

GST IN INDIA: A KEY ECONOMIC REFORM

Pawan Kumar Bhura

Assistant Professor
Department of Commerce
Shyam Lal College (Evening)
University of Delhi, Delhi, India
Email- dr.41bhu21@gmail.com
ORCID- <https://orcid.org/0000-0002-0874-2127>

Ashutosh Kumar Jha

Assistant Professor
Department of Commerce
Swami Shraddhanand College
University of Delhi, Delhi, India
Email- akjha@ss.du.ac.in
ORCID- <https://orcid.org/0000-0003-4712-0352>

Dr Manu Umesh

Associate Professor
Department of Commerce
Shyam Lal College (Evening)
University of Delhi
E-mail: manuumes@gmail.com

ABSTRACT

This study provides an overview of India's historical GST and pre-GST tax structures. India's most significant tax reform is finally in place, based on the concept of "one nation, one market, and one tax. The Goods and Services Tax (GST) replaced several indirect taxes such as excise duty, service tax, supplementary customs duty, surcharge, state level value added tax and octroi which were levied on various goods. After more than two decades of debate, Prime Minister and Finance Minister of India sh. Narendra Modi and Arun Jaitley respectively, have passed the GST Bill, which will go into effect on July 1, 2017. GST has helped a lot to remove double taxation or tax cascading effect. The GST regime includes four taxation rates: 5 percent, 12 percent, 18 percent and 28 percent. Certain products and services are tax-free. Manufacturing and exports are expected to benefit under the GST regime. This will result in more employment and economic prosperity in India.

Keywords: GST, Surcharge, value added tax, Tax Structure, Elimination, Cascading effect

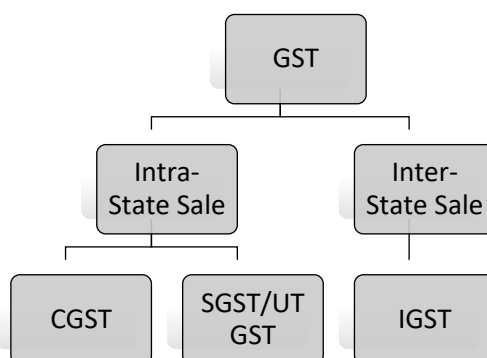
1. INTRODUCTION

The GST system was first implemented in France in 1954, and it is now followed by 160 nations. In India, the idea of implementing GST was considered in the year 2000, and the government formed many committees and task forces to assess the impact of GST. The GST Bill has been under consideration for more than two decades, and it was just enacted, allowing GST to begin on July 1, 2017. By creating a unified Indian market and combining an enormous range of central and state taxes into one tax, GST will be a game-changing reform for the Indian economy. The goal was to avoid cascading or double taxing on the value of items and services. It will affect the Taxation System, Tax Incidence, Tax Calculation, Taxes Due, Accountability, Credit Utilization

and Transparency culminating to a comprehensive reform of the present tax system. Because of the total neutralization of input taxes in the manufacturing and distribution chain, the introduction of GST will make Indian products competitive in both local and international markets. GST would reduce the entire tax burden on buyers, which is presently estimated to be 25-30%. Under the GST, there are now four separate rates in use. 5 percent, 12 percent, 18 percent, and 28 percent are the GST rates.

There are four main forms of GST under the newly implemented tax system:

- a. Intra-State supply of goods or services**
 - Central Goods and Services Tax (CGST)
 - State Goods and Services Tax (SGST)
 - Union Territory Goods and Services Tax (UTGST)
- b. Inter-State supply of goods or services**
 - Integrated Goods and Services Tax (IGST)



a. Intra-State supply of goods or services

When the supplier's territory and, as a result, the place of supply (i.e., the buyers' location) are in the same state. A vendor must collect both CGST and SGST from customers in intra-state transactions. The CGST is paid to the federal government, whereas the SGST is paid to the state government.

➤ **Central Goods and Services Tax**

The CGST Act governs the central government's tax on inter-state fulfilment of both goods and services. All former Central taxes, including as Central Excise Duty, Customs, Service Tax, SAD, CST, and others, have been essentially superseded by the CGST. The CGST money goes to the federal government. It is levied on taxpayers in tandem with SGST, and the CGST rate is normally the same as the SGST rate. This means that both the federal and state governments will agree to combine their taxes and distribute funds in a proportion that is fair to both.

Example: - If a Maharashtra merchant sells items worth Rs.1,000 to a Maharashtra client, The transaction's GST would be shared between the CGST and the SGST. If the GST rate is 18%, It will be evenly split into 9 percent CGST and 9 percent SGST. In this situation, the total sum charged by the merchant will be Rs.1,180. The Central Government would receive Rs.90 from the GST collection under the heading of CGST.

➤ **State Goods and Services Tax**

The SGST is a tax levied by the government on intra-state shipments of goods and services, and it is governed by the SGST Act. SGST is a mutually uniform taxation that encompasses a variety of state-imposed taxes and levies. It combines the State Sales Tax and other taxes associated with the transportation of goods and services under state control into a single unified tariff known as the SGST. The State Government is in charge of the SGST revenue. Both State GST and Central GST are charged on intrastate supplies of items and/or services.

Example: - If a Rajasthani merchant sells items worth Rs1000 to a Rajasthani consumer, the GST charged on the transaction will be split between CGST and SGST. The CGST and SGST components of the transaction's GST will be divided. If the GST rate is 18%, it is divided equally into 9% CGST and 9% SGST. In this situation, the total sum to be imputed by the merchant will be Rs.1180. The Rajasthan state government would receive Rs.90 of the GST income under the SGST heading.

➤ **Union Territory Goods and Services Tax**

Some of India's notable union territories include Delhi (India's Capital Territory), Chandigarh, Daman & Diu, Lakshadweep, Dadra & Nagar Haveli, Andaman & Nicobar Islands and Puducherry. UTGST revenue is collected by the Union Territory administration. The UTGST may eventually replace the SGST in Union Territories. As a result, the UTGST will be levied in addition to the CGST in Union Territories. SGST is an example.

b. Inter-State supply of goods or services

Whenever the vendor's location and, as a result, the supply site are in different states. In an interstate transaction, a supplier must collect IGST from the buyer.

➤ **Integrated Goods and Services Tax**

The IGST applies to products and services imported or supplied across states, or both. IGST equals the total of CGST, SGST, and UTGST.

For example, IGST is applicable if goods and services are supplied between Maharashtra and Rajasthan. Rakesh, a Maharashtra businessman, sold Rs.1000 worth of items to Shubham, a Rajasthan resident. The GST rate is 18 percent, with an IGST rate of 18 percent. The merchant must charge Rs.180 as IGST in this situation. This Integrated goods and services will go to the Centre.

Because of the huge number of taxes paid, the client is unaware of them, raising the value of the items as a result of the middleman. When you buy something, you pay a tax on tax because of the cascading effect. GST has replaced all the existing taxes to be collected by the State and the Centre government.

Cascading Effect of Taxes

In cascading effect, tax has to be paid on tax, which increases the rate of goods every time a transaction takes place. And finally this increased price has to be paid by the customer. Let's clarify a few things with a possible numerical example.–

STAGE 1 For raw materials, a sweater maker gives a client Rs 1,000. If the rate of tax is 10% and no profit or loss is made, he will paid Rs 100 in taxes. As a consequence, the ultimate price of the garment is $(1000+100) = \text{Rs } 1100$.

STAGE 2 The distributor then buys the sweater from the producer for Rs 1100 and applies labels on it. When he labels and values things. As a result, his price will rise by Rs 400. Finally, he must pay the 10% tax, bringing the total cost to $(1100+400) = \text{Rs } 1500$ plus 10% tax equals Rs 1650.

STAGE 3

Because the tax responsibility had been passed on to him, the distributor now pays 1650 to acquire the sweater from the wholesaler. He must package the sweater, and in doing so, he adds value once again. Assume his value addition is Rs 300 the above time. Whenever he sold the sweater, he increases this value to the end customer price; along with the VAT he is required to pay the government. As a result, the sweater's price is 2145: $\text{Cost} = 1650 + \text{Value adds } 300 + 10\% \text{ tax} = 1950 + 195 = \text{Rs } 2145$.

As a result, the consumer pays Rs 2145 for a sweater that cost just Rs 1700.

GST would merge these taxes and establish a single market across the country, eliminating the need to pay several taxes. Separate taxation system usually involves the splitting of transaction values for tax purposes, resulting in greater complexity, administrative, and expenses. In the current economic situation, the implementation of a GST to replace the current multiple tax systems, and the country needed such a big change.

2. OBJECTIVE OF STUDY

- To study the pre -GST Era of Indian economy.
- To analyse the benefits and features of the GST Model of Indian economy.
- To analyse the GST model as India's economy reforms.
- To analyse the opportunities for the GST Model of Indian economy.

3. REVIEW OF LITERATURE

(Nath T V, 2019)The study highlights , "Implementation of Goods and Services Tax (GST) in India: Emerging Opportunities and Challenges," concluded that the GST prologue will help to reduce price distortions caused by

taxation policies, as well as reducing the burden on consumers by removing tax liabilities at several levels. It will make building a fair and transparent tax administration easier.

(Priya, 2017) This study focused on the overview of GST – A Game Changer. This paper examines the impact of GST on tax structure, rate, payment, compliance, and credit utilisation. In the conclusion of this paper, the author discusses some issues such as revenue distribution between both the central government and the states, the lack of convenience of continuous internet connectivity in remote areas, and the time frame in which market participants will receive tax refunds, which may be an essential aspect in their financial performance and working capital management

(Garg & Gupta, 2017) Studied the development and implementation of GST in India. This paper provides a brief history of Indian taxes and its tax system, as well as the involvement of the government in GST and the advantages of GST. The study highlights The author concludes that GST will reduce the cascading and tax burden on end consumers, while simultaneously lowering prices, increasing consumption and demand, increasing investment, and increasing GDP.

(Leemput & Wiencek, 2017) The research paper is an effort to understand the "The Effect of the GST on Indian Growth" was researched. This article focuses on the model used to investigate the effects of the GST. In the conclusion of this paper, the author shows how GST might reduce inefficiencies in the manufacturing process. The current arrangement favours poor industrial chains among states. As a result, we consider the effects investigated in this note on real GDP growth and industrial production to be plausible lower limits.

(Dani, 2016) conducted a research titled Impact of Goods and Services Tax (GST) on the Indian Economy The article highlights the GST implementation, benefits, and impact on the Indian economy. The report also explores why no GST and the proposed GST system appear to be unfavourable to the telecommunications sector.

4. BENEFITS OF GST

Elimination of Cascading Effect of Taxes

GST prevents tax cascading since it provides an all-inclusive input tax reduction mechanism to the whole supply chain. Tax cascading is eliminated, i.e. tax on tax is eliminated. When goods are taxed from the time it is manufactured until it is sold to the ultimate customer. GST is solely imposed on the value of the commodity or service.

Creation of a Common National Market

The main goal of GST is to make India a new superpower in a new economy by charging consistent tax rates and removing economic obstacles, so transforming the country into a standard national market.

Business Simplicity

The installation of GST reduces the challenges associated with taxation compliance. Previously, businesses had considerable difficulties with VAT registration, Customs duties, interacting with tax administrators, and so on. The advantages of GST have made it easier for businesses to conduct their operations.

Tackling Corruption and Tax Evasion

The GST online service interface enables taxpayers to register, file returns, and pay taxes without interacting with tax officials. A method for matching producer and customer invoices has been developed. This might minimise not just tax avoidance and fraud, but also bring more businesses into the legal economy.

Simple and straightforward online process

The complete process of GST starting from registration to end with submission is online and very simple. With which old and new start up entrepreneurs can also file easily. With the advent of GST, there is no need to pay indirect tax as before. This is in contrast to the old indirect tax scheme, in which a business owner had to register individually for various indirect taxes.

Overall tax relief and cost savings

The current system has several complexities that have a cumulative influence on pricing for the final customer. In the current system, multiple indirect taxes collected at all successive levels of the value chain raise the costs of all

commodities. GST is expected to reduce the tax burden on several items, ultimately benefiting end users.

5. GST AS INDIA'S ECONOMIC REFORMS

On July 24, 1991, Prime Minister P.V. Narasimha Rao launched India's first generation reform as the LPG, or Liberalisation, Privatisation, and Globalisation. The second wave of reforms, such as GST, plays a vital role in the economy by impacting both efficiency and equity. A significantly better legal system would focus on income distribution issues while also attempting to encourage tax collections to support government spending on development of many areas of India. The Goods and Services Tax (GST) is one such initiative that is projected to offer much-needed stimulus to the Indian monetary process by shifting the existing indirect taxation base toward the free movement of goods and services.

The consolidation of central and state taxes into a single GST, the full and complete set-off of input goods and services. The GST plays a crucial role in preventing tax cascading. Because of its open nature and ease of administration, the adoption of GST would increase the competitiveness and brand of Indian goods in both domestic and international markets. GST will have a significant influence on almost all elements of domestic corporate operations, includes product and service pricing, supply chain management, and information technology, auditing and accounting, and tax compliance systems. Lower the burden on individuals, i.e. the public will spend less money to acquire the same things that were previously expensive, and GST will eliminate customs charges on exports and reduce the tax burden on producers. The GST taxation system has considerable promise for sustaining India's economic growth.

6. Research Methodology

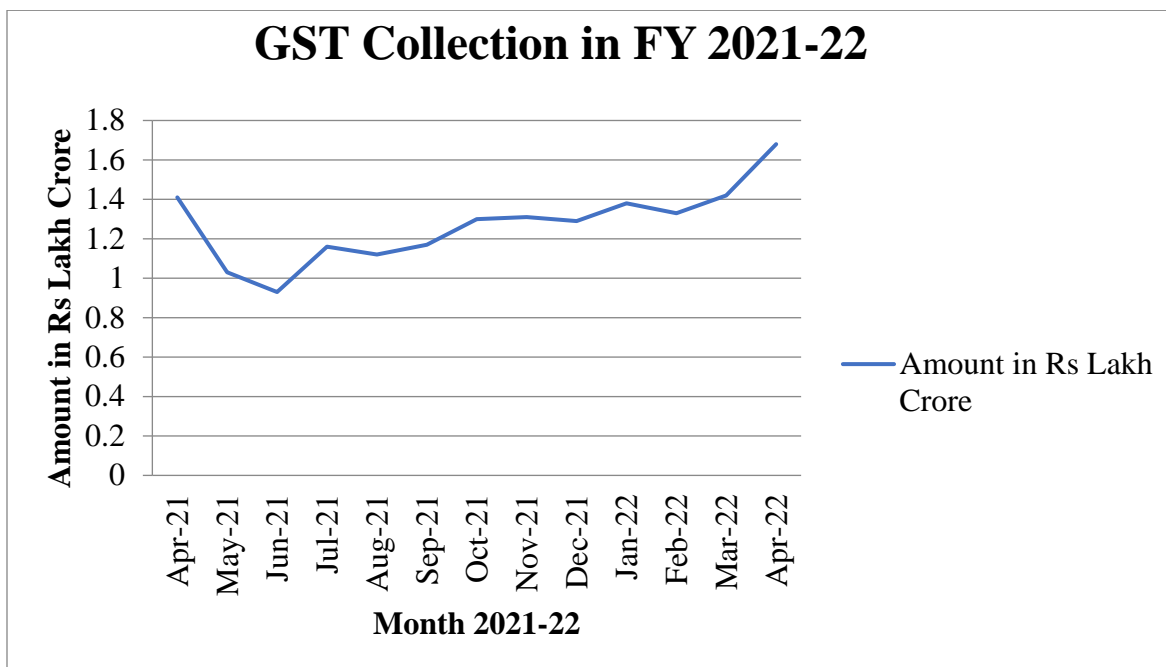
The study is descriptive in nature. The study is mainly based on the secondary data. Secondary data was gathered from a variety of trustworthy sources, including numerous study reports produced by the Government of India, newspapers, various institutions reports, the publications by state governments. We have been collecting data over the past couple of years, and the material has been summarised and tabulated. The processed data is analysed using simple statistical methods such as average and percentage.

Data Analysis and Interpretation

GST Collection in FY 2021-22

Month	Amount in Rs Lakh Crore
Apr-21	1.41
May-21	1.03
Jun-21	0.93
Jul-21	1.16
Aug-21	1.12
Sep-21	1.17
Oct-21	1.3
Nov-21	1.31
Dec-21	1.29
Jan-22	1.38
Feb-22	1.33
Mar-22	1.42
Apr-22	1.68

Source- <https://gstcouncil.gov.in/gst-revenue>

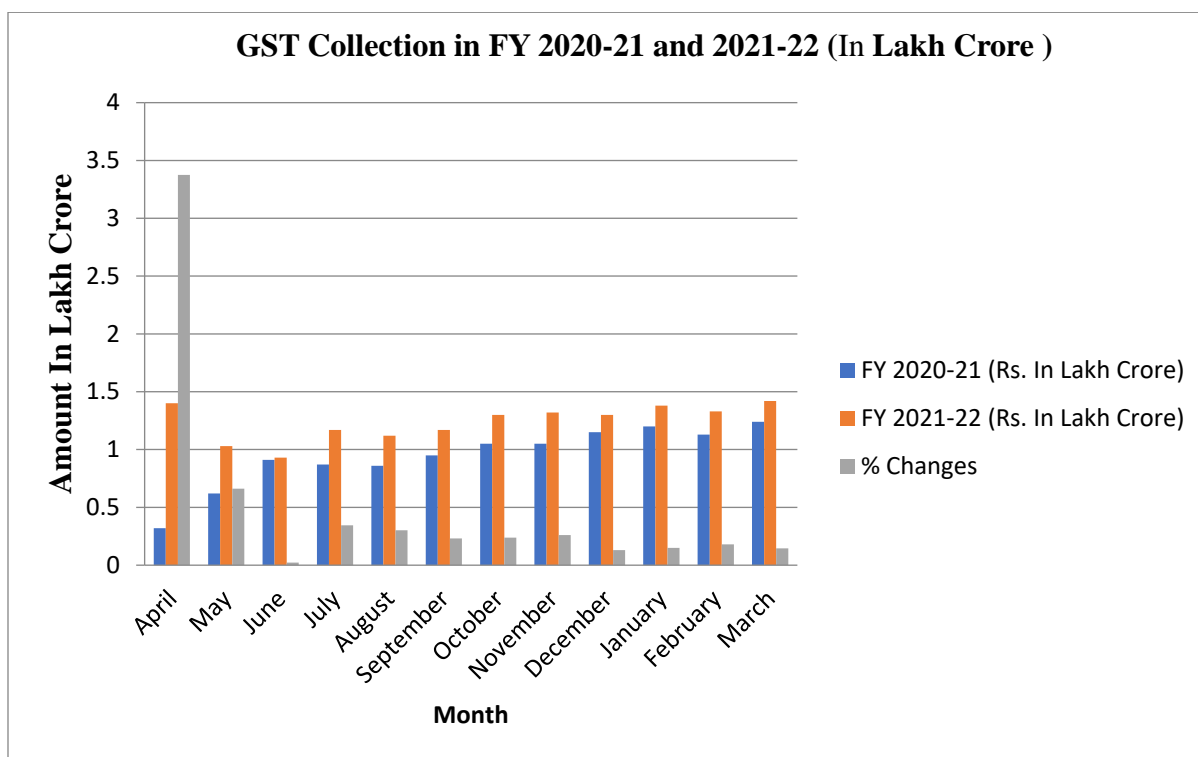


This table and graph shows that the GST collection for the financial year 2021-22. Where GST collection was Rs 1.41 lakh crore in April 2021 and Rs 1.42 lakh crore in March-22. This graph is showing the progress in the collection of a GST.

GST Collection in FY 2020-21 and 2021-22 (In Lakh Crore)

Month	FY 2020-21 (Rs. In Lakh Crore)	FY 2021-22 (Rs. In Lakh Crore)	% Changes
April	0.32	1.4	338%
May	0.62	1.03	66%
June	0.91	0.93	2%
July	0.87	1.17	34%
August	0.86	1.12	30%
September	0.95	1.17	23%
October	1.05	1.3	24%
November	1.05	1.32	26%
December	1.15	1.3	13%
January	1.2	1.38	15%
February	1.13	1.33	18%
March	1.24	1.42	15%
Total	11.37	14.96	32%

Source- <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1776181>



Based on the above data the GST Collection in FY 2020-21 and 2021-22 is shown and GST revenue in April 2020 is Rs 0.32 lakh crore, while GST revenue in April 2021 is Rs 1.4 lakh crore. The GST collection in April 2021 increased by 338 % over the amount in April 2020. The gross GST revenue collected in the month of March, 2021 is 1.24 Lakh **Crore** and in March 2022 is Rs 1.42 lakh Crore. The GST revenues during the month of March, 2022 have shown the growth of 15% above the amount generated in March 2021.

Total GST collection in the FY 2020-21 and FY 2019-22 is Rs 11.37 & Rs 14.96 Lakh Crore respectively. Overall percentage growth of GST collection at the end of the of FY 2021-22 as compared to FY 2020-21 is 32%. The constant growth of GST collection is a positive sign for the Indian economy, which will help in increasing the revenue of the government.

7. CONCLUSION

An examination of the literature reveals that GST would result in a One Nation, One Tax market. Introduction of GST in India a big step towards tax reform. One of India's most significant tax changes. The GST is ready to connect state economies and stimulate the overall economic process. India being a democratic country, some part of the GST collection goes to the state government as SGST and to the central government as CGST. GST benefits both producers and consumers by providing extensive overview of input tax credit set-off and tax consolidation. GST has the ability to boost GDP, increase the tax base, attract foreign investment, and pave the path for the Make in India initiative, ultimately producing a plethora of employment possibilities.

As a result, GST might be a huge game changer for India's economic advancement. This is anticipated to boost the reach of Indian product in the worldwide market with the help of GST, as well as the export of Indian goods has also increased.

GST will reduce the tax burden on final users while simultaneously cutting prices, raising consumption and demand of goods and growing GDP. After the implementation of GST, the tax collection of the government has also increased.

REFERENCES

[1] Bhura, P., & Jha, A. (2022). Assessment of the Impact of COVID-19 on GST Collection in India. *Sachetas*, 1(2),

70-75.

- [2] Dani, S. (2016). A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy. *Business and Economics Journal*, 1-2.
- [3] Garg, Y., & Gupta, J. (2017). AN EXPLORATORY STUDY ON EVOLUTION & IMPLEMENTATION OF GST IN INDIA. *ICITSEM-17*, (pp. 240-244). Delhi.
- [4] Leemput, E. V., & Wiencek, E. A. (2017). The Effect of the GST on Indian Growth. *Board of Governors of the Federal Reserve System, International Finance Discussion Paper Note*, 1-10.
- [5] Lourdunathan, F., & Xavier, P. (2016). *A study on implementation of goods and services tax (GST) in India: Prospectus and challenges*. *International Journal of Applied Research* 2017, 626-629.
- [6] Muthupandi, S., & Xavier, A. J. (2017). *Awareness of Implementation of Goods and Services Tax (GST) Among College Students' in Sivakasi*. *International Journal of Engineering Science and Computing*, Volume , 11065-11070.
- [7] Nath T V, S. (2019). Implementation of Goods & Service Tax (Gst) in India Emerging Opportunities & Challenges. *Journal of Research in Business and Management*, 58-60.
- [8] Priya, B. (2017). GST – A Game Changer. *International Journal of Management Research and Social Science (IJMRSS)*, 10-12.

WEBSITES

- [1] <http://gstcouncil.gov.in/brief-history-gst>
- [2] <http://www.kompassindia.com/blog/types-of-gst-in-india-cgst-sgst-igst-and-utgst-explained/>
- [3] <https://cleartax.in/s/what-is-sgst-cgst-igst>
- [4] <https://quickbooks.intuit.com/in/resources/gst-center/advantages-of-gst/>
- [5] <https://www.kotak.com/en/stories-in-focus/a-look-at-the-benefits-of-gst.html>