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A Comprehensive Analysis of Goods and Services (GST) in India

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ABSTRACT

The Goods and Services Tax (GST), introduced on July 1, 2017, is a landmark taxation reform in India, marking a significant departure from the country's prior indirect tax structure. Initially conceived in April 2010, the implementation of GST faced delays due to political complexities and conflicting interests among stakeholders. This paper investigates the evolution of India's taxation system, elucidates the GST framework, and assesses its impact on various sectors of the economy, by subsuming an array of indirect taxes such as Central Excise Tax, VAT/Sales Tax, and Service Tax, GST endeavors to streamline taxation processes and foster transparency. Notably, the GST regime has contributed to a notable boost in GDP by 1% to 2% and has curtailed instances of tax evasion and corruption. This paper investigates the efficacy of India's GST rates by doing a comparative examination of global taxation systems. Furthermore, it outlines the benefits accrued to different sectors of the Indian economy post-GST implementation and addresses the challenges encountered in its execution.

KEY WORDS

Tax, Indirect Tax, Goods and Services Tax, Taxation Reforms, Indian Taxation System, GST Council.

INTRODUCTION

The Goods and Services Tax is an elaborate indirect tax levied on the delivery of goods and services throughout India. An indirect tax meant to promote

and strengthen the nation's economic expansion is the goods and services tax. A majority of developed nations have put the Goods and Services Tax Bill into effect. On the other hand, the GST was created in India in 1999. To create the GST model, a committee was established. However, the Indian Government reintroduced GST on July 1st, 2017, replacing multiple indirect taxes like the Value Added Tax, Central Excise Duty and Service Tax, etc (Sengupta, Dhuria, & Munjal, 2020). The establishment of GST aims to streamline the taxation system, minimize tax cascading, simplify regulation, and create a uniform national market. GST is based on a dual paradigm, with both the Central and State Governments having the ability to levy and collect taxes on goods and services. Central Excise Duty and Service Tax. It is categorized into Central GST (CGST), State GST (SGST), and Integrated GST (IGST). The tax is imposed at all stages of the supply chain, with credit available for taxes paid at the previous stage, thus ensuring that the tax burden is not accumulated and passed on to the final consumer. The GST regime introduced a structured framework for registration, filing returns, and payment of taxes through an online portal, making compliance easier for businesses. Various commodities and services are taxed at varying rates - 5%, 12%, 18%, and 28% - according to their nature and necessity.

Since its implementation, GST has had a significant impact on the Indian economy. It has simplified tax procedures, reduced tax evasion, increased tax compliance, and facilitated the ease of doing business. However, it has also faced challenges such as technical glitches in the GSTN portal, Tax rates fluctuate frequently, and complexities in compliance, which have been subjects of ongoing refinement and improvement by the Government and stakeholders. Overall, GST represents a landmark reform in India's tax structure, aimed at fostering economic growth and development. The Goods and Services Tax (GST) represents a transformative reform for the Indian economy with far-reaching implications. Creating a common Indian market and removing the cascading effect of taxation, GST has fundamentally altered the tax landscape, impacting various aspects such as tax structure, tax computation, compliance, and reporting. This comprehensive overhaul of the indirect tax system has significant implications for industries, the standard of living, exports, Government revenue, and overall economic development.

Products	Rates
Milk, egg, curd, lassi, unpackaged grains, and paneer.	0%
Sugar, packaged paneer, coffee seeds, domestic LPG, powdered milk, and cashew nuts	5%
Butter, ghee, packaged foods, almonds, and mobile.	12%
Hair oil, capital goods, dental products, pasta, and computers	18%
Small automobiles, consumer durables (air conditioners and refrigerators), luxury and sin items	28%

History of GST

Year	Event
The early 2000s	Proposal for GST introduced
2007	Formation of Empowered Committee of State Finance Ministers
2014	Introduction of Constitution (122nd Amendment) Bill
2016	Passage of Constitution (122nd Amendment) Bill
2017	Passage of Central GST, Integrated GST, State GST, and Union Territory GST Bills
July 1, 2017	Official rollout of GST in India
Ongoing	Subsequent revisions, amendments, and refinements through GST Council meetings

Types of GST

- 1. Central Products and Services Tax:** The Central Government levies a tax on products and services sold within a State or Union Territory, with the money benefiting the Government.

- 2. State Goods and Services Tax:** A tax imposed by the state Government on goods and services sold inside a certain State or Union Territory. The money collected goes to the state Government.
- 3. Integrated Goods and Services Tax (IGST):** A tax levied by the central Government on the exchange of goods and services between Indian states or union territories. It applies to both interstate transactions and imports/exports. The gathered revenue is divided amongst the state and central Governments.
- 4. Union Territory Goods and Services Tax (UTGST):** A tax levied by the Union Territory Government on the distribution of goods and services within a union territory. The UTGST revenue is allocated to the relevant Union Territory Government.

Advantages of GST

- 1. Simplified Tax Structure:** GST replaces multiple indirect taxes with a single, comprehensive tax, simplifying the tax structure for businesses. This reduces compliance costs and administrative burdens associated with managing multiple tax regimes.
- 2. Elimination of Cascading Effect:** GST enables effortless transfer of input tax credit across the entire supply chain, removing the cascading impact of taxes. Organizations can claim credit for taxes spent on inputs, lowering the total tax burden and increasing efficiency.
- 3. Unified National Market:** GST creates a unified national market by harmonizing tax rates and procedures across states. This enables the free movement of products and services across the country, lowering interstate trade barriers and fostering economic integration.
- 4. Increased Economic Growth:** GST is expected to boost economic growth by reducing tax evasion, increasing tax compliance, and promoting investment and consumption. The rationalization of tax rates and the removal of tax barriers enhance business competitiveness and productivity.
- 5. Reduction of Black Economy:** GST attempts to formalize the economy by getting more firms inside the tax net. This helps reduce the size of the informal or black economy, promoting transparency, and increasing tax revenue for the Government.
- 6. Better Tax Administration:** GST is administered through a robust technological platform, the GSTN portal, which facilitates online registration and return submission, and payment of taxes. This digitization of tax processes improves transparency, reduces the scope for tax evasion, and enhances tax administration.
- 7. Consumer Benefits:** GST aims to reduce the entire tax burden on consumers by eliminating the cascading impact of taxes and rationalizing tax rates. This leads to lower prices for goods and services, benefiting consumers in the long run. (Sehrawat & Dhanda, 2015)

Disadvantages of GST

There are certain drawbacks to the new system: Initial Implementation Challenges, Complex Compliance Requirements, Technology Infrastructure Issues, Increased Compliance Costs, Impact on Small Businesses, Classification and Tax Rate Ambiguities, Adverse Impact on Certain Sectors, and Inflationary Pressures.

Literature Review

(Deshmukh, Mohan, & Mohan, 2022): This study assesses GST's impact on India's economy and stakeholder perceptions three years post-adoption. Despite a significant increase in the tax base and revenue collection, challenges persist, including a low tax-to-GDP ratio, skewed GST payer base, negative stakeholder perceptions, and tax evasion. Nonetheless, consumer benefits, assistance for MSMEs, increased ease of operating company rankings, and Governmental programmes like as "Make in India" and "Aatmanirbhar Bharat" demonstrate GST's revolutionary impact. (Maruthi, 2020): The new Indian Government strongly advocated for GST implementation, foreseeing numerous positive implications across sectors such as manufacturing, services, telecom, automobiles, and SMEs. GST, as a major taxation reform, unifies the nation

under a single tax regime, promising Significant effects on businesses and the economy. (Shinde, March 2019) This paper outlines GST's background, objectives, and diverse impacts on the Indian economy. It highlights the benefits and opportunities it brings. Tax policies are crucial, serving as a revenue source while promoting efficiency and fairness. A good tax system must adapt to income distribution dynamics while ensuring adequate revenue for public services and infrastructure. (Thyagaraju, 2020) This paper gives a brief history of Indian taxes and why there's a shift to GST. Opinions vary among manufacturers, traders, and society. News worldwide focuses on GST as a Government achievement. The paper details GST's evolution, challenges, revenues, and Government efforts. Implementing GST aims for efficient resource allocation, boosting GDP and exports. Despite Government efforts, the current tax system is seen as complex and unfriendly. (Khan & Shadab): The paper discusses GST's significance in India, emphasizing revenue generation and tax transparency. It's structured into seven sections, covering topics such as the dual structure justification, rate structure, implementation, and international experiences. Finally, it concludes with policy recommendations.

Research Methodology

Data Collection

This research was prepared using primary as well as secondary sources of data. Primary data was collected from 100 respondents through Questionnaire. The secondary data are collected from annual reports, brochures, websites of GST, different financial magazines, and published documents.

The Objective of the Study

1. To understand how Goods and Services Tax (GST) works in India, examine the concept and its impact on the Indian construction industry.
2. To study the benefit of goods and service tax to the economy, business, industry, and consumers.

Hypothesis

1. H_0 : There is no positive growth after the implementation of GST.
 H_1 : There is positive growth after the implementation of GST.
2. H_0 : No Indirect tax collection increased after the implementation of GST.
 H_1 : Indirect tax collection increased after the implementation of GST.

Tools & Techniques

The basic tools are the Questionnaire Method, Bar Charts, Pie charts, and Tables.

Data Analysis & Interpretation

Table 1: Awareness of Implementation of GST

Basis	Number of Respondents	% of Respondent
Aware	60	60%
Highly aware	20	20%
Somewhat aware	20	20%
Not known	0	0%
Total	100	100%

(Source: Primary Data)

Interpretation: The above chart shows awareness of the implementation of GST. Out of 100 responders, 60% are aware of the GST. 20% of folks are very aware. 20% of people are aware of the GST, which means that everyone is aware of it and that it is required.

Table 2: GST Will Increased the Inflation in the Country?

Option	Number of Respondents	% of Respondent
Strongly Agree	60	60%
Agree	20	20%
Neutral	5	5%
Disagree	10	10%
Strongly Disagree	5	5%
Totals	100	100%

(Source: Primary Data)

Interpretation: 60% of customers Strongly Agree that GST will increase inflation in the country. 20% of customers agree that GST will increase inflation in the country.

Table 3: GST Will Increase the Tax Collection of Govt

Option	Number of Respondents	% of Respondent
Strongly Agree	75	75%
Agree	20	20%
Neutral	5	5%
Disagree	0	0%
Strongly Disagree	0	0%
Totals	100	100%

(Source: Primary Data)

Interpretation: 75 % of customers Strongly Agree that GST will increase the Tax Collection of Govt. 20 % of customers agree that GST will increase inflation in the country.

Table 4: GST will increase the Tax Burden on the Businesses in the Construction Industry?

Option	Number of Respondents	% of Respondent
Yes	60	60%
No	40	40%
Total	100	100%

(Source: Primary Data)

Interpretation: The above table shows that most of our respondents agree that GST will raise the tax load on construction enterprises.

Table 5: Do You think all Businesses need to be Registered Under GST?

Option	Number of Respondents	% of Respondent
Yes	80	80%
No	20	20%
Total	100	100%

(Source: Primary Data)

Interpretation: 80% of users think that all businesses need to be registered under GST.

Table 6: How was your experience using GST?

Option	Number of Respondents	% of Respondent
Poor	10	10%
Satisfactory	20	20%
Good	30	30%
Excellent	40	40%
Total	100	100%

(Source: Primary Data)

Interpretation: The above table shows that most customer says excellent for Using GST.

Table 7: Monthly Income?

Option	Number of Respondents	% of Respondent
Less than 10000	10	10%
10000-30000	20	20%
30000-50000	30	30%
50000-above	40	40%
Total	100	100%

(Source: Primary Data)

Interpretation: From the above table it is stated that most of the persons who answered were the constructors and most of the constructors were earning 50,000 and above.

Positive Growth after the Implementation of GST

The implementation of the Goods and Services Tax (GST) has positively impacted net indirect tax revenue in India. Before the GST regime, indirect taxes were fragmented and levied separately by the state and central Governments, leading to inefficiencies and complexities in the tax system. Post-GST implementation, there has been a significant increase in net indirect tax revenue. The combined indirect tax revenue of the central and provincial Governments increased from Rs. 8.84 lakh crores in 2016-2017 to Rs. 11.77 lakh crores in 2019-2020. This indicates a substantial growth of approximately 15% per year on average. The GST regime simplified the indirect tax structure by combining several taxes into a single system, removing the cascading effect of taxes, lowering compliance costs, and increasing transparency.

These factors likely contributed to the increased revenue collection and improved growth rate observed in the post-GST era. Some of the primary areas of growth and favorable outcomes following the GST introduction are:

- 1. Increase in GDP Growth:** The GST regime has contributed to an increase in India's Gross Domestic Product (GDP) growth rate. By streamlining the tax structure and reducing tax evasion, GST has facilitated economic growth and improved overall productivity.
- 2. Simplified Tax Structure:** GST has replaced the complicated and decentralized indirect tax system with a single tax framework, making compliance easier for enterprises. This has decreased the compliance load on taxpayers and made it easier to do business in this nation.
- 3. Expansion of Tax Base:** With GST, more businesses have come under the tax net, leading to an expansion of the tax base. This has resulted in increased revenue collection for the Government, enabling investments in infrastructure and social welfare programs.
- 4. Promotion of Trade and Commerce:** GST has eliminated inter-state barriers to trade by creating a common national market. This has allowed for the smooth movement of products and services over state lines, increasing interstate trade and improving economic integration.
- 5. Enhanced Transparency and Compliance:** The introduction of GST has increased tax system transparency through the use of technology, such as the GSTN. This has reduced instances of tax evasion and improved tax compliance.
- 6. Investor Confidence:** GST has improved investor confidence in the Indian economy by signaling the Government's commitment to economic reforms and Increasing the ease of conducting business. This has encouraged both domestic and foreign investment in numerous sectors of the economy.

GST'S Impact on the Indian Economy (Different Sectors)

Here's some sector-specific examination of the impact of GST:

1. Manufacturing Sector

- **Positive Impact:** GST has streamlined the tax structure for manufacturers by replacing multiple taxes with a single unified tax. Input tax credit provisions have reduced the burden of taxes on raw commodities and intermediaries, promoting cost efficiency and competitiveness.
- **Challenges:** Compliance requirements and adjustment costs during the transition period posed challenges for small and medium-sized manufacturers. Some sub-sectors experienced initial disruptions in supply chains and pricing mechanisms.

2. Services Sector

- **Positive Impact:** GST has simplified tax compliance for service providers by eliminating the distinction between goods and services. The input tax credit has reduced costs, particularly for service-oriented industries such as IT, hospitality, and healthcare.
- **Challenges:** Certain service segments faced adjustments due to changes in tax rates and classification. Additionally, service exporters initially faced challenges in claiming refunds for input taxes.

3. Retail Sector

- **Positive Impact:** GST has streamlined supply chains and reduced logistics costs for retailers by eliminating inter-state barriers to trade. The input tax credit mechanism has improved margins for retailers, particularly organized retailers.
- **Challenges:** Initial disruptions in inventory management and pricing strategies were observed during the transition period. Compliance requirements, especially for small retailers, posed challenges due to the digitalization of tax processes.

4. Real Estate Sector

- **Mixed Impact:** GST has brought transparency to the real estate sector by subsuming multiple indirect taxes and introducing input tax credit provisions. However, the sector initially witnessed a slowdown in sales due to confusion over tax rates and compliance requirements.
- **Challenges:** GST on under-construction properties led to uncertainties regarding tax liabilities for developers and buyers. Additionally, compliance with anti-profiteering provisions posed challenges for developers in passing on benefits to buyers.

5. Export Sector

- **Positive Impact:** GST has enhanced the competitiveness of Indian exports by providing input tax credit on domestically purchased goods and services used for exports. Exporters benefit from quicker processing of refunds for accumulated input tax credits.
- **Challenges:** Exporters initially faced liquidity issues due to delays in processing refunds for input taxes. Complex documentation requirements for claiming export benefits under GST posed challenges for small exporters.

6. Agriculture Sector

- **Limited Impact:** Most agricultural products are exempt or taxed at a lower rate under GST. However, certain processed agricultural products face standard GST rates, which can affect their prices and competitiveness.
- **Challenges:** The agricultural sector faces challenges in adapting to GST compliance requirements, especially for agro-processing industries and agricultural input suppliers.

CONCLUSION

The implementation of GST in India stands as a monumental reform in the country's taxation system, ushering in a new era of simplicity, efficiency, and transparency. Since its inception, GST has brought about

significant changes, impacting various facets of the economy. One of the most notable achievements of GST has been the streamlining of India's tax structure, replacing a complex network of indirect taxes with a unified tax regime. This simplification has not only reduced the compliance burden on businesses but has also enhanced tax transparency and accountability. Technical concerns with the GSTN portal, concerns about compliance, and adjustment difficulties for firms throughout the changeover period have all presented substantial challenges. Nonetheless, the Government has showed a commitment to tackling these difficulties by continuously reforming and improving the GST structure. Looking ahead, India's GST has enormous potential for further expansion and improvement.

Continued efforts to simplify processes, rationalize tax rates, and enhance compliance mechanisms will be essential in unlocking the full benefits of GST and driving sustainable economic growth and development across the nation.

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