



# A STUDY ON CONCEPTUAL AND STRUCTURAL ANALYSIS OF GOODS AND SERVICE TAX IN THE INDIAN ECONOMY

1. Parvathy NN,
2. Dr. Sasi C,

1.III BA Economics Student, 2.Assistant Professor of Economics  
Department of Economics,

<sup>1</sup>Christ College (Autonomous), Irinjalakuda, Thrissur, Kerala, PIN 680125

GST stands for "Goods and Services Tax." It was a revolutionary change brought about in the structure of the Indian taxation system. The then Union Finance Minister initiated the genesis of the implementation process of the GST in his historic budget speech in 2006. Finally, the date of the introduction of GST in the economy was claimed as April 1, 2010. On July 1, 2017, the GST bill was re-launched after reviews and reforms. The GST was considered a replacement for all indirect taxes. The main aim of this reform was to bring the whole nation under one indirect tax. Thus it was accompanied by the slogan, "One Nation, One Tax, One Market." GST implementation brought a storm of misleading views and contrasting opinions. This research paper focuses on understanding the implementation process, structure, and functioning of Goods and Service Tax in India.

## I. INTRODUCTION

"A person doesn't know how much he has to be thankful for until he has to pay taxes on it." - Anonymous

Indeed, taxes are something that runs on a person's mind 24x7! Of course, this is because taxes determine the pattern of an individual's saving and spending. It controls the reigns of his or her purchasing habits. Goods and Services Tax is one such tax that was implemented in the Indian tax structure recently. GST is a destination-based indirect tax that is imposed on the supply chains of the economy. It has replaced several indirect taxes and brought uniformity to the tax structure. This tax came into effect on July 1, 2017 under the 101st Amendment of the Indian Constitution. With GST, the government aims to boost the GDP of India and also aims to strengthen the productivity as well as the reputation of the Indian economy in both national and international markets.

Like every other amendment, the GST had also raised violent protests across the country. As a replacement for many indirect taxes, it surely changed the tax slabs of various items drastically. This raised a lot of concerns among the public. This study analyses the structure, impacts, merits, and demerits of the GST.

## **REVIEW OF LITERATURE**

1. Shaik, Sameera, and Firoz, "Does Goods and Services Tax (GST) Leads to Indian Economic Development?" IOSR Journal of Business and Management (IOSR-JBM), eISSN: 2278-487X, p-ISSN: 2319-7668. Volume 17, Issue 12 .Ver. III , 2015, pp 01-05.: This paper focuses on the concept and structure of GST and also highlights certain GST models. It also recorded the merits of the GST and the positive impact that it can have on an economy. Finally, it concluded that GST can bring commercial benefits to the economy that VAT had ignored.
2. Sherawat, M., & Dhanda, U., GST in India: A key tax reform. International Journal of Research Granthaalaya, 3 (12), 133-41, 2015. These authors analysed the advantages of GST and the challenges faced by India in implementing it. They highlighted the facts on how the GST can transform itself into a world-class tax structure to benefit the economy, provided it is implemented effectively with transparency.
3. Khurana, A. & Sharma, A., Goods and Services Tax in India– A Positive return for indirect tax system. International Journal of Advanced Research, 4 (3), 500-505, 2016: They focused on the structural aspects of GST and the critical analysis of it. They concluded that GST can bring benefits for the producers and consumers of the Indian economy only if it is implemented with concentrated efforts of the central and state governments.

## **METHODOLOGY**

This is a descriptive research paper that includes a conceptual and critical analysis of GST. The study is based on a secondary source of data or information that is referred to from journals, past literature, research papers and articles, newspapers, and relevant websites.

## **OBJECTIVES**

1. To understand the formation, structure, and working of Goods and Service Tax in the Indian Economy

## **BACKGROUND**

GST stands for 'Goods and Service Tax'. This tax reform was implemented under the 101st Amendment of the Indian Constitution. It is a multi-stage destination-based tax that has replaced many indirect taxes and brought uniformity to the structure of the tax system and collection records.

## **PRE-GST TAX STRUCTURE**

The Indian tax structure includes various kinds of direct and indirect taxes. After the introduction of the GST, indirect taxes were replaced, as claimed under the slogan "One Nation, One Tax, One Market." Direct taxes such as corporation tax, direct tax, inheritance tax, etc. are still imposed on the public in the old manner. Some indirect taxes that were replaced were as follows:

1. VAT (state level tax): It is a value-based tax that is added at each stage of the supply chain for intra-state goods and services.

2. Excise Duty: This is also known as CENVAT, or the Central Value Added Tax, which is levied by the central government on goods that are domestically manufactured.
3. Customs Duty: These were the taxes that were imposed on international transactions of goods and services, mainly to protect domestic producers.
4. Central Sales Tax: This was an indirect tax that was levied by the central government on interstate transactions.
5. Service Tax: These are taxes levied on service providers for certain services but are borne by the customers who avail them.

## **HISTORY AND IMPLEMENTATION**

The history of the Indian GST traces back to the year 2000, when the government was led by Atal Bihari Vajpayee. For the introduction of this tax reform, a committee was formed consisting of state finance ministers who had experience in the execution of state VAT. 'The Fiscal

Responsibility and Budget Management Committee' was formed in 2004, which recommended the introduction of GST. During the 2006-07 budget speech, the Union Finance Minister, P Chidambaram, announced the implementation of GST on April 1, 2010. However, due to various political reasons, the introduction of GST was postponed. In 2010, President Pranab Mukherjee announced the delay in introducing the GST, proposing to introduce it in April 2011. The bill (115th Amendment) was introduced in Lok Sabha in 2011 and was referred to the standing committee on finance for detailed examination. The former report was submitted in 2013, but the Lok Sabha dissolution in 2014 led to the lapse of the bill. The Constitution (122nd Amendment) Bill introduced in the Lok Sabha was passed in 2015 and referred to a Select Committee in the Rajya Sabha. Chief Economic Advisor-led Committee submitted a report on the possible GST rates.

The first state to ratify the bill was Assam. President Pranab Mukherjee gives his assent to the bill. The first GST Council meeting was held in New Delhi with the approval of the Union Cabinet Minister. The Integrated GST Bill, 2017, the Union Territory GST Bill, 2017, the Central GST Bill, 2017, and the GST (Compensation to States) Bill, 2017, were passed by the Lok Sabha and the Rajya Sabha by the 20th of April 2017. Finally, the GST came into effect on July 1, 2017.

**TYPES OF GST**

Goods and service tax can be categorised into four different types. This division helps in categorising GST on the basis of territorial transactions, i.e. it distinguishes tax rates between interstate and intrastate supplies. The four types, also referred to as GST models, are CGST, SGST, UTGST, and IGST.

1. **CGST-** It stands for the GST collected by the central government. It is a replacement for all the indirect taxes that were collected by the central government before the introduction of the GST. CGST is imposed on both intrastate and interstate transactions of goods and services.
2. **SGST\_**– It is the tax that subsumes all the indirect taxes collected by state governments, such as VAT, Sales Tax, etc. This is imposed on intra-state transactions i.e. transactions of goods and services carried out within the state. When a transaction takes place within a state, a certain amount of tax is imposed on it, say 18%. As the transaction is intra-state in nature, taxes paid to the central and state governments are divided proportionally, i.e. CGST accounts for 9% and SGST accounts for 9%.
3. **IGST -** It is a tool to monitor interstate transactions of goods and services. IGST can be numerically stated as the sum of CGST and SGST. It is a destination-based tax and is imposed on the importing state (destination of goods and services). Importing states' traders pay the tax to the exporting or manufacturing states' traders, who in turn pay it to the central government.
4. **UTGST –** It is levied like SGST in cases of territorial transactions of goods and services. Here, the total tax imposed is proportionally divided between the central government and the respective union territory. It is administered by administrators appointed for each union territory.

Types Of GST in India		Valid On	Collected By
1	CGST ( <i>Central Goods and Services Tax</i> )	<i>Intrastate</i>	Central Government
2	SGST ( <i>State Goods and Services Tax</i> )	<i>Intrastate</i>	State Government
3	ITGST ( <i>Integrated Goods and Services Tax</i> )	<i>Interstate</i>	Central Government
4	UTGST ( <i>Union Territory Goods and Services Tax</i> )	<i>Union Territory (UT)</i>	Union Territory (UT) Government

## TAX SLABS OF GST

The GST tax slabs are simply the rates of tax assigned to goods and services under the CGST, SGCT, and IGST Acts. The GST Council has included more than 1300 goods under 5 slabs or tax rates: 0%, 5%, 12%, 18%, and 28%. It periodically reviews and revises these tax slabs. The distribution of goods among the above tax slabs is structured in such a way that essential commodities are placed in the lower tax bracket and luxurious goods are placed in the higher tax bracket.



## GST COUNCIL

The 101st Amendment Act of 2016 paved the way for the formation of the Goods and Service Tax Council. A new article 279A empowered the president to constitute the GST Council. The Secretariat of the Council is located in New Delhi. The Union Revenue Secretary is considered the ex-officio Secretary to the Council. The main objective was to create an apex institution to control and coordinate the new tax regime throughout the country.

**Vision:** To establish the highest standards of the cooperative federation in the functioning of the Council, which is the first constitutional federal body vested with powers to take all major decisions relating to GST.

**Mission:** Evolving, through a process of wider consultation, a GST structure that is information technology-driven and user-friendly.

The Council is a joint forum of both the central and state governments and consists of the following members:

1. The Union Finance Minister as Chairperson
2. The Union Minister of State in charge of Revenue or Finance

3. The Minister in charge of Finance or Taxation or any other Minister nominated by each state government
4. The Chairperson of the Central Board of Excise and Customs (CBEC) as a permanent invitee (non-voting) to all proceedings of the Council, selected by the Union Cabinet Minister.

The members of the Council from the states have to choose one among themselves to be the Vice-Chairperson of the Council. They can also decide his term. The central government shall have a weightage of  $\frac{1}{3}$  of the total votes cast, and all state governments together shall have a weightage of  $\frac{2}{3}$  of the total votes cast.

The council is required to make recommendations regarding issues such as tax rates, exemptions, threshold limits, dispute resolution, GST legislation, including rules and notifications, etc.

## **CONCLUSION**

GST was indeed a revolutionary step in the history of the Indian tax system. Implemented with an aim to regulate and unify the markets, its efficiency is still a point to be debated on. The advent of GST dates back to 2006, while its final implementation was delayed until 2017 for political and non-political reasons.

GST is a replacement for all indirect taxes such as VAT, Service Tax etc. It is levied in four different forms: CGST, SGST, IGST, and UTGST. There are 5 tax slabs under the GST, with the lowest imposed on essential goods and the highest on luxurious consumption. The critical analysis of GST

The 101st Act of the Indian Constitution led to the formation of the GST Council. This body is responsible for the control and coordination of the GST for the entire nation.

## **REFERENCES**

1. <https://gstcouncil.gov.in>
2. Wikipedia
3. <https://www.bankbazaar.com> > tax
4. GST guide for students: Making GST- Good and Simple Tax.
5. <https://cbic-gst.gov.in> > pdf - PRESS NOTE Dated 29th August 2017 GST Revenue Figures
6. Khan, M., & Shadab, N., Goods and Services Tax (GST) in India: prospect for states. *Budgetary Research Review*, 4(1), 38–64.n.d
7. Vasanthagopal, R., GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, 2(2), 144–147, 2011.
8. The Empowered Committee Of State Finance Ministers (2009), First Discussion Paper On Goods and Services Tax In India, November 10, 2009.
9. Nakhchian, A., Gorji, N., Shayesteh, T., & Sheibany, E., Value Added Tax and Its Relationship With Management Information Technology. *Interdisciplinary Journal of Contemporary Research in Business*, 4(9), 402–410, 2013.
10. Cnossen, S., Preparing the way for a modern GST in India. *International Tax and Public Finance*, 20(4), 715–723, 2013. <http://dx.doi.org/10.1007/s10797-013-9281-0>

11. Nishita Gupta, Goods and Services Tax: Its implementation on Indian economy, CASIRJ Volume 5 Issue 3 [Year - 2014] ISSN 2319 – 9202, Pg. No.126-133.
12. Saravanan Venkadasalam, Implementation of Goods and Service Tax (GST): An Analysis on ASEAN States using Least Squares Dummy Variable Model (LSDVM) International Conference on Economics, Education and Humanities (ICEEH'14) Dec. 10-11, 2014 Bali (Indonesia), Pg No. 7-9
13. <http://www.indiataxes.com/Information/VAT/Introduction.htm>
14. [http://www.taxmanagementindia.com/wnew/detail\\_rss\\_feed.asp?ID=1226](http://www.taxmanagementindia.com/wnew/detail_rss_feed.asp?ID=1226)
15. [www.goodsandservicetax.com](http://www.goodsandservicetax.com)
16. AgogoMawuli (2014): “Goods and Service Tax- An Appraisal” Paper presented at the the PNG Taxation Research and Review Symposium, Holiday Inn, Port Moresby, 29-30.
17. Dr. R. Vasanthagopal (2011), “GST in India: A Big Leap in the Indirect Taxation System”, International Journal of Trade, Economics and Finance, Vol. 2, No. 2, April 2011.
18. EhtishamAhmad and Satya Poddar(2009), “Goods and Service Tax Reforms and Intergovernmental Consideration in India”, “Asia Research Center”, LSE, 2009.
19. Girish Garg, (2014), “Basic Concepts and Features of Good and Service Tax in India”.
20. [https://en.wikipedia.org/wiki/Goods\\_and\\_Services\\_Tax\\_\(India\)\\_Bill](https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India)_Bill)
21. Nitin Kumar (2014), “Goods and Service Tax in India-A Way Forward”, “Global Journal of Multidisciplinary Studies”, Vol 3, Issue6, May 2014.
22. Pinki, SupriyaKamna, RichaVerma(2014), “Good and Service Tax – Panacea For Indirect Tax System In India”, “Tactful Management Research Journal”, Vol2, Issue 10, July2014
23. [www.gstindia.com/basics-of-gst-implementation-in-india/](http://www.gstindia.com/basics-of-gst-implementation-in-india/)
24. [www.prsindia.org/billtrack/the-constitution-122nd-amendment-gst-bill-2014-3505/](http://www.prsindia.org/billtrack/the-constitution-122nd-amendment-gst-bill-2014-3505/)
25. [www.taxguru.in/goods-and-service-tax/goods-service-tax-gst-2.html](http://www.taxguru.in/goods-and-service-tax/goods-service-tax-gst-2.html)
26. [www.thehindu.com/bussiness/industry/ten-things-to-know-about-gst-bill/article7137615.ece](http://www.thehindu.com/bussiness/industry/ten-things-to-know-about-gst-bill/article7137615.ece)
27. [www.top10wala.in/facts-about-gst-india-advantages/](http://www.top10wala.in/facts-about-gst-india-advantages/)
28. Bird, Richard M. (2012). The GST/HST: Creating an integrated Sales Tax in a Federal Country. The School of Public Policy, SPP Research Papers, 5(12), 1-38
29. Empowered Committee of Finance Ministers (2009). First Discussion Paper on Goods and Services Tax in India, The Empowered Committee of State Finance Ministers, New Delhi
30. Garg, Girish (2014). Basic Concepts and Features of Good and Services Tax in India. International Journal of scientific research and Management, 2(2), 542-549
31. Indirect Taxes Committee, Institute of Chartered Accountants of India (ICAI) (2015). Goods and Service Tax (GST). Retrieved from: <http://idtc.icai.org/download/Final-PPT-on-GST-ICAI.pdf>
32. Kumar, Nitin (2014). Goods and Services Tax in India: A Way Forward. Global Journal of Multidisciplinary Studies, 3(6), 216-225
33. Parkhi, Shilpa. Goods and Service Tax in India: the changing face of economy. Retrieved from: <http://www.parkhiassociates.org/kb/gstcfe.pdf>

34. Seventy Third Report of Standing Committee on Finance (2012-2013), The Constitution (One Hundred Fifteenth Amendment) Bill, 2011, pp. 11. Retrieved from: <http://www.prsindia.org/uploads/media/Constitution%20115/GST%20SC%20Report.pdf>
35. The Institute of Companies Secretaries of India (ICSI) (2015). Referencer on Goods and Service Tax. Retrieved from: [https://www.icsi.edu/Docs/Website/GST\\_Referencer.pdf](https://www.icsi.edu/Docs/Website/GST_Referencer.pdf)
36. Vasanthagopal, Dr. R. (2011). GST in India: A Big Leap in the Indirect Taxation System. International Journal of Trade, Economics and Finance, 2(2), 144-146
37. Various Websites:
- [www.wikipedia.com](http://www.wikipedia.com)
  - [www.google.com](http://www.google.com)

