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## Sustainability growth of GST in Indian Economy- Past, Present & Future prospects

**Gurave Singh, Gautam Kohli and Dr. RK Singh**

### Abstract

The Philosophy of Goods and Services Tax (GST) in India is Good and Simple Tax is a very significant step in field of indirect tax reform in India. It is 2<sup>nd</sup> major surgical strike on tax evaders, brings most traders into the tax net, help develop a common market India makes movement of commodities freer in the country attracts foreign investors with a unified market with a single tax thought it has inconvenienced citizens on a spending spree with inflated bills on winning and dining, travelling property purchase etc. from the consumer point of view the biggest advantage would be there is no cascading effect of tax, and help in increase gross domestic product (GDP), ease of doing business and investment in the country. It make Indian product competitive in the domestic and international market. The transparent and self policing character would be easier to administer. GST is the only sustainable form of finance to guarantee the long term prosperity of nation.

**Keywords:** GST, Market, Economic, Tax Reform, Sustainability growth

### Introduction

The midnight of June 30 July 01, 2017 saw history in the making. The high domed central Hall of Parliament was virtually recalling history with Prime Minister and President present in the August Precincts. It was economic freedom, it was political emancipation then. It was a tryst with destiny moment for the Indian economy when the whole country came out as one united for transforming the indirect tax regime from an Amharic and complex system to a “Good and Simple Tax”. The government of India following in the credo of “One Nation and One Tax” and wanting a unified market that makes the movement of goods freer across the country making life easier for manufactures producers and investors.

It has now been more than a decade since the idea of National Goods and Services Tax (GST) was mooted by Kelkar Taskforce in 2004. The Taskforce strongly recommended fully integrated GST on national basis. Subsequently, then finance minister, Shri P. Chidambaram while presenting the central budget (2007-08) announced that GST would be introduced from April 01, 2010. Since then, GST missed several deadlines. The constitution (101<sup>st</sup>, Amendment) Act, 2016 as notified on 8<sup>th</sup> September 2016, paved the way for implementation for GST. It extends to the whole India. It implemented from 1<sup>st</sup> July 2017. However different dates have been appointed for applicability of different provision of GST.

### Literature Review

Mohamad Ali Roshidi Ahmad, Zuriadah Ismail, and Hazianti Abdul Halim (2016) <sup>[12]</sup> introducing the GST in Malaysia, government should have careful planning, detailed preparation, participation of community and extensive public education program is the key success in the implementation of GST for any country (Mohamad Ali Roshidi Ahmad<sup>1\*</sup>, 2016) <sup>[12]</sup> Shefali Dani (2016) <sup>[16]</sup> GST will simplify existing indirect tax system and will help to remove inefficiencies created by the prevailing current heterogeneous taxation system as long as there's transparent consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Anil Kumar Bhuyan, Ranusaya Nayak (2017) <sup>[2]</sup> the implementation of the GST will be too delayed because of the conflict between state and center on issues related to the limitation of fiscal autonomy of states, constitutional amendments. One thing we can say that after the successful implementation of the GST will bring inclusiveness, excellence, innovation, accountability, uniformity, efficiency, and transparency in indirect taxation mechanism in the long run.

For that, the ultimate consumer, as well as the business and industry will be benefitted. (Anil Kumar Bhuyan, 2017) [2] Anand Nayyar, Inderpal Singh (2018) [1] GST will bind the entire nation under a single taxation system rate. As forecasted by experts, GST will improvise tax collections and step up India's economic development and break all tax barriers between Central and State Governments. (Anand Nayyar, 2018) [1]

### Research methodology

The present research is based on suggestive, evaluative and descriptive in nature. Since GST is a new phenomenon in

India, there are few studies have done in this area. This study is based on secondary data. The data has been taken from different journals, books, magazines, websites, and published data from government institutions. The researcher concluded that how sustainability growth of GST in Indian economy- past, present & future prospects

### Objective of the Study

1. To study the silent features of GST.
2. To study the implication and sustainability of GST on Indian economy- past, present & future prospects.

**Table 1:** Roadmap for the GST

1974	Report of LK Jha Committee suggested VAT
1986	Introduction of a restricted VAT called MODVAT
1991	Report of the Chelliah Committee recommends VAT/Goods & Services Tax (GST) and recommendations accepted by Government
1994	Introduction of service tax
1999	Formation of Empowered Committee on State VAT
2000	Implementation of uniform floor Sales Tax rates (1%, 4%, 8% & 12%) Abolition of tax-related incentives granted by States
2003	VAT implemented in Haryana in April, 2003
2004	Significant progress towards a Central VAT, Sept 2004 GST-Integration
2005-06	VAT implemented in 26 more States
2007	First GST Study Released By Mr. P.Shome in Jan 2007 FM announces for GST in Budget Speech CST Phase out starts in April 2007 Joint working group formed by EC IN May 2007 WG Submits its report in November 2007
2008	EC finalizes its view on GST structure in April 2008
2009	GST proposed to be implemented from 1.04.2010
2011	THE CONSTITUTION (ONE HUNDRED AND FIFTEENTH AMENDMENT) BILL, 2011 was introduced
2015	Introduced in the Lok Sabha for discussion and passage of the bill

Source: (Gupta, 2015)

### What is GST?

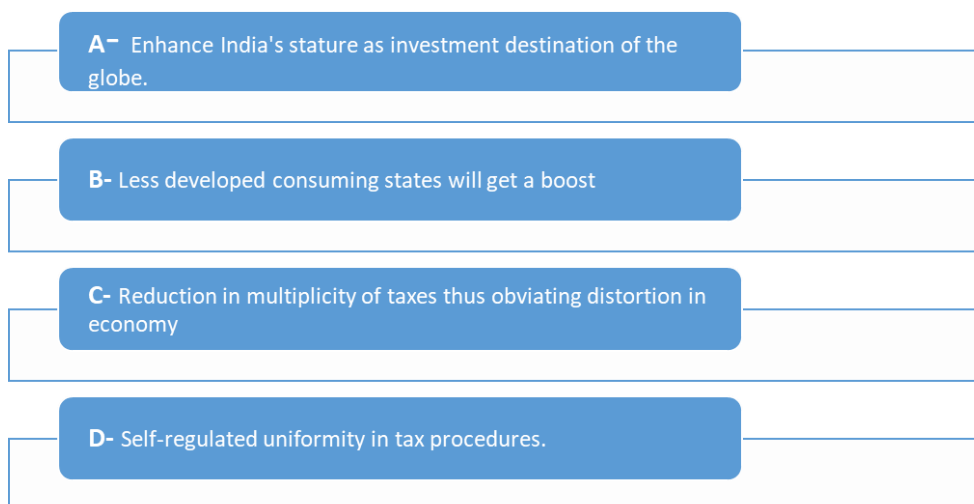
GST is a destination based consumption tax. It based on the principle of Value Added Tax (VAT). It emphasizes on voluntary compliance and on accounts based reporting and monitoring system. It is a comprehensive levy and envisages tax collection on both goods services. GST offers comprehensive and continuous chain of decrease from the producer's stress to the retailer level/ consumer's level thereby taxing only the worth added at each stage of supply chain. Thus only the final consumer bears the GST charged by the lost supplier in the supply chain with set off benefits at all the previous stages. Since only the value added at each stage is taxed under GST Goods and Service Tax Network (GSTN) has been set to provide a shared IT infrastructure and services to central and state Governments, taxpayers and other stakeholder such as the various economic agents-producers,

distributor and consumers for implementation of GST.

### Objective of GST

- One nation – One tax
- Consumption based tax instead of manufacturing
- Uniform GST registration , payment and input tax credit
- To eliminate cascading effect
- Subsume all indirect taxes at central and state level
- Reduce tax evasion and corruption
- Increase productivity
- Increase tax to GDP ratio and revenue surplus
- Increase compliance
- Reduce economic distortion

### Key features of GST

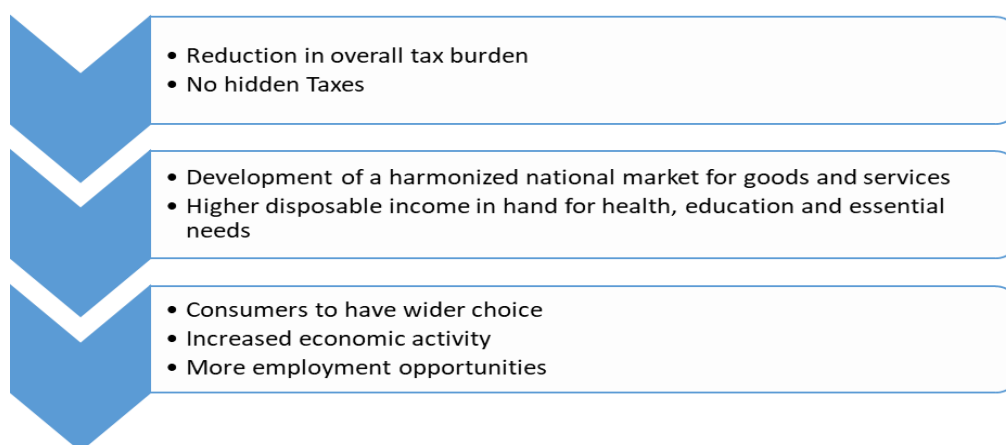


**Fig 1:** GST: Setting the Stage for Development of New India

In order to understand GST it would be better if the key features of GST model in India are detailed out which are as follows:-

- 1- The territorial spread of GST is whole of the country.
- 2- GST is applicable on “supply” of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services
- 3- It is based on the principle of destination based consumption taxation as against the present principle of origin based taxation
- 4- Import of goods is treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.
- 5- Import of services is treated as inter-state supplies and would be subject to IGST on reverse charge basis.
- 6- CGST, SGST/UGST&IGST is levied at rates mutually agreed upon by the centre and the states under the aegis of the GST council (GSTC).
- 7- There are five broad categories namely nil percent, 5 per cent, 12 per cent, 18 per cent and 28 per cent for all

- goods or services. Precious metals are subject to tax @ 3 per cent whereas rough precious stones attract tax @ 0.25 per cent some specified goods or services are exempted.
- 8- GST covers the entire gamut of goods and services except alcohol for human consumption which is constitutionally out of GST. Besides , five petroleum products (Crude, Petrol, Diesel, ATF and natural gas) are out of GST at the present and may be brought into GST fold on recommendation of GST council
- 9- A common threshold exemption of Rs. 40 lakhs. (Rs. 20 lakhs for special category states as specified in article 279A of the constitution) for both CGST and SGST/UTGST has been provided for. Besides, an option to pay tax under composition scheme (i.e. to pay tax at a flat rate without credits) is available to small taxpayers (other than specified category of manufacturers and service providers) having an annual turnover of up to Rs. 2 crore in 23<sup>rd</sup> Goods and Services tax governing council meeting in Guwahati.



**Fig 2:** How will GST Benefit & Empower Citizens?

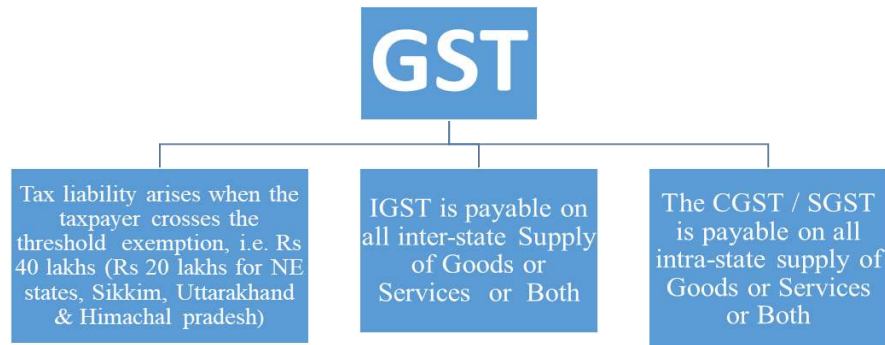
- 10- Exports and supplies to SEZ are zero-rated
- 11- Credit of CGST paid on inputs could also be used just for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input decrease (ITC) cannot cross utilized, except in specified circumstances of inter- state supplies for

- payment of IGST. The credit would be permitted to be utilized within the subsequent manner:
- a) ITC of CGST allowed for payment of CGST and IGST therein order;
  - b) ITC of SGST allowed for payment of SGST and IGST therein order;
  - c) ITC of UTGST allowed for payment of UTGST and

IGST therein order:

- d) ITC of IGST allowed for payment of IGST, CGST and SGST/UTGST therein order.

ITC of CGST cannot be used for payment of SGST/UTGST and therefore the other way around.



**Fig 3: Who Is Liable To Pay GST?**

- 1- Electronic filing of returns possesses to be done by different class of persons at different cut-off.
- 2- Various modes of payment of tax available to the taxpayer including internet banking, Debit/credit card and national electronic funds transfer (NEFT)/ real time gross settlement (RTGS).
- 3- Refund of tax possesses to be sought by the taxpayer or by the opposite one that has borne the incidence of tax within two years from the relevant date.
- 4- System of self-assessment of the taxes payable by the registered person has been provided for.
- 5- Audit of registered persons to be conducted in order to verify compliance with the provisions of the act.
- 6- Advance ruling authority in states in order to enable the taxpayer to seek a binding clarity on taxation matters from the department. Centre would adopt such authority under CGST act.
- 7- An anti-profiteering clause has been providing so that confirms business passes on the benefit of reduced tax prevalence on goods or services or both to the consumers.
- 8- Elaborate transitional provisions have been provided for smooth transition of existing taxpayer to GST regime.

### Benefits of GST

#### Make in India

- Help to create a unified common national market for India, giving a boost to Foreign investment and “make in India” campaign;
- Will mitigate cascading of taxes as input tax credit will be available across goods and services at every stage of supply;
- Harmonization of laws, procedures and rates of tax;
- More efficient neutralization of taxes particularly for exports thereby making our products more competitive in the international market and give enhance to Indian exports;
- Average tax burden on companies probable to come down which is expected to trim down prices and lower prices mean more consumption, more production in this manner helping in the expansion of the industries. This will create India as a “manufacturing hub”.

#### Ease of doing business

- Simpler tax regime with fewer exemptions;
- Reductions in the multiplicity of taxes that are at present governing our indirect tax system leading to

simplification and uniformity;

- Diminution in compliance costs no multiple record keeping for a variety of taxes-so minor investment of resources and manpower in maintain records;
- Simplified and automated procedures for various processes such as registration, refunds, tax payments, etc;
- All interaction to be through the common GSTN portal-minimal public interface between the taxpayer and the tax administration;
- General procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will provide better confidence to taxation system.
- Ease of doing business 2019: India has jumped 14 places to secure 63th rank on the World Bank of Ease of Doing Business Index on Business friendly Tax reform.

#### Benefit to consumers

- Final price of goods is estimated to be lower due to seamless flow of input tax credit between the manufacturer, retailer and supplier of services;
- Average tax burden on companies is likely to come down which is expected to reduce price and lower prices mean more consumption.
- GST is people friendly tax regime as it is unified tax system, GST helped tax-paying easier with multiple advantages.
- GST bring transparency it would yield the necessary information to the end consumers and help create a transparent economic environment.

#### Online Payment Procedure

- Digitization of indirect tax on national scale.
- The online GSTN Portal has been made to run the entire process of GST.
- This has been beneficial for startups, as they do not have to run from upfront post to get different registration such as VAT.
- IT Infrastructure is not very complex and can be easily adopted by the all stakeholders.

#### Benefit to E-Commerce

- The Pre-GST regime supply the goods through E-Commerce sector was not defined. There are varying VAT laws which create lot of difficulties in moving of

goods from one state to other state.

- Post-GST regime Goods and Services can freely moved from one state to another without any complication. The GST provision applicable all over India, IGST has made possible.

#### **Benefit to Logistics Management**

- The Pre-GST Regime the logistics industry in India had to maintain multiple warehouses across states. These warehouses are forced to operate below their capacity, giving room to increased operating costs.
- The Post-GST regime restrictions on interstate movement of goods have lessened. The warehouse operators have shown interest in setting up their warehouse at strategic location. Reduction in preventable logistics cost is increasing profits for business concerned in the supply of goods through transportation.

#### **Findings & Suggestions**

##### **GST help improve India's Ease of doing business rank**

- a) GST Simplified: - The return filing system will include simplified return forms for ease of filing across to taxpayers registered under GST.
- b) E- Invoicing: -The GST network will electronically authenticate and issue identification to each invoice for ease of filing return and generating e-way bills. This mechanism will shape the way for efficient and error free filing of return.
- c) Ease of Compliance: - The multiple tax slabs create more confusion under GST for greater ease of compliance and follow one tax rate on taxable goods under GST.

The implementation of GST India took a step towards unified common market "One Nation One Market One Tax"

**Tax Compliance loyalty:** Reward should be given to loyal taxpayer to encouragement. It will increase the revenue through GST

**Artificial Intelligence & GST:** The use of Artificial Intelligence to track down Tax evaders and strict measure to curb evasion to improve compliance with the GST further increase the revenue.

**Reduce Goods & Services Tax leakages:** There should be direct GST portal link to services providers so that immediately tax information reaches to the Tax authority.

**Social impact of GST:** There major impact in among the taxpayer they know the how much tax should to pay. Awareness of indirect taxation system. Pre-GST there are multiple tax which liable to taxpayer. Post-GST there is one taxation system.

**Rural Market & GST:** The government should more elaborate the GST awareness in rural market. Rural market can contribute the more revenue to nation GDP it will leads to contribute to the 5 trillion dollar economy.

#### **Conclusion**

Looking at GST from a myopic view point only shades of indirect tax reform will be visible. But if we have a comprehensive view of this transformational reform it can be seen as a business change, a social regeneration, a revolution

that will reenergize the sagging wheels of our economic growth, a booster dose for the immunity of our economy from the vagaries of world developments and last but not the least a future where the head will be held high and minds will be free. Sustainability of GST in India is very vivid as it provides favorable equality, environment, and economy to economic environment. To achieve dream of 5 trillion dollar Indian economy to sustain taxation system so manage today while preparing for tomorrow.

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