



Tax Reforms and GST: Overview, Implementation, Challenges in India

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Abstract:

Reform in Taxation System has become necessary for Growth & Development of country. Tax Rates have been reorganized with simplifying in Tax laws that results in better compliance, ease in tax payment & better enforcement. So, GST Act, 2017 announced by the Government of India to bring drastic change in Indirect tax system with providing motivation to Manufacturing and Services Sector to supply Goods & Services at reasonable price to consumers. A brief analysis has been made on the highlights of the provisions of GST Act, 2017. There are so many challenges that are going to be faced while implementing this Act. In this Research paper, the focus to identify the importance of tax reform in India, Suggestions, Challenges of GST after enforced in India.

The Objective of the paper is to study the concept of Goods and Services Tax (GST), the impact of GST on Indian Economy and Challenges are going to be faced in India while implementing.

The findings of study show the impact of GST on transforming Tax Revenue system. It is a step ahead to improve economy in various sectors such as manufacturing, services, Govt., etc. We can learn about various provisions related to CGST with the help of this paper. For this research paper data has been collected from various secondary sources i.e., journals, reports, print media, periodical magazines, official Gazette and various government websites, etc.

From my side, this paper can create awareness about the topic so that it can be a step to enable the country progressive.

Keywords: Tax Reform, GST, Indirect tax, Economic Growth, Tax Revenue.

I. TAX REFORM: INTRODUCTION

The Present GST has been changing the whole scenario of all indirect tax System. It is Considered as biggest Tax Reforms since 1947. It is important to assess how changes occurred from Sales Tax to VAT & VAT to GST. In India there were so many indirect taxes such as Excise Duties, Sales Tax, others that subsumed and introduced in

the dual system GST Act, 2017. GST was first introduced by France in 1954 and now it is followed in more than 160 countries. In India GST is imposed by Central & State via. CGST, SGST/UTGST & IGST.

II. GST ACT, 2017: Overview

Government of India enforced the Goods & Services Tax in India from July 2017 it is the big Indirect Tax Reform to the Indian Economy having Dual Tax System with providing contribution to the economy in the form of “Gross Domestic Product” in long run. It has changed in way of Levy, Collection, Administration, Registration, Filing of Return related to Indirect Taxes. Reforms in Indirect tax will ensure fruitful benefit to various classes of economy. GST is affordable and Convenient to tax payers, Manufacturer, Importer, Exporter, Seller, Buyers & all other users also with govt. Bodies.

GST has been unifying all indirect taxes and create a national market. GST is helping the economy to grow in more efficient manner by improving tax collection as it will remove all tax barriers between states and provide integrated country with single tax rates.

An Act to make a provision for Levy and Collection of Tax on intra state and interstate supply of Goods and Services both by State & Central Government and for matters connected therewith or incidental thereto.

GST has subsumed over 17 taxes central & state taxes and 13 Cess. It has five rates such as 0%, 5%, 12%, 18%, 28% on the nature of items as determined by the Government.

The GST bill, known as the Goods and Services Tax, was introduced in Lok Sabha in December, 2014 and was implemented from July 1, 2017. Goods & Services Tax is a multistage and destination-based tax that is levied on every value addition to the goods. GST was introduced with the aim of one nation one tax system. Under the GST bill all other taxes like Octroi, Central Excise VAT i.e., the value added taxes etc., got consolidated into one and it restructured the indirect taxation. The basic idea of this bill was to create a single, cooperative and undivided Indian market and to make the economy stronger and powerful. GST has divided the goods and services into various categories and applied the tax from 5 % to 28 %.

III. Constitutional Framework

2004: In India, idea about GST was introduced by Dr. Vijay Kelkar in 2004 that was based on VAT principal.

2007-8: Former Union Finance Minister, Shri P. Chidambaram has said that GST will be implemented from 1st April, 2010. Many deadlines were gone but it was not implemented.

2011: Constitutional Amendment (115th) Bill introduced, but not passed.

2014-15: In 2014 Constitutional Amendment (122nd) Bill was introduced in the 16th Lok Sabha. And **6th May,**

2015: Bill was passed by Lok Sabha (NDA Govt.).

3rd Aug., 2016: Bill was passed in Rajya Sabha after some rectification.

8th Sept., 2016: President Pranab Mukherjee on gave assent to the Constitution Amendment Bill on Goods and Services Tax (GST). This is a major step towards rolling out a new indirect tax regime, which the Modi government wants to come into effect from April 1 next year.

2017: GST was implemented from 1st July, 2017 whole of India. State and Union Territory GST laws were passed by all the states and Union Territories except Jammu & Kashmir state legislature, passed its GST act on 7th July, 2017 and ensuring that entire nation brought under unified indirect taxation system.

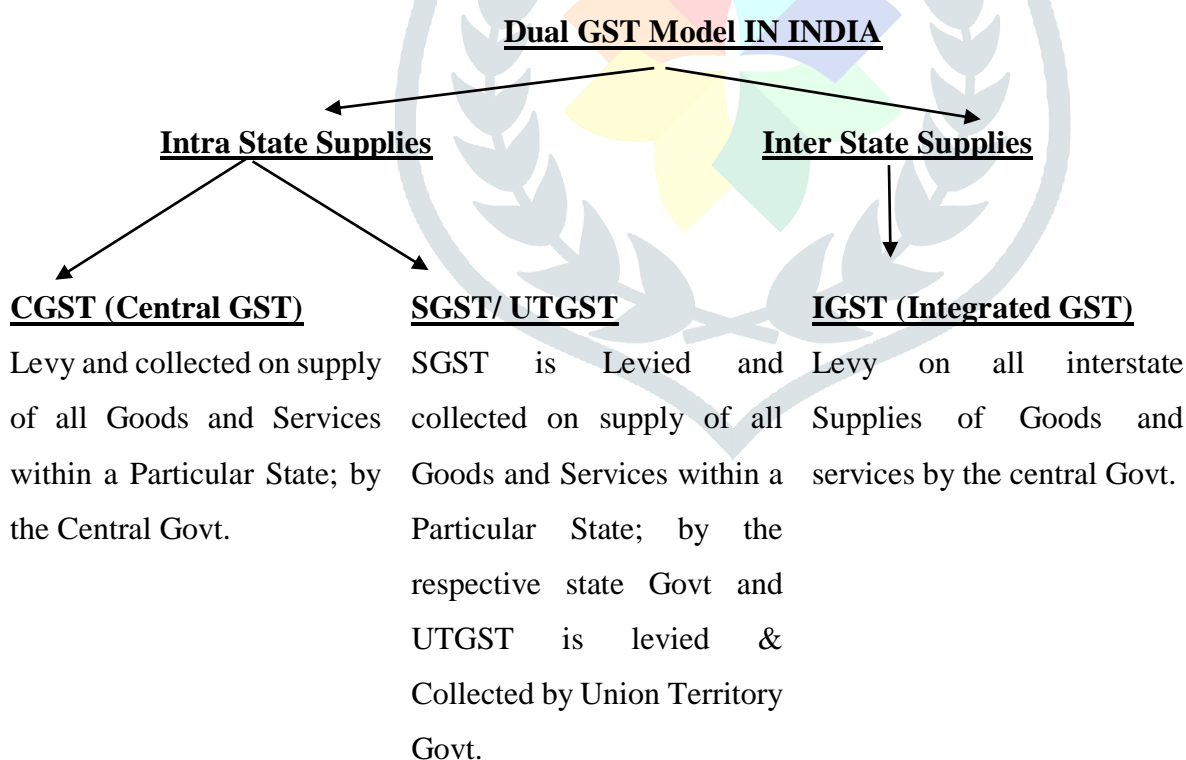
IV. Major Reforms/Principals:

1. Principal of Destination:

GST would be based on the principal of destination-based consumption taxation as against the present principal of origin-based taxation. It means that the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

2. Dual GST:

In India a Dual GST model has been adopted. Centre Government and State Government will simultaneously levy GST on every supply of Goods or Services or both. Thus, Tax under the GST laws would be imposed in the following manner:



3. Subsumed all Indirect Taxes:

GST has subsumed all indirect taxes such as Excise duty, VAT, Services Tax, Sales Tax etc. levied on goods and services by the Central and State Govt. in India.

4. Tax on Value Addition:

Under GST only Value addition will be taxed and burden of tax is to be borne by the final consumer.

5. Remove Cascading Effect:

The introduction of Goods and Services Tax would be very significant step in the field of indirect tax reforms in India as it will be eliminating cascading effect.

6. Transparency and Accountability:

Under GST everything is online. Electronic matching of Input Tax Credits all across India thus making the process more transparent and accountable.

7. Improve compliance:

GST is based on IT. It will improve environment of compliance as all returns to be filed online, input credits to be verified online, encouraging more paper less transactions.

8. Harmonization of law:

Introduction of GST will result Harmonization of laws, procedure and rates of tax.

V. GST IMPLEMENTATION**▪ GST Models have four components: -**

1. **IGST-** Integrated GST levied by Central level.
2. **CGST-** Central GST levied by Central level.
3. **SGST-** State GST levied by State level.
4. **UTGST-** Union Territory GST levied by Union Territory level.

▪ GST Council: -

22 members committee was formed to look into the proposed GST laws. The tax rates, rules and regulations are governed by the GST Council which consists of the finance ministers of the central government and all the states.

- Chairperson- Union Finance Minister
- Vice Chairperson chooses amongst the Ministers of State Government
- Members Ministry of States (Finance) & Ministers of Finance /Taxation of each state.
- Quorum is 50% of Total members.
- Decision by majority at least three-fourth of weighted votes.

VI. Benefits of GST to various Sectors:**1. Benefits to Trade & Industry**

2. Seamless flow of tax Credit from manufacturer/ Supplier to User/ Retailer to Cascading of Taxes.
3. More efficient Neutralization of taxes to make our exports more competitive internationally.
4. Common Procedure for Registration, Duty Payment, Return Filing & Refund of Taxes.
5. Benefit of exemption for large Segment of Small-Scale Suppliers to make their product Cheaper.

6. It also invites people to Startup their business.
7. It brings Transparency, Efficiency and Corruption free tax administration in the society so it provides positive impact on economy.
8. Reduce compliance burden.
9. To increased revenue by minimizing the cost of collection, compliance cost, etc.

2. Benefits to Economy

1. To create a unified Common National Market.
2. To boost “Make in India” Campaign and India as a “Manufacturing Hub”.
3. To boost Investment & Exports.
4. To generate more Employment by increased economic activity.
5. It provides benefit to the common people by reducing cascading tax effect.

VII. CHALLENGES TO BE FACED IN IMPLEMENTING GST ACT, 2017

After every reform, it become essential to measure its effectiveness. Above are the major reforms that are needed by our country for its economic growth. Besides these reforms some challenges are also going to be faced while implementing GST Act: -

1. **Required Extensive Training to Tax Administration Staff:** GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.
2. **Consent of States:** For implementing it is critical that GST bill is passed by the respective state Governments in state assemblies so as to bring majority.
3. **Needed strong IT Network:** Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for GST Registration, GST return filing, tax payments, IGST settlements etc. Thus, there should be a robust IT backbone.
4. **Some sectors are at a loss:** Sectors like Textile, Media, Pharma, Dairy Products, IT and Telecom are bearing the brunt of a higher tax. Also, the price of commodities has increased like jewellery, mobile phones and credit cards.
5. **Real Estate Market affected:** Economists are of the opinion that GST in India has already had a negative impact on the real estate market. It has added up to 8 percent to the cost of new homes and reduced demand by about 12 percent.

VIII. GST collection in India (Data Analysis):

Goods and Services Tax (India) Revenue Statistics- From 1 May 2018 onwards Ministry of Finance of Government of India started releasing monthly GST revenue collection data via official press release through Press Information

Bureau. And to further improve transparency Government of India started issuing state-wise monthly collection data from 1 January 2020.

- **Monthly National Revenue Collections**

December (2021-22)- ₹129,780 crore (US\$16 billion)

December (2022-23)- ₹149,507 crore (US\$19 billion)

Annual Average (2022-23)- ₹148,936 crore (US\$19 billion)

Annual Average (2021-22)- ₹123,608 crore (US\$15 billion).

- **State-Wise Monthly Revenue Collections (Haryana analysis only)**

(Note: it does not include GST on import of good)

March (2020-21)-5,709.60 crore (US\$720 million)

March (2019-20)-4,874 crore (US\$610 million)

- **Monthly GST Revenue Collections from Import**

June IGST- ₹25,762 crore (US\$3.2 billion)

June Cess- ₹809 crore (US\$100 million)

IX. CONCLUSION:

By the above discussions we can reach following conclusion: -

Introduction of GST would be a very significant step in the field of indirect tax reforms in India. Revenues of Centre and States would rise due to widening of tax base, increase in trade volumes and improved compliance. It would also reduce economic distortions caused by interstate variations in taxes. It will streamline tax administration and avoid harassment of business. The GST because of its transparent nature, would be easier to administer. It would pave the way for a Common National Market. Implementation of GST would make our products competitive in domestic and international markets. The proposed structure will simplify the procedure which will end up with equal opportunity for all the markets and in other hand will leads reduced tax evasion. It can also be concluded from the above discussion that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. It can be further concluded that GST have a positive impact on various sectors and industry.

As the coin has two sides, same way implementation of GST impacts a nation both ways, positively and negatively. If we ignore the negative aspects and consider the positive effect, then it is a way to reduce the black money. GST is having a few initial problems, but with time, we will be able to see the bigger picture and it will surely result in an economic integration.

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