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THE JOURNEY OF GOODS & SERVICES TAX (GST) IN INDIA: AN OVERVIEW

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Abstract

GST is known as the Goods and Services Tax. It is an Indirect tax which has replaced many indirect taxes in India such as the Excise duty, VAT, Services Tax, etc. The Goods and Service Tax Act was passed in the parliament ***on 29th March 2017*** *and came into effect on* ***1st July 2017****. GST is Levied on the supply of Goods and Services. Goods and Services Tax Law in India is* ***a comprehensive, multi-stage, destination-based tax*** *that is levied on every value addition. Goods and services are taxed with rates 0%, 5%, 12%, 18% and 28%. It would not only widen the tax regime by covering goods and services but also make it transparent. It would bring down the price of goods and services and thus increase consumption. It would create business- friendly environment and increase tax GDP ratio. It is Expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of India. GST is a single domestic indirect tax law for the entire country. This paper presents an overview of GST concept, explains its features along with its timeline of implementation in India.*

Keywords: *GST, Tax Reform, Indirect tax*

INTRODUCTION

India, as world's one of the biggest democratic Country, had a federal tax system for levying various taxes. Different types of indirect taxes were levied and collected at different points in the supply chain. The center and the states are empowered to levy respective taxes as per the Constitution of India. The value-added tax (VAT), when introduced, was considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level. The Goods and Services Tax (GST) has been a further significant breakthrough towards a comprehensive indirect tax reform in the country. The Goods and Services Tax (GST) has been identified as one of the most important tax reforms post-Independence. GST is a path-breaking indirect tax reform that will create a common national market by removing inter-state trade barriers. GST is a comprehensive tax levy on the manufacturing, sale, and consumption of goods and services at the national level. GST will be an indirect tax at all stages of production to bring about uniformity in the system. It would also enhance the position of India in both the domestic and international markets. GST would reduce the overall tax burden. Presently, there are around 160 countries that have implemented GST. France was the first country to introduce GST.

REVIEW OF LITERATURE

- **S.Thowseaf, M. Ayisha Millath (2016)** studied A Study on GST Implementation and its Impact on Indian Industrial Sectors and Export, conclude that GST would lower the cost of goods and services overall by integrating the tax base and facilitating the smooth flow of input tax credit along the value chain of goods and services. It will lessen cascading and double taxation and enable compliance by lowering the overall tax burden on goods and services. The average tax burden on businesses will decrease, which will lower the cost of Indian goods and services in the global market and increase Indian industrial standards and exports.
- **Milandeep Kour et al. (2016)** studied 'A STUDY ON IMPACT OF GST AFTER ITS IMPLEMENTATION, and concluded that the main goal of the GST is to make India's existing indirect tax system simpler. An appealing way to stop the distortion of the current multiple taxes process is through a well-designed GST. Additionally, the government has stated that GST will lessen the burden of compliance. Indian and imported items will currently be taxed equally and there won't be any distinction made.
- **Sashi Kapoor (2018)** studied An Overview of Goods and services Tax (GST) in India, he emphasized, India has brought itself into a tax system that is nearly identical to that of the rest of the world. Because it will remove economic distortions and lower the cost of collection, the tax system is known to be efficient. It will result in more productivity, more job opportunities, a

thriving GDP, and provide India with a platform to expand the national design of the GST while resolving competing stakeholder interests and securing full political support for this important tax reform.

➢ **Manisha Patawari and S.P. Srivastava (2020)** studied GST: A Journey to Make India a Single Tax Economy, conclude that Independence had unified India politically but after 70 years of Independence GST has unified India economically. Advent of GST not only change the tax laws but also has great impact of center state relations and the seventh schedule. Though the implementation of GST was a chaotic and confusing at the beginning but now after completing the journey of almost 3 years GST is able to achieve its objective.

OBJECTIVE OF THE STUDY

- To Study the Overview of GST (Goods & Services Tax) & its Implementation in India.

RESEARCH METHODOLOGY

❖ The study adopts a descriptive research design and is based on secondary data, which is gathered from a variety of sources, including past literature from respective newspapers, journals, magazines, and online databases. Accessible secondary data is intensively used for research studies.

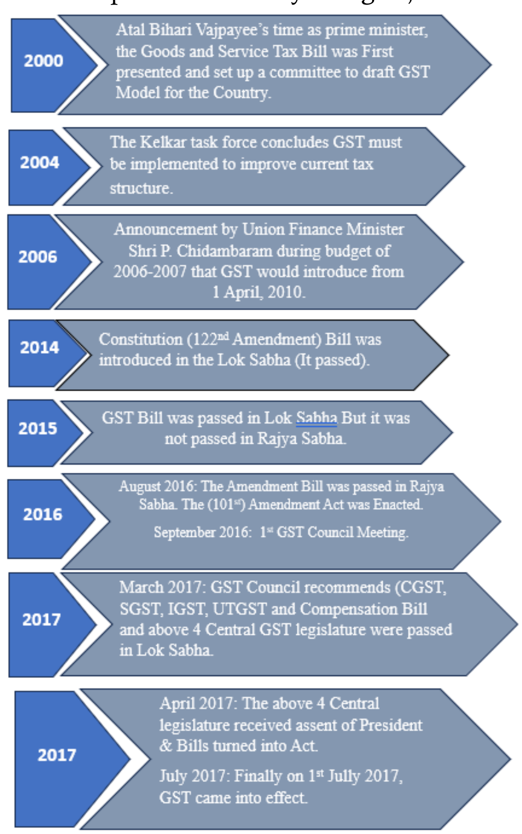
3.1 Meaning & Definition of Goods and services

- Goods and services tax is one of the indirect Tax. GST has subsumed all the earlier taxes and created a simple network of single tax. After 101st constitutional Amendment Act, 2016 both center and state simultaneously charge taxes on both goods and services. Definition of Goods and Services tax is provided in constitution of India.
- Article 366 (12A)3 defined Goods and Services Tax as introduced by 101st Constitutional Amendment Act,2016 "Goods and Services tax" means any tax on supply of Goods or Services or both except taxes on the supply of the alcoholic liquor for human consumption.

3.2 Genesis/ Journey of GST

❖ The main aim of this taxation system is to curb the cascading effect of other indirect taxes, and it is applicable throughout India. On **July 1st 2017,** the Goods and Services Tax implemented in India. But, the process of implementing the new tax regime commenced a long time ago.

❖ The following table shows the list of states in India that confirmed implementing the goods and service tax (GST) Constitution amendment bill in their respective states. By doing so, it will harmonize the taxation system in India.



States In India Who confirm Goods and Service Tax (GST) Constitution Amendment Bill

No	State	Passed On
1	Assam	12th August, 2016
2	Bihar	16TH August, 2016
3	Jharkhand	17th August, 2016
4	Himachal Pradesh	22nd August, 2016
5	Chhattisgarh	22nd August, 2016
6	Gujrat	23rd August, 2016
7	Madhya Pradesh	24th August, 2016
8	Delhi	24th August, 2016
9	Nagaland	26th August, 2016
10	Maharashtra	29th August, 2016
11	Haryana	29th August, 2016
12	Sikkim	30th August, 2016
13	Telangana	30th August, 2016
14	Mizoram	30th August, 2016
15	GOA	31th August, 2016
16	Odisha	1th September, 2016
17	Puducherry	2th September, 2016
18	Rajasthan	2th September, 2016
19	Andhra Pradesh	8th September, 2016
0	Arunachal Pradesh	8th September, 2016
21	Meghalaya	9th September, 2016
22	Punjab	12th September, 2016
23	Tripura	26th September, 2016

3.3 GST Council

❖ AS per Article 279(1) of the amended Constitution, the GST Council has to be constituted by the president within 60 days of the commencements of Article 279A. the notification for bringing into force Article 279A with effect from 12th September, 2016 was issued on 10th September,2016.

➢ **Members in GST Council**

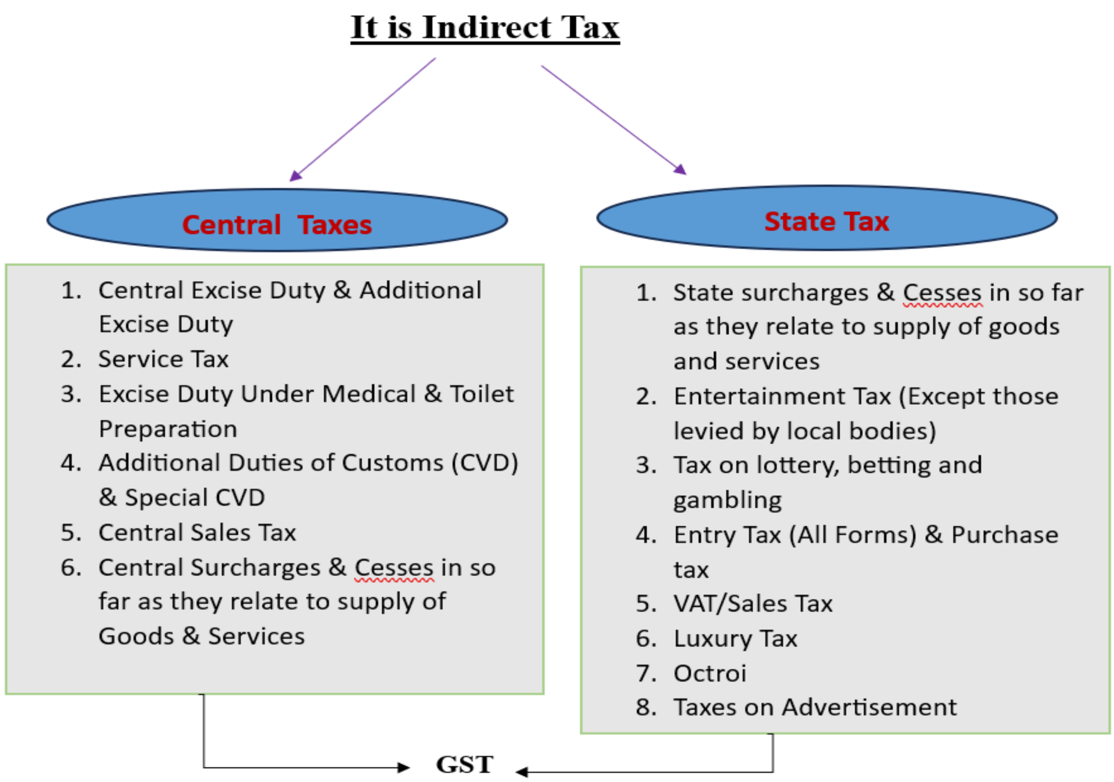
The following are the members of GST Council.

- The Union Finance Minister (Chairperson- Nirmala Sitaraman)
- The Union Minister of States in charge of Revenue or Finance (Member)
- The Minister in Charge of Finance or Taxation or any other Minister nominated by each State Government (Member)
- The Vice- Chairperson of GST Council is elected by GST council from amongst its members.

✓ The GST Council is a constitutional body responsible for making recommendations on issues related to the implementation of the Goods and Services Tax (GST) in India. The first meeting of the GST council was held on September 22-23, 2016, and since then, the council meets periodically to deliberate and decide on various issues related to GST.

✓ The council has been instrumental in deciding key issues related to the GST such as tax rates, exemptions, thresholds, and administrative procedure. During its meetings, the GST Council takes decisions through a consensus-based approach every decision of the GST Council shall be taken by a majority of not less than three -fourths of the weighted votes of the members present and voting with a weightage of one-third of the total votes cast to the Centre and a weightage of two-third of the total votes cast to the states, promoting the spirit of the co-operative federalism.

➢ In India GST has subsumed (absorbed or include) multiple indirect taxes imposed by central and state.



➢ **Goods and Services Not Covered Under GST**

- Petroleum Products: The Central Sales Tax is responsible for collecting a tax on crude oil, high-speed diesel, motor spirit (petrol), natural gas, and aviation turbine fuel.
- Real land, electricity, customs duty, and alcohol intended for human consumption are among the commodities and services that are exempt. (Article 366-12A proposed)
- • Both central excise duty and GST apply to tabaco goods.

3.4 Structure of Dual Model of GST in India

- Dual GST means that GST will be Levied simultaneously by Central and State Government. It means that both the Central Government and the state government can impose tax and collect taxes through the laws of this country. Many countries in the world have a single unified GST system like Canada.
- As per the constitution the structure of GST dual model, the taxing power currently is split between the central and the state. Considering the dual power to tax a transaction under GST, the structure is called the Dual model of GST.
- When the supply of goods or services happens within a state called intra-state transactions, then both the CGST and SGST will be collected.
- Whereas if the supply of goods or services happens between the states called inter-state transactions, then only IGST will be collected.
- As per the newly implemented tax system, there are 4 different types of GST:

➢ Central Goods and Services Tax (CGST)
➢ State Goods and Services Tax (SGST)
➢ Union Territory Goods and Services Tax (UTGST)
➢ Integrated Goods and Services Tax (IGST)

✓ **CGST:** This implies that both the Central and State governments will agree on combining their levies with an appropriate proportion for revenue sharing between them. For example: If a trader from Gujarat has sold goods to a customer in Gujarat worth Rs. 5,000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST.

✓ **SGST:** SGST is levied by the state on the goods and services that are Purchased or sold within the state. For example: If a trader from Gujarat has sold goods to a customer in Gujarat worth Rs. 5,000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST.

✓ **UTGST:** The Union Territory Goods and Services Tax is the counterpart of SGST which is levied on the supply of goods and services in the Union Territories of India. The UTGST is applicable on the supply of goods and services in Andaman and Nicobar Island, Chandigarh, Daman Diu, Dadra and Nagar Haveli and Lakshadweep.

✓ **IGST:** The Integrated Goods and Services Tax under the GST regime that is applied on the inter- state (between 2 sates) supply of goods and services as well as on imports and exports. Under IGST, the body responsible for collecting the taxes is the Central Government. After the collection of taxes, it is further divided among the respective states by Central Government. For example, If a trader from Uttar Pradesh has sold goods to a customer in Maharashtra worth Rs.5,000 then IGST will be applicable as the transaction is an inter state transaction. If the rate of GST charged on Goods is 18%. The IGST collected is Rs. 900, which will be going to the Central Government.

3.5 GST Network

- Infosys Technologies and the information technology network develop the GSTN software that provides the computing resources, which are maintained by the NIC. GSTN is the backbone of the common portal, which is the interface between the taxpayer and the government. The entire process of GST is online, starting from registration to filing returns. It has to support about $3 billion per month and the subsequent return filing for 65 to 70 lakh taxpayers. The GSTN will handle:
- Invoices
- Various returns
- Registrations
- Payments & Refunds

❖ **GST Registration**

Any business that qualifies for GST has to register on the GST site that the Indian government has set up. A special registration number known as the GSTIN will be assigned to the registered entities. Registration is required for all service providers, purchasers, and sellers. Businesses that generate a total revenue of Rs. 20 lakhs or more in a fiscal year are obligated to register for GST.

❖ **GST Payments**

Currently, the GST must be paid every month. The GSTR-1 and GSTR-3B must be filed. In the case of refunds, the relevant forms must be submitted as well. GST payments can be made both online and offline. Once the payment has made, a challan must be generated.

❖ **GST e-Way Bill**

The e-Way bill is an electronic document that is created to demonstrate verification of the transportation of goods. The bill is generated from the GST portal.

it was made compulsory for inter-state transport of goods from 1june,2018. Every interstate movement of products that goes over 10 kilometers and the ₹ 50,000 threshold needs it to be generated.

A GST invoice needs to be connected with every e-Way bill.

3.6 Supply in GST

❖ The Event of GST start when there is a supply.

According to Sec 7 (1), Supply is defined by way of scop of supply which is includes:

A. All forms of supply of goods and services or both such as sale, transfer, barter, licence, rental, lease or disposal made or agreed to made for consideration by a person in the course or furtherance of business.

B. Import of services for a consideration whether or not in the course or in the furtherance of business, and

C. The activities specified in Schedule I made or agreed to made without a consideration.

Section 7 (1) (a),

To constitute a supply, two conditions subject to exceptions stated under the act must be fulfilled simultaneously

1. Supply shall have been made for a consideration and
2. Supply shall have been made in the course of furtherance of business.

❖ **Types of supply**

➢ On the basis of Movement
➢ On the basis of Continuity
➢ On the basis of Taxability
➢ On the basis of Geographical

3.7 Input Tax Credit

❖ **Input Tax**

- The tax that a registered business pays on a purchase of goods and services for furtherance of business is called input tax.
- Section 2(62) of CGST Act defines 'input tax'

- Input tax means the Central tax (CGST), State tax (SGST), Integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods and services made to a registered person.
- It also includes tax paid on reverse Charge basis and integrated tax charged on import of goods.
- It does not include tax paid under composition levy.

❖ **Input Tax Credit**

According to **Section 2(56) of CGST Act "Input tax credit"** means credit of 'input tax'. GST which is paid at the purchase when reduced from liability payable on outward supplies is Known input tax credit. It means at that time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.
For example: Mr. X a trader purchases good worth Rs. 1,000 and pay tax of 18% on it i.e. Rs. 180. Then Mr. X sold such goods at Rs. 1,500 and collect tax of Rs. 270 from buyer. Now the trader has to pay Rs. 270 to government but he had already paid Rs. 180. So this Rs. 180 is ITC of the trader Mr. X and will be allowed as deduction from tax payable:

- Outward GST Payable 270
- Less: Input tax (GST paid on purchase) 180

He has to pay net Rs. 90 as tax GST (GST Payable)

3.8 Importance of GST

GST Reform will play a crucial role for trade, government and consumers in the following manner:
(a) **Trade**: multiplicity of taxes will be reduced, simple tax and fewer rates and exemptions, development of one nation or one common economic market, effectiveness in reducing cost for domestic industries.
(b) **The Government**: tax base broadening, easy & simple taxation system- one common tax across the country, great improvements towards collections of revenues, recourse utilization would be more effective.
(c) **The Consumer**: reduction in the cost of goods and services due to significant elimination of cascading effect on taxes, increase in household income and purchasing power, high increase towards investment potential.

3.9 Salient Features/ Advantages of GST in India

➢ The motto of GST is "One Nation, One Tax and One Market".

- Simple & Transparent Tax
- Decreasing Tax Rate
- Uniform Tax Rates
- Removal of Cascading effect of Taxes
- Benefit of Composition Scheme
- Increase annual Tax Collection
- Consumption and Destination base Tax
- Benefits to Small Taxpayers
- Input tax credit
- Electronic filing of returns
- Promotion of E-Commerce
- Reduced Tax Evasion
- Boost to GDP Growth
- Improved Logistics and Supply Chain Efficiency

3.10 Disadvantages of GST

- GST involves complex Compliance procedures, especially for business operating in multiple states.
- Manufacturing states would lose big revenue.
- GST is a process of online return filing and making payments. This might be tough for some smaller business to adapt to.
- Industrialized states will be at loss in GST regime due to its Destination based feature.

3.10 GST Revenue Collection

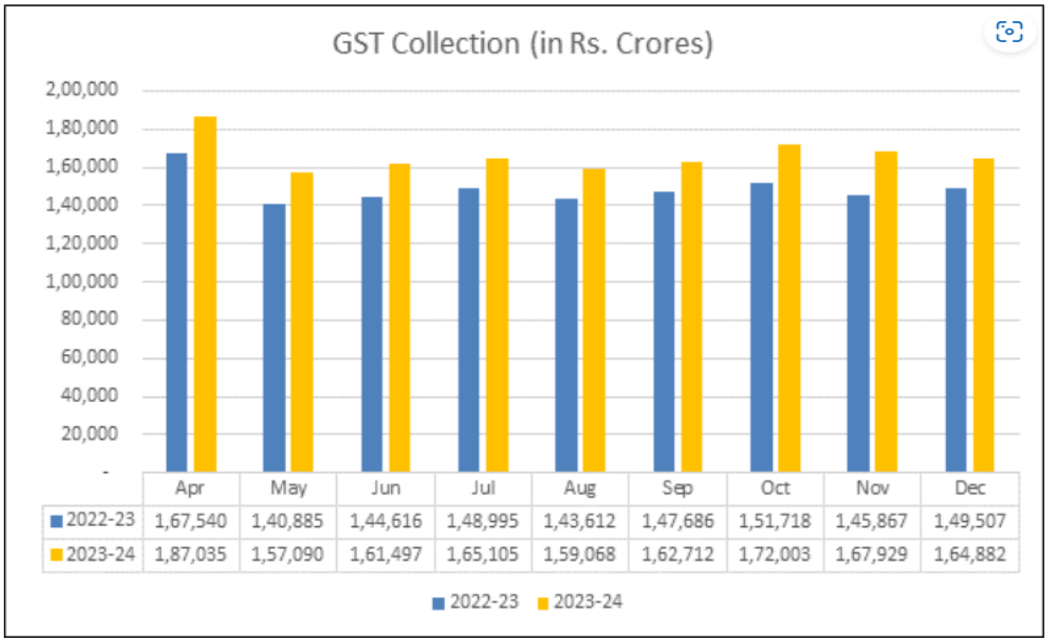
- During the April-December 2023 period, gross GST collection witnessed a robust 12% year-over-y growth, reaching ₹14.97 lakh crore, as against ₹ 13.40 lakh crore collected in the same period of the previous year (April-December 2022).
- The average monthly gross GST collection of ₹1.66 lakh crore in the first nine months of this year represents a 12% increase compared to the ₹1.49 lakh crore average recorded in the corresponding period of FY23.
- The gross GST revenue collected in the month of December 2023 is ₹ 1,64,882 crore, out of which CGST is ₹ 30,443 crore, SGST is ₹ 37,935 crore, IGST is ₹ 84,255 crore (including ₹ 41,534 crore collected on import of goods), and cess is ₹ 12,249

crore (including ₹ 1,079 crore collected on import of goods). Notably, this marks the seventh month so far this year with collections exceeding ₹ 60 lakh crore.

- The revenues for the month of December 2023 are 10.3% higher than the revenues from these sources during the same month last year.

The chart below shows trends in monthly gross GST revenues during the year.

Chart: Trends in GST Collection



3.11 GST Changes According to Union Budget 2023-2024

❖ The following are the changes in Goods and Services Tax (GST), as per the Union Budget 2023-2024 announced by honorable finance minister Nirmala Sitharaman:

- **Section 10 amended:** A composition scheme can be opted for if taxpayers supply goods through e-commerce operators.
- **Section 16 amended:** Failing to pay the supplier invoice value along with GST within 180 days from invoice issuance, the recipient taxpayer must pay the value with interest compounded under Section 50.
- **Section 37, 39, 44 & 52:** restrict taxpayers from filling out GSTR-1, GSTR-3B, GSTR-9, and GSTR-8 after the expiration of three years from the due date during the tax period.

FINDINGS

➢ The evolution of GST over the last five years would show that under the leadership of the GST Council, the indirect tax administration, as a whole, has adopted a two-pronged approach for augmenting revenue and plugging leakage in revenue in GST. On the one hand, the return filing process is being made easier through the auto-population of returns on the portal, and a number of trade facilitation policy measures are being taken to improve voluntary compliance by the taxpayers. On the other hand, various measures have been taken to plug the revenue leakage and to check fraudulent or wrong usage and utilization of input tax credit.

➢ The Goods and Services Tax will unite the Indian economy into one common market under a single umbrella of taxation rates, leading to ease of starting and doing business, an increase in saving, and a reduction in costs among various sectors.

➢ Complex rate structure: countries like Singapore and Malaysia have only 7% and 6% GST rates, respectively, while in India the whole GST structure is very complex, with four slabs under GST, i.e., 5%, 12%, 18%, and 28%.

CONCLUSION

❖ GST is designed to remove the burden by ending many indirect taxes. GST has been ushering India into an era of one tax, one market, and one nation, thereby exerting a positive impact on the GDP and increasing the size of the formal economy in the country. GST is a unified tax system that removes bundles of indirect taxes like VAT, CST, service tax, CAD, SAD, and excise duty, which is having a positive impact on the common man. In order to reduce the burden of small-scale industries, one tax system, GST, has been implemented. GST has faced many challenges since its implementation, which has resulted in many benefits.

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