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## GST: TILL NOW AND WAY AHEAD

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### ABSTRACT

*GST is a destination-based tax in which many central and state levied taxes have been subsumed. GST is expected to solve many problems like a multiplicity of taxes, coordination problems between the union and state government and the problem of tax evasion. The government of India intended to implement GST 2008 and it was supposed to be in existence from April 2010 but due to political and state government financial autonomy and fiscal dependency issues, this law has been implemented on 1<sup>st</sup> July 2017. It is also expected to boost up the economic unification of India and will evade the cascading effect in the Indian tax regime. The expected outcome of the implementation of GST in India is that it will lead to an efficient allocation of factors of production thus leading to gains in GDP and exports. The main objective of this paper is to study the impact of GST on tax structure, incidence, and compliance. This paper is based on exploratory research techniques based on past literature from various respective journals, annual reports, newspapers, and magazines covering a wide collection of academic literature on GST. The research design is descriptive in nature.*

**KEYWORDS:** *GST, tax structure, tax incidence, tax compliance,*

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### INTRODUCTION

France was the first country to introduce the GST system in 1954. Till now, around 150 countries are following it. In 2000 the idea of GST was introduced by the Vajpayee government by setting up an empowered committee headed by Dr. Asim Dasgupta. For studying GST and its impact on India, many teams and task forces were appointed by the government. The Goods and Service Tax Bill or GST Bill also passed from Rajya Sabha on 3 August 2016 with amendments. After moving to Lok Sabha, it was approved on 08 August 2016. GST Act was passed in parliament on 29<sup>th</sup> March 2017. It came into effect from 1<sup>st</sup> July 2016.

Goods and Services Tax abbreviated as “GST” is the new indirect tax being levied on manufacture, sale, and consumption of goods as well as services at the national level. It is levied on value addition. It has replaced all indirect taxes namely VAT, Excise duty, service tax, and Sales tax. It is aimed at being comprehensive for most goods and services. It

is a consumption-based tax applied to goods and services at the place of its consumption. The GST implementation in India is “Dual” in nature, i.e. India has adopted dual GST instead of national GST. The two components of GST in India are CGST (Imposed by Centre) and SGST (Imposed by state and Union Territories). CGST, SGST & IGST are the three main segments of taxes being implemented under GST:

- **CGST:** On an intra-state sale CGST is applied by the Central Government.
- **SGST:** On an intra-state sale SGST is applied by the State Government.
- **IGST:** On inter-state sale is applied by the Central Government.

For the intrastate sale, the total tax would be CGST+SGST and the revenue will be shared equally between the Centre and the state. For the transactions including interstate trade, there will be only one type of tax (Central).

The Centre will then share the IGST revenue based on the destination of goods. In this destination principle, the producers and traders need not shoulder the financial burden as they are not responsible to collect taxes on behalf of the government rather it is the retail trader's responsibility to collect the tax. The state which consumes more is likely to benefit more than the producing state. As such it paves a way to the state which is consuming more and remains in the less developed states to tap more revenue and deploy the same for their growth and development. GST besides addressing tax evasion and corruption it increases productivity and alleviates poverty and economic distortions.

### REVIEW OF LITERATURE

Parkhi Shilpa, the study highlighted the challenges which the business system, the tax system has to face in the new GST regime and concluded that it is the welcome move to India's fast-paced economy.

Rajesh R. Desai et al investigated various opportunities and challenges lay ahead for the state government in relation to GST in India.

Lourdunathan F, Xavier P (2017) investigated the equivocal opinions among the Manufactures, traders and society about the Goods and Services Tax (GST, the Challenges of Introduction of GST in India and the Prospects in Implementation GST in India.

Yogesh Garg<sup>1</sup>, Jyoti Gupta<sup>2</sup> (2017) focused on the tax structure in India, the role of government in GST and the proposed benefits of GST.

The majority of the countries following the GST have adopted the Consumption type GST which provides an input tax credit of all the capital goods from the firm's sales. (Shoup, 1990)

### OBJECTIVES OF THE STUDY

- To study about the Goods and service act
- To examine the GST implications on tax structure, tax incidence, and tax compliance.

### IMPACT ON TAX INCIDENCE

- **Telecom:** The finance ministry with all representatives of states has fixed the rates of GST on goods and services provided by telecom industries at a rate of tax of 18 % which is three percent higher than earlier tax structure. GST may be the reengineering for the whole indirect tax structure in the near future.
- **Real estate:** The tax rate for the construction sector, including real estate under the indirect tax rate regime has had an effective tax between 11% and 18%. It used to vary based on the nature and the type of the contract. Under the older system of taxation, the service tax exemption was available on the construction of roads, dams and irrigation projects. Under GST, the entire works contract is charged an 18% tax. Also, under the GST system, the party is entitled to an input tax credit which is only partially available under the older system of taxation.
- **Daily use products:** The previous tax rate for Daily Use Products used to vary from 18% to 27% but now under the GST regime it is ranging from 5% - 18%. This reduction combined with the elimination of multiplicity of taxes and the availability of cross utilization of credit will have a positive impact on the prices of a certain good.

- **E-commerce:** Under the previous version of the tax regime, the non-uniform structure for VAT across the state lead VAT arbitrage which has come to an end in the GST regime. Moreover, credit of service tax and credit of VAT were not allowed to traders but cross-credit utilization is allowed in GST which has reduced the cost of supplies.
- **Banking:** The bank services hope to become costlier under the GST regime because the tax rates have increased from 15% to 18-20%. Now all of the services like interest on loan, trading on securities have come under the purview of the GST, the financially weaker section and the consumers' investment pattern has got affected. Instead of charging tax on transactions, the tax may be imposed on the fee they charge. Moreover, certain crucial activities like loan operations have been exempted from GST.

### IMPACT ON TAX STRUCTURE

- The older system of indirect tax structure contained 25 types of taxes at the central, state and local levels. The center collected excise duty, central sales tax and customs duty whereas the state collects VAT, Octroi, entertainment tax and purchase tax. This difficulty in the structure created hurdles across all industries and it has been removed by GST as it subsumed many of these taxes. Moreover, the goods were taxed at different rates in different states. This difference has been eradicated in GST as it is a single rate applicable uniformly to all goods and services. Yet another major problem in the old tax regime was the cascading effect and inability to set off between VAT and CST which ultimately increased the price and makes our product less competitive both in the domestic and international markets. GST addressed this issue by allowing input tax credit and enhances product competitiveness.
- The GST council with a four-tier structure for goods which ranges from 0% to 28% with two standard rates of 12% and 18%. This new structure lowers the logistics cost, brings unorganized operators into its ambit, reduced the overall tax burden of the final consumers. It is the common man friendly structure as more than 50% of necessary items are Zero-rated and only 5% is charged on essential items and 28% rate is on demerit goods.

### IMPACT ON TAX COMPLIANCE

- Under the previous taxation system multiple taxes were paid on the same product but now in the GST regime taxation procedure has been simplified and aligned with a robust IT system creating an assessed -friendly tax administration system. This has encouraged tax compliance as it has facilitated transparency. Further, the in-built input tax credit mechanism in GST provided a timely refund to traders which have incentivized tax compliance. Similar rates across the country and common base encourage tax compliance is resulting in better revenue for the country.
- **Telecom Sector:** From a compliance perspective under the GST regime, the telecom sector is required to undertake State wise registration instead of centralized registration which has increased the cost of compliance.

- *E-commerce*: GST has brought a tax collection at source provision for e-commerce operators with regard to goods sold through their portal which has significantly increased the compliance burden on the industry.
- *Automobile*: For automobile multiple taxes which were earlier applicable such as excise duty, VAT/CST, entry tax, octroi have been subsumed under the GST thus reducing the compliance burden.
- *Banking*: The major impact area for the sector should be from a compliance perspective, where there is a likelihood of a significant increase from centralized compliances to multiple state decentralized compliances.

## CONCLUSION

GST is the most rational step taken by the government of India towards all-inclusive indirect tax reform in the country. GST has simplified the indirect tax structure. Locally manufactured goods and services have become cheaper due to increased input tax credit and subsuming of various central and state indirect taxes into the GST. GST has brought down the cascading effect and has reduced the tax burden on the final consumers. This has reduced the prices of various goods and has increased the exports of Indian goods. By implementing GST, India has come in line with 150 other countries that have implemented it. But this is just the beginning, Government of India is taking a lot of steps to improvise the tax structure. A lot of changes are being introduced to make the GST simpler and user-friendly. In the future, GST will prove to be a game-changer for the Indian Economy.

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