

Need and Significance of Goods and Services Tax (GST) in India: - An Analytical Review on GST collection for the Financial year 2017-18 and 2018-19

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Abstract

GST is an Indirect Tax which has replaced *many Indirect Taxes in India*. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a **comprehensive, multi-stage, destination-based tax that is levied on every value addition**.

In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India.

GST is one indirect tax for the entire country.

Key Words- GST, ITC, Indirect Tax.

Meaning of Goods and Services Tax (GST)

GST is one indirect tax for the whole nation, which will make India one unified common market. The GST intends to subsume most indirect taxes under a single taxation regime. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stages of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. This is expected to help broaden the tax base, increase tax compliance, and reduce economic distortions caused by inter-state variations in taxes.

Major Chronological events that have led to the introduction of GST.

GST is being introduced in the country after a 13 year long journey since it was first discussed in the report of the **Kelkar Task Force** on indirect taxes. A brief chronology outlining the major milestones on the proposal for introduction of GST in India is as follows:

- In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.
- A proposal to introduce a National level Goods and Services Tax (GST) by **April 1, 2010** was first mooted in the Budget Speech for the financial year 2006-07.
- Based on inputs from Govt of India and States, the EC released its First Discussion Paper on Goods and Services Tax in India in November, 2009..
- In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011. As per the prescribed

procedure, the Bill was referred to the Standing Committee on Finance of the Parliament for examination and report.

- Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers on 8th November, 2012, 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted.
- This Committee did a detailed discussion on GST design including the Constitution (115th) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.
- The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined by the Ministry in consultation with the Legislative Department. Most of the recommendations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised.
- The final draft Constitutional Amendment Bill incorporating the above stated changes were sent to the Empowered Committee for consideration in September 2013.
- The 115th Constitutional (Amendment) Bill, 2011, for the introduction of GST introduced in the Lok Sabha in March 2011 lapsed with the dissolution of the 15th Lok Sabha.
- In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government.
- Based on a broad consensus reached with the Empowered Committee on the contours of the Bill, the Cabinet on 17.12.2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The Bill was introduced in the Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015. It was then referred to the Select Committee of Rajya Sabha, which submitted its report on 22.07.2015.
- Lok Sabha and Rajya Sabha has unanimously passed the 122nd Constitutional Amendment Bill in August, 2016 which later got the assent of the President.

Need of Goods and Services Tax in India

Introduction of an integrated Goods and Services Tax (GST) to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative in the emerging economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transactions value into value of goods and services for taxation, which leads to greater complexities, administration and complaisance costs.

Firstly, while the present system allows for multiplicity of taxes being collected through an inefficient and non transparent system, the introduction of GST is likely to rationalize it and thereby plug the loop holes in this system. This will enable the government to stop pilferage and rationalize the overall taxation regime. While many areas are either under-taxed or non-taxed or over-taxed, the GST will help reduce overall tax burden of many organizations.

A basis pre-requisite for introduction of GST meaningfully is that both the Centre and the State should replace existing taxes like **Excise, State Sales Tax/ VAT, CST, Entry Tax** and all other cascading-type Central/ State levies on goods and services. Any losses on account of abolition of multiple taxes are likely to be balanced by the additional GST revenues that will obtain from taxation of services and from access to GST on imports. Moreover, India would obtain full efficiency of a single national VAT, while retaining a federal structure. This would also be the logical conclusion of the efforts that have been made in the country during last 2 decades in moving towards VAT.

Further, Indian economy is getting more and more globalised. In recent times, a number of Free Trade Agreements have been signed, which will allow imports into India duty free or at very low duties. Hence, there is need to have a nation-wide simple and transparent system of taxation to enable the Indian industry to compete not only internationally, but also in the domestic market. Integration of various Central and State taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST being a destination-based consumption tax based on VAT principle, would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market.

Significance of Goods and Service Tax (GST) in India

We are going to discuss Significance of Goods and Service Tax (GST) in India. As we earlier know that goods and service tax will now replace the other indirect taxes that exist as on today on different goods and services. GST is anticipated to one of the crucial reforms which will spur the economic growth of our country. When launched, GST will not just make the taxation framework simple but shall also help and increase the compliance, decrease the tax outflow and boost the tax revenue, while making the export market competitive.

In fact, people say that with GST coming into place, the government will be able to set a different roadmap during the upcoming budget session. GST has been a long pending reform which has been in pipeline. This taxation reform hopes to iron out all wrinkles that are present in Indian taxation system. This rich and comprehensive tax policy is forecast to a significant one, aimed to contribute to the growth of our country India.

We have already discussed how GST is going to change the way India does business and Benefits of GST in India. We have also created a guide to implementing GST in your business.

Past indirect tax regime

The past system of indirect taxes is plagued with assorted taxes – at different prices and at multiple points. Additionally, the absence of appropriate mechanism leads to cascading effect of

such taxes. This is further crystallized by large compliance cost which keeps incurring, irrespective of the indirect taxes.

Total GST collection Rs 7.41-lakh crore during 2017-18

The average monthly collection under Goods and Services Tax (GST) in the eight months till March 2018 amounted to Rs 89,885 crore. "During the year 2017-18, total revenue collections under GST in the period between August 2017 and March 2018 have been Rs 7.19-lakh crore. Including the collection of July, 2017, the total GST collections during the 2017-18 stands provisionally at Rs. 7.41 lakh crore,"

"This includes Rs 1.19-lakh crore of CGST, Rs 1.72-lakh crore of SGST, and Rs 3.66-lakh crore of IGST (including Rs 1.73 lakh crore on imports) and Rs 62,021 crore of cess (including Rs 5,702 crore on imports," it added.

After a strong collection in the initial couple of months post the new tax regime's July 1 roll-out last year, the GST collections have dipped monthly far more often than they went up. For instance, from Rs 95,000 crore for July 2017, the mop up slipped to Rs 90,669 crore the following month. It rallied to Rs 92,000 crore in September, but steadily dipped for the next two months, hitting a low of Rs 80,808 crore in November. It shot up 7 per cent in December but again dipped slightly for the next two months straight. GST collections for February stood at over Rs 85,000 crore, but only 69 per cent of the total taxpayers filed returns.

That is the main problem. Despite all earlier claims of the government that GST would force taxpayers to be more compliant, the number of returns filed in the months since its launch belies this claim. The number of returns filed each month has not crossed 70 lakh though the number of tax payers registered with the GSTN has crossed one crore (64 lakh earlier indirect taxpayers who migrated to GST and 38 lakh new registrants). Out of over 1 crore registered taxpayers, around 18 lakh are under composition scheme, who have to file quarterly returns.

GST Revenue At Rs. 1,06,577 Crore In March, Highest Monthly Collection In 2018-19

GST or Goods and Services Tax revenue collections stood at Rs. 1,06,577 crore in March, the government said on Monday. That marked the highest monthly collection since the introduction of GST, the Ministry of Finance said in a statement. The GST revenue collections tally had come in at Rs. 97,247 crore in the previous month. The data for the last month of financial year 2018-19 - which concluded on March 31, 2019 - also showed that the overall GST collections for the whole year stood Rs. 11,77,369 crore.

Here are five things to know about GST collections:

Out of the total GST collections last month, revenue from CGST or central goods and services tax was at Rs. 20,353 crore, and that from state GST (SGST) was at Rs. 27,520 crore, the Ministry of Finance said.

The IGST or integrated GST collection stood at Rs. 50,418 crore while the cess was at Rs.8,286 crore, it noted.

The latest data indicate that the revenue growth has been picking up in recent months despite various rate rationalization measure

The monthly average of GST revenue collections in 2018-19 came in at Rs. 98,114 crore, marking a 9.2 per cent increase compared with the previous fiscal year.

The government has lowered the GST collection target for 2018-19 fiscal to Rs. 11.47 lakh crore in the revised estimates, from Rs. 13.71 lakh crore budgeted initially.

Month (2018-19)	GST collection (in crore rupees)
Apr-18	1,03,459
May-18	94,016
Jun-18	95,610
Jul-18	96,483
Aug-18	93,960
Sep-18	94,442
Oct-18	1,00,710
Nov-18	97,637
Dec-18	94,725
Jan-19	1,02,503
Feb-19	97,247
Mar-19	1,06,577

Source – <http://www.cbec.gov.in/>

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