IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 5, Issue 1, March 2025
Impact Factor: 7.67

An Analytical Study of GST Implementation and Its Impact on Tax Revenue Collection in India

Ravindra A.R.[1] and Dr. Vinita[2]
[1]Research Scholar, Department of Commerce
[2]Research Guide, Department of Commerce
Sunrise University, Alwar (Raj.) India

Abstract: *As a key component of a country's fiscal system, the Goods and Services Tax (GST) is a destination-based indirect tax that is collected by both the federal and state governments to fund public spending. In contrast to other existing indirect taxes, the Goods and Services Tax is intended to be a complete indirect tax levy on the production, sale, and consumption of goods and services, together with a consistent input tax credit facility on output tax obligation at the state and federal levels. An effort has been made in this research to create a roadmap regarding the GST tax, collection, and distribution between the federal government and the states. Therefore, it is anticipated that the GST would bring the nation's economy together by combining all of the taxes that are presently imposed at separate locations and charging different rates.*

Keywords: Implementation, Taxation, Reforms, Compliance, Revenue, Collection, Transparency.

I. INTRODUCTION

After the Lok Sabha passed the Constitution (122nd) Amendment Bill, 2014 for the Goods and Services Tax (GST) on May 6, 2015, the Indian government appears committed to replacing all indirect taxes on goods and services that are imposed by the federal government and the states. This is expected to happen by April 1, 2016 (Budget Speech 2015 by Mr. Arun Jaitley, Former Finance Minister, Government of India). With the option to claim an input tax credit on output tax, the goods and services tax is a destination-based tax that is collected uniformly across many points of production, sales, and service delivery. In its most basic form, GST is a tax on goods and services that is applicable at every point of sale or service delivery. The seller or service provider may claim the input credit of the tax he paid at the time of sale or service delivery. In essence, it is a final consumption tax. Since almost all products and services would be subject to GST, with very few exceptions, it is expected that the tax base will be broad. By creating a single Indian market and lowering the tax's cascading impact on the price of products and services, the GST will revolutionize the Indian economy (Kumar, 2014).

The existing indirect tax system will undergo a comprehensive makeover as a result of its effects on the tax structure, tax incidence, tax computation, tax payment, compliance, credit use, and reporting. India intends to charge and collect taxes under the dual GST mechanism. whereby the GST will be imposed concurrently by the Center and the States along the value chain. Every supply of goods and services will be subject to taxation. The State Goods and Services Tax (SGST) would be levied and collected on all transactions within a State, while the Central Goods and Services Tax (CGST) would be levied and collected by the Center. At each step, the CGST obligation on the output might be discharged using the CGST input tax credit. In a similar vein, SGST on output might be paid using the credit of SGST paid on inputs. Credit cross-utilization would not be allowed. All interstate supplies of goods and services would be subject to the Integrated Goods and Services Tax (IGST), which would be levied and collected by the Center. The purpose of the IGST system is to guarantee that input tax credits are transferred smoothly across states.

After calculating the credit of IGST, CGST, and SGST on his purchases, the interstate seller would pay the Central Government the IGST on the sale of his products. The exporting state will provide the center the SGST credit that was utilized to pay the IGST. When the importing dealer pays his output tax duty (both CGST and SGST) in his home state, he will claim the IGST credit. The IGST credit utilized to pay the SGST will be transferred by the Center to the importing State.

The introduction of GST in India would absorb the various indirect taxes at the federal and state levels, according to professional opinion and earlier research such as that conducted by Kumar (2014), Garg (2014), Bhiwandikar (2013), and the Government of India (2009). 1) Central Excise Duty; 2) Additional Excise Duties; 3) The Excise Duty imposed under the Medicinal and Toiletries Preparation Act; 4) Service Tax; 5) Additional Customs Duty; 6) Special Additional Duty of Customs; 7) Surcharges; and 8) Cesses are the taxes that will be absorbed by the GST at the central level. Lastly, taxes and levies at the state level that will be absorbed: Sales tax, VAT, entertainment tax (until local governments impose it), luxury tax, lottery, betting, and gaming taxes, state cesses and surcharges related to the provision of goods and services, and entry tax not in place of octroi are the first six taxes. However, petroleum items, alcohol, and tobacco would remain exempt from the GST system. The structure of the remaining paper is as follows: - The literature that is pertinent to the goals of this proposed effort is summarized in Section 2. The research approach is covered in section three. The discussion to accomplish the stated goals is presented in part four, and the current study is eventually concluded in section five.

II. LITERATURE REVIEW

In 1950 AD, France began the first implementation of the Goods and Services Tax (GST), also known as Value Added Tax in other countries (Lin, 2008; Palil & Ibrahim, 2012). Approximately 160 nations now use the GST as a component of their indirect tax collecting system. The highest rate of value-added tax is 40% in the Gambia, 21% in Argentina and Belgium, 20% in Bulgaria, Austria, the United Kingdom, and Albania, 19.25% in Cameroon, 10% in Angola and Australia, 7% in Singapore, and the lowest rate of 5% in Canada, Japan, Niue, and Nigeria (Sanusi et al., 2015; Onji, 2009; Ezeoha & Ogamba, 2010). It is applicable throughout the globe. However, the Indian government first suggests three rates: 16% for services, 20% for products, and 10% for necessities, however a set and precise rate of GST to be imposed and collected has not yet been established (Bhiwandikar, 2013). (Garg, 2014) A study titled "Basic Concepts and Features of Good and Service Tax in India" concluded that the GST is the most sensible move India has made toward a comprehensive indirect tax reform since gaining independence.

In order to strengthen the Indian economy, the GST will establish a single, unified market. By removing tax obstacles between States and uniting India via a single tax rate, experts predicted that the GST would increase revenue collections and spur economic growth in India. Because everyone in the value chain who receives input tax credit has an incentive to make sure that the preceding individuals have paid the tax, the implementation of GST will promote tax compliance among taxpayers. Overall, the government will find it simpler to administer taxes (Sanusi et al., 2015). With a lower tax rate achieved by expanding the tax base and reducing exemptions, the GST will fairly distribute the tax burden between manufacturing and services.

In the federal nation of India, the authority to impose and collect taxes via suitable legislation has been delegated to both the central government and the states. A "Dual GST" concept has been suggested for India, where taxes on goods and services would be imposed by the state (State GST) and the central government (Central GST). Therefore, a dual GST would be in accordance with the fiscal federalism provision of the Constitution (Kumar, 2014). In 2011, Vasanthagopal The study "GST in India: A Big Leap in the Indirect Taxation System" concluded that the benefits depend on the GST's neutral and logical design, balancing the competing interests of different stakeholders, and full political support for a constitutional amendment that would fundamentally reform the tax system. In addition to significantly increasing indirect taxes, GST will provide a fresh boost to India's economic transformation.

Additionally, it should be mentioned that more than 160 nations have implemented GST in one form or another, and it is quickly taking the lead as the preferred indirect tax in the Asia Pacific area. Numerous studies, such as those by Kumar (2014), Bhiwandikar (2013), and Garg (2014), have been conducted that primarily focus on comprehending the GST idea and critiquing the current tax structure in India. However, there are no research funds that focus on explaining and comprehending the system of GST tax and collection between the federal government and the states. In order to investigate the answer to the following research question, the researcher has done this investigation. How will

IJARSCT

International Journal of Advanced Research in Science, Communication and Technology

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

ISSN: 2581-9429 Volume 5, Issue 1, March 2025 Impact Factor: 7.67

the central government and the states charge and collect GST? Does the GST's implementation in India make sense? What are the GST's advantages and disadvantages?

The current study has set out to accomplish the following goals in order to answer the aforementioned research questions:

1. To understand the reasoning for the shift to the GST model.
2. To research the GST regime's tax collecting method.
3. To understand the advantages and difficulties of implementing the GST.

III. METHODOLOGY

Methodology is developed to handle the research topic and in accordance with the established goals. This essay attempted to provide an overview of the GST and the suggested system for collecting and allocating taxes between the federal government and the states. It also looks at the GST's potential effects, mechanism, and possibilities. The secondary data and facts gathered from books, journals, magazines, newspapers, and websites are the main focus of this research. The research is conceptual in nature, and facts rather than numbers are used to support it. To provide a clear understanding of the GST collection and sharing mechanism between the central government and the states, as well as the process for claiming the input credit, a visual presentation has been used. The research is also restricted to discussing the potential effects of implementing a goods and services tax in India on the country's ability to compete globally.

IV. DISCUSSION AND ANALYSIS

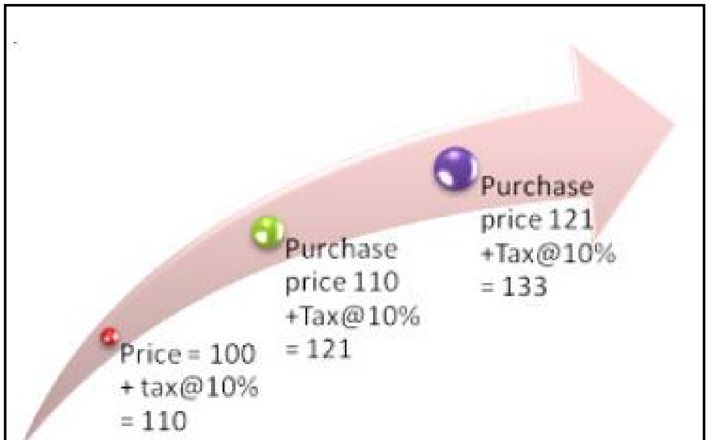
To analyze the rationale, the collecting system, and the prospects and problems of the GST, this part is further split into three subsections.

Ratiationality Behind the GST

The Central Government is now authorized by the Constitution to impose service taxes on service providers and excise taxes on industry. Additionally, it gives state governments the authority to impose value added tax (VAT) or sales tax on the sale of products. The nation now has a wide variety of indirect taxes as a result of this exclusive separation of fiscal authorities. Additionally, the Central Government imposes a central sales tax (CST) on interstate sales of products, which the exporting States collect and keep. Furthermore, the entrance of commodities into municipal territories is subject to entry taxes in several states. The nation now has a complicated indirect tax system with hidden expenses for business and commerce as a consequence of the many state and federal levies. First off, tax rates and structures vary from state to state. Secondly, 'tax on tax' causes a cascade of taxation.

When merchants pay state-level sales tax or VAT, they are not eligible to get a credit for excise duty and service tax paid at the manufacturing stage, and vice versa. Additionally, state taxes paid in one state cannot be credited to another state. This 'tax on tax' causes the prices of products and services to be artificially increased. GST would significantly affect almost every facet of the nation's commercial operations, including supply chain optimization, IT, accounting, and tax compliance systems, as well as product and service pricing. What is the rationale behind GST? This research starts by explaining the crucial idea of the cascading impact of taxes in order to respond to this topic. It seems sense to term it "taxes on taxes" as well. Assuming that Mr. A sells items to Mr. B after charging sales tax, and that Mr. B subsequently resells same products to Mr. C after charging sales tax, it is easy to show. It becomes a tax on tax since Mr. B used the sales tax paid on a prior transaction when calculating his sales tax due.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 5, Issue 1, March 2025
Impact Factor: 7.67



Source : https://www.quora.com/How-will-the-goods-and-sevices-tax-GST-work-...

A few years ago, this was the situation with the sales tax. A VAT system was then implemented, allowing each subsequent merchant to get credit for taxes paid at a previous stage against his tax obligation. In addition to lowering the total responsibility of several merchants, this lessened the effect of inflation on prices. A similar idea was used in the Central Excise Duty, a manufacturing tax that existed long before the sales tax. Trade and industry also welcomed the CENVAT credit program, formerly known as MODVAT, which enabled the credit of excise tax paid at the input stages to be offset against the excise burden on removal of products. This system was expanded to include service tax with effect from 2004.

Additionally, it was allowed to cross-use the excise duty and service tax credit. These actions address the issue of the cascading impact of taxes to a large degree. Nevertheless, the system still has issues that haven't been fixed as of yet. Here, the issue is handled. Input VAT may be credited against output VAT. Similarly, the input excise/service tax credit may be deducted from the output excise/service tax obligation. Nevertheless, VAT cannot be credited against excise taxes, and vice versa. As everyone is aware, VAT is calculated using a value that includes excise charge. In the same way, CENVAT credit is only permitted for input-related excise duties and not for input-raw material VAT.

This demonstrates the existence of a tax on tax. One of the reasons such a cross-utilization of credits was prohibited was because the Central Government levies excise duty and service tax, while the State Government levies VAT. This, however, is not a good enough argument to support the cascading impact of taxes. For the people, a tax is a tax, and there is a tax on tax, regardless of whether it is imposed by the State or the Center. Among many other issues, this one is addressed by the GST. Therefore, the implementation of the GST would be a blatant break from the Constitution's intended system of fiscal power sharing. In addition, as other developing nations have shown, GST will contribute to the establishment of an open and corruption-free tax administration (Sanusi et al., 2015).

Under the proposed dual GST, the Center and the States would both tax the same taxable event—that is, the provision of goods and services—at the same time. Thus, the ability to impose GST at every level of the value chain—from manufacturing to consumption—will be granted to both the Center and the States. To ensure that GST is only levied on the value addition component at each level, the credit of GST paid on inputs at each stage of value addition would be available for the discharge of GST due on the output.

No 'tax on tax' would exist in the nation as a result. The country's indirect tax system would be made simpler and more uniform under the GST. It is anticipated to lower inflation and production costs, increasing the competitiveness of Indian industry and commerce both at home and abroad. It is also anticipated that the implementation of GST would promote a smooth or single Indian market and greatly aid in the expansion of the economy. There is a built-in mechanism in the GST design that would encourage merchants to comply with tax laws since input tax credits are seamlessly transferred from one step of the value addition chain to the next.

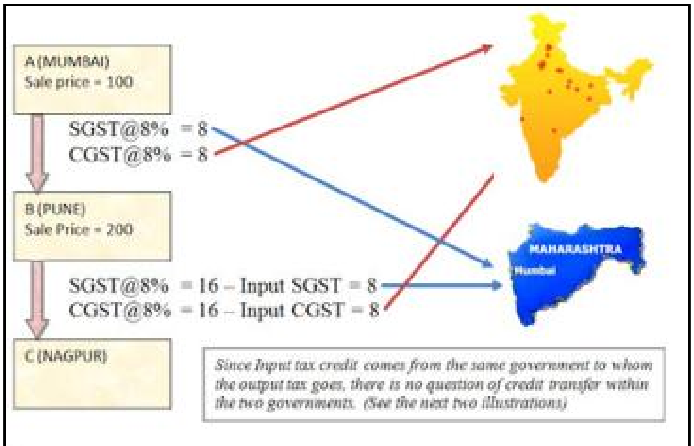
IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429 Volume 5, Issue 1, March 2025 Impact Factor: 7.67

What is the mechanism of GST?

Assuming a GST rate of 16 (sixteen) percent and focusing on a few states and regions of the nation, this section aims to determine the system for tax levying, collection, and mutual sharing between the state and the federal government.

Case 1: Sale in one state, resale in the same state:

Goods are being transported from Mumbai to Pune in this case. Since it is a sale inside a state, the federal government will impose CGST, while the state government will impose SGST. As shown in the image, the Central Government and the State Governments receive the collection. After then, the products are marketed again in Nagpur from Pune. Since this is an intrastate transaction as well, CGST and SGST will be applied. Since the sale price has grown, so will the tax obligation. The remaining taxes are paid to the appropriate governments in the event of resale, and the input CGST and input SGST credit (INR 8) is claimed as indicated.



Source : https://www.quora.com/How-will-the-goods-and-sevices-tax-GST-work-...

Case 2: Sale in one state, resale in another state:

In this instance, products are being transported from Indore to Bhopal. CGST and SGST will be applied since it is a sale inside a state. As shown in the image, the Central Government and the State Governments receive the collection. The products are thereafter sold again in Lucknow, which is outside the state, from Bhopal. As a result, IGST will be applied. The federal government receives the whole IGST. Both input taxes are deducted as credits against the IGST. Despite the fact that SGST was never paid to the federal government, the credit is still being claimed. This is the GST system's disadvantage. Since this results in a loss for the central government, the state government transfers the credit to the central government as compensation.

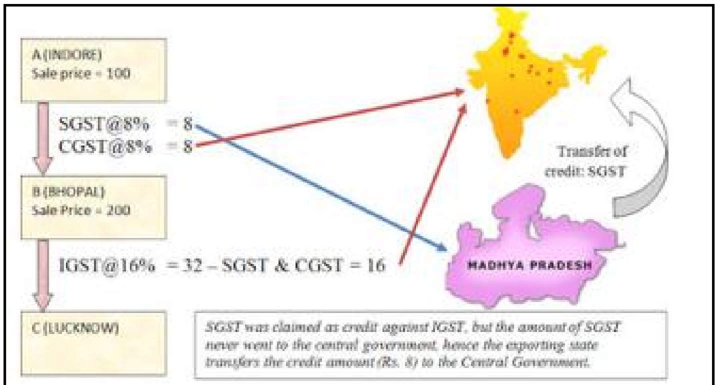
DOI: 10.48175/568

IJARSCT

International Journal of Advanced Research in Science, Communication and Technology

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

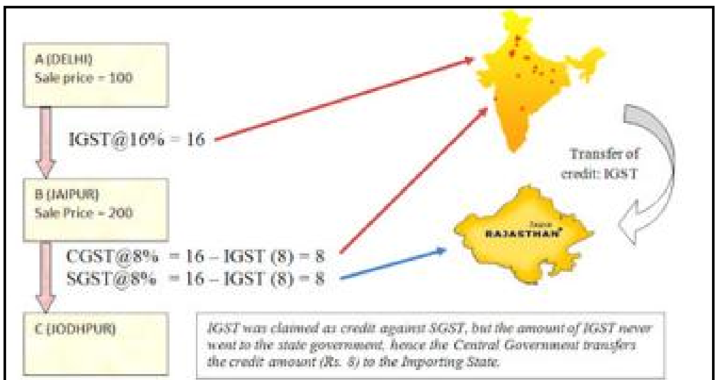
ISSN: 2581-9429 Volume 5, Issue 1, March 2025 Impact Factor: 7.67



Source : https://www.quora.com/How-will-the-goods-and-sevices-tax-GST-work-...

Case 3: Sale outside the state, resale in that state:

In this instance, products are being transported from Delhi to Jaipur. IGST will be applied since it is an interstate sale. The Central Government receives the collection. The products are thereafter resold from Jaipur to the state's Jodhpur. Consequently, SGST and CGST will be applied. 50% of the IGST, or INR 8, is deducted as a credit against the CGST and SGST. However, we can see that the credit is being claimed against SGST even though IGST was never paid to the state government. Since this results in a loss for the State Government, the Central Government transfers the credit to the State Government in order to make up for the loss.



Source : https://www.quora.com/How-will-the-goods-and-sevices-tax-GST-work-...

To put it simply, CGST and SGST will be handled differently. The CGST payment will only be applied to the CGST payment on those specific goods and services, and it will be permitted to be taken as input credit. Regarding SGST, the same regulation will be adhered to, which states that cross-utilization of input credit between CGST and SGST is prohibited.

(a) Recompenses of present tax system on implementation of GST in India:

Because everyone in the value chain who receives input tax credit has an incentive to make sure that the prior person has paid tax, the implementation of GST will result in improved compliance. The removal of the boundary between goods and services and the availability of tax credits across this divide is the second advantage. Input credit combined with a unified tax across India is also expected to eliminate tax bottlenecks in transactions involving two or more states. This will facilitate the transition of India's market from fragmentation to a unified national market.

In addition to the full credit allowed, implementing a GST in India has the following benefits:

1. Price reduction: One of the main reasons why we may see a decrease in pricing is that manufacturers or merchants are not required to incorporate taxes in their cost of production because of complete and seamless credit.
2. Growth in Government Revenues: This may sound a little ambiguous. However, even when the VAT was first implemented, state revenues increased rather than decreased because more individuals chose to pay taxes rather than avoid them. The government could, however, choose to implement GST at a revenue-neutral rate, in which case there would not be a noticeable short-term boost in revenues. It will, however, rise with time as a result of increased compliance and decreased avoidance. Manufacturing and services will bear an equal share of the tax burden under the goods and services tax. This may be achieved by increasing the tax base, decreasing exemptions, and lowering the tax rate.
3. Lower compliance and procedural costs: All assessees would feel more at ease under GST as compliance costs will be lower than under many laws, which require the maintenance of extensive records, returns, and reporting. Taxpayers are thus no longer obliged to maintain separate records for CGST, SGST, and IGST.
4. Transition to a Unified GST: In contrast to the dual GST model, the GST is always favored internationally in a unified form, that is, one GST for the whole country. Even if India is implementing the Dual GST in order to examine the federal structure, this is still a positive step in the direction of a Unified GST, which is seen to be the most effective indirect taxation system.
5. The GST reduces the amount of indirect taxes and is a transparent tax. With the implementation of GST, a firm may display the tax imposed on the sales invoice, allowing customers to know the precise amount of tax they are paying on the goods or services they have purchased.
6. Since registered shops will not be charged GST, there won't be any hidden fees and operating expenses would be reduced. As a result, exports will become more competitive.
7. In the GST system, both state and central GST would be collected at the time of sale and levied on production costs. People will gain from lower pricing, which will benefit businesses as a result of more demand.
8. The main advantage is that a number of taxes, including the octroi, central sales tax, state sales tax, entrance tax, licensing fees, turnover tax, and others, would be eliminated and consolidated under the GST. Since there won't be any hidden taxes, doing business will be simpler and more comfortable.

(b) What are the challenges towards implementation of GST?

Even so, the GST will eliminate many of the current tax system's drawbacks. However, we need to exercise caution in a few areas to ensure that the same is implemented successfully. The following are a few things to consider about GST: State governments have trade lobbies in the retail and transportation sectors that argue that since GST favors supply chain efficiency for wealthy individuals, it may lead to a monopolistic position. According to state governments, GST would result in lower income. The opposition and the central government have been at odds about what should and shouldn't be included in the GST. E-commerce may not be covered by GST, which may only apply to 100 goods. It is imperative that all states adopt the GST at the same rates and in tandem. If not, firms will find it very difficult to adhere to the law's requirements. The GST must explicitly define the taxable event in order for it to operate smoothly. Currently, the Point of Taxation Rules and the CENVAT credit rules have been created or altered specifically for this purpose. But the regulations need to be clearer and more precise. However, since parliament would have the authority to enact legislation that supersede those passed by state legislatures, the new GST proposal would have the same shortcomings as the current tax structure. The GST is not an origin-based tax; rather, it is a destination-based tax. In these situations, the destination of the commodities should be easily discernible. In the case of services, this will be challenging since it is difficult to determine where a service is provided; thus, this should be handled appropriately. It is imperative that experts like us take on the task of raising knowledge about GST and its benefits.

VI. CONCLUSION

Since our nation's independence, the GST has been the most sensible move toward a complete indirect tax reform. All supplies of products and services, as well as their combinations at various stages of manufacturing, distribution, and service delivery, are subject to GST. To strengthen the economy, GST would establish a single, unified indirect tax market in India that will absorb all current taxes, with the exception of those on alcohol, tobacco, and petroleum items.

IJARSCT

International Journal of Advanced Research in Science, Communication and Technology

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

ISSN: 2581-9429 Volume 5, Issue 1, March 2025 Impact Factor: 7.67

Experts contend that by removing tax obstacles between States and uniting India via a single tax rate, the GST is anticipated to increase revenue collections and advance India's economic growth. By expanding the tax base and reducing exemptions, the GST will reduce the tax rate and fairly distribute the tax burden between manufacturing and services (Garg, 2014). Input tax credits will be permitted against the output tax burden in all stages of production and distribution under the new tax system, or the GST structure. Cross-utilization between SGST and IGST and even between CGST and IGST will be permitted, but not between CGST and SGST. In a given state, SGST must be paid to the state and IGST to the center for each commercial transaction. However, only IGST, which is equal to SGST + CGST, applies to interstate transactions.

REFERENCES

[1]. Bhiwandikar, M. (2013). Goods and Service Tax. *Tactful Management Research Journal*, 110-113.

[2]. Ezeoha, A. E., & Ogamba, E. (2010). Corporate Tax Shield or Fraud? Insight from Nigeria. *International Journal of Law and Management*, 52(1), 5-20.

[3]. Kumar, N. (2014). Goods and Service Tax in India: A Way Forward. *Global Journal of Multidisciplinary Studies*, 3(6), 216-225.

[4]. Lin, S. (2008). China's Value Added Tax Reform, Capital Accumulation, and Welfare Implications. *China Economic Review*, 19(2), 197-214.

[5]. Onji, K. (2009). The Response of Firms to Eligibility threasholds from the Japanese Value Added Tax. *Journal of Public Economics*, 93(5-6), 766-775.

[6]. Palil, M. R., & Ibrahim, M. A. (2012). The Impacts of Goods and Service Tas (GST) on Moddle Income Earners in Malayasia. *World Review of Business Research*, 1(3), 192-206.

[7]. Sanusi, S., Omar, N., & Sanusi, Z. M. (2015). Goods and Service Tax (GST) Governance in Malayasian New Tax Environment. *Procedia Economics and Finance*, 31, 373-379.

[8]. Garg, G. (2014). Basic Concepts and Features of Good and Service Tax In India. *International Journal of scientific research and management*, 2(2), 542-549.

[9]. Government of India. (2009). First Discussion Paper of Goods and Service Tax in India. *The Empowered Committee of State Finance Ministers*.

[10]. Kumar, N. (2014). Goods and Service Tax in India: A Way Forward. *Global Journal of Multidisciplinary Studies,* 3(6), 216-225.

[11]. Vasanthagopal, R. (2011). GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, 2(2)