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TRENDS IN TOTAL INDIRECT TAX COLLECTION IN INDIA DUE TO IMPLEMENTATION OF GOODS AND SERVICE TAX (GST)

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ABSTRACT:

This research paper is mainly concerned with the effect of implementation of the goods and services tax on total indirect tax collection in India. However, for drawing better conclusion a comparative analysis has been conducted, where two periods have been considered, five years before (2012 – 2017) GST and five years after (2017 – 2022) GST. After in depth analysis of the data sets the researcher has concluded that the implementation of GST had significantly positive impact over total indirect tax collection during the mentioned time period. It has been found that application of GST has made the complicated prior system of indirect tax easier and unified through the country. The result has been drawn on the basis of application of paired sample test.

Key Words: Goods and Service Tax, Indirect Tax Collection, Effects of GST, Comparative analysis and Sample Paired Test.

INTRODUCTION:

GST, or the Goods and Services Tax, is a comprehensive indirect tax levied on India's supply of goods and services. It replaced multiple indirect taxes like the Central Excise Duty, Service Tax, Value Added Tax (VAT), and others, with a unified tax structure.

The key concept of GST is that it is a destination-based tax. This means that the tax is levied at the point of consumption rather than at the point of origin. In simpler terms, if goods or services are consumed in a particular state, that state gets the tax revenue, regardless of where the goods or services were produced.

GST is implemented through a dual model, involving both the Central Government and State Governments. GST has two components: the Central Goods and Services Tax (CGST), levied by the Central Government, and the State Goods and Services Tax (SGST), levied by the State Governments. Additionally, there is an Integrated Goods and Services Tax (IGST) which applies to interstate transactions and is collected by the Central Government.

The GST system operates on the principle of input tax credit, which allows businesses to claim credit for the taxes paid on inputs (like raw materials, services, etc.) against the taxes they collect on their sales. This helps in eliminating the cascading effect of taxes and promotes a more transparent and efficient tax system.

The implementation of GST involved extensive changes in tax laws, administrative procedures, and technological infrastructure. It aimed to simplify the tax structure, reduce tax evasion, promote ease of doing business, and create a common national market by eliminating trade barriers between states. Overall, GST represents a significant reform in India's tax system, with the potential to transform the economy by enhancing productivity, increasing tax compliance, and boosting government revenue.

The Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. It is a destination-based tax, meaning it is levied at the point of consumption rather than the point of origin. GST was implemented on July 1, 2017, aiming to simplify India's complex indirect tax system and create a unified national market.

GST replaced a plethora of indirect taxes, including central taxes such as Central Excise Duty, Service Tax, and additional duties of excise and customs, as well as state-level taxes such as Value Added Tax (VAT), Central Sales Tax, and entertainment tax. By subsuming these taxes under a single tax regime, GST streamlined tax administration, reduced tax evasion, and eliminated the cascading effect of taxes, where taxes were levied on taxes. The GST system in India is dual in nature, meaning it is administered by both the central and state governments. It comprises four main tax components:

1. Central Goods and Services Tax (CGST): Levied by the central government on intra-state supplies of goods and services.
2. State Goods and Services Tax (SGST): Levied by the state governments on intra-state supplies of goods and services.
3. Integrated Goods and Services Tax (IGST): Levied by the central government on inter-state supplies of goods and services and imports. IGST is later apportioned between the central and state governments.
4. Union Territory Goods and Services Tax (UTGST): Levied by the union territories on intra-territory supplies of goods and services.

GST is structured into multiple tax slabs, including 5%, 12%, 18%, and 28%, with certain essential items attracting a lower rate and some luxury and sin goods subject to higher rates. Additionally, certain goods and services are exempted from GST, such as healthcare and education. One of the key features of GST is the seamless flow of input tax credit (ITC) across the supply chain, wherein businesses can claim credit for taxes paid on inputs against the tax liability on output supplies. This helps in reducing the tax burden on businesses and encourages compliance.

The implementation of GST has had far-reaching implications on businesses, consumers, and the economy at large. While it has brought about significant reforms and benefits, challenges such as compliance complexities, technology issues, and transition challenges have also been encountered. Nonetheless, GST remains a landmark tax reform aimed at fostering economic growth, promoting ease of doing business, and creating a unified national market in India.

THE GAINS FROM GOODS AND SERVICE TAX:

The Goods and Services Tax (GST) in India has brought several benefits, including:

Simplified Tax Structure: GST replaced multiple indirect taxes with a single unified tax, simplifying the tax structure and reducing compliance burdens for businesses.

Uniform Taxation: It promotes a uniform tax regime across states, facilitating interstate trade and reducing tax-related barriers.

Wider Tax Base: GST has widened the tax base by bringing more businesses into the formal economy, thereby increasing tax compliance and revenue collection.

Boost to GDP: Streamlining of tax procedures and reduction in tax evasion has contributed positively to India's GDP growth.

Elimination of Cascading Effect: GST eliminates the cascading effect of taxes by allowing input tax credit, resulting in reduced prices for consumers and increased competitiveness for businesses.

Increased Transparency: GST promotes transparency in the tax system through online tax filing and tracking, reducing opportunities for corruption and tax evasion.

Harmonization of Tax Rates: Though there are multiple tax rates, GST has harmonized tax rates to some extent across goods and services, promoting a more equitable tax system.

Ease of Doing Business: With a simplified tax structure and reduced compliance burdens, GST has improved the ease of doing business in India, attracting investment and fostering economic growth.

Overall, despite challenges and criticisms, GST has contributed positively to India's economy by simplifying the tax system, increasing tax compliance, and fostering economic growth.

SIGNIFICANCE OF GOODS AND SERVICE TAX:

The Goods and Services Tax (GST) holds significant importance for both the economy and the tax system in India.

Here are some key reasons why GST is important:

Simplification of Tax Structure: GST replaces multiple indirect taxes levied by the central and state governments with a single unified tax, simplifying the tax structure. This simplification reduces compliance burdens for businesses and enhances ease of doing business.

Elimination of Cascading Effect: GST eliminates the cascading effect of taxes, where taxes were levied on taxes at each stage of production and distribution. By allowing input tax credit, GST ensures that taxes paid on inputs are offset against taxes on output, leading to a more efficient and neutral tax system.

Promotion of National Market: GST creates a unified national market by harmonizing tax rates and procedures across states. This promotes interstate trade and removes tax-related barriers, leading to increased efficiency in the movement of goods and services.

Widening of Tax Base: GST widens the tax base by bringing more businesses into the formal economy. By mandating registration for businesses above a certain turnover threshold, GST reduces tax evasion and increases tax compliance.

Boost to Economic Growth: GST is expected to boost economic growth by reducing tax distortions, improving tax compliance, and promoting investment and consumption. A more efficient tax system can contribute to higher productivity and competitiveness.

Enhancement of Government Revenue: GST increases government revenue by broadening the tax base and improving tax compliance. This additional revenue can be used to fund public goods and services, infrastructure development, and social welfare programs.

Streamlining of Tax Administration: GST streamlines tax administration processes through online registration, filing, and payment of taxes. This reduces administrative costs and complexities for both taxpayers and tax authorities. International Competitiveness: A simplified and harmonized tax system under GST enhances the international competitiveness of Indian businesses. It reduces compliance costs and makes Indian goods and services more attractive in global markets.

Overall, GST is a transformative tax reform that aims to simplify the tax system, promote economic growth, enhance tax compliance, and create a unified national market in India. Its importance lies in its potential to drive efficiency, transparency, and equity in the tax system, ultimately benefiting businesses, consumers, and the economy as a whole.

RESEARCH OBJECTIVES:

1. To investigate the impact of Goods and Service Tax on magnitude of revenue in India.
2. To evaluate the role of GST in promoting economic growth and development.
3. To Investigate the contribution of GST in total revenue

RESEARCH HYPOTHESIS:

1. H1: Implementation of Goods and Service Tax had no considerable impact on overall indirect tax collection in India.
2. H2: The Implementation of GST Tax had a considerable impact on overall indirect tax collection in India.

RESEARCH PROBLEM:

The implementation of goods and service tax (GST) in India marked a significant shift in the country's tax structure aiming to streamline the tax system and enhance revenue collection efficiency. This research seeks to investigate …

1. To examine the tax revenue collection before and after the implementation of GST, considering both central and state government revenues. Investigate whether GST has led to an increase or decrease in overall revenue collection.
2. To examine the level of tax compliance among different tax payers segments under the GST regime.

RESEARCH METHODOLOGY:

This research is mainly concerned with evaluation of the impact of Goods and Service Tax over the revenue collection of the country. Hence major reliance will be on the records of government published resources as well as the other sources that have been published in connection with the effects of GST in India since its introduction.

REVIEW OF LITERATURE

Dr. N. L. Balasudarsun and Melvin Paul Antony (2018) the article entitled "Impact of Demonetization and GST in Life Insurance Sector". This paper offers with impact of Demonetization and GST on existence coverage area. For this motive a hundred thirty changed into collected from lifestyles coverage employees of Cochin place based on random sampling approach. Descriptive statistics and ANOVA check were used to research the statistics. The study found that, Demonetization and GST have existence coverage quarter.

Pallavi Kapila (2018) the article entitled "GST: Impact on Indian Economy", In this studies paper an attempt has been made to throw light on how GST might help in reducing the present complexity of taxes in India as it subsumes VAT, Excise obligation, service tax and sales tax. The observer found that, the implementation of GST had played a critical role in the boom of Indian financial system. A uniform and rational taxation machine in India could result in lesser disruptions within the marketplace economy and more efficient distribution of resources inside the industry in the close to future. The observer additionally observed that, GST will lead to a growth in GDP and exports of the U.S.A. enhancing economic welfare and returns to the factors of production i.e. Land, hard work and capital.

Jadhav Bhika Lala (2017) the article entitled "Impact of GST on Indian Economy In this paper an attempt has been made to throw light on GST, its features, and also the effect of GST on prices of goods and services. The study found that the GST system is restructured to simplify the current critical indirect tax system in India. The study also found that a well-designed GST is an attractive method to liberate the deformation of the existing process of multiple taxes and reduce the compliance burden.

Prof. Pooja S. Kawle and Prof. Yogesh L. Aher (2017) the article entitled "GST: An Economic Overview: Challenges and Impact Ahead". The studies intend to awareness on expertise the concept of products and service tax and its effect on the Indian economy. The observer found that GST may additionally assure the opportunity of standard gain for industry, trade, and agriculture. The examiner additionally noted that, GST will have a high-quality effect on the Indian economic system.

HISTORY, NATURE, AND COMPOSITION OF GOODS AND SERVICES TAX:

History:

The idea of GST was first proposed in India in the early 2000s to replace the complex and fragmented indirect tax system, which included various central and state taxes such as excise duty, service tax, value-added tax (VAT), and others.

It took nearly two decades of deliberation, negotiation, and legislative efforts before the GST was finally introduced in India.

The Constitution (122nd Amendment) Bill, 2014 which enabled the introduction of GST was passed by the Parliament in 2016, and the GST Act came into effect on July 1, 2017.

The goods and services tax (GST) in India is a comprehensive indirect tax imposed on the supply of goods and services across the country. Overall GST in India represents a significant reform aimed at simplifying the tax structure, promoting ease of undertaking business activities, eliminating tax cascading and creating a unified national market.

Nature of GST:

Indirect Tax: GST is an Indirect tax, meaning it's not directly paid by the taxpayer but is instead collected by businesses on behalf of the imposing authority.

Destination: GST is imposed at the point of consumption, ensuring that the tax revenue accurse to the state where the goods or services are consumed rather than the state where the goods and services are produced.

Value Added Tax (VAT) Principle: GST follows the VAT principles where tax is levied on the value added at each stage of the supply chain, ensuring that there is the least possibility of double taxation.

Composition of GST:

Dual Structure: GST in India is based on a dual structure, with both the central and state governments imposing taxes on goods and services. This dual structure consists of Central GST CGST) and State GST (SGST).

Integrated GST (IGST): IGST is levied on interstate transactions of goods and services. It is collected by the central government and then distributed to the destination state.

GST Council: The GST Council, comprising representatives from the central and state governments, has the responsibility of deciding the tax rates, exemptions, and other matters related to GST administration.

Compliance and Administration:

GSTN: The Goods and Services Tax Network (GSTN) is the information technology infrastructure that facilitates registration, return filling and tax payment under GST.

Registration and Filling: Businesses with a turnover above a certain threshold are required to register for GST and file regular returns detailing their transactions and tax liabilities.

Input Tax Credit (ITC): GST allows for seamless flow of input tax credit across the supply chain, enabling businesses to claim credit for the GST paid on inputs used in the production of goods and services.

Structure of GST:

The following elements make up the current GST structure:

Central GST (CGST)

CGST is levied by the Central Government of India on the intra-state supply of goods and services. The transaction value is defined as the price paid or payable for the said supply of goods or services.

State GST (SGST)

GST imposed by specific State governments on the intra-state trade and services or trade within the state is called SGST (State-GST). Here the revenues are earned by the State govt. due to SGST as the transaction occurred within the state.

Union Territory GST (UGST)

In the case of Union territories such as Chandigarh, instead of State govt. the GST is collected by the Central administration and is referred to as UGST.

The unified GST (IGST)

The central government will be in charge of collecting IGST from interstate sales of goods and services. All interstate transactions involving taxable goods and services would be subject to an IGST (CGST + SGST) fee from the centre.

With dual GST, it is naturally a matter of concern which component of GST applies to whom and when.

To determine this, it is first important to ascertain the location of the supplier of the goods/ services and the consumer. Location defines whether a combination of SGST and CGST will be applicable or only IGST.

Let us say there is an auto component manufacturer in Pune, and he wants to send the goods to Mumbai. Given that Maharashtra is home to both Pune and Mumbai, both SGST and CGST will be applicable. The federal government and the state governments will split it evenly.

Let us now consider another example. Assume that the Pune-based auto component firm wishes to ship products to Ahmedabad. Since Pune is in Maharashtra and Ahmedabad is in Gujarat, this is an interstate transaction, and only the IGST component of the GST will be applicable. It is pertinent to note here that it does not create any difference for the consumer as the combined rate of SGST and CGST is always equal to the IGST rate. In other words, GST ensures smooth flow of taxes between the state and the centre without complicating the tax rates for the parties involved.

Goods and Services Tax Structure at a Glance

TYPE OF TAX	DESCRIPTION OF THE TYPE OF TAX
1. Central GST (CGST)	Central Goods and Services Tax is the tax incorporated through central government. CGST is imposed on the movement of goods and services within the states.
2. State GST (SGST)	This tax is imposed by the state government. SGST is appropriated in the state where the transaction takes place.
3. Integrated GST (IGST)	This form of GST is applied when supply goods or services is occurring between the states. This form of tax in the structure of GST is known as integrated GST or (IGST). IGST is imposed on all goods and services between two or more sates or union territories.

4. Union Territory GST (UGST)	UGST is applicable and levied on the goods and services which are supplied within the union territories of the union states of the country.

Importance of Knowing the Structure Goods and Services Tax:

Proper understanding about the rules and structure of goods and services tax is helpful to follow the rules and regulations appropriately, lessen tax burden and to run your business with honestly and responsibly. This knowledge lets you make smart choices, dodge possible fines, and guard your financial health.

GOODS AND SERVICES RATES IN INDIA:

Explicit slab of Goods and Services Tax Rates on Various Products		
Sr. No	**Tax Category**	**Description of the Tax Category**
1.	**Zero % GST**	Zero rate in GST means a nil tax rate levied on the goods and services. In other words, a zero rate is equivalent to tax exemption. The government decides the goods and services that are eligible for a zero-tax rate. Some examples include fresh fruits, bread, milk, curd. Also supplies made to SEZ developers or Special economic zones and overseas come under zero-rate tax.
2.	**5 % GST**	5 % GST means a lower rate of GST which is applied to commodities and services. Some examples include footwear under Rs. 500, clothing under Rs. 1000, packaged food items, branded paneer, cream, skimmed milk powder, etc.
3.	**12 % to 18 % GST**	The standard rate comes into play when a 12-18% GST is applied. The standard rate of 12% includes butter, cheese, frozen meat products, ghee, animal fat, sausages, packaged dry fruits, Namkeen, fruit juices, ketchup & sauces, etc. 18% GST is applied for pastries, pasta, cakes, hairdryers, panels, vacuum cleaners, wires, telecom services, IT services, etc.
4.	**18 % to 28% GST**	A higher rate is applied when luxury items are considered. For items such as paint, washing machines, cement, automobiles, shampoo, aerated water, sunscreen, motorcycles, etc., a 28% GST is applied. Some items are under the 28% slab for which the government fixes an additional cess.

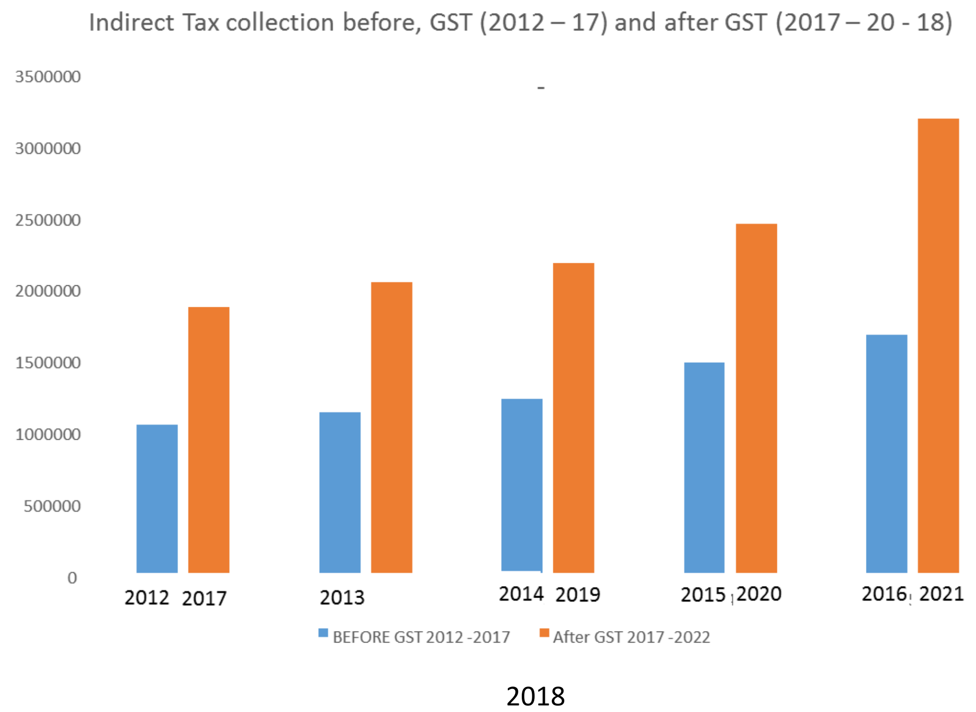
- The primary GST slabs for any regular taxpayers are presently pegged at 0% (nil-rated), 5%, 12%, 18% & 28%. There are a few lesser-used GST rates such as 3% and 0.25%.

- Also, the composition taxable persons must pay GST at lower or nominal rates such as 1.5% or 5% or 6% on their turnover. There is a concept of TDS and TCS under GST as well, whose rates are 2% and 1% respectively.
- Further, the GST law levies cess in addition to the above GST rates on the sale of some items such as cigarettes, tobacco, aerated water, petrol, and motor vehicles, rates widely varying from 1% to 204%.

Indirect Tax collection Before (2012 - 17) and After GST (2017 - 22) (Amount in Crores)			
YEAR	AFTER GST	YEAR	BEFORE GST
2017-18	1856945	2012-13	1036732
2018-19	2032864	2013-14	1119772
2019-20	2161306	2014-15	1217289
2020-21	2441371	2015-16	1466981
2021-22	3173782	2016-17	1662518

Source: Budget documents of the Government of India and the State Governments.

Comparative Analysis of Indirect Tax Collection in India before and after implementation of Goods and Services Tax. (Amount in Crore)



Paired Sample Test Statistics				
	Mean	N	Std. Deviation	Std. Mean Error
Before GST Indirect Tax Collection of 5 years	1300658.4	5	258811.26	115743.91
After GST Indirect	2333253.6	5	515957.15	230743.05

Tax Collection of 5 years:

Paired Sample Correlation			
Before and After GST Indirect Tax Collection of 5 years	N	Correlation	Sig.
	5	0.967	0.007

RESULT:

As per the result of the correlation coefficient it can clearly be understood that the introduction of GST had considerable positive impact over the total indirect tax collection in India. Hence, Hypothesis 1 is rejected, but Hypothesis 2 is strongly accepted.

CONCLUSION:

As an obvious fact GST has been proved a systematic tool for enhancing total indirect tax collection of the central as well as state governments. Meanwhile, Goods and Services Tax has mad the process of indirect tax paying very convenient to the consumers. As per the structure of the GST rates the overall burden of tax is distributed according to the consumption pattern of the consumers which a direct function of the level of income of the consumers.

The uniformity in the nature of application of GST has eliminated the complexity of the various forms and patterns of old indirect tax system.

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