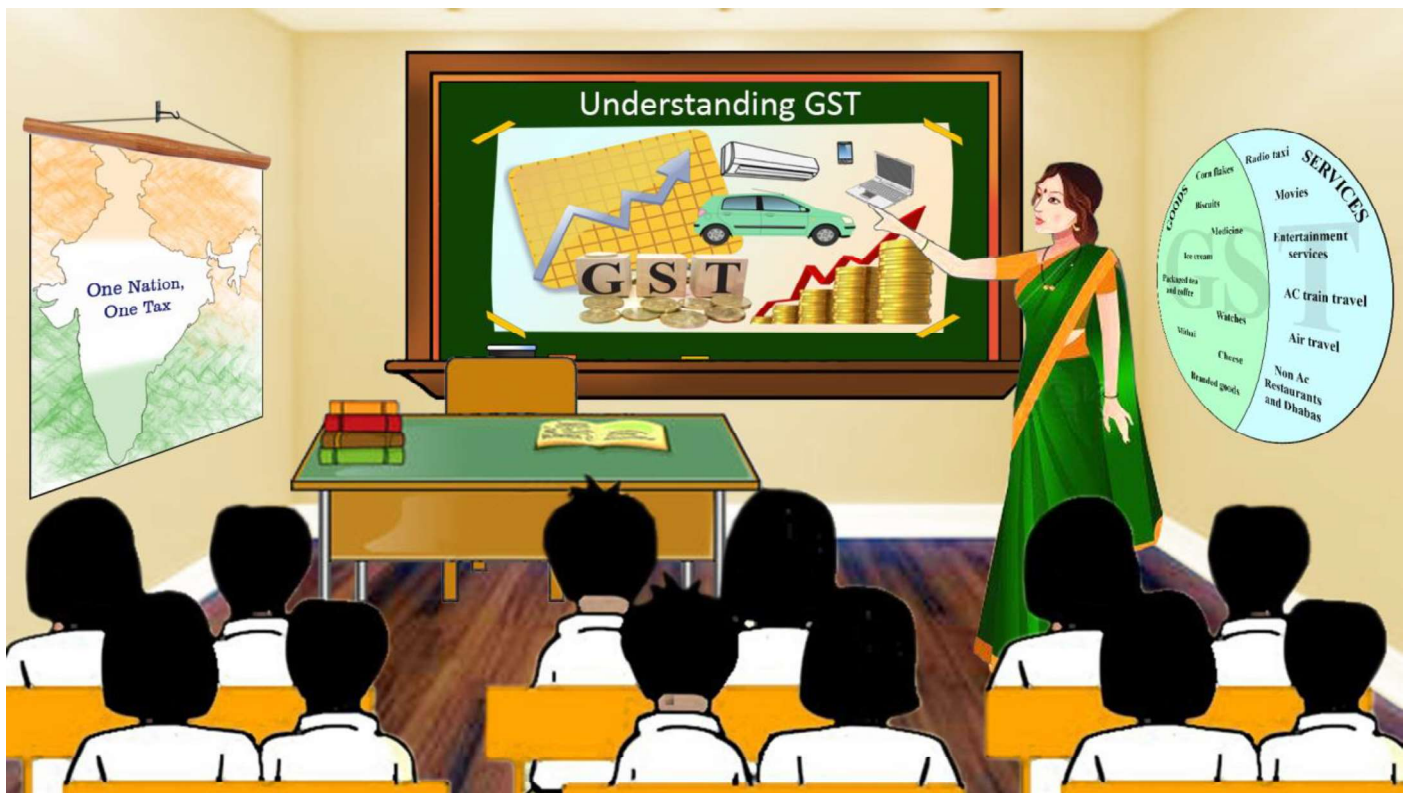


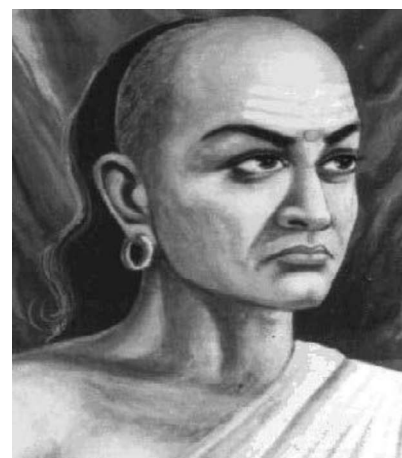
## Understanding GST

Sujata C



If there is any subject that is demanding on the teachers' talent, it is tax. But as the saying goes, there is no escape from death or taxes. So while it might take some effort, it is better to take a shot at understanding the new and bold tax reform that India has ushered in – the Goods and Services Tax (GST) which is already operational in 150 countries around the world.

**History of taxation in India:** Taxation has existed in India since ancient times. Kautilya's *Arthashastra* and *Manusmriti* by Manu both bear evidence of the practice of collecting taxes by ancient kings through a well-organised system. Taxes were paid in the form of gold or in kind like cattle and grain or through personal service. Even artists and artisans had to pay tax as the rationale being that a tax is paid to compensate for the natural resources that were required to enable the making of a product or a service.



Kautilya, also called 'Chanakya', author of *Arthashastra*, was a 4<sup>th</sup> century economist to Emperor Chandragupta



The ancient sage, Manu advised kings that taxes must never pinch. According to his calculations, it was reasonable for traders and artisans to pay one-fifth of their profits in silver and gold. Interestingly, as early as 4<sup>th</sup> century BCE, farm income was taxed and farmers had to pay a certain fraction of their produce depending on their capacity.

Now in the 21<sup>st</sup> century we have a new tax reform to introduce the **Goods Services Tax** or GST. It is a new tax law brought in by the Government of India to simplify the taxing of goods and commodities in the country. It came into effect from July 1, 2017, and is an indirect tax that will replace numerous other taxes like Value Added Tax, Service Tax, Sales Tax, Excise Tax, Entry Tax, etc.



Before getting into the details, let's get a few basics clear.

Goods are physical materials that satisfy a human need. Services are intangible, non-physical activities that render benefits. For example, when a gardener tends to a garden, he renders a service, i.e., labour for which he has to be compensated. It is an economic activity and has a measurable cost. GST is applicable on all goods and services in the country.

When we talk of taxes, we must be aware of the two types of taxes, direct and indirect. Direct taxes are what we pay on the income we earn or the profits we generate in our business. Indirect taxes are those that are paid on the goods we buy or services we use. While direct taxes are paid by employed citizens, all citizens, whether employed or not, rich or poor must compulsorily pay indirect taxes on everything they buy – whether it is a biscuit packet or a mobile phone. We pay this in the form of Service Tax, VAT, Swachh Bharat Cess, Krishi Kalyan Cess, Education Cess, etc. In some cases there is cumulative tax paid by the



Source: <https://dam.oup.com/share/page/site/elt/document-details?nodeRef=workspace://SpacesStore/f4faf2b1-fe46-44a0-9624-dcd72bc2883b>

consumer, that is, *tax on tax*.

The 7<sup>th</sup> schedule of the Indian Constitution spells out the powers of the state and the centre while levying taxes. There are 29 states in our country and each state has different taxing structure. This poses a problem for manufacturers when they distribute goods across the country. While moving goods from one state to another they have to pay tax at each state border. Time is wasted at the checkpoints while paying the entry tax which is calculated on the value of the product being transported. If you have gone on road trips you may have wondered about the long queues of trucks at checkpoints which never seem to move. Well, they are waiting to pay their entry tax to enter a new state.

**Need for GST:** The need for GST arose because the current system of taxation of goods and services became very complicated in our country. The **new GST was conceived with the idea of uniting the Indian market and apply one tax for one nation**. The current system divides the country into 29 different

markets making life quite complex for the businesses. The GST will do several things to ease the situation:

- Unify the Indian market by bringing together 29 markets across the country into one large market.
- Simplify the system by
  - bringing down manufacturing cost of products.
  - removing the burden of tax on tax.
  - improving the ease of doing business in India.

### Highlights of GST:



- One nation, one tax: common tax across all states
- GST is a **destination based tax** applicable at the place of consumption of goods or services.
- Petroleum and alcohol are not being included under GST as of now.
- The tax rate under GST will have five slabs – 0%, 5%, 12%, 18%, 28%.
- Food items come in the zero category slab.
- White goods or large domestic electrical items like refrigerators, air conditioners, etc., will attract 28% tax.
- Additional taxes will be levied over and above this for non-essential items like alcohol, aerated drinks, pan masala, tobacco products, and

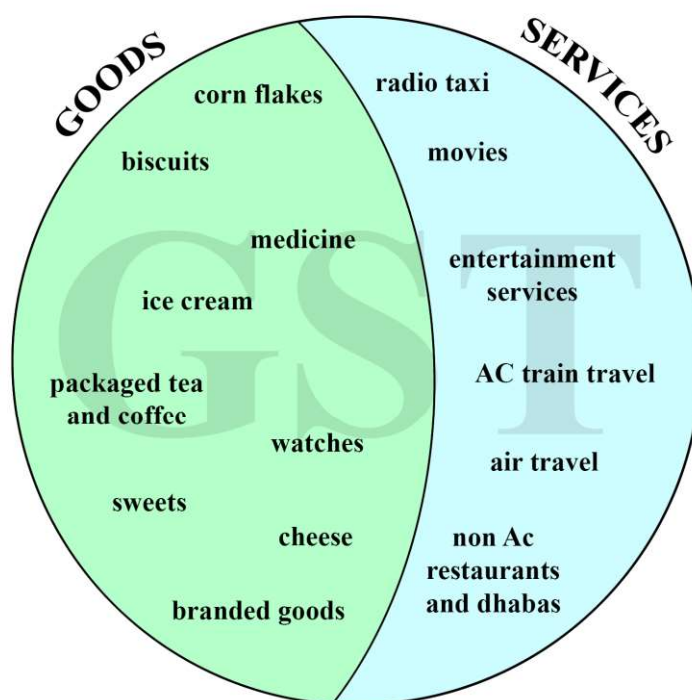
luxury cars that maybe taxed from 40-65 %. The government is also contemplating a clean energy cess on these products for usage of coal and to compensate the states for loss of revenue.

### Impact of GST:

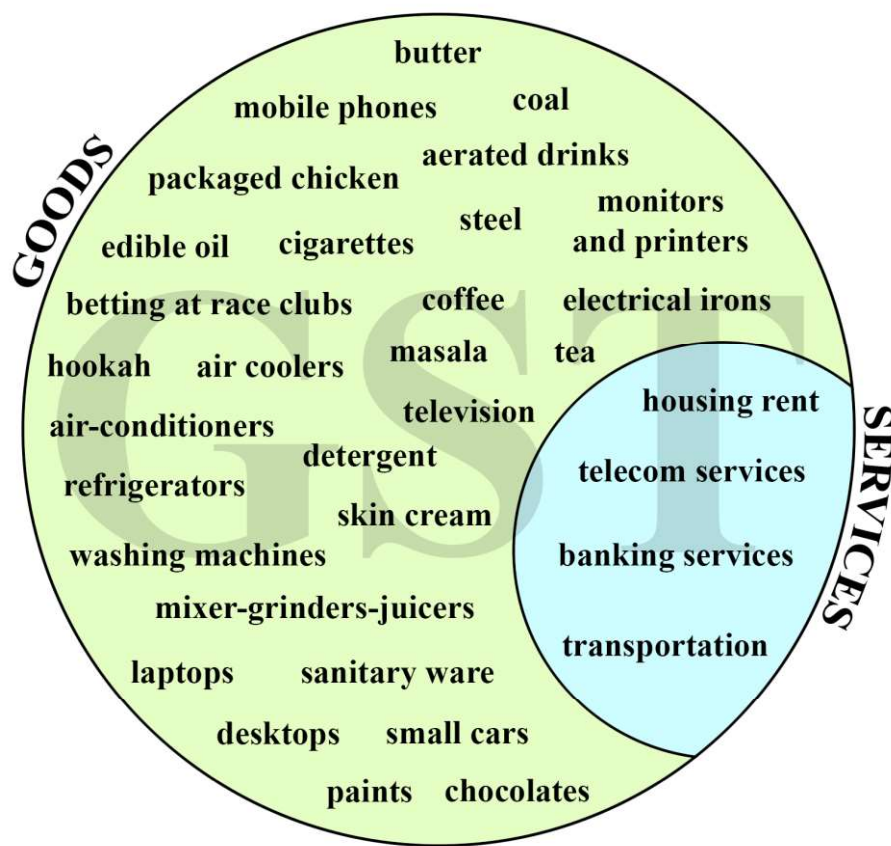
What does all this mean for the common man? Education and healthcare are exempted from GST. The new tax rates on various goods and services are as follows:

Tax rate	Products
0%	cereals, milk
5%	edible oil, sugar, spices, tea, coffee (not instant), lifesaving drugs, Indian sweets, coal
12%	computers, processed food
18%	hair oil, toothpaste, soaps, capital goods, industrial intermediaries
28%	small cars, air conditioners, fridges, luxury cars, cigarettes, aerated drinks, high-end motorbikes

### What is cheaper after GST roll out?



**What is costlier after July 1?**



***Sujata C** is a writer and editor with a portfolio of diversified writing categories like web content, articles, short stories for children, technical editing, etc. She has been a brand consultant and advisor for several companies and has worked with concerns like McCann Erickson, New Delhi; Foundations Advertising Services, New Delhi; Saatchi and Saatchi, Hyderabad; etc.*

## Lesson Plan on Understanding GST

*Sujata C*

Most adults do not have the financial knowledge to understand how their money functions. We just get along month on month with a rough plan of how we spend the money in our hands. Sometimes we stick to that plan and sometimes we run amok and go on an unplanned shopping spree to end up with little to spare before the end of the month. Here are a few activities to improve the financial awareness of students; an understanding of taxes will then prepare them to handle money responsibly as adults. Select activities to suit the age group of your class.

**Activity 1:** Have students make a list of all the household goods and put down the monetary values against them. This activity will give them an idea of the net asset value of the items.

S No	Household Item	Amount
1	Fridge	
2	Sofa set	
3	Air Cooler	
4	Air Conditioner	
5	Microwave	
6	Mixer	
7	Geyser	

**Activity 2:** Ask your class to organise an event to celebrate summer holidays. This activity will give the students an idea of expenses involved and the hard work that goes into one evening of fun and frolic. Encourage them to

- plan a few stalls for food and games.
- make coupons for food items and games.
- decide the cost of each coupon - ₹10 – three chances per coupon for games.
- decide the price of each food item.
- list items to be rented: chairs, tables, lights, speakers, etc.
- identify the venue and evaluate the cost of renting it.

Encourage students to be involved in organising the event from scratch, from letting them go to the tent house to find out the cost of renting equipment to paying the advance amount and finally settling the final bills. They must conduct the games, collect the money from the visitors and give back the right change. While there may be adults to fix the sound system, they can lend a hand with selecting the music and wield the mike briefly to invite the guests and to make announcements.

At the end of the event they must prepare a statement of accounts.

Sl no.	Expenses	Amount (₹)	Collections	Amount (₹)
1	Tent House bill		Games	
2	Renting the venue		Food	
3	Total		Total	

Explain to them that what they undertook was an event management exercise. Help them to calculate the GST on the services they rendered.

**Activity 3:** Examine a bill in the class. Ask students to write down the different parts of a bill.

ACTUAL COST OF EATING OUT	
Particulars	Amount (₹)
Food	4,000
Soft drinks & fruit juice	2,000
<b>Sub-total</b>	<b>6,000</b>
Service charge (10% of sub-total)	600
Service tax (5.6% of sub-total + service charge)	369.6
Swachh Bharat Cess (0.2% of sub-total + service charge)	13.2
Krishi Kalyan Cess (0.2% of sub-total + service charge)	13.2
VAT (on food items) (12.5% of food bill)	500
VAT (on alcohol items) (20% of alcohol bill)	400
<b>Total % of tax and charges on the bill (31.6%)</b>	<b>1896</b>
<b>TOTAL BILL</b>	<b>7896</b>

VAT value-added tax  
VAT value depending on the State you are in and on the item ordered

**Activity 4:** Ask your class if they have bought anything recently.

You may get different answers like cycle, basketball, cricket kit, science kit, clothes, etc. Ask them to find out the sales tax on each object. Let them calculate the percentage of the sales tax imposed.

**Activity 5:** Mental Maths

Calculate 5% of 190, 12% of 190, 18% of 190, 28% of 190.

In this manner replace the number 190 with other numbers and fill up an entire A4 sheet. Have children calculate the percentages.

**Activity 6:** Chart making

Have children make a chart to show what the government does with the money collected from the sales of goods and services.

Students can also make a chart comparing prices of goods and service – before GST and after GST

**Activity 7:** Crafting / Painting

Ask students to prepare a craft item or a painting and then do a rough costing of the items.

Cost of raw materials, cost of labour = Cost of production

Now to this add the cost of packaging, cost of transportation and you get somewhere close to the cost of the product. Calculate the GST on this product.

***Sujata C** is a writer and editor with a portfolio of diversified writing categories like web content, articles, short stories for children, technical editing, etc. She has been a brand consultant and advisor for several companies and has worked with concerns like McCann Erickson, New Delhi; Foundations Advertising Services, New Delhi; Saatchi and Saatchi, Hyderabad; etc.*

# Corvée



## Corvée (noun)

**Meaning:** A day's unpaid labour owed by a vassal to his feudal lord. It is also referred to the forced labour exacted in lieu of taxes.

**Origin and additional information:** Based on Latin *corrocare* meaning 'ask for, collect', the word has its origin in Rome. It evolved into *coroatae*, then *corveiae* and finally corvée. It was drawn into Middle English from Old French, though its usage is rare in English before the late 18th century.

The term is used in reference to medieval and early modern European economy, even though use of the term is not limited to that time or place. Corvée has existed in modern and ancient Egypt, in ancient Israel (under King Solomon), Rome, China and Japan, across Europe, in the African colonies.

**Words section:** As such corvée represents a form of taxation where individuals are not required to own land, crops or cash. It was therefore favoured in ancient economies where barter was more common than cash transaction. It formed a characteristic feature of the feudal system, but it is much older than feudalism as an institution, and developed its main features under the Roman Empire. In the late Roman Empire, the citizens were expected to perform public service in exchange of paying taxes. This would involve building temples, basilicas,

theatres, porticos, walls of towns, aqueducts, harbours, bridges, fountains, roads, etc.

**Usage:**

- i. I understand that on the inner sides of certain pyramid stones have been found crude inscriptions left by the citizens or their **corvées**.  
(Source: <https://en.oxforddictionaries.com/definition/corvee>)
- ii. Since the official repeal of **corvée** labour in the 1920s, settler employers had faced a dwindling supply of local workers.  
(Source: <https://en.oxforddictionaries.com/definition/corvee>)
- iii. May the king, my lord, take cognizance of his servant and his city. Only I am cultivating and I am furnishing **corvée** workers.  
(Source: Biridiya Letter no. 7 of 7, *Furnishing Corvée Workers*)