What is the Goods and Service Tax? Introduced in Mid-2017, marking the most significant shift in the country’s indirect tax regime in recent years. This research paper aims to comprehensively analyse and compare India's economic situation before and after the implementation of GST. The study delves into various economic indicators, including GDP growth, inflation, fiscal deficits, tax revenue collections, and ease of doing business, to provide a holistic assessment of the impact of GST on India's economic landscape. Key findings from the analysis highlight the positive effects of GST on the economy. The unified tax structure has streamlined the tax collection process, reduced compliance burdens, and facilitated the ease of doing business. The paper also discusses sector-specific impacts, such as manufacturing, services, and agriculture, shedding light on differential outcomes.

INTRODUCTION

The Goods and Services Tax is India's largest indirect tax overhaul. The Goods and Services Tax Act was passed by Parliament on March 29, 2017, and went into effect on July 1, 2017.

GST will incorporate Central Excise Law, Service Tax Law, State VAT's, Entry Tax, Luxury Taxes, Octopi, and a variety of other laws. Previously, there were numerous taxes charged on items, including Excise, VAR, entrance tax, and octopi. Similarly, carrier is subject to provider tax, leisure tax, and luxury tax. There is now only one tax, GST, which
makes the dream of One Nation, One Tax a reality. GST is a value-added tax collected at each stage of the supply chain.

In the earlier indirect tax regime, there were many indirect taxes levied by both the state and the centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations.

Inter-state sale of goods was taxed by the centre. CST (Central State Tax) was applicable in case of inter-state sale of goods. The indirect taxes such as the entertainment tax, octroi and local tax were levied together by state and centre. These led to a lot of overlapping of taxes levied by both the state and the centre.

For example, when goods were manufactured and sold, excise duty was charged by the centre. Over and above the excise duty, VAT was also charged by the state. It led to a tax-on-tax effect, also known as the cascading effect of taxes.

The following is the list of indirect taxes in the pre-GST regime:

- Central Excise Duty
- Duties of Excise
- Additional Duties of Excise
- Additional Duties of Customs
- Special Additional Duty of Customs
- Cess
- State VAT
- Central Sales Tax
- Purchase Tax
- Luxury Tax
- Entertainment Tax
• Entry Tax
• Taxes on advertisements
• Taxes on lotteries, betting, and gambling

CGST, SGST, and IGST have replaced all the above taxes.

However, certain taxes such as the GST levied for the inter-state purchase at a concessional rate of 2% by the issue and utilisation 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.

It applies to the following transactions only:

• Resale
• Use in manufacturing or processing.
• Use in certain sectors such as the telecommunication network, mining, the generation or distribution of electricity or any other power sector.

SHORTCOMINGS AND NEED FOR GOODS AND SERVICE TAX (GST)
1. **Tax Dropping**: The most significant contributing factor to tax cascading is the partial coverage by Central and State taxes. Sectors that are exempted are not allowed to claim credit for the Central VAT or the Service Tax paid on the inputs.

2. **Levy of Excise Duty on manufacturing point**: The CENVAT is levied on goods manufactured or produced in India. Restricting the tax to the point of manufacturing is a severe obstruction to an effective and unbiased application of tax.

3. **Complexity in determining the nature of transaction – Sale vs. Service.**

4. **States are unable to levy taxes on services**: they have no powers to collect tax on incomes or the fastest growing constituents of consumer expenditures, the States must rely almost exclusively on compliance improvements or rate increases for any flexibility in their own-source revenues.

5. **Lack of Uniformity in Provisions and Rates**

6. **Fixation of situs – Local Sale vs. Central Sale**

7. **Interpretational Issues**: whether an activity is sale or works contract; sale or service, is not free from doubt in many cases.

8. **The Indian tax system was cumbersome and burdensome, and different taxes on the same products in different countries resulted in high inflation that had to be fixed.**

**GOODS AND SERVICE TAX – BACKGROUND**

The 14 year-long journey of the Goods and Services Tax finally culminated on the July 1, 2017, with the implementation of what was touted to be the biggest tax reform for the country in 70 years of independence.
While the central government was confident of launching the GST as a Good and Simple Tax, there were a lot of others who wanted to keep it away considering it as a half-baked GST regime over the taxpayers.

The implementation of Goods and Service Tax (GST) has transformed the economy into a digital and standardized one, which in turn will now help seamless flow of information and availability of common set of data to both the Centre and the States making the Direct and Indirect Tax collections more effective.

The salient features of GST are as under:

1. GST is applicable on ‘supply’ of goods or services as against the present concept on the manufacture of goods or on sale of goods or on provision of services.

2. GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation.

3. It is a dual GST with the Centre and the States simultaneously levying tax on a common base. GST to be levied by the Centre would be called Central GST(CGST) and that to be levied by the States would be called State GST (SGST).

4. An Integrated GST (IGST) would be levied an inter-state supply (including stock transfers) of goods or services. This shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council.

5. Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.

6. CGST, SGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States. The rates would be notified on the recommendation of the GST Council.

In a recent meeting, the GST Council has decided that GST would be levied at four
rates viz. 5%, 12%, 16% and 28%. The schedule or list of items that would fall under each of these slabs has been worked out. In addition to these rates, a cess would be imposed on “demerit” goods to raise resources for providing compensation to States as States may lose revenue owing to the implementation of GST.

7. GST would replace the following taxes currently levied and collected by the Centre:
   - a) Central Excise Duty
   - b) Duties of Excise (Medicinal and Toilet Preparations)
   - c) Additional Duties of Excise (Goods of Special Importance)
   - d) Additional Duties of Excise (Textiles and Textile Products)
   - e) Additional Duties of Customs (commonly known as CVD)
   - f) Special Additional Duty of Customs (SAD)
   - g) Service Tax
   - h) Cesses and surcharge in so far as they relate to supply of goods and services.

8. State taxes that would be subsumed within the GST are:
   - a) State VAT
   - b) Central Sales Tax
   - c) Purchase Tax
   - d) Luxury Tax
   - e) Entry Tax (All forms)
   - f) Entertainment Tax and Amusement Tax (except those levied by the local bodies)
   - g) Taxes on advertisements
9. GST would apply on all goods and services except Alcohol for human consumption.

10. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural Gas) would be applicable from a date to be recommended by the GSTC.

11. Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.

12. A common threshold exemption would apply to both CGST and SGST. Taxpayers with an annual turnover not exceeding Rs.20 lakh (Rs.10 Lakh for special category States) would be exempt from GST. For small taxpayers with an aggregate turnover in a financial year up to 50 lakhs, a composition scheme is available. Under the scheme a taxpayer shall pay tax as a percentage of his turnover in a State during the year without benefit of Input Tax Credit. This scheme will be optional.

13. The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.

14. Exports would be zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.

15. Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST paid on inputs may be used only for paying SGST. Input Tax Credit (ITC) of CGST cannot be used for payment of SGST and vice versa. In other words, the two streams of Input Tax Credit (ITC) cannot be cross-utilised, except in specified
circumstances of inter-state supplies for payment of IGST. The credit would be permitted to be utilised in the following manner:

a. a) ITC of CGST allowed for payment of CGST & IGST in that order.

b. b) ITC of SGST allowed for payment of SGST & IGST in that order.

c. c) ITC of IGST allowed for payment of IGST, CGST & SGST in that order.

16. Accounts would be settled periodically between the Centre and the States to ensure that the credit of SGST used for payment of IGST is transferred by the Exporting State to the Centre. Similarly, IGST used for payment of SGST would be transferred by the Centre to the Importing State. Further, the SGST portion of IGST collected on B2C supplies would also be transferred by the Centre to the destination State. The transfer of funds would be carried out based on information contained in the returns filed by the taxpayers.

17. The laws, regulations and procedures for levy and collection of CGST and SGST would be harmonized to the extent possible.

The whole GST system will be backed by a robust IT system. In this regard, Goods and Services Tax Network (GSTN) has been set up by the Government. It will provide front end services and will also develop back-end IT modules for States who opted for the same.

Introduction of Goods and Service Tax brought various merits onto the economy:

1. Reduction of multiple taxes: Previous tax regime was loaded with multiple taxes at the state level which included.

   • VAT.
   • Entertainment tax.
   • Luxury tax.
   • Taxes on lottery.
• Betting and gambling.
• State Cesses and Surcharges.
• Octroi.
• Entry tax and purchase tax.

Also, multiple taxes at the central level were also levied which included:

1. Central Excise Duty,
2. Additional Excise Duties,
3. Service Tax, and
4. Additional Customs Duty.

This multiplicity of tax kept the consumers confused and unsure on taxes being charged. Consumers were never able to cross-check the correct levy and payment of taxes, leading to consumers being overcharged on account of false taxes.

GST being based on a PAN-India model tax system; consumers have become vigilant before paying taxes. GST being a “ONE NATION ONE TAX”, has helped rationalize and revolutionize the whole economy and providing a uniform, simple and a single tax system.

2. Reduction in logistic cost: The implementation of the E-way bill and GST has helped in the reduction of logistics costs. This cost reduction has brought India at the cusp of a logistic revolution.

On the operational side, a National Logistics Portal is also being developed by the Ministry of Commerce and Industry, it is planned that all stakeholders like traders, manufacturers, logistics service providers, infrastructure providers, financial services, Government departments and groups, and associations will all be on one platform.
The aim is to reduce the logistics cost from the present 14% of GDP to less than 10% by 2022.

3. *Anti-profiteering*: Anti-profiteering measures in GST ensures that every time there is a change in GST rates resulting in rationalization of tax rates, the benefit is being passed on to the consumers. Profiteering happens when you inflate your product prices unfairly to create a higher profit margin.

   GST regime does create an opportunity for profiteering. Thereby the main goal of India’s clause is to prevent suppliers from taking undue advantage of GST by passing on the “commensurate reduction in prices” to final consumers.

4. *Real Estate*: Recently the government has rationalized tax rates in the real estate sector from 12%/8% (with ITC benefit) to 5%/1% (without ITC benefit) also giving a one-time option for ongoing projects to adopt the tax scheme.

   Homebuyers were forced to pay multiple taxes on real-estate buys in the pre-GST regime, and in the post-GST regime, they were forced to pay full taxes without benefit of ITC being passed to the consumers. Thereby commodities were always overpriced.

   With this new tax regime consumers are ensured that they are bound to pay a realistic price with the full benefit of Input tax credit flowing to them without any discretion of suppliers.

5. *E-way bill*: Electronic way - bill (“E-WAY BILL”) is a document generated online under the GST system when goods of the value of more than INR 50,000 are being transported.
This is a mandatory document issued online by government servers which captures the place of origin and place of destination for all such movement of goods with value and tax involved in it.

Implementation of the E-way bill has reduced the extent of rampant tax evasion in the country, thereby increasing the revenues of exchequer reducing the fiscal deficit.

6. **International Trade**: International trade refers to the amount of export and import between two nations. If a common tax structure is followed worldwide, it is helpful in enhancing international trade.

7. **Growth of manufacturing & service industries**: GST will enhance the growth of manufacturing industries and service industries by reducing the tax burden. Due to the reduction in tax burden, price will reduce, and demand of products will increase. Increase in demand will help in generating employment opportunity also.

**GOODS AND SERVICE TAX – CHALLENGES**

Onset of Goods and Service Tax brought in unexpected challenges for the Indian Government, some of them are listed below:

1. **GST is nothing but a VAT mechanism**: GST mechanism is completely like the VAT mechanism. VAT is only applicable to state level basis, whereas GST is related to both state central levels. Under GST mechanism tax is to be paid on output and Tax paid on input will be allowed as “Input Tax Credit” like VAT mechanism. There is a
marginal difference between the VAT and GST. Only all indirect taxes are merged with one name, adopting the VAT mechanism.

2. *Only a change in Tax structure, not Tax burden:* GST may be considered as the upgradation of tax structure, not change of the tax burden. Although GST is a single indirect tax and one uniform tax rate is applicable, there are so many tax burdens included in GST i.e., Additional excise duty, additional customs duty. So, the question may arise whether GST can reduce the complexity of indirect taxes and the tax burden of Taxpayers or not.

3. *The simplicity of the name, not in the tax structure:* In India dual concept (central level and State level) of GST has been proposed to replace almost all indirect taxes like VAT, sales Tax, service tax, and excise duty. Now the question is whether this structure will be successfully performed or not.

**EFFECT OF THE GOODS AND SERVICE TAX ON THE INDIAN ECONOMY**

The implementation of GST has significantly affected the Indian economy in the following ways:

1. *Fostering production:* As per the Indian retail industry, the total tax component is around 30% of the product cost. Due to the impact of GST, the taxes have gone down. So, the end consumer must pay lesser taxes. The reduced burden of taxes has enhanced the production and growth of the retail and other industries.

2. *SME support:* small and medium enterprises can now register under the Composition Scheme introduced by GST. Through this scheme, they pay taxes according to their annual turnover. Therefore, businesses having an annual turnover of Rs. 1.5 crores only must pay 1% GST. Moreover, other enterprises having a turnover of Rs. 50 lakhs are required to pay 6% as GST.
3. **Enhanced pan India operations:** Companies can now avoid taxation roadblocks, such as toll plazas and check posts. Earlier, these created problems, including damage to unpreserved products while transporting them. So, manufacturers had to keep buffer stock to make up for the damages. These overhead costs of storing and warehousing hampered their profit. A single taxation system has reduced these problems. They can now transport their goods easily across India. This has resulted in the improvement of their pan India operations.

4. **Increase in exports:** GST has reduced the customs duty on exporting goods. The cost of production in the local markets has also decreased due to GST. All these factors have increased the rate of exports in the country. Companies have become more competitive when it comes to expanding their businesses globally.

   The introduction of GST has helped merge the taxes of the state and central governments. This has helped remove the cascading effect of multiple taxes. Therefore, the burden of taxes has reduced for companies and customers.

   Not just this, taxpayers have increased in number and hence, the tax revenues have also increased significantly. The overall taxation system is now easier to administer.

   Moreover, small- and medium-sized enterprises can enhance their businesses. It is expected that GST will help more Indian organisations to establish themselves in the international markets.

5. **GST and Centre-State Financial Relations:** Currently, fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains.
The Centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on sale of goods.

In case of inter-states sales, the Centre has the powers to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the originating States.

As for services, it is the Centre alone that is empowered to levy Service Tax.

Since the States are not empowered to levy any tax on the sale or purchase of goods during their importation into or exportations from India, the Centre levies and collects this tax in addition to the Basic Customs Duty.

This additional duty of customs (commonly known as CVD and SAD) counterbalance excise duty, sales tax, State VAT, and other taxes levied on the like domestic product.

Introduction of GST required amendments in the Constitution to empower the Centre and the States concurrently to levy and collect GST.

The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST required a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two.

The Goods and Service Tax Council (hereinafter referred to as, "GSTC") comprises of the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other matters. One-half of the total number of members of GSTC form quorum in meetings of GSTC.
Decision in GSTC is taken by a majority of not less than three-fourth of weighted votes cast. Centre has one-third weightage of the total votes cast and all the states taken together have two-third of weightage of the total votes cast.

All decisions taken by the GST Council has been arrived at through consensus. The option of exercising a vote has not been resorted to till date.

To ensure smooth roll-out of the GST, various Committees and Sectoral groups has been formed comprising of members from both Centre and States.

ECONOMIC IMPACT

Tax regime has become convenient reducing duplication and multiplicity of tax filings creating ease of doing business. From a macro-economic perspective, the government and industry expected that the GST would be instrumental in reducing economic distortions, which in turn, would provide necessary impetus to economic growth.

The Ministry of Statistics and Programme Implementation has declared India’s GDP growth to be 7.7% in 2017-18 compared to 7.1% in 2016-17. After the initial phase of GST implementation, marginal improvement was expected given the scale of changes in business and tax administration that it got along. However, this increase is expected to be temporary, and GDP is projected to settle back in the range of 7% to 7.5% in 2018-19 due to reduction in initial ambiguities.

INDUSTRY IMPACT

1. Exporters: After the implementation of GST, it has been found out that the export industry started getting revenue and capital issue within the first month of its
implementation. The export industry faced tough times till recently, due to non-availability of refunds.

To remedy this situation, the Ministry of Finance organized two “Special Drive Refund Fortnight”.

The first such drive led to sanction of an amount of Rs 5350 crores of refund, in March 2018 while the second saw a sanction of Rs 7500 crores. With some technical glitches due to the input tax credit and exports happening in different months, many exporters have not been able to file the refund of ITC.

The process being partly electronic and partly manual which made it more cumbersome and added to the transaction cost. Total GST refund of over Rs 20,000 crores is pending with the government, as per the Federation of Indian Export Organizations.

2. Logistics sector: The industry segment which benefited most of the GST rollout was the logistics sector. With check-posts removed, truckers were able to deliver goods faster leading to quicker turnaround time.

As per a CRISIL Research, trucks are plying an average 25 km more every day or around 325 km per day. But that is still 20 percent lesser than the 400 km per day estimated before implementation of GST. In the United States, a truck runs 800 km per day on an average.

For the transportation and logistics sector, GST is expected to have a long-term positive impact with consolidation of warehouses, which will help in improved load availability and drop-in vehicle transit time.

COMPARISON BETWEEN EARLIER VAT SYSTEM AND CURRENT GST
Before GST was implemented, the VAT system was being followed in the country.

There are numerous differences between GST and the previous system ranging from the levies, taxes, exemptions, validations, and more.

Here are the most prominent differences between the VAT structure and GST:

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>VAT</th>
<th>GST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td>Under the old taxation system, the central taxes applicable were custom duty/central excise duty, central sales tax on commodities and services, surcharge, and cesses. The state taxes included state VAT, WCT, entertainment tax, luxury tax, tax on gambling, betting and lottery, sales tax deducted at source, and surcharge and cesses.</td>
<td>Under GST, all the central and state taxes will be subsumed, and a single tax will be levied on all commodities and services apart from motor spirit, petroleum, natural gas, and high-speed diesel.</td>
</tr>
<tr>
<td><strong>Basis of Levy</strong></td>
<td>Under VAT, tax will be levied at the place where goods are manufactured or sold, or the place at which services are rendered.</td>
<td>Under GST, tax will be levied at the place of consumption, like a destination-based tax</td>
</tr>
<tr>
<td><strong>Registration</strong></td>
<td>Under VAT, the registration is decentralised under state and authorities.</td>
<td>Under GST, there will be uniform e-registration depending upon the PAN of the entity.</td>
</tr>
<tr>
<td><strong>Validation</strong></td>
<td>Under VAT, the system will partly validate the returns, and full verification will be subject to assessments by state or central authorities.</td>
<td>Under GST, the validation will take place on the system, and consistency checks will be carried out on input credit availed, tax payments, and utilisation.</td>
</tr>
<tr>
<td><strong>Filing of returns and collection of Tax</strong></td>
<td>Under the old scenario, service tax and central excise were uniform, but VAT varied from state to state.</td>
<td>Under GST, the process is uniform and the dates for collecting or depositing tax and filing returns are common.</td>
</tr>
<tr>
<td><strong>Service Tax</strong></td>
<td>Under VAT, the centre charges service tax on a list of services under the Finance Act on provision/payment basis.</td>
<td>Under GST, the State GST subsumes service tax depending upon rules relating to Place of Supply.</td>
</tr>
<tr>
<td><strong>State VAT</strong></td>
<td>Under VAT, all commodities apart from those exempts are taxed.</td>
<td>Under GST, the State GST subsumes this tax.</td>
</tr>
<tr>
<td><strong>Excise Duty</strong></td>
<td>Under VAT, excise duty will be levied up to the point of manufacturing.</td>
<td>Under GST, the excise duty will be replaced by Central GST and tax will be levied up to retail level.</td>
</tr>
<tr>
<td><strong>Basic Customs Duty</strong></td>
<td>Under VAT, the centre charges tax on imports under a separate act.</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Special Additional Duty</strong></td>
<td>Under Vat, the centre charges tax on imports separately.</td>
<td>Under GST, this duty is subsumed by State GST.</td>
</tr>
<tr>
<td><strong>Entry Tax</strong></td>
<td>Under VAT, entry tax is charged by certain states for inter-state transfers, detained as import in local area.</td>
<td>Under GST, entry tax is not applicable, but an additional 1% will be levied as tax on inter-state supply of certain commodities.</td>
</tr>
<tr>
<td><strong>Central Sales Tax</strong></td>
<td>Under VAT, CST is charged at a concessional rate of 2% so far as inter-state transfers are concerned against C-Forms. The full rate applicable otherwise ranges from 5% to 14.5%.</td>
<td>Under GST, the Integrated GST subsumes CST.</td>
</tr>
<tr>
<td><strong>Tax on Export of commodities and services</strong></td>
<td>Under VAT, this tax is exempt.</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Subject</strong></td>
<td><strong>VAT</strong></td>
<td><strong>GST</strong></td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Tax on Inter-State Transfer of Commodities to Agent or Branch</strong></td>
<td>Under VAT, this tax is exempt against Form F.</td>
<td>Under GST, this tax is levied but dealers will have access to full credit.</td>
</tr>
<tr>
<td><strong>Cross set-off of levy</strong></td>
<td>Under VAT, set-off of service tax and excise duty is permitted.</td>
<td>Under GST, set-off between State GST and Central GST is not allowed.</td>
</tr>
<tr>
<td><strong>Tax on transfer of commodities to agent or branch</strong></td>
<td>Under VAT, this tax is generally exempt, but its applicability depends upon state procedures.</td>
<td>Under GST, this tax may be levied unless TIN of the transferor and transferee is the same.</td>
</tr>
<tr>
<td><strong>Disallowance of credit on certain items</strong></td>
<td>Under VAT, there are a few non-creditable commodities and services under VAT as well as CENVAT rules.</td>
<td>Under GST, there will be no such disallowance unless the GST Council specifically allows it.</td>
</tr>
<tr>
<td><strong>Disallowance of inputs or input services utilised in exempted commodities or services</strong></td>
<td>Under VAT, this is not permitted.</td>
<td>Under GST, there will be no such disallowance, unless the GST Council finalises a list of those items falling under the Negative List.</td>
</tr>
<tr>
<td><strong>Cascading effect</strong></td>
<td>Under VAT, credit between service tax and excise duty is available, but there is no</td>
<td>Under GST, credit available on the whole amount of taxes up to retailer.</td>
</tr>
</tbody>
</table>
set-off against VAT on excise duty.

**Threshold limits for levy of tax**

Under VAT, the threshold for central excise is Rs. 1.5 crore, and the threshold for VAT ranges between Rs. 5 lakh to Rs. 20 lakh depending upon the state. The threshold for service tax is Rs. 10 lakh.

Under GST, the State GST will range between Rs. 10 lakh to Rs. 20 lakh based on recommendations of the GST Council.

**Levy of tax on NGOs and government bodies**

Under VAT, certain government bodies, non-profit organisations and PSUs will be covered.

No changes.

**Exemptions**

Under VAT, certain areas such as the North-East will be able to enjoy exemptions.

Under GST, there will be no such exemptions, and the GST Council may introduce an Investment Refund Scheme for certain zones.

### DATA AND ANALYSIS

#### Table 1

Tax collection before GST implementation, FY 2016 - 2017
<table>
<thead>
<tr>
<th>TAX COMPONENT TYPE</th>
<th>₹ in Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total Revenue Receipts</td>
<td></td>
</tr>
<tr>
<td>1. Direct Tax Receipts</td>
<td>849,801</td>
</tr>
<tr>
<td>2. Non – Tax Receipts</td>
<td>506,721</td>
</tr>
<tr>
<td>3. Grants – in – aid and Contributions</td>
<td>1,299</td>
</tr>
<tr>
<td>4. Indirect Tax Receipts including other taxes</td>
<td>866,167</td>
</tr>
<tr>
<td>B. Miscellaneous Capital Receipts</td>
<td>47,743</td>
</tr>
<tr>
<td>C. Public Debt Receipts</td>
<td>6,134,137</td>
</tr>
<tr>
<td>D. Recovery of Loans and Advances</td>
<td>40,971</td>
</tr>
<tr>
<td>Receipts of Government of India (A + B + C + D)</td>
<td>8,446,839</td>
</tr>
</tbody>
</table>

Table 2
Tax collection after GST implementation, FY 2017 - 2018

<table>
<thead>
<tr>
<th>TAX COMPONENT TYPE</th>
<th>₹ in Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Total Revenue Receipts</td>
<td></td>
</tr>
<tr>
<td>5. Direct Tax Receipts</td>
<td>1,002,738</td>
</tr>
<tr>
<td>6. Non – Tax Receipts</td>
<td>441,383</td>
</tr>
<tr>
<td>8. Indirect Tax Receipts including other taxes</td>
<td>916,445</td>
</tr>
<tr>
<td>F. Miscellaneous Capital Receipts</td>
<td>100,049</td>
</tr>
<tr>
<td>G. Public Debt Receipts</td>
<td>6,554,002</td>
</tr>
<tr>
<td>H. Recovery of Loans and Advances</td>
<td>70,639</td>
</tr>
<tr>
<td>Receipts of Government of India (A + B + C + D)</td>
<td>9,088,838</td>
</tr>
</tbody>
</table>
India’s economy has been doing so badly, for the past few years, that not a single large state has managed to hit the 14 percent revenue growth target.

In 2019-20, amongst the bigger states Madhya Pradesh and Karnataka managed to improve their GST collections by more than 10 percent. Telangana’s collection increased by 9.4 percent, Maharashtra’s by 9.2 percent, West Bengal is by 9.1 percent. Most others saw their GST collections rise by 6-8 percent.

Let us look at the following statistics and key indicators to know how successful this historical tax reform has been in achieving its desired objectives:

- **Increase in tax base:** After its implementation on 1 July 2017, over 38 lakh taxpayers migrated into the GST regime. This number had further increased to more than 64 lakhs in September 2017. Also, with an addition of new GST registrations of over 58 lakhs, this number has increased by almost 90 percent, and we had total (new plus migrated) 1.23 crore active GST registrations, as on 31 March 2020. This growth indicates a significant increase in tax base and a change in taxpayers’ compliance behaviour.

- **Revenue collections:** While the first nine months of FY 18 saw a revenue collection of ~INR 7.4 lakh crore, FY 19 witnessed healthy growth with the government collecting ~INR 11.7 lakh crore. On the other hand, in the backdrop of rate reduction/rationalisation over several products, the collections during FY 20 were below estimates and marginally grew at ~4 percent over FY 19 to reach INR 12.2 lakh crore.

- **Introduction of e-way bill system:** Barring the initial technical glitches, the e-way bill system has been largely streamlined. The total number of e-way bills (inter-state as
well as intra-state) generated during FY 19 were ~56 crore; and with ~13% growth, this number increased to ~63 crore during FY 20.

- **Rate rationalisation**: The government continued to focus on rationalising GST rates. Although the overall rate structure remained same, a significant progress has been made in bringing down GST rates for various products. On 1 July 2017, ~19 percent items were under the 28 percent GST rate bracket; currently only 3 percent are subject to 28 percent GST. Now about 50 percent items are under the 18 percent bracket, ~21 percent face 12 percent, and ~25 percent are subject to 5 percent GST.

- **Legislative amendments and clarifications**: From its original shape and form, as on 1 July 2017, the GST law has undergone significant changes. With almost 700 notifications, 145 circulars, and over 30 orders, significant changes have been made to address taxpayers’ demand, to carry out procedural simplifications and curb tax evasion.

**DISCUSSION**

GST is not the same for all goods and services. Presently, there is a tax slab of 18 per cent on many services and may reach up to 28 per cent for few services soon. Consequently, many services like banking, telecom, and airlines will become more expensive in the forthcoming years.

So, the common man must resize his budget. The domain of GST is still unknown to most businessmen and service providers, due to which they hire tax experts, and this leads to an increase in monthly expenses.

Apparently, the concept of GST looks simply. But this is not true in the case of services, as it is difficult to identify the place where service is provided. Many times, the
actual benefit is not forwarded to the end consumer in case the seller has selfish motives, and consequently, the resultant benefit is taken away by the seller.

In the case of GST, strict vigilance on profiteering activities is essential, so that the final consumer could enjoy the real benefits of GST. However, this is not true in all cases. Although the bulk of staff in government departments have been trained for GST, this will take more time. The same is true in the case of end consumers, wholesaler, or the retailers.

GST has been affecting the lives of billions of people every day with rate additions and certain relaxation from previous tax rates. The rate has given a simpler way to see the taxation in the country and the further bifurcation of the GST rate will be introduced as per the government sources. GST has also given a partial way to tax overall GDP ongoing and has come up with the terms at par with various bigger economies around the world. Still, a considerable amount of time will be taken to assess the impact of GST by the economic experts in the coming time.

CONCLUSION

With the GST journey on the move, the government has been proactively involved in resolving issues faced by the Indian taxpayers. There are still gaps between expectation and actual implementation of the GST in terms of a simplified tax structure, ease of doing business and overall reduction in prices. But there has been an overall positive impact in terms of macro-economic growth and digitalization in the tax system.

Before the implementation of GST, Indirect Taxes constituted Service Tax, Central Excise, and customs duties. Post GST implementation, except for petroleum products, service tax and duties concerning Central Excise were replaced with GST. On petroleum products,
levy of Central Excise continued; on tobacco, both GST as well as Central Excise were levied.

In comparison to Financial Year (FY) 2016-17, the Union Government’s overall revenue collection increased by Rs 6,41,999 crores in FY 2017-18. As per the total revenue receipts, the portion of Indirect taxes has remained nearly constant and accounts for 38.76% in FY 2017-18, in comparison to 38.95% in FY 2016-17.

With regards to Indirect taxes, the growth rate dipped to 5.80% in FY 2017-18 when compared to FY 2016-17. During FY 2016-17, the growth rate was 21.33%.

In FY 2017-18, the Centre’s revenue concerning goods and services saw a 10% decline after GST implementation (exclusive of Central Excise on tobacco and petroleum).

Also, a short transfer worth Rs 6,466 crore in the form of GST Compensation Cess was initiated to the Public Account during FY 2017-18.

As on February 28, 2019, the count of Pan-India registrations under GST was 1.20 crore. Out of the 1.20 crore registrations, composition taxpayers accounted for 14.63%, and normal taxpayers were around 84%.

Out of the total registrations, about 59,74,885 taxpayers were those who migrated from the pre-GST period, accounting for nearly 50%, while the remaining taxpayers were new registrations.

The year-on-year Consumer price index was over 6% in July 2016, which now has reduced to a little over 2% in January 2019.
GST is a game-changer tax legislation and has helped the country in attracting foreign investments.

India was ranked 15th in the world in 2013 in terms of FDI inflow, while in 2015 India became the top destination for foreign direct investment. Annual FDI inflows in the country are expected to rise to US$ 75 billion over the next five years and India is aiming to achieve US$ 100 billion worth of FDI inflows in the next two years. With such high-value goals and targets, Indian society is destined to be the centre stage of the world.

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