

## GOODS AND SERVICES TAX IN INDIA: AN ANALYSIS

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### ABSTRACT

*Four years has passed since GST implemented in India. It was hoped that the burden of taxes would be reduced, Tax income will increase and economic development in the country will be accelerated with the new tax system. Now it is needed to analyze the overall performance of this tax system. The main objective of this paper is to analyze the trend in registration and return filing, contribution from different forms of business to GST revenue, share of different states in GST collection and to examine the impact of Covid-19 pandemic on GST collection.*

**Keywords:** GST, Registration, Invoice, Return Filing, Corona Pandemic, GST Revenue.

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### Introduction

After the Bharatiya Janata Party came to power at central in the year 2014, the Government of India took steps towards many structural reforms to accelerate the economic development of the country. Among these steps, Goods and Services Tax was prominent along with Make in India, Skill India, Digital India, Smart City Scheme, Jan Dhan Yojana etc. Goods and Services Tax is a broad and extended but simple multistage indirect tax levied at every point of sale of goods and services. The GST tagline "One nation, one market, one tax" is self-explanatory. With the implementation of GST, a unified tax system was developed. This single tax replaced several former state and central government taxes including excise duty, octroi, custom duty, sales tax/value added tax, service tax etc. Government of India adopted dual model of GST including central goods and services tax (CGST) and state goods and services tax (SGST). Another component of GST is integrated goods and services tax (IGST). GST eliminated tax boundaries between states and removed the cascading effect of earlier tax system. It was expected that the burden of taxes would be reduced, Tax income will increase and economic development in the country will be accelerated. Nearly 4 years have passed since GST came into existence.

### Objectives of Study

The present research work is an attempt:

- To examine the trend in registration and return filing under GST,
- To examine the contribution to GST revenue from different constituents of business,
- To examine the share of different states in GST collection, and
- To examine the GST collection during Pre and Post Covid-19 pandemic periods.

### Review of Literature

**Kumar (2014)** examined various aspects of GST and found that implementation of this tax in India help in removing economic deformation by prevailing indirect tax system. **Devi (2016)** performed SWOT analysis on GST in India and concluded that it will encourage international market competition, promote the export and attract the international investment. **Saravanan (2017)** compare GST with earlier indirect tax regime and revealed that GST will cause a negative impact on manufacturing and service sector but will cause a positive impact on intermediary investors and final consumers. **Karamjeet (2017)** evaluated the salient features of GST Act and compare the Indian GST with that of few other selected countries. He found that GST would empower Indians, strengthen Indian economy and improve the

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public quality of life. Purohit (2018) has analyzed Goods and Services Tax as a game changer for the Indian Economy. Tewari (2018) compared the Pre and Post GST scenario of Indian indirect tax system in respect of registrants and revenue collection. Togadiya and Oza (2020) has examined GST as a game changer for Indian Auto Company Share Return.

### Registration Trend

In any tax regime, registration of taxpayer is an essential and basic process for the identity of the Taxpayer. Provision has also been made in the Goods and Services Tax system for the registration of the taxpayer, which is an online process. In this system, it has been decided by the GST act that every business entity and person will get a unique number from the officer concerned so that it can collect tax on behalf of the government and take advantage of input tax credit to protect from double taxation. Under the Goods and Services Tax, there is a system of PAN card based registration for a particular state. The business entity gets his registration done with the tax officer of the particular state or union territory where his business is being done. A 15 digit number is given to the business entity by the tax officer, that it is called GSTIN. It identifies the taxpayer in GST system. There is a provision for mandatory registration, voluntary registration and deemed registration under the GST act. Mandatory registration may be with or without threshold limit. Persons or entities for whom registration is not mandatory under Section 22 and 24 of the GST Act, they can do voluntary registration if they want. Inspired by the survey, inquiry or inspection, *SUO-MOTU* registration can be done by GST Department. These GST taxpayers can also get registered in the Composition Scheme. These taxpayers are called composite tax payers.

Till December, 2017 there were 0.98 crore unique GST registrants, which were slightly more than the gross indirect tax registrants under old taxation system including Excise, Service Tax, VAT etc. After adjusting the double, triple registration in the old system, this unique increase became 0.34 crore registrants under GST which was approximately 50 percent. The Unique GST registrants increased by 32 percent to 1.29 crore till June 30, 2021. Out of total GST registrants Normal Taxpayers were 1.10 crore (85%) and Composition taxpayers 16.66 lakhs (12.9 %). Other registrants were Input Service Distributor 6972, Casual Taxpayers 131, Tax Collector at source 13034 and Tax Deductor at source 204789. There were 29 Non Resident Taxpayers and 286 Online Information Data Base Access and Retrieval (OIDAR) Services (Hotstar, Amazon Prime etc.). Number of GST registrants in major states across the country is shown in Table 1.

**Table 1: GST Registrants in Major States in India ( As on 30 June, 2021)**

State	Normal Taxpayers	Composition Taxpayers	Others	Total	State Domestic Product (Rs in Crore)
Delhi	723999	17076	4745	745820	704529
Gujrat	951946	99270	18232	1069448	1322936
Karnataka	780692	111381	18143	910216	1409126
Maharashtra	1403410	126708	45457	1575575	2332992
Rajasthan	597642	139350	19243	756235	845247
TamilNadu	937788	81245	12177	1031210	1465361
Uttar Pradesh	1213014	373713	21556	1608283	1491311
West Bengal	626988	69016	12302	708306	995502
Others	3780057	648748	73386	4502191	NA
<b>Total</b>	<b>11015536</b>	<b>1666507</b>	225241	<b>12907284</b>	

Source: GST website and Economic Survey of India 2020-21

Note: Net State Domestic Product are given for year 2018-19

From the analysis of the data given in Table: 1 it is revealed that:

- Minimum total registrants were 3 in Daman and Diu.
- Maximum total registrants were 1608283 in Uttar Pradesh.
- 8405093 registrants (65.12% of total registrants) were from 8 Major states/UT- Delhi, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

- High degree of positive correlation (Pearsons  $r = + 0.82497$ ) exist between Net State Domestic Product and GST registrants.

### Return Filing

A Tax Invoice is a legal document that a seller submits to a customer in which the tax is included. The tax invoice is a recognized document under the Goods and Services Tax act. It is an evidence of the transaction. The tax is calculated on the basis of the invoice and the traders file the GST return. For the first three months of 2021, the number of taxpayers as per the various turnover slabs and the details of the invoices reported in GSTR-1 have been presented in Table 2.

**Table 2: Invoice Count and Turnover Slabs**

Turnover Slab	Count of Taxpayers	Number of Invoices 2021			Total number of Invoices	Average Invoices per month per taxpayer
		January	February	March		
Upto 5 lakhs	1125571	845392	1097022	2566221	4508635	1.34
5 to 10 lakh	706407	1186212	1467574	3204105	5857891	2.76
10to20 lakh	944758	2564624	3134191	6431508	12130323	4.28
20to30 lakhs	641746	2554638	3084852	6087621	11727111	6.09
30to40 lakhs	468437	2454051	2940853	5640368	11035272	7.85
40 to 50 lakhs	360905	2334326	2774188	5084836	10193350	9.41
50 to 70 lakhs	523340	4331313	5118094	9031795	18481202	11.77
70lakhs to 1 crore	510085	5854134	6822681	11344149	24020964	15.70
1 to 1.5 crores	499417	8330952	9610865	14686471	32628288	21.78
1.5 to 2 crores	302091	6851219	7902578	11506490	26260287	28.98
2 to 3crores	345478	10868789	12449474	17524257	40842520	39.41
3 to 4 crores	201296	8704452	9638315	13182251	31525018	52.20
4 to 5 crores	135253	7533993	8036990	10291330	25862313	63.74
5 to 8 crores	225687	17083516	17354374	20203151	54641041	80.70
8 to 10 crores	87095	8254482	8333795	9117534	25705811	98.38
10 to 20 crores	184508	23574590	23703407	25784131	73062128	131.99
20 to 50 crores	114313	23470121	23477656	25467981	72415758	211.16
50 to 100 crores	37124	13060052	13256920	14507356	40824328	366.56
100 to 500 crores	30079	24059413	24276878	27006348	75342639	834.94
Above 500 cores	7378	40756405	39666512	44817189	125240106	5658.27
<b>GRAND TOTAL</b>	<b>7450968</b>	<b>214672674</b>	<b>224147219</b>	<b>283485092</b>	<b>722304985</b>	<b>32.31</b>

Source : [www.gst.gov.in](http://www.gst.gov.in)

Note : (1) Invoice count for Financial Year 2020-21

(2) Turnover slab is based on outward supply declared by the taxpayer in Monthly Return GSTR-3B

The number of small businessmen in India is high. It is revealed from the table that the number of small taxpayers, whose turnover was less than Rs 5 lakhs, was highest 11.25 lakh, which is 15.11% of the total taxpayers while the number of taxpayers with turnover more than 500 crores was the least 7378 (0.10 %). Covid-19 (First wave) had subsided by January 2021 and continuous efforts were made by the government to intensify economic activities, which resulted in an increase in business. The number of invoices in January 2021 was Rs 21.46 crores, which increased to Rs 28.34 crore in March 2021 (average increase 32%). On the basis of average number of invoices per month and number of taxpayers, the number of invoices per taxpayer per month has been calculated. It is found that average invoices per tax payer per month is least (1.34) in the case of small taxpayers having turnover less than Rs 5 lakhs and highest (5658.27) in the case of big taxpayers having turnover above Rs 500 crores.

Filing of tax return is an important compliance for the person who got registered under GST . The information presented in the return is in respect of sales, quantity, price, deductions etc. serve as the basis in the determination of Goods and Services Tax. GST returns are basically documents filed by taxpayers during a periodic cycle. Each individual registered with the GST portal needs to share his/her

business information, including purchases, tax paid, tax collected etc by filing online return. Under GST, it is mandatory for every registered businessman, to file various monthly and annual return from GSTR-1 to GSTR-10 (depending upon the nature of business and period) on different due dates. If there is no business transaction during return period, nil return filing is mandatory. The return of the current period cannot be filed without filing the return of the previous month and there is also a provision of penalty for the late filing of return. There has been a steady increase in the number of returns filed since the implementation of GST in India. For the month of July 2017 total 66.10 lakh returns were filed which was 97.45 percent of the total eligible taxpayers. This number has been increased to 79.08 lakh in March 2018; 90.10 lakh in March 2019 and 95.91 lakh in March 2020. There was an overall increase of 45% in the number of returns filed between July 2017 and March 2020. In April 2020, there was a lockdown due to Covid-19 pandemic, which adversely affected business for the next several months. Due to the overall efforts made by the government to give impetus to the economic activities by saving the economy from the ill effects, the economy recovered and as a result of which the number returns filed in December 2020 increased to 99.72 lakh. The percentage of taxpayers who filed returns to the total eligible taxpayers during the said period varied between 87% to 97.5% .

### GST Revenue

Goods and Service Tax revenue includes CGST, SGST, UTGST, IGST, TDS, TCS and other dues (Interest, fees, penalties etc.) . Replicator of goods and services, businessman who opt composition scheme, person liable for TDS or TCS and recipient subject to reverse charge are liable to deposit tax under GST.

#### • Share of Different Constitutions to GST Revenue

To examine the share of different constitutions to GST revenue, business entities has been classified in 16 categories. Table 3 shows share of different constitutions in number of taxpayers and GST collection. It has been revealed from the table that highest number of taxpayers (10398893) was under proprietorship category which was 80.17% of total taxpayers while their contribution to GST was only Rs 433255 crores (13.35% of total GST collection). The lowest number of taxpayers was under the category of other body notified by GST committee. The number of taxpayers under categories of unlimited company and Foreign LLP were also negligible. In terms of GST collection, public limited companies (only 0.58% of total number of taxpayers) stood on first position whose contribution to total GST collection was Rs. 1142985 crores (35.23%). Private limited companies stood on second position with the contribution of Rs. 900969 crores (27.77%). Unlimited companies, Foreign LLP and other notified bodies contributed very little amount to GST collection.

**Table 3: Constitution of Business and GST Revenue**

S.No.	Constitution of Business	Taxpayers		GST Collection	
		No. of Taxpayers	Percentage	Amount (Rs crores)	Percentage
1.	Public Ltd. Company	75295	0.58	1142985	35.23
2.	Private Ltd. Company	779219	6.01	900969	27.77
3.	Proprietorship	10398893	80.17	433255	13.35
4.	Public Sector Undertaking	2795	0.02	287004	8.85
5.	Partnership	1380441	10.64	238446	7.35
6.	Others	29573	0.23	83638	2.58
7.	Society/Club/Others/AOP	119941	0.92	44683	1.38
8.	LLP	85081	0.66	34981	1.08
9.	Government Department	7382	0.06	33573	1.03
10.	Statutory Body	1036	0.01	17183	0.53
11.	Foreign Company	1784	0.01	12858	0.40
12.	Hindu Undivided Family	82763	0.64	8385	0.26
13.	Local Authority	6338	0.05	6457	0.20
14.	Unlimited Company	95	0.00	342	0.01
15.	Foreign LLP	110	0.00	41	0.00
16.	Other notified body	88	0.00	11	0.00
	Grand Total	12970834	100.00	3244811	100.00

Source : www.gst.gov.in

Note : (i) Return period accounted upto March 2021 and excluded IGST on imports.

(ii) Number of Taxpayers was based on entry made in cash ledger against GSTR-3B / GSTR- R4.

(iii) LLP stands for Limited Liability Partnership.

- **State wise GST Collection**

The trend of GST collection has been analyzed on the basis of state wise contribution. There is a lot of difference in terms of area, population and economic prosperity in different states in India. In economically prosperous or large (in terms of population) states, economic activities are more and collection of GST is also more in comparison to underdeveloped or small states. State wise GST collection has been shown in Table 4. In this table the number of taxpayers is of those who paid tax in cash. It does not include those taxpayers who filed nil return or paid full liability by Input Tax Credit. Input Tax Credit means credit of the GST paid on purchase of goods and services which are used for the furtherance of business.

It is clear from the table that highest number of GSTINs was in Maharashtra, second highest number was in Uttar Pradesh and third highest number was in Gujarat. About 72 percent GSTINs were in India's 9 states Maharashtra (14.82%), Uttar Pradesh (10.25%), Gujarat (10.21%), Tamil Nadu (8.72%), Karnataka (7.62%), Delhi (6.43%), Rajasthan (5.27%), West Bengal (4.95%) and Haryana (3.83%) whereas only 28 percent GSTINs were in the rest of the states and union territories of India. Maharashtra (19.39%), Karnataka (8.80%) and Gujarat (8.71%) were in the first, second and third places respectively. Nine states contributed 70% of total GST collection whereas rest states and UTs contributed only 30%. Average tax per GSTIN was highest in Haryana (Rs 4.348 lakh) and second highest in Maharashtra (Rs 3.370 lakh).

**Table 4: State wise Tax Collection during Financial Year 2020-21**

S.No.	State	No. of GSTINs	Tax Deposited (Rs in Crore)	Average Tax per GSTIN (Rs in Lakh)
1.	Delhi	2064408	34563.04	1.674
2.	Gujarat	3278884	72044.09	2.197
3.	Haryana	1229058	53443.84	4.348
4.	Karnataka	2447880	72735.13	2.971
5.	Maharashtra	4754732	160250.09	3.370
6.	Rajasthan	1692987	30312.80	1.790
7.	Tamil Nadu	2798454	66699.98	2.383
8.	Uttar Pradesh	3292666	56481.27	1.715
9.	West Bengal	1588514	37806.01	2.379
10.	Others	8951422	242294.03	2.707
	Total	32099005	826630.28	2.575

Source : [www.gst.gov.in](http://www.gst.gov.in)

Note : (i) GSTIN is a unique 15 digit Goods and Services Tax Identification Number obtained by taxpayers.

### Impact of CORONA Pandemic on GST Collection

The economic impact of the COVID-19 pandemic in India was largely disruptive. Stock markets in India posted their worst losses in history on 23 March 2020. The Government of India announced a variety of measures to tackle the situation. Government ensured food security, provided extra funds for healthcare and for the states, declared incentive for different sectors and extended tax deadlines. In the second week of May 2020, companies started preparations for restarting operations. Some companies opened offices with the maximum permitted strength of 33 percent while others took a more cautious approach of as low as five percent. By the end of June, a number of economic indicators such as the manufacturers Purchasing Managers' Index, goods movement, GST collections, electricity usage and rail freight transport showed significant improvement as compared to previous months. By mid-September 2020, India's Business Resumption Index showed that economic activity was nearly back to pre-lockdown levels.

The impact of reduction in economic activities due to Covid-19 pandemic and recovery of economy due to stimulus relief packages of the government, was also on the GST collection. GST collection before and after Corona pandemic has shown in the Table 5.

**Table 5: GST Collection – Pre and Post Corona Pandemic**

Payment Month	Tax Collection (Rs in crore)		
	2018-19	2019-20	2020-21
April	--	84956.84	16833.65
May	--	71899.21	43261.39
June	--	74117.56	72136.86

July	--	73975.69	63861.67
August	65937.91	69336.04	63484.32
September	67667.06	66049.93	69512.00
October	71801.99	69860.82	77409.97
November	70463.99	78127.48	78598.57
December	67724.46	77806.56	83189.53
January	74781.69	82712.55	87863.05
February	72241.97	80029.48	84482.88
March	78318.94	74943.26	87044.66

It is revealed from the Table 5 that GST collection which was Rs 65937.91 Crores in August 2018, increased to Rs. 74943.26 Crores in March 2020. The growth was 13.7%, though it was irregular. As a consequence of lockdown, economic activities were shrunken and GST collection came down to Rs 16833.65 Crores. Government's efforts pushed up the economic activities therefore a steady growth showed in GST collection. In March 2021, GST collection increased to to Rs 87044.66 crores, which was highest since implementation of GST.

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