

THE EVOLUTION OF GST IN INDIA: A HISTORICAL AND LEGISLATIVE PERSPECTIVE

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ABSTRACT

The Lok Shaba has sooner or later handed the GST invoice and it is expected to have a great impact on every enterprise and consumer. Greater than a hundred and sixty countries have implemented GST. The research paper is regarding impact of GST on Indian economy. The products and carrier Tax is carried out on July 1, 2017 at a characteristic in critical corridor of the Parliament. The council of the GST can be headed with the aid of the Union Finance Minister. The products and provider Tax might be levied at the manufacture, sale and the consumption of the goods and offerings in India. On the premise of this paper, we are able to understand approximately the standards, targets and the consequences of the products and carrier Tax in India. The concept of GST is that it's far an "indirect Tax", i.e., this tax is not immediately paid by clients to the authorities, but is instead levied at the manufacturer or dealer goods and the vendors of services. The sellers typically add the tax expense into their prices, and the fee the clients pay is which include GST. Thus, in maximum cases, you grow to be paying a tax even in case you aren't an earnings taxpayer. GST, or Goods and Services Tax, is a tax that clients need to endure when they purchase any goods or offerings, together with meals, garments, electronics, objects of every day needs, transportation, tour, and many others.

Key Words: India, Economy, Tax rates, Goods and Service Tax

Introduction

In different words, Goods and Service Tax (GST) is levied at the supply of goods and services. Items and offerings Tax law in India is a complete, multi-stage, destination-based tax this is levied on every fee addition. GST is a unmarried domestic oblique tax regulation for the complete United States of America. Usage of PAN card and Aadhar card can be more frequent and can be required to report GST returns, this may help the profits tax department to song transactions, which it's miles unable to do these days and in addition records might be shared among a couple of administrative authorities inclusive of RBI, import etc. GST is known as the goods and service Tax. It's far an indirect tax which has changed many indirect taxes in India along with the excise obligation, VAT, offerings tax, and so forth. The goods and provider Tax Act was passed within the Parliament on 29 March 2017 and got here into impact on 1st July 2017. There may be greater records mapping for audit via the sales government. Bringing sectors like real property and precious metals together with gold sectors in the ambit of GST will help to track tax defaulters in those sectors. The GST network is designed to seize all transaction details as much as invoice stage. Therefore, you couldn't get away the inputs or offerings used in supplying the products or offerings. The paper documentations are to be eliminated absolutely. All of the returns of the taxpayers shall be filed on line in the GST regime. They would additionally get their refunds, orders etc. On-line. This will lessen the interface between assesses and officials, which could reduce corruption.

Objective of study

- ❖ To study impact of GST on economy.
- ❖ To review the objectives and classification of GST.

Research Methodology

The study focuses on extensive study of Secondary data collected from various sources i.e books, National and international Journals, government reports, publications from various websites which focused on various aspects of Goods and Service Tax.

Review of literature

* Dr. N. L. Balasudarsun and Melvin Paul Antony (2022) the article entitled “Impact of Demonetization and GST in Life Insurance Sector”. This paper offers with impact of Demonetization and GST on existence coverage area. For this motive a hundred thirty changed into collected from lifestyles coverage employees of Cochin place based on random sampling approach. Descriptive statistics and ANOVA check were used to research the statistics. The study found that, Demonetization and GST have existence coverage quarter.

* Pallavi Kapila (2023) the article entitled “GST: Impact on Indian Economy”, In this studies paper an attempt has been made to throw light on how GST might help in reducing the present complexity of taxes in India as it subsumes VAT, Excise obligation, service tax and sales tax. The observe found that, the implementation of GST had played a critical role in the boom of Indian financial system. A uniform and rational taxation machine in India could result in lesser disruptions within the marketplace economy and more efficient distribution of resources inside the industry in the close to future. The observe additionally observed that, GST will lead to a growth in GDP and exports of the U.S.A. enhancing economic welfare and returns to the factors of production i.e. Land, hard work and capital.

* Jadhav Bhika Lala (2021) the article entitled “Impact of GST on Indian Economy In this paper an attempt has been made to throw light on GST, its features and also effect of GST on prices of goods and services. The study found that, the GST system is basically restructured to simplify current critical indirect tax system in India. The study also found that, a well-designed GST is an attractive method to get liberate of deformation of the existing process of multiple taxes and reduce the compliance burden.

* Prof. Pooja S. Kawle and Prof. Yogesh L. Aher (2022) the article entitled “GST: An Economic Overview: Challenges and Impact Ahead”. The studies intends to awareness on expertise the concept of products and service tax and its effect on Indian economy. The observe found that, GST may additionally assure the opportunity of standard gain for industry, trade and agriculture. The examine additionally located that, GST will have high-quality effect on the Indian economic system.

Objectives of GST

1. **To achieve the ideology of ‘One Nation, One Tax’** GST has replaced multiple oblique taxes, which have been present under the previous tax regime. The gain of getting one single tax means each nation follows the identical rate for a particular product or service. Tax management is less difficult with the vital government identifying the prices and rules. Not unusual laws may be introduced, inclusive of e- way bills for items delivery and e-invoicing for transaction reporting. Tax compliance is also higher as taxpayers aren't bogged down with multiple go back forms and time limits. Normal, it's a unified device of indirect tax compliance.
2. **To subsume a majority of the indirect taxes in India** India had several erstwhile oblique taxes including provider tax, value brought Tax (VAT), crucial Excise, etc., which used to be levied at a couple of deliver chain tiers. A few taxes were ruled by way of the states and a few by means of the Centre. There was no unified and centralized tax on each items and services. As a result, GST was delivered. Beneath GST, all the main oblique taxes were subsumed into one. It has greatly reduced the compliance burden on taxpayers and eased tax administration for the authorities.
3. **To eliminate the cascading effect of taxes** One of the primary objectives of GST became to remove the cascading effect of taxes. Formerly, due to one of a kind oblique tax legal guidelines, taxpayers couldn't prompt the tax credit of one tax against the opposite. As an instance, the excise duties paid at some stage in manufacture could not be set off against the VAT payable at some stage in the sale. This brought about a cascading impact of taxes. Below GST, the tax levy is handiest on the net fee introduced at every level of the deliver chain. This has helped put off the cascading impact of taxes and contributed to the seamless go with the flow of input tax credits across both goods and services.
4. **To curb tax evasion** GST legal guidelines in India are far more stringent compared to any of the erstwhile indirect tax laws. Under GST, taxpayers can declare an input tax credit score best on invoices uploaded by way of their respective suppliers. This manner, the probabilities of saying enter tax credit on faux invoices are minimal. The creation of e-invoicing has in addition bolstered this objective. Additionally, because of GST being a nationwide tax and having a centralized surveillance device, the clampdown on defaulters is faster and a ways greater efficient. Hence, GST has curbed tax evasion and minimized tax fraud from taking region to a large extent.
5. **To increase the taxpayer base** GST has helped in widening the tax base in India. Formerly, each of the tax laws had a different threshold restriction for registration based on turnover. As GST is a consolidated tax levied on each goods and services each, it has extended tax-registered businesses. Except, the stricter legal guidelines surrounding input tax credit have helped carry sure unorganized sectors beneath the tax internet. For instance, the development enterprise in India.
6. **Online procedures for ease of doing business** Formerly, taxpayers confronted a number of hardships dealing with different tax authorities underneath each tax regulation. Except, whilst go back submitting changed into online, maximum of the evaluation and refund procedures passed off offline. Now, GST tactics are finished nearly absolutely on-line. Everything is completed with a click of a button, from registration to return filing to refunds to e-way invoice generation. It has contributed to the overall ease of doing enterprise in India and simplified taxpayer compliance to a massive extent. The government also plans to introduce a centralized portal soon for all oblique tax compliance together with e-invoicing, e-way bills and GST go back filing.

Classification of GST

There are three taxes applicable under this system: CGST, SGST & IGST.

CGST: It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Uttar Pradesh)

SGST: It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Uttar Pradesh)

IGST: It is a tax collected by the Central Government for an inter-state sale (e.g., Uttar Pradesh to Tamil Nadu)

However, certain taxes such as the GST levied for the inter-state purchase at a concessional rate of 2% by the issue and utilization of 'Form C' is still prevalent.

It applies to certain non-GST goods such as:

- i. Petroleum crude;
- ii. High-speed diesel
- iii. Motor spirit (commonly known as petrol);
- iv. Natural gas;
- v. Aviation turbine fuel; and
- vi. Alcoholic liquor for human consumption.

Things inside the 18% GST

- Movie Tickets
- Television and DTH services
Theatre
- Circus

Things inside the 28% GST:

Sporting event
Racing
Movie events and festivals
Amusement parks

Favourable Impact of GST

All most every industry body are "absolutely prepared" for implementation of the new indirect tax regime, whilst commending the government's efforts in the direction of its rollout. The national GST will overhaul India's convoluted indirect taxation machine and unify the over \$2 trillion financial system with 1.3 billion humans right into a unmarried market. The medium-term impact of GST on macroeconomic signs is anticipated to be extremely nice. Inflation can be decreased as cascading of taxes may be removed.

Unfavourable Impact of GST

India has adopted dual GST rather than countrywide GST. It has made the entire shape of GST pretty complicated in India. The centre will ought to coordinate with 29 states and seven union territories to enforce such tax regime. Such regime is probably to create economic in addition to political troubles. The states are in all likelihood to lose the say in figuring out costs as soon as GST is carried out. The sharing of sales between the states and the centre is still a count number of rivalry and not using a consensus arrived concerning sales neutral rate. Pre GST provider tax of 15%, which might increase to 18-20% in put up GST. Hence, even though prices of goods and products can come down, provider enterprise will bear the brunt of better taxes. Air tour, accommodations could end up greater costly. Presently, financial system elegance tickets are taxed 6% and non-financial system class tickets are charged nine%. Once GST is implemented, it would boom to 18%, thereby leading to direct increase of 9-12% tax at the tickets. Except the airlines absorb this boom, the additional tax has to be paid via the purchaser.

The Impact of GST on Different Sectors of the Economy

The impact of GST on various sectors are:

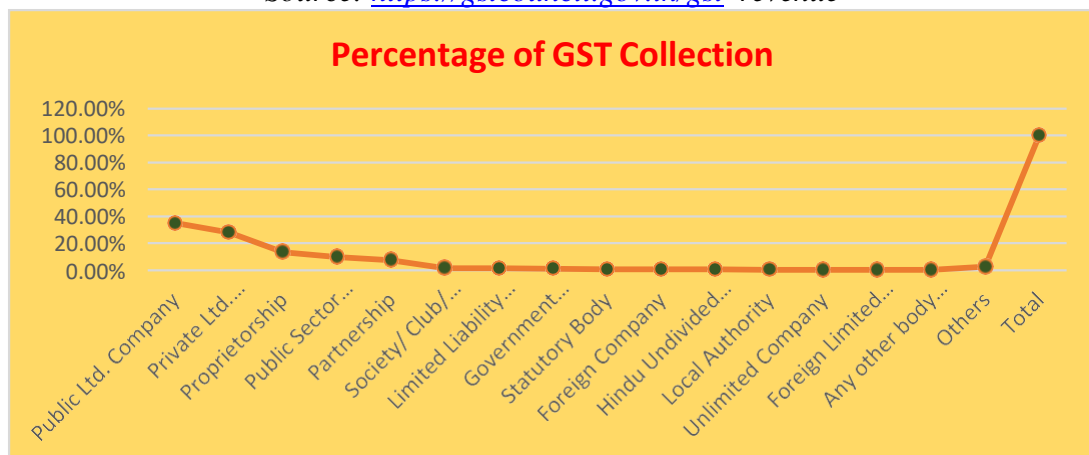
- Impact of GST on Retailers, Distributor, and Manufacturing Sector
- Impact of GST on Agricultural Sector
- Impact of GST on Textile Sector
- Impact of GST on Entertainment Industry
- Impact of GST on Automobile Sector
- Impact of GST on Export-Import Sector
- Impact of GST on Education Sector
- Impact of GST on Real Estate
- Impact of GST on IT Sector

Contribution to GST Revenue from Various Business Types

GST collection sector has been provided by the government yet, however, below is the collectionbreakup as per the constitution of the business

Business type	Percentage of GST Collection
Public Ltd. Company	34.83%
Private Ltd. Company	27.94%
Proprietorship	13.28%
Public Sector Undertaking	9.64%
Partnership	7.29%
Society/ Club/ Trust/ AOP	1.38%
Limited Liability Partnership	1.18%
Government Department	0.99%
Statutory Body	0.38%
Foreign Company	0.38%
Hindu Undivided Family	0.25%
Local Authority	0.21%
Unlimited Company	0.01%
Foreign Limited Liability Partnership	0.00%
Any other body notified by committee	0.00%
Others	2.24%
Total	100%

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

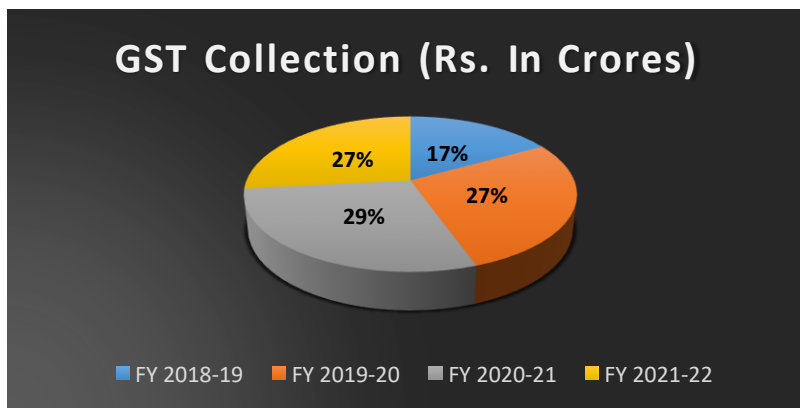


The above data shows the maximum contribution from the public ltd company (34.83%) , Pvt companies contribute (27.94%) whereas least contribution been noticed under unlimited company, foreign limited liability companies and any other body notified by body. So it can be analysed that Public Ltd Company contributed maximum in the economy then private companies and then others.

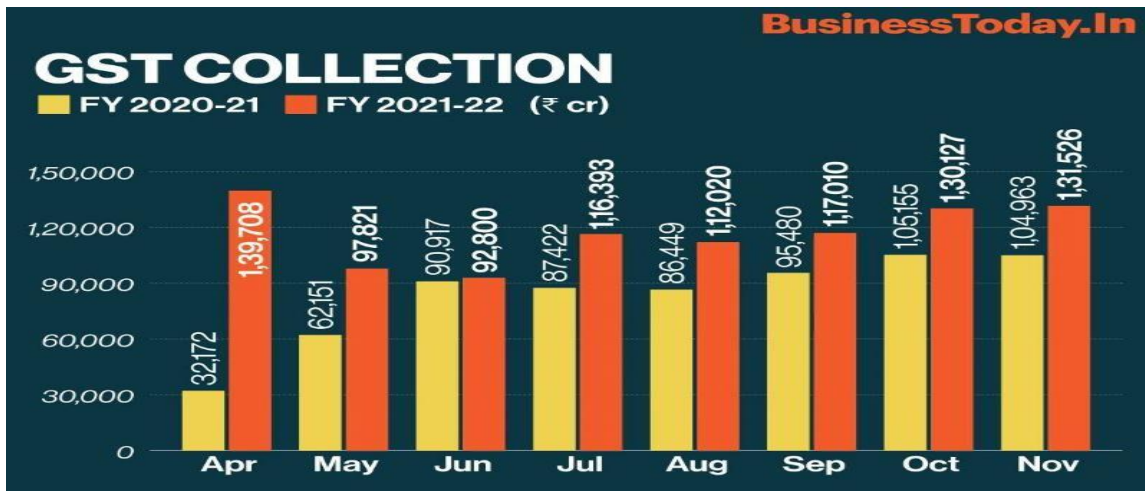
GST Collection in previous years (2018 onwards till 2022)

Year	GST Collection (Rs. In Crores)
FY 2018-19	7,19,078
FY 2019-20	11,77,370
FY 2020-21	12,22,117
FY 2021-22	11,36,803

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



The above data depicts details regarding the collection of GST from the year 2018-19 to 2021-22, in the year 2020-21 maximum collection been received as 12,22,117 Cr and in the year 2018-19 least noticed as 719078 Cr, whereas in the year 2019 -20 and 2020-21 collection of Rs 11,73,370 & 1136,803 been collected by the Govt. of India.



Source: <https://www.businesstoday.in/latest/economy/story/gst-revenue-collection>

The above chart shows the collection of revenue from GST in terms of month from the financial year 2021-22 & financial year 2022-23 month considered for the purpose from Apr to Nov. in the financial year 2021-22 maximum collection is made in the month of October and in the financial year 2021-22 maximum collection is received in the month of Nov and least in the month of Jun.

Conclusion The Goods & Services Tax is destination-based tax charged at the point of consumption. Introduction of GST may have helped only some sectors to benefit from GST in the short term. But the long term advantages are many for all the sectors. The Goods & Services Tax is a milestone in India's Indirect Tax system that addresses multiple issues together. It has brought a smoother structure to prevent double taxation. There are approx. 140 countries where GST has already been implemented. Some of the popular countries being Australia, Canada, Germany, Japan, and Pakistan, to name a few. It could be a good way to reduce the black money and good effort by the Government of India after the Demonetization of the money in 2016. Implementation of GST impacts a nation both ways, positively and negatively. Ignoring negative aspects, positive aspects can be taken into consideration, in order to improve the economy of the country. In order to measure the Impact, the GST we need to wait for the time and the Government needs to communicate more and more about the systems.

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