

Goods and Service Tax in India: An Analysis of Half-a-Decade Journey

Dr. Prerna Jain,
Assistant Professor -Department of Accountancy and Business Statistics,
SPC Government College,
Ajmer

ABSTRACT

Taxation system has evolved since ancient times and Chanakya's Arthashastra is the famous treatise on this subject. With the continuous evolution of the economic activities, scientific discoveries, improvisation of production systems, growth of population and with adoption of different forms of administration the taxation systems were bound to change in any civilization.

The Goods and Services Tax (GST) India's biggest tax reform completed its half-a-decade journey on June 30, with many hits and some misses, and also fetched about a paradigm shift in use of technology to bring about tax submission with making over Rs 1 lakh crore revenue collection average per month 'a new normal'.

On the 5th anniversary of GST, Central Board of Indirect Taxes and Customs (CBIC) tweeted "GST subsumed multiple levies and cesses, reduced compliance burden, removed regional imbalances and inter-state barriers, and significantly increased the transparency and overall Revenue collection".

The paper emphasises on exploring the present state of Goods and Service Tax implementation, revenue achievements, GST slabs on various items, sector wide representation on completing its five years journey. The facts reveal that India has observed a tremendous increase in tax base vis-à-vis revenue collection.

Keywords: Direct Tax, Indirect Tax, Goods and Service Tax, Revenue, Tax Structure

INTRODUCTION

In any federal structure direct and indirect taxes are usually collected as significant revenue sources. Direct taxes are paid directly by the public (incidence and impact both on the taxpayer) which includes Income Tax, Corporate Income Tax and Wealth Tax. Contrary to this indirect tax is essentially consumption-based tax (Incidence on payer but ultimately impact on consumer). Value Added Tax, Sales Tax, Excise duty, Customs duty, Luxury Tax, Purchase Tax etc. comes in the category of indirect tax. In any federal structure the revenues from indirect taxes are shared jointly by the central and state government and some local bodies. In contrast, direct taxes are the central government's subject matter. Any economy is expected to have an efficient taxation policy to achieve sustainable goals as well as to provide funds for major budgetary heads like education, infrastructure, healthcare etc..

Many indirect taxes were levied by both the Central Government and State Government in India till the inception of GST which led to a lot of overlapping of taxes. To subsume these The Goods and Service Tax Act was passed in the Parliament of India on 29th March 2017 and came into effect on 1st July 2017.

It is a:

- Comprehensive
- Multi Stage: From manufacturer to final sale to consumer multiple change of hands, tax is levied at every stage.
- Destination based taxation system.

France implemented GST in 1954, and the same was followed by over 150 countries across the globe, including several emerging economies such as China and Brazil.

COMPONENTS OF GST

Under GST system following taxes is applicable:

- **CGST:** This tax is collected by the Central Government on an intra-state sale, for example transaction happening within Rajasthan State.
- **SGST:** This tax is collected by the State Government on an intra-state sale, for example transaction happening within Rajasthan State.
Note: Revenue from CGST and SGST will be shared by Central Government and State Government equally.
- **IGST:** This tax is collected by the Central Government for an inter-state sale, for example sale from Rajasthan to Madhya Pradesh.

REVIEW OF LITERATURE

Garg concluded in his research paper that GST – the most logical step will improve the tax collection and will also boost the economic development of a country.

Khurana & Sharma found in their study that implementation of GST will definitely benefit the consumer as well as the producer also but central and state Government should have to put concentrated efforts in this regard.

Shaik et.al. Concluded that GST in India will lead to commercial benefits which were untouched under VAT regime and this will ultimately lead to economic development.

Gupta in her article stated that GST will be a comprehensive tax system and will improve tax collection

OBJECTIVES OF THE STUDY

The main objectives of this study are stated below:

1. To study the genesis of GST in India
2. To study the tax structure under GST regime
3. To analyse the journey of GST in India so far.
4. To compile the achievements in revenue collection due to implementation of GST in India.

DATA COLLECTION AND PERIOD OF THE STUDY

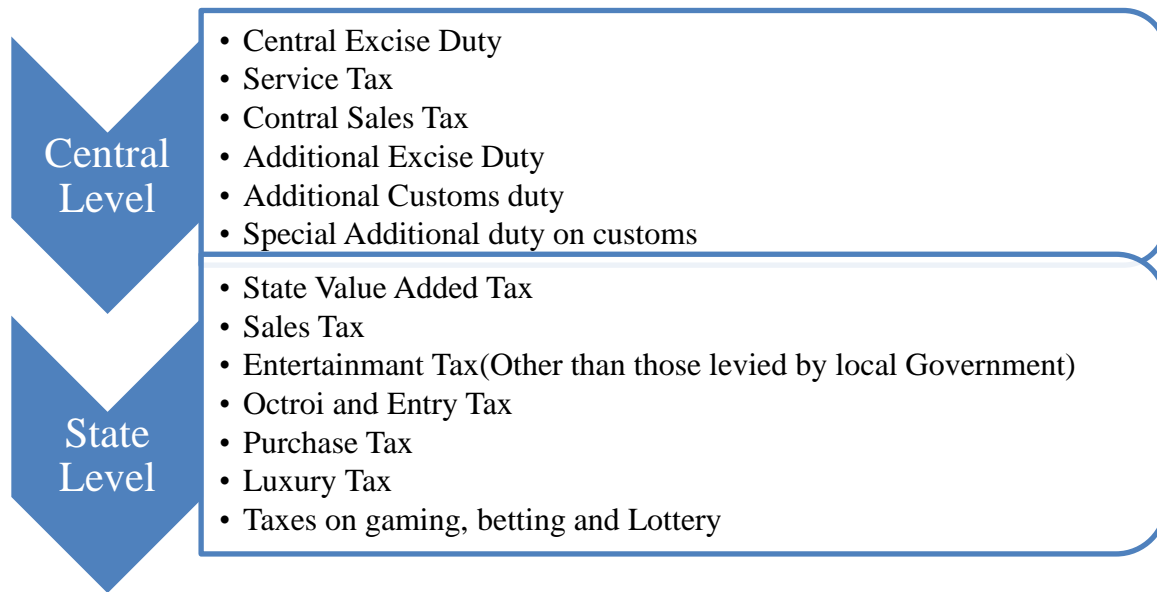
The researcher has analyzed the Goods and service tax regime in India during the study period. The main source of data used for the study is secondary data derived from the official website of various Government departments, Press Information Bureau, GST Portal. The information related with theoretical background and genesis of GST has been collected from websites, journals, magazines, newspapers and from Government of India publications.

Present study covers the GST Revenue collection in the form of CGST, SGST and IGST for five consecutive years. The period of the study starts from 1st April 2018 and ends on 31st October 2022. The rationale behind selecting this period is the availability of data.

GST: ONE NATION, ONE TAX

A nationwide Goods and Services Tax (GST), was rolled out at the stroke of midnight on July 1, 2017, which subsumed 17 local levies like excise duty, service tax and VAT and 13 Cesses.

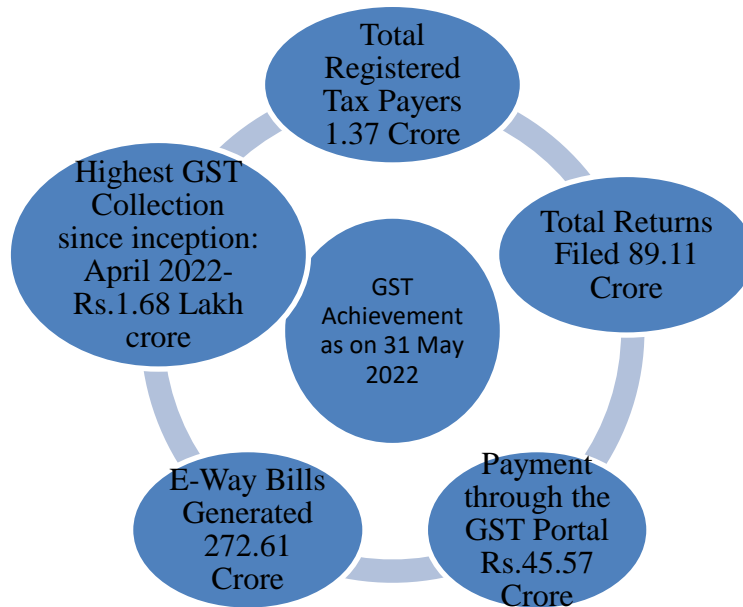
Major taxes which are subsumed in Goods and Service Tax are as follows:



Source: Authors compilation

GOODS AND SERVICE TAX ACHIEVEMENTS

As per the budget 2020-21, 28% of the total revenue of the Indian government comes from GST. Major achievements as on 31 May 2022 are as follows:

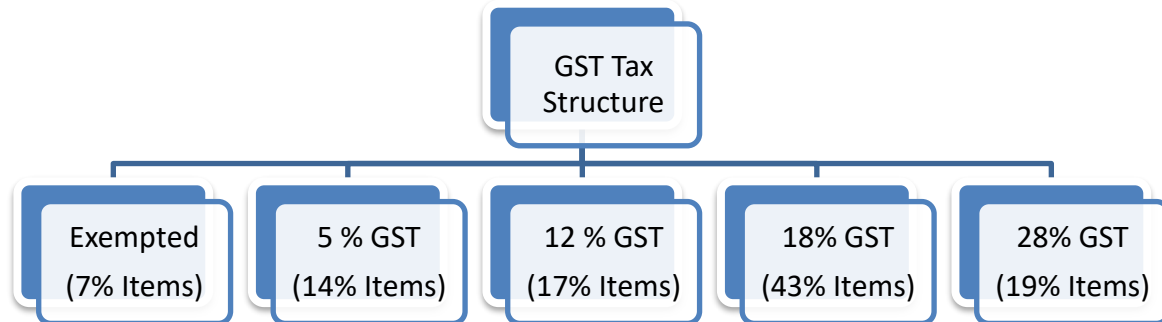


Source: Authors compilation

GOODS AND SERVICE TAX RATES

Percentage rates of tax imposed on the sale of goods or services under the CGST, SGST and IGST Acts are known as GST rates. These rates are decided by GST Council periodically. A business

registered under the GST law must issue invoices with GST amounts charged on the value of supply. At present the following rates are applicable:



Interpretation

The GST council has fitted over 1300 goods and 500 services in four tax slabs of 5%, 12%, 18% and 28% under GST. Out of the total, 81% of the goods and services fall below or in the 18 % rate structure. Only 19% of the total items come under the 28% regime which mostly includes luxury items. 7% items are exempted from GST regime.

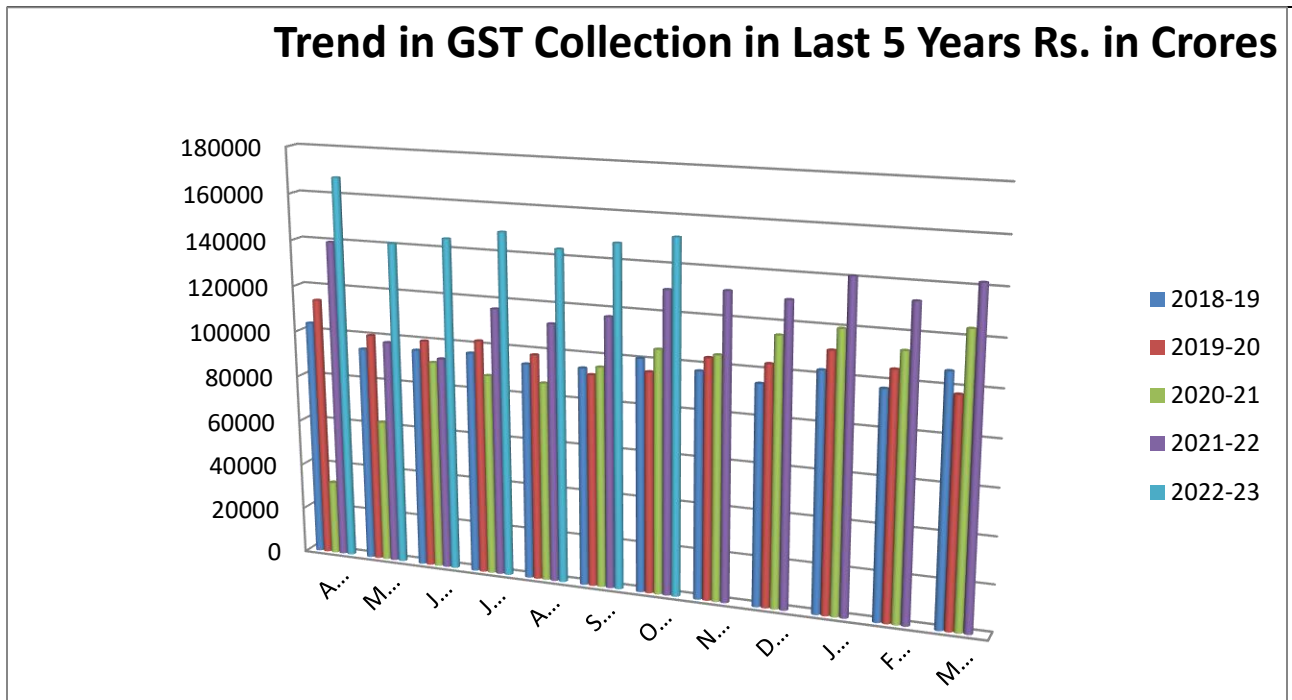
GST COLLECTION IN LAST FIVE YEARS

Table 1: Trends in GST Collection (Rs. in Crores - up to October 2022)

Month	2018-19	2019-20	2020-21	2021-22	2022-23
April	103459	113865	32172	139708	167540
May	94016	100289	62151	97821	140885
June	95610	99939	90917	92800	144616
July	96483	102083	87422	116393	148995
August	93960	98202	86449	112020	143612
September	94442	91916	95480	117010	147686
October	100710	95379	105155	130127	151718
November	97637	103491	104963	131526	
December	94726	103184	115174	129780	
January	102503	110818	119875	140986	
February	97247	105361	113143	133026	
March	106577	97590	123902	142095	
Total	1177370	1222117	1136803	1483292	1045052

Source: Compiled from <https://www.gst.gov.in/download/gststatistics>

Graph 1: Trends in GST Collection (Rs. in Crores - up to October 2022)



Source: Compiled by author from <https://www.gst.gov.in/download/gststatistics>

Interpretation

Above table reveals that:

1. In the financial year of inception of GST a sum of Rs. 719078 crores were collected.
2. Total GST collection was Rs. 1177370 crores in the following financial year 2018-19, which increased to 1483292 crores in the financial year 2021-22, this shows 12.59% increase.
3. GST collection declined by 7% on YOY basis due to Covid -19 impacts.
4. Average monthly GST collection in FY 2018-19 was Rs. 98114.17 Crores, in FY 2019-20 Rs. 101843.08 Crores, in 2020-21 it was 94733.58 Crores and in 2021-22 it was Rs. 123607 Crores.
5. In financial year 2021-22 GST collections increased 26.9 per cent on year on year basis. The average monthly collections touched Rs 1.23 trillion, which is the highest since July 2017.
6. April 2022 shows the all-time highest collection of Rs. 167540 Crores since the inception of goods and Service Tax in India, followed by Rs. 151718 Crores which is second highest in the month of October 2022.
7. Total GST collection in the first Seven months of current financial year is Rs. 1045052 Crores, if this trend continues it will cross the 1.80 lakh Crores mark in this year.

GST REVENUE- SECTOR -WISE ANALYSIS

Percentage of contribution of various business types roughly is tabulated as follows:

Table 2: % of Contribution in GST (Sector-wise)

Business Type	% of contribution in GST
Company	
• Public Limited	34.83
• Private Limited	27.94
• Foreign	0.38
• Unlimited	0.01
Public Sector Undertakings	9.64
Proprietorship firms	13.28
Partnership Firms	7.29
LLP firms	1.18
Foreign LLP firms	0.00
Society/ clubs/ trusts/ Association of Persons	1.38
Hindu undivided Family	0.25
Statutory Bodies	0.38
Government Departments	0.99
Local Authorities	0.21
Any other Bodies Notified by the Committee	0.00
Others	2.24

Source: Compiled from data provided in GST Statistics

Interpretation

- Public limited companies contribute around 34.83% of the total GST revenues.
- Other company format like private companies, foreign companies and unlimited companies contributes around 28.33% of total GST collection, which is second highest contribution after public limited companies
- Proprietorships firms constitutes 80.18% of the total taxpayer base in India but contribute roughly around 13.28% of the total revenue from GST.
- The contribution of public sector undertakings is also noteworthy as they encompassed only 0.02% of the total taxpayer base in India but paid around 9.12% of the total GST revenue.

CONCLUSION

In over 150 countries across the world, the implementation of Goods and Service Tax has given a positive notion; certainly it will also

give to Indian goods and service sector a boost. Total revenue collection has jumped up two times since inception of GST. As economic growth may not jump up immediately it will take some more years to accelerate the rate of GDP. As per the budget 2020-21, 28% of the total revenue of the Indian government comes from GST. Implementation of GST is one of the best decisions taken by the Government of India.

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