to rise in the demand. Therefore, less GST rates are imposed on small cars, diesel cars and electric vehicles to encourage automobile industry which is in crisis. The GST itself is beneficial to entire manufacturing sector especially Cement, Pharma, e-Commerce, FMCG (Fast Moving Consumer Goods) which are strongly dominated by monopoly capital. The proposal of millet - hub in the present Central Budget to encourage patents and brand names in millets is highly beneficial to FMCG and entire food processing industry which is controlled by powerful corporate forces.

It is important to recognise, at least, now that the government encouraged green revolution only to establish and strengthen the domination of MNC’s on the agricultural inputs. This discouraged the Production of millets. Consequently, the peasantry and common people cut -off from the consumption of millets highly nutritious food. Interestingly, the healthy benefits of millets started to popularise for the past several years. Finally, it resulted in the declaration of India as Millet - Hub in the present budget again to establish and strengthen the domination of monopoly capital in the production and sale of millets in the entire world. Majority Indians who are seriously suffering from malnutrition in addition to the problem of hunger will seriously be denied from the accessibility of millets while the FMCG industries will be strengthened.

Moreover, the warehousing sector and logistics industry will be strengthened as IGST abolishes inter-state check posts and make inter -state transportation easy to enable powerful corporate commercial giants to distribute and sell goods and services in the entire nation including interior places. It is known to everybody that the Adani group has been permitted and encouraged to construct warehouses in several States long back.

At present, the registered GST tax payers are 1.40 crores. So far, the sale of Gutka and Pan Masala is illegal. Therefore, they will not come under tax ambit. The 49th GST Council meeting held on February 16, 2023 declared special compensation scheme for Gutkas and Pan masala. No State objected the decision. This clearly indicates that the sole aim of ruling classes is to provoke the weaknesses of youth and people. Moreover, the meeting also took decision to extend exemption benefit to coal rejects supplied to and by a Coal washery arising out of coal on which compensation cess paid. This process is in the control of monopoly capital. Thus, the strong implementation of GST strengthens corporate forces, weakens tiny, small and informal sector and finally transfers entire burden of tax on to the common people.

GST - Common People:

Among the five slabs of GST, 4th highest 18 percent is imposed on 480 goods which yield as high as 70 percent of GST revenue. It is really serious cruelty on the part of GST Council to impose 18 percent on the goods which are commonly and compulsorily used by poor and middle classes such as school bags made by cotton, Jute, artificial plastic, Aluminum foils, CCTV, video recorders, TV setup boxes, Concrete pipes, pencils, Sharpeners, stoppers, scales, Tapes, TV power banks, Computer monitors of less than 17 inches, Bamboo furniture. Further, it is stressed to notice the imposition of 28 percent GST on Soaps and Shampoos which are used by all. Moreover, washing machines, fridges which are essentially used by lower middle and middle class also attracts 28 percent of GST.

It is again sad to notice that 12 percent GST is imposed on pickles prepared by fruits and vegetables, Murabba, chutney, Jam, Jelly, Thermometer, all diagnostic kits and reagents, salad dressing, menthol, peppermint. Further, plastic beads, exercise books, note books, spectacles, spoons, forks, knives, fixed speed diesel engine, walkie talkie, playing cards, chess board and carom board also attracts 12 percent GST. All these goods are commonly used by common people.

The present government always says that the corporate forces are wealth creators. Therefore, any good that raises the prominence and status are considered by the government as necessaries of life. Consequently, GST is just 0.25 percent on cut and semi - polished stones.

Though it imposes 5 percent GST on edible oil, sugar, spices, tea, coffee (except instant), coal, mithai (Indian sweets), Life saving drugs; Contrastingly, only 3 percent GST on Gold and Diamond Jewellery and 5 percent on making charges. Moreover, these rates remained constant since beginning. This is a serious contradiction.

Collections from GST:

The GST on essential goods and services and the goods that are necessarily consumed by common people, avoidance of leakages through digitalisation naturally yields more revenue from the GST. This is undoubtedly associated with the deterioration in the lives of common people.

March 2022 is stated to be record GST collections of Rs 1,42,095 crore. However, later on it is continuously on the rise.

GST collections for the past 5 months -

Month		**Rs. in Crores**
October, 2022	-	1,51,718
November, 2022	-	1,45,867
December, 2022	-	1,49,507
January, 2023	-	1,55,922
February, 2023	-	1,49,577

The Central Budget 2023-24 estimates Rs 9,56,000 crore revenue from GST. The goal will be achieved within 6-7 months if same trend continues. However, the government will not utilise this revenue for the creation of livelihoods, decent jobs, employment guarantee, welfare of the work force and finally to improve the living standards of people. The revenue will be used to increase the number of billionaires and their wealth. Further, to strengthen the corporate forces. All this has been openly stated in the Budget Speech.

Centralisation of Power - GST in the Control of Central Government:

Union Finance Minister is the chair-person of GST Council. All the State Finance Ministers are members. It is a constitutional body for making recommendations to the Union and State Government on issues related to GST. The States will not have any power over this issue individually. They should go to GST Council even for any small change in GST. The Centre will collect GST and pays compensation to the States with their respective shares. The State Governments' should always wait for the payments from the Centre. The outstanding GST compensation dues to States in June 2022 amount to Rs 35,266 cr. as per the information to parliament by the Finance Minister. The GST itself is against the Federalism in India. However, no State opposed the implementation of GST. They did not question the high rate of GST on essential goods of common people. Only when the decision taken in 47th GST Council meeting to impose 5 percent GST on pulses, rice and cereals which is opposed by Kerala.

The 49th GST Council meeting held in February 2023 took a decision to rationalise Late fee for delayed filing annual returns from 2022-23 onwards from Rs 200 @ per day with maximum cap 0.5 percent turnover to Rs 50 @ per day with maximum cap 0.4 percent turnover. This again strengthens ease of doing business.

GST is popularised as a solution to the complexity associated with various kinds of indirect taxes previously. The GST rates have been changing continuously even after 5 years of its introduction. It is full of confusion and complexity. Uncertainty is continuing continuously. Instead of 6 meetings per annum, the GST Council meetings so far held are 49 from July 2017 to February 2023. However, no decision is pro - people. In fact, it is not their aim also. The introduction of GST itself is to collect revenue as high as possible from poor and middle class people.

GST rates in India are relatively higher in the world. In this regard India's place is 2nd out of 115 countries in 2018. On this aspect, World Bank also criticised our GST rates as well as delayed payments of compensation. Moreover, GST annual filing requires plenty of documents which are difficult for small, tiny units and informal sector.

Conclusion:

Indirect taxes are significant in Government's tax revenue. Among them, GST is crucial. Earlier, indirect taxes were used to control price rise of necessaries for the welfare of common people. This aim totally reversed in the framework of Neo- Liberal policies. GST is articulated to collect highest possible revenue from poor and middle classes and to raise ease of doing business to strengthen monopoly capital. In order to ensure decent lives to all, it warrants a serious fight by the democrats and revolutionary forces for the abolition of GST.