

**GST IMPLEMENTATION: ADVANTAGE INDIA****S.M. Khadilkar**KITs Institute of Management Education and Research ( KITs) IMER Kolhapur  
khadilkarsm@rediffmail.com**ABSTRACT**

*GST or Goods and Services Tax came into existence in 2017. It is the most important tax reforms India has seen since independence. GST replaced all the existing indirect taxes such as excise, VAT, service tax etc. GST is a multi-stage tax, levied only on the value-added portion and levied at the point of consumption. GST brings with it a host of advantages. It has eliminated the cascading impact of taxes. Subsequently, the burden on the end consumer is lower. Moreover, it means the products are competitive both domestically and internationally. Further, GST will help tax compliance as it is easier to follow. Additionally, it will help shift of economy from informal to formal structure. Summarily, the advantages of GST clearly outweigh the implementation hassles.*

**Keywords:** GST, indirect tax, value added, intra-state, inter-state

**Introduction**

GST is acronym for the Goods and Services Tax. It is type of an indirect tax that has replaced many indirect taxes in India like the excise duty, VAT, services tax, and so on. GST Act was passed in the Parliament in March 2017 and implemented on first July 2017. GST is levied on the supply of goods & services. GST Law in India is a comprehensive, multi stage, destination-based tax that is imposed on every value-addition. GST is a single domestic indirect tax law for the whole country (Cleartax, 2021).

**Features:** 1) Multi-stage tax: A product goes through multiple change-of-hands throughout its supply chain: Starting from production until the final sale to the consumer. GST is levied on each of the stages making it a multi-stage tax. 2) Value-addition: GST is levied on all the value-additions, which is the monetary value-added at each stage to achieve the final sale to the end-customer. 3) Destination-Based: Since GST is levied at the point of consumption, the total tax revenue will go to the state where the product is consumed.

The implementation of the Goods and Services Tax (GST) is an extremely significant step in the field of indirect tax reforms in India. By amalgamating numerous Central and State taxes into a solitary tax, GST will mitigate ill effects of cascading or double taxation in a major manner and enable a common national market. According to the customers perspective, the greatest benefit would be as far as decrease in the overall tax burden on goods,

which is at present assessed to be around 25%-30%. It would likewise suggest that the genuine burden of indirect taxes on goods and services would be considerably transparent to the buyer. Implementation of GST would likewise make Indian items competitive in the domestic and international markets attributable to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would affect economic growth. Last however not the least, this tax, as a result of its simple and self-policing character, would be simpler to regulate. It would likewise support a shift from the informal to formal economy (GST Council of India, 2021).

**Literature Review**

There is ample research on the topic of GST in India. Below are a few abstracts from the recent literature.

Lourdunathan and Xavier (2017), have posited that, there is mixed response, inexplicit, arguments & opinions among the producers, traders & society about the GST to be implemented by Govt. of India from first April 2017. Different news associations from one side of the world to the other zeroed in on the bill unifying the nation and it being an accomplishment of the government. As the Goods and Services Tax Bill was passed in the Rajya Sabha, it likewise brought India at the focal point of the worldwide economy. With the passing of the bill, many international newspapers distributed their perspectives on how the GST Bill brings a new wave of

economic reform in the country. The paper features the foundation, Prospectus and difficulties in Implementation of Goods and administrations Tax (GST) in India.

Nayyar and Singh (2018), have argued that, the Goods and Services Tax (GST), implemented on July 1, 2017, is viewed as a major taxation reform till date executed in India since freedom in 1947. GST was intended to be carried out in April 2010, however was postponed because of policy driven issues and conflicting interest of stakeholders. The essential goal behind advancement of GST is to replace all sorts of indirect taxes in India such as Central Excise, VAT, Service tax, and so forth and execute one taxation system in India. The GST based taxation system gets more transparency taxation system and expands GDP growth rate by 1% to 2% and lowers tax theft & corruption in country. The paper featured the foundation of the taxation system, the GST idea alongside significant working, examination of Indian GST tax system rates with other economies of world, and additionally introduced in-depth coverage of benefits to different areas of the Indian economy in the wake of GST and illustrated a few challenges of GST implementation.

Roy (2017), has opined that, the Goods and Services Tax (GST) will be the most crucial and significant tax reform in India post-independence. The proposed GST system will make India a tax-neutral national-market by subsuming a large portion of the prevailing indirect taxes. It will improve on the current heterogeneous indirect tax system by dispensing with tax cascading and multiple tax levy. The paper features the flaws of current indirect tax structure, the development process of GST in India and the proposed Concurrent Dual GST Model. The paper further investigates different advantages of GST according to the perspective of various stakeholders. Finally, the paper highlights a few concerns and reaches a conclusion subsequent to giving a few suggestions.

According to Rupa, 2017, traditionally India's tax regime depended on indirect taxes. Income from indirect taxes was the major source of tax income till tax reforms were attempted during nineties. The major contention set forth for hefty dependence on indirect taxes was that the

India's majority of populace was poor and, in this manner, broadening base of direct taxes had inherent impediments. Yet, the Indian system of indirect taxation is characterized by cascading, distorting tax on production of goods & services which prompts hampering productivity and slower economic growth. There are endless taxes in present system few exacted by Center and rest collected by state, to eliminate this multiplicity of taxes and reducing the burden of the tax payer a straightforward tax is required and that is GST. This paper throws an insight into the GST idea, advantages, disadvantages and international scenario.

According to Banik and Das (2018), GST or Goods and Services Tax, the best tax reform in India since its independence which has been long pending. GST is intended to improve on the indirect tax regime of India by replacing a large group of taxes by a single tax. GST is the solitary indirect tax that straightforwardly interfaces all the sectors of Indian economy hence improving the economic growth of the nation by making a single market. In excess of 160 nations of the world have carried out GST up until this point. In May 2016 the bill for GST was passed by Lok Sabha and deadline of first April 2017 to execute GST was set by Arun Jaitley, Indian Finance Minister. Nonetheless, there is a huge outcry against its execution. This paper presents an outline of GST idea, advantages and explains its features alongside challenges faced in implementation. Moreover, Kumar et al. (2019), Mukherjee (2020) and Manoj (2019) have dealt with various aspects of GST.

### **Components of GST**

There are 3 taxes applicable under the GST system:

1. SGST, is the tax collected by the state govt. for an intra-state sale (e.g., a transaction taking place within the state)
2. CGST, is the tax collected by the Central Govt. for an intra-state sale (e.g., a transaction taking place within the state)
3. IGST, is a tax collected by the Central Govt. for an inter-state sale (e.g., transaction taking place between two states)

### Advantages of GST

1. Eliminating cascading impact of tax
2. Higher threshold for GST registration
3. Small businesses are subject to composition scheme
4. Increase in GDP growth rate
5. Convenient online facilities for GST compliance
6. GST has relatively lower compliance requirements
7. It has defined treatment for e-commerce
8. Enhanced logistics efficiency
9. Unorganized sectors are regulated
10. Shifting from informal to formal economy

#### How has GST resulted in Price Reduction?

During the traditional regime, every buyer, including the final consumer paid tax on tax. This situation of tax on tax is known as the cascading impact of taxes. GST has eliminated the cascading impact. Tax is determined only on the value-added at each stage of the transfer of ownership.

The indirect tax system under GST will incorporate the country with a uniform tax rate. It will improve collection of taxes just as lift the improvement of the Indian economy by eliminating the indirect tax boundaries between states.

### Conclusion

GST or Goods and Services Tax came into existence in July 2017. It was the most important tax reform India has seen since its independence. GST has replaced all the traditional indirect taxes such as excise, VAT and service tax etc. GST is a single domestic indirect tax law for the whole country. There are three distinct features of GST. First, it is a multi-stage tax which means it is levied on all the stages of the movement of goods from production to the final sale. Second, it is levied only on the value-added during each stage. Third, it is destination-based which means it is levied at the point of consumption.

GST implementation has several advantages for the country. First, it has eliminated cascading of taxes. Second, it is beneficial for the end consumers for whom the overall tax burden is smaller as compared to the traditional regime. Third, GST has made Indian products more competitive in the domestic and international markets. Fourth, various studies indicate that GST implementation will boost the GDP growth by 1-2%. Fifth, it is expected that it will improve tax compliance as GST is easier to follow and less complex than earlier. Lastly, it will help shifting of economy from informal to formal structure. All in all, the advantages of GST will clearly outweigh the implementation challenges.

### References

1. Banik, S., & Das, A. A. (2018). GST in India: Impact and challenges. *IOSR Journal of Business and Management (IOSR-JBM)*, e-ISSN, 07-10.
2. Cleartax. (2021). GST - Goods & Services Tax GST (India) - What is GST? - Indirect Tax Law. Retrieved from <https://cleartax.in/s/gst-law-goods-and-services-tax>
3. GST Council of India. (2021). Brief History Of GST | Goods and Services Tax Council. Retrieved from <http://www.gstcouncil.gov.in/brief-history-gst>
4. Kumar, M., Barve, A., & Yadav, D. K. (2019). Analysis of barriers in implementation of Goods and Service Tax (GST) in India using interpretive structural modelling (ISM) approach. *Journal of Revenue and Pricing Management*, 18(5), 355-366.
5. Lourdunathan, F., & Xavier, P. (2017). A study on implementation of goods and services tax (GST) in India: Prospectus and challenges. *International Journal of Applied Research*, 3(1), 626-629.
6. Manoj, S. (2019). Goods and services Tax (GST) in India—An Overview and impact. *Advances in Management*, 12(1), 59-61.
7. Mukherjee, S. (2020). Inter-governmental fiscal transfers in the presence of revenue uncertainty: The case of goods and services tax (GST) in India. *Journal of Development Policy and Practice*, 5(1), 74-102.
8. Nayyar, A., & Singh, I. (2018). A comprehensive analysis of Goods and

- Services Tax (GST) in India. *Indian Journal of Finance*, 12(2), 57-71.
9. Roy, A. (2017). GST in India: a Layman's Guide. *Journal of Commerce and Management Thought*, 8(2), 219-233.
10. Rupa, R. (2017). GST in India: An Overview. *International Education & Research Journal*, 3(2), 88-89.