

A Case Study on GST and Development of India in Modern Era

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Abstract: Goods and Service Tax which is also known as GST is an indirect tax which has been the biggest tax reform in the era of the Indian Indirect Taxation history also goes on to absorb various other taxes like VAT , CST , Service Tax , Excise Duty , Luxury Tax , Entertainment Tax , etc .
In this study we will study the benefits , challenges and impact of introduction of GST on the development of Indian Economy in the modern era. This study has been exploratory , casual and empirical in nature and the data needed for such research work has been collected through both direct and indirect methods of collection of primary and secondary data.

Keywords: GST , Indirect Tax , CGST , SGST , IGST

I. INTRODUCTION

Indirect Tax is a type of Tax which is usually passed on to another entity and in normal cases it is actually imposed on the suppliers or the manufacturers of a product who after paying it usually pass it to the final consumer of the final product .

1.1 Features of Indirect Tax :

Some of the Key Features of Indirect Taxes are as follows :

- **Tax Liability :** The service provider or the seller pays the indirect taxes to the government and then transfers the liability to the final consumers of the product .
- **Tax Evasion :** It is difficult to evade indirect taxes as they are implemented directly through the products and services .

1.2 Importance of Indirect Taxes :

Indirect Taxes are usually imposed by the government of the country to generate revenue and are levied equally upon the taxpayers no matter whether they are rich or poor or whatever may be their level of income .

1.3 Goods and Service Tax (GST) :

GST which is also known as the Goods and Service Tax is defined as that Indirect Tax Structure which has been specifically designed to support and help in better economic growth of the country .

The introduction of GST is regarded as one of the biggest tax reforms of the country which goes on to absorb many other indirect taxes like Excise , VAT , Service Tax , etc which have been levied by both the central and the state governments .

1.4 History of GST :

The introduction of GST in the Indian Tax System was a very significant issue and it started in the budget speech of February 2006 of the then Finance Minister of India .

Thereafter the GST system was launched at the midnight of 1st July 2017 by the President of India and the Government of India , in a ceremony held in the Central Hall of Parliament of India at a midnight session of both the houses of Parliament .

1.5 Benefits of GST :

It is thought that by pulling together various types of central and state taxes into a single tax called GST (Goods and Service Tax) it has actually gone on to reduce the bad effects of double taxation which in turn has gone on to reduce the overall tax burden on the goods and services .

The implementation of GST has also made the actual burden of indirect taxes on the goods and services much more transparent to the consumers of the products or services.

The introduction of GST will also go on to make the Indian products much more competitive both in the domestic as well as international markets owing to the nullification of the cascading effect of the input taxes across the entire value chain of the production and distribution of the goods and services.

Administration of GST will be much more easier than the previous indirect taxes due to its transparent nature .

1.6 Objective of the Study :

The main objective of this study is to find out the effects or impacts of the introduction of Goods and Service Tax in the Indian scenario and how much it can go on in helping in development of the country .

II. LITERATURE REVIEW

Monoj Purohit in his article titled , “ Impact of GST on the Indian Economy “ , stated that before 2017 , the people of India used to pay several types of indirect taxes for various types of transactions like purchasing , selling , manufacturing , retailing , marketing , etc in the form of Value Added Tax (VAT) , Excise duty , Service Tax , Central Sales Tax , Entertainment Tax , Luxury Tax , Sales Tax , etc , where the introduction of GST system in India has not only reduced the burden of paying different types of indirect taxes but has also eliminated the cascading effect of indirect taxation thereby introducing a uniform regime governing the indirect tax system in India .

Chirag Rana in his article titled “ A Study on Impact of GST on Indian Economy “ stated that GST is an indirect tax which is levied on manufacturing , sale and consumption of goods and services at a national level to bring about uniformity in the system and enhance economic growth of the country as integration of various taxes into a GST system will bring about an effective cross utilisation of credits .

Rhema Hans in her article , “ Benefits of GST in India “ stated that GST is an indirect tax that replaced many indirect taxes such as the excise duty , VAT , service tax and so on with the idea of “ One Nation , One Tax “ and the implementation of GST has been one of the biggest reforms in India which has significantly went on to impact the Indian economy .

III. RESEARCH METHODOLOGY

This study has been exploratory , casual and empirical in nature and the data needed for such research work has been collected through both direct and indirect methods of collection of primary and secondary data .

3.1 Direct Method

Primary data has been Collected by two stage sampling technique during field visit by personal interview through a structured questionnaire of randomly selected respondents who are either service holders or are engaged in or practices various types of professions , businesses or have other means of earning livelihood and are normal ordinary residents of Kolkata city of India .

3.2 Questionnaire

This method was undertaken to collect information and find out the views of the normal ordinary residents of Kolkata city of India who practices various types of activities to earn their livelihood .

3.3 Interview

Primary information related to this study has been collected by personal interview of randomly selected respondents who are mainly Indian citizens and are residents of the Kolkata city of India .

3.4 Indirect Methods

A number of books , newspapers , magazines , journals , websites , edited volumes , working papers , e-books and other reports were consulted to gather information related to our study .

The data obtained from both the primary and secondary sources was examined and analysed thoroughly and the results of the analysis are presented below .

IV. FINDINGS

In India it was the Government of India headed by the former Prime Minister Atal Bihari Vajpayee who set up a committee which was headed by former Finance Minister of West Bengal , Asim Dasgupta to look into the prospects and modalities of implementing GST system in India .

The introduction of GST in India was laid down in the historic budget speech of 28th February 2006 .

Thereafter on 1st July 2017 , GST was launched by the President of India and the Government of India at a historic midnight session of both the Houses of Parliament convened at the Central Hall of the Parliament .

Features of GST:

Some of the features of GST are as follows :

- The entire GST system in India is supported by an IT System which has introduced an online portal system for filling of GST returns .
- GST is a dual tax with the Centre and the States simultaneously levying tax on a common base and the GST which is levied by the Central Government is called Central GST (CGST) and that part which is levied by the State Governments is called State GST (SGST) .
- An Integrated GST (IGST) will be levied on Inter-State supply including stock transfers of goods or services . This shall be levied and collected by the Central Government of India and such tax shall be apportioned between the Centre and the States in the manner as may be provided by law by the Parliament of India on the recommendation of the GST council .
- CGST , SGST & IGST are levied at the rates which are mutually agreed upon by the Centre and the States of India .
- Import of goods or services into India would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties .
- Some of the Central Taxes which have been replaced by GST are a) Central Excise Duty , b) Central Sales Tax , c) Service Tax , d) Additional duties of Customs , etc ,
- Some of the State Taxes which have been replaced by GST are a) State VAT , b) Purchase Tax , c) Luxury Tax , e) Entry Tax , f) Entertainment Tax , g) Taxes on lotteries , betting and gambling , etc .

Components of GST :

GST is comprised of three main components which are as follows :

- **CGST** : The Central Government of India collects it on the intrastate sales.
- **SGST** : The State Governments of India collects it on the intrastate sales
- **IGST** : The Central Government of India collects it on the interstate transactions .

Advantages of GST in India :

Some of the advantages of introduction of GST system in India :

- The implementation of Goods and Service Tax has gone on to reduce a number of indirect taxes which was prevailing there before the introduction of GST in the Indian scenario , which in the process went on to simplify the tax procedure to a great extent .
- Various Tax Experts are on the idea that as the cascading effect of number of other indirect taxes has been removed it will go on to reduce the cost of production of various categories of products and services in the long run .

- The provision of exemption of service provider companies with a turnover lower than Rs 20 lakh from paying GST has gone on to help many small businesses to avoid lengthy taxation procedures .
- Organisations with a turnover of upto Rs 75 lakh under the GST taxation system can benefit from the composition schemes and pay only 1% tax on their turnover which in the process will go on to simplify the overall taxation process .
- Implementation of GST in India has gone on to reduce corruption by reducing sales without receipts .
- GST has gone on to reduce the need of small organisations to comply with various types of other taxes like excise duty, service tax , VAT etc .
- GST has brought accountability , regulations , etc , among various unorganised sectors of the country along with uniformity in the taxation process which goes on to allow centralised registrations which in turn goes on to allow the small business organisations of the country to file their tax returns every quarter via an online portal which in turn has gone on to reduce the dependency on the tax experts and in the process saves a lot of time and money .
- Implementation of GST has gone on to reduce the logistics cost to a great extent by eliminating border taxes and resolving the check post discrepancies which was there prior to the implementation of GST .

Disadvantages of GST in India :

Some disadvantages of introducing GST system are as follows :

- GST requires various firms to upgrade their current accounting softwares to any GST compliant accounting softwares to keep their operations running which in turn has actually gone on to increase the overall business expenses for purchasing , installing and training staffs to operate with any GST complaint softwares .
- Since with the implementation of the new GST system every single step from registration to filling of tax returns is done on online systems some of the small entrepreneurs of the country may find it difficult to handle it , as they will take some time to learn the digital aspects of the new tax system .
- Compliance requirement : As with the new GST tax regime most of the business organisations has to issue GST compliant invoices , keep electronic records and file returns as part of the registration procedure it has not only gone on to increase the business expenses of many small and medium businesses of the country but has also created infrastructural problems as many Indian states are still not ready to embrace e-governance system of the new GST tax regime .
- Complicated Tax Rates : Instead of a single tax rate the GST council has implemented GST system with 5 tax rates which many thinks has actually gone on to complicate the entire system as more or less every states of India has their own problems and wants a lower GST rates .
- Dual Control : Originally GST was referred to as a single taxation system, but in reality it has actually turned out to be a dual tax system as both the central government and the state governments are collecting separate taxes on a single sale and service transactions .

Journey of GST in India till date :

As observed over the years GST has been a complex procedure oriented law where if we miss one point it will go on to create problems in various other points .

Thereafter poor drafting of GST law complicated the problems further as many different types of opinions started coming on each and every issue and the government had to bring many amendments in the law through various notifications , circulars , orders , press release etc .

Although introduction of GST has been referred to as India's biggest tax reform in the history of Independent India but still now certain basic elements like GST Tribunal is missing .

Thereafter we see that AAR & AAAR were introduced in GST system to reduce complexities but various other conflicting orders added more complexities to this .

Importance of GST in overall development of India :

GST system which prevents cascading of taxes by providing a comprehensive input tax credit mechanism across the entire supply chain of the country has actually gone on to provide benefits to all the stakeholders like industry , government , citizens , etc , by lowering the overall cost of production of the goods and services and make our product globally competitive in the market and in the process has actually went on to boost the entire economy of the country .

- **Simpler Tax Structure :** The most important effect of introduction of GST is that it has made the tax structure much more comparatively simpler by making a single tax with comparatively easier calculations where a buyer gets a clear idea of the amount actually paid as tax , when purchasing a particular product .
- **Support for Small and Medium Enterprises :** The amount of GST which depends on the firm's annual turnover , provided the organisation have been registered under the composition scheme introduced by the GST system has actually gone on to help the small and medium enterprises .
- **More funds for Production :** The reduced amount of taxation under the GST system can be ploughed back into the production system to increase the quantity and the quality of the production to benefit the Indian economy in turn .
- **Increased Volume of Export :** Customs duty on exporting of goods from India has reduced under the new GST system which has not only gone to save money but has also gone on to pull many other production units to export their products which again has gone on to benefit the Indian economy in return .
- **Increased operations throughout India :** The unified Taxation System under GST Structure has eased or removed many transportation problems of goods throughout India which in turn has went on to boost the overall operations throughout the country .

Impact of GST on various types of businesses in India :

- **Textile :** Textile Industry in India is not only one of the largest employers of skilled and unskilled labour but it also constitutes a big portion of the total Indian exports and therefore with the removal of customs duties the textile exports is likely to go up .
- **Automobile :** Taxes like Excise, VAT , Road Tax , Motor Vehicle Tax , Registration Duty etc which has been removed and replaced by GST has actually gone on to have a impact on reducing the overall vehicle prices .
- **Agriculture and farming :** According to the studies it has been observed that even today agriculture is one of the biggest contributor to Indian GDP and with the implementation of GST which has gone on to reduce the cost of logistics and transportations throughout the country , it has actually went on to cause a much better positive impact on the overall agricultural production of the country .

Future of GST in India :

According to the observation of the Pre GST era the lack of a unified tax system also made nationwide surveillance very difficult and actually created many loopholes which were used by the dishonest business persons to escape their tax liability .

Therefore with a goal to streamline the entire indirect tax system of India and have “ One Nation One Tax “ ideology and policy , GST system was introduced into the Indian system which can actually be considered as the beginning of the modern day tax compliance system by having a common tax law to unify the operations of the entire country .

Therefore according to this study the future of GST system in India is bright with more and more new reforms coming into place introducing more automation in the overall tax compliance system of the country with one unified indirect tax system for the entire country .

V. CONCLUSION

According to this study we see that with the implementation of GST system in India it has not only made the tax compliance system easy for all but with the introduction of an online portal it has not only made the filling of GST returns very easy but has also actually gone on to reduce tax frauds in the country .

Therefore according to this study the positive impact of GST on the Indian economy can be the creation of a system of transparency in the sales process which has definitely gone on to help the economy in increasing the GDP of the country in the long run .

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