



GST Implementation in India and its consequences

Dr.Savitha.P

Assistant Professor

Abstract:

The study has thrown light upon implementation of GST in a developing country like India. Which has laid the foundation for the complete reform in the indirect tax system. As observed in the study **GST** has replaced the multiple indirect taxation which was levied on different goods and services. Different types of GST are been discussed such as CGST, SGST, UTGST and IGST. The GST collections in the year 2019-2020 and 2020-2021 in terms of crores for both the financial year have also been shown in the study. Tax laws before implementing the GST has been highlighted in the study. The existing tax system for different services had separate rates, before the GST. So, it can be said that GST has eliminated the multiple tax structure into a simple taxation structure known as GST.

Key Words: GST, Direct Tax, Indirect Tax , Central Service Tax, Customs Duty.

1.1 Introduction:

Goods and Services Tax or **GST** was first introduced in the Budget Speech which was presented on 28th Feb 2006. In India the GST has laid a foundation for complete reform in the indirect tax system. The indirect taxation system has gone through a chain of amendments since its inception after it is being implemented on 1st July 2017 as Goods and Services Tax Act. **GST** has replaced the multiple indirect taxation which was levied on different goods and services. The regulatory body governing all the changes and amendments regarding this tax (GST) is Central Board of Indirect Taxes and Customs (CBIC).

The official document of GST is been issued by the concerned authorities which has been enrolled under the GST system for a business. Under this system a business with an annual turnover of Rupees.20 lakh or more and also certain other special businesses is been required to be registered. In the form GST REG-06, the GST registration certificate is issued. You can download the GST Certificate from the official GST Portal, if you are a registered taxpayer under this system. The certificate is available in digital format only and not issued physically. The Certificate of GST comprises of GSTIN, Trade Name, Legal Name,

Address, Constitution of Business, Date of liability, Period of Validity, Signature, Particulars of Approving Authority, Types of Registration, Date of issue of certificate, Details of the Approving GST officer.

1.2 Review of Literature:

Ariz Siddique (2019): The routine set up by various countries and besides their aftermaths before executing GST tax system, hence the organization of India should consider the GST. The law-making body meanwhile should make an undertaking against the achievable swelling in view of use of GST in order to ensure the enormous poor masses of India. Only if there is a sensible understanding over issues of pay rate, edge limit, and thought of oil-based merchandise, power, land and liquor. Apparently, GST will improve existing underhanded obligation structure and will oust inefficient perspectives made by the present stream heterogeneous assessment accumulation system. The organization ought to restrict from completing such daily practice, until the agreement is accomplished.

Chirag Rana (2018): By the proper taxation system, efficiency & equity in the economy can be brought in the country. It is clearly visible that its positive impact is more compared to challenges, while comparing challenges with its positive and negative. Income distribution as well as to generate revenues for the government should be one of the goals for a good taxation system. In order to maintain simplicity and transparency in the taxation system, GST is being implemented. For the purpose of economic development, GST will give to Indian economy a strong and smart tax system. But the implementing country should need to build strong mechanism, in order to gain those benefits. In the current indirect tax system GST will be solving all the complexities present and also the objective behind GST is to replace VAT. It will be giving relief to various parties like government, producers and consumers.

Ranjan Kshetrimayum, Chingkheinganba Chanambam and Nao Kshetrimayum (2019): For the betterment of the economy of the country, GST has been designed. In order to implement the new indirect tax system there are many challenges following ahead. In order to make it work smoothly, many efforts are being made to train the people and also to spread the awareness. Right now, to be said the real outcome or impact is too early. In the form of ease of doing business, inviting more investment, more revenue will be generated to the government and lower costs to many goods and services will be for the consumers, hence there will be positive outcome in the business environment. It may not give any adverse impact to the economy opposite to the positive expectations out of its implementation, so appropriate care should be taken so that.

1.3 Objectives of the Study:

- To understand the basic concepts of GST
- To understand the Tax Laws Before the Implementation of GST
- To analyse different types of GST and benefits of GST

1.4 Types of GST:

There are four types of GST, Based on the kind of transactions, viz. Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Union Territory Goods and Services Tax (UTGST) and Integrated Goods and Services Tax (IGST).

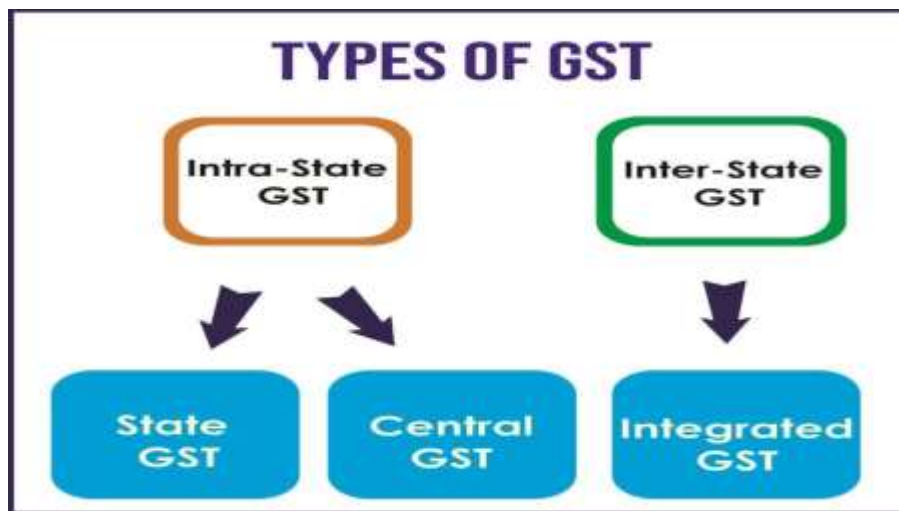


Fig A: shows the types of GST

- **Central Goods and Services Tax**

For the intra state supply of products and services, CGST is charged. CGST is governed by the Central Goods and Services Tax Act and it is levied by the Central Government. All the previous Central taxes such as Central Service Tax, Customs Duty, Excise Duty, CST, SAD, etc has been effectively replaced by CGST. Along with the SGST It is been charged to taxpayers. The revenue collected under CGST is remitted to the Central Government and the rate at which CGST is charged is usually the same as the SGST rate.

- **State Goods and Services Tax**

Like CGST, SGST is been charged on the sale of services or products within a state. For the levy of SGST, The State Government is responsible. All the previous taxes such as, Entry Tax, cesses, State Sales Tax, Entertainment Tax, and surcharges is been replaced by this tax system. The revenue is remitted to the State Government which is collected under SGST.

- **Integrated Goods and Services Tax**

For the inter-state transactions of products and services, IGST is charged and on imports also it is levied. IGST is been collected by Central Government and distributes it among states. When the goods or services are transferred from one state to another, IGST is levied. Instead of dealing with each state, the states would only have to deal with the Union Government with the implementation of this tax system.

- Union Territory Goods and Services Tax**

In any of the Union Territories in the country, UTGST is levied on the supply of products and services. Union Territories viz. Andaman and Nicobar Islands, Daman and Diu, Dadra and Nagar Haveli, Lakshadweep, and Chandigarh. Along with CGST, UTGST is levied.



Fig B: shows the GST collections in the year 2019 in crores.

Month	Collection of GST in Crores
April	1,00,000 – 1,20,000
May	1,00,000
June	1,00,000
July	1,00,000 – 1,20,000
August	80,000 – 1,00,000
September	80,000 – 1,00,000
October	80,000 – 1,00,000

Table A: Shows the GST collections in the year 2019 in crores.

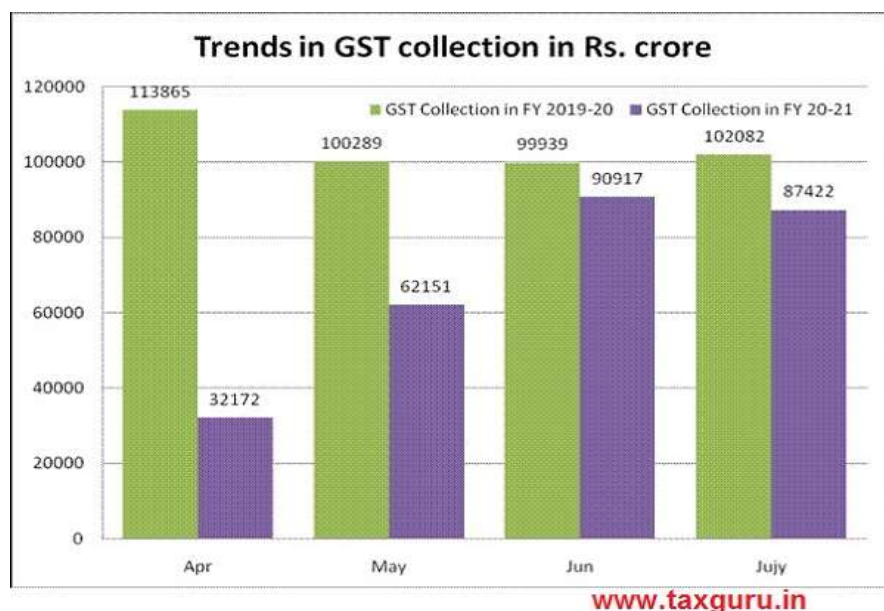


Fig C: shows the GST collections in the year 2019-2020 and 2020-2021 in terms of crores for both the financial year.

Month	Collection of GST in Crores (2019 – 2020)	Collection of GST in Crores (2020 – 2021)
April	1,13,865	32,172
May	1,00,289	62,151
June	99,939	90,917
July	1,02,082	87,422

Table B: shows the GST collections in the year 2019-2020 and 2020-2021 in terms of crores for both the financial year.

1.5 Tax Laws Before the Implementation of GST

In order to implement a much simpler tax structure in the country, was the main objective towards implementing the GST tax structure. To implement the concept of one tax across all parts of the country, the concept of Goods and Services Tax was introduced. At the time of implementation, there was a lot of speculation. As seen earlier, and as it was anticipated some of the previous tax systems did not work out well. Below are some of the important difference between tax system and GST is been listed which was followed prior to the GST implementation.

The existing tax system for different services had separate rates, before the GST. For service tax and excise duty there was a separate rate. There is one common CGST rate and uniform SGST across all the states, with the implementation of GST.

- In the previous tax structure, the Central Sales Tax (CST) and a number of other indirect taxes were levied. The entire concept of CST was eliminated, after the implementation of GST. In order to replace the previous tax system, a new concept of IGST was introduced.
- Both the centre and the state levied a number of indirect taxes. Which resulted in the tax collection by both the state and the centre. And thus, the tax levied on tax concept is called as the cascading effect of taxes. The overlapping of taxes collected by the centre and the state, was negated by the implementation of GST.
- There was a separate tax levied both at the time of consumption and production, In the previous tax rules. Tax will be levied only at the final point of consumption and not during different parts of selling and manufacturing of a product, with the implementation of GST. So, to the tax collection process, this has helped to bring some transparency.

1.6 Conclusion:

- From the above study of GST implementation in India we can observe that it has helped in minimising the indirect taxation system.
- The existing tax system for different services had separate rates before the Implementation of GST.
- In order to implement a much simpler tax structure in the country, was the main objective towards implementing the GST tax structure.
- By the proper taxation system like GST, efficiency & equity in the economy can be brought in the country.
- All the previous Central taxes such as Central Service Tax, Customs Duty, Excise Duty, CST, SAD, etc has been effectively replaced by CGST.

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