

GST IMPLEMENTATION IN INDIA: A COMPREHENSIVE ANALYSIS

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ABSTRACT

'The implementation of the Goods and Services Tax (GST) in India represented a watershed moment in the country's tax reform history. This article gives a thorough examination of the GST implementation process, including its goals, problems, and outcomes. This study assesses the impact of GST on several sectors of the economy, including manufacturing, services, and consumer goods, using a comprehensive analysis of literature, official publications, and statistical data. Key features of the GST structure, tax rates, compliance processes, and technology infrastructure are examined to determine their success in accomplishing the aims of simplifying taxation, boosting economic growth, and supporting fiscal consolidation. This report also looks at how firms, taxpayers, and government agencies have adapted to the GST regime, highlighting both the successes and shortcomings encountered during the transition. By synthesizing existing research and offering insights from diverse perspectives, this paper aims to contribute to a deeper understanding of the GST implementation in India and provide valuable lessons for policymakers, practitioners, and researchers in the field of taxation and public policy.'

Keywords: Goods and Services Tax (GST), Unified Taxation, Compliance Process, Socio – Economic Impacts, Tax Policy.

Introduction

What is Indirect Tax?

An indirect tax is a type of tax where the tax burden is shifted from the entity that bears the legal obligation of paying the tax to another entity, typically the final consumer. In other words, the tax is imposed on goods and services at various stages of production or distribution, but the actual payment of the tax is ultimately passed on to the consumer in the form of higher prices for goods and services. According to Datey (1998), "indirect taxes are those which are paid before the goods reach the taxpayer." Here, the burden of tax is shifted to another person (i.e. consumers), who ultimately pays the tax.

Previous Indirect Tax Structure at a Glance

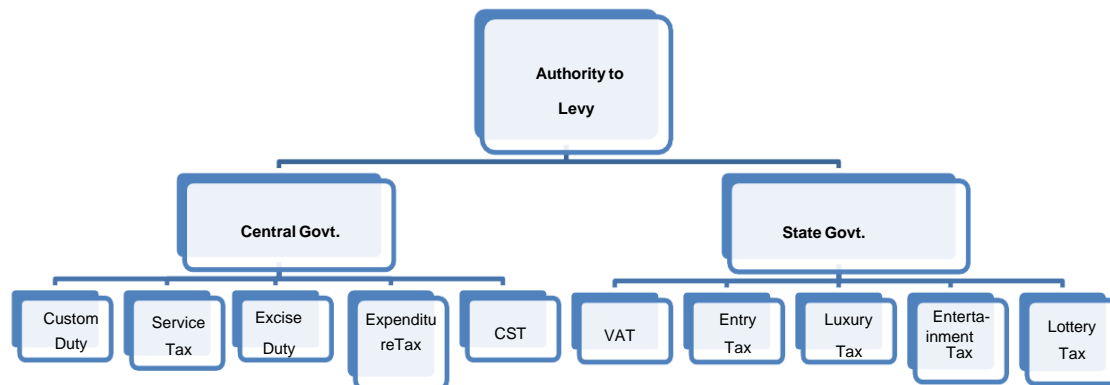


Fig. 1: Previous Indirect Tax Structure

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What is GST?

GST, or Goods and Services Tax, is a unified indirect tax system implemented in India. It replaces multiple central and state taxes with a single tax, making the tax system simpler and more efficient. Under GST, goods and services are taxed at various stages of production and distribution, but tax credits are available for taxes paid at previous stages. This helps in avoiding double taxation and reduces the cascading effect of taxes. GST aims to create a unified national market, promote economic growth, and streamline the taxation process.

Salient Features of GST

Salient features of GST are as follows:

- **One Nation, One Tax:** GST replaces multiple indirect taxes levied by the central and state governments with a single tax system.
- **Dual Structure:** GST is levied concurrently by both the central and state governments, known as CGST and SGST, respectively.
- **Destination-Based Tax:** Tax is levied based on the location of consumption rather than the origin of production, promoting equitable distribution of tax revenue.
- **Input Tax Credit (ITC):** Businesses can claim credit for taxes paid on inputs, reducing the cascading effect of taxation.
- **Comprehensive Coverage:** GST applies to a wide range of goods and services, simplifying the tax structure.
- **Threshold Exemption:** Small businesses with turnover below a specified threshold are exempt from GST registration and payment.
- **Electronic Filing and Compliance:** GST mandates electronic filing of tax returns, payments, and invoices, enhancing transparency and compliance.
- **GST Council:** A governing body comprising central and state representatives that makes decisions on tax rates, exemptions, and other policy matters.

Present Indirect Tax Structure (i.e. GST Model) at a Glance

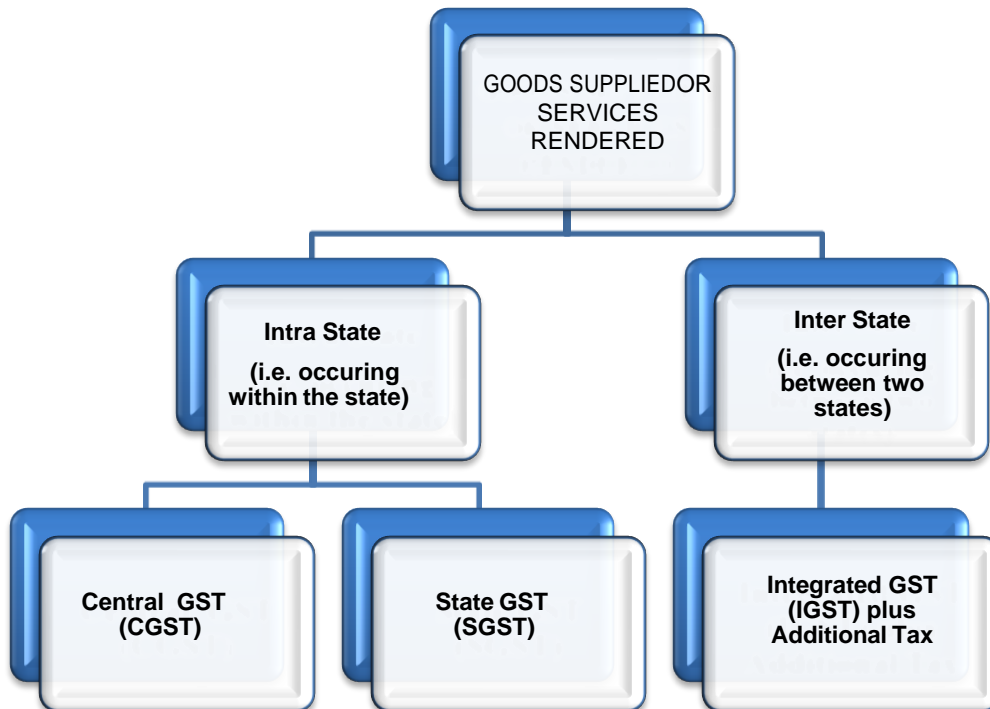


Fig. 2: Present Indirect Tax Structure (i.e. GST Model)

Indirect taxes of States and Central Regimes Subsumed under GST**List of State Government taxes subsumed under GST**

- VAT/ Sales Tax
- Luxury Tax
- Entertainment Tax
- Entry Tax
- Taxes on lotteries, Betting and gambling
- Octroi

List of Central Government taxes subsumed under GST

- Service Tax
- Central Excise Duty
- Additional Excise Duty
- Excise Duty under Medicinal and Toiletries preparation Act
- Additional customs duty (Countervailing Duty)
- Surcharges and Cesses

Review of Literature

Before moving forward into the depth of the study, let us have a quick glance on the studies made so far related to GST.

The Goods and Services Tax (GST) in India aims to unify taxation by consolidating various indirect taxes into a single system. The GST replaces taxes like central excise, VAT, service tax, and others, streamlining the tax structure. (Dani, 2016; Nayyar & Singh, 2018) This tax reform is significant for businesses and consumers, eliminating the need to navigate multiple tax types and promoting transparency while reducing tax evasion and corruption. The GST's implementation marks a shift towards a uniform market by removing internal trade barriers and creating a single tax system for the entire nation. (Khurana & Sharma, 2016; Kumar, 2019) Despite its benefits, challenges like price hikes in basic amenities have been noted, impacting the poor and middlemen. Overall, the GST represents a crucial step towards a simplified and efficient taxation system in India. (Agarwal & Yousuf Malik, 2019; Mukherjee et al., 2018)

Objective of the Study

The study has the following objectives:

- Understanding the concept of GST.
- To examine the aspects of GST.
- To assess the benefits and challenges of GST.
- Provide information for further GST investigation.

Research Methodology

This explanatory research is based on secondary data from journals, articles, newspapers, and magazines. To provide accurate and robust analysis, a descriptive research design is used based on the study objectives.

Findings and Discussions**Findings**

- **Economic Impact:** Analysis reveals a mixed economic impact of GST across sectors. While some sectors experienced growth and efficiency gains due to reduced tax cascading, others faced temporary disruptions and adjustment challenges during the transition period.
- **Tax Compliance:** Findings suggest that GST has improved tax compliance to some extent, evidenced by increased tax collections and a broader tax base. However, challenges such as complex compliance procedures and technological glitches have hindered full compliance among businesses, particularly small and medium enterprises (SMEs).

Discussions

- **Sectoral Analysis:** The discussion goes into the varied impact of GST on various sectors, emphasizing the necessity for sector-specific policy interventions to address concerns while capitalizing on opportunities for growth and development.
- **Compliance Issues:** The discussion focuses on the compliance issues that businesses confront, including potential techniques for simplifying compliance procedures, improving taxpayer education, and overcoming technology impediments to increase compliance rates.
- **Policy Proposals:** Based on the findings, discussions lead to policy proposals targeted at improving the efficacy and efficiency of the GST system. Recommendations could include streamlining tax procedures, offering targeted assistance to SMEs, and boosting GST administration through technology-enabled solutions and capacity building.
- **Future Research Directions:** The report continues by offering areas for further research, including as longitudinal studies to determine the long-term impact of GST, comparative evaluations of other countries' tax reforms, and case studies on successful corporate compliance measures.

Conclusion

Finally, our findings shed light on the Goods and Services Tax (GST) implementation in India. A detailed review of the economic impact, compliance issues, and policy implications of GST has yielded numerous major findings. While GST has resulted in substantial reforms to India's taxation system, such as simplification, broadening of the tax base, and improved tax compliance to some extent, issues persist in terms of sectoral imbalances, compliance cost on small firms, and technical infrastructure.

Our discussions emphasize the necessity of sector-specific policy interventions, simplified compliance procedures, and targeted support for small and medium-sized firms in addressing these problems and realizing GST's full potential for economic growth and development.

Overall, our findings highlight the importance of ongoing review, adaptation, and reform in ensuring the success and sustainability of India's GST system in building a dynamic economy.

This conclusion summarizes the research paper's main findings, discussions, and recommendations, offering a clear and brief overview of the study's contributions and consequences.

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