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GROWTH OF REVENUE OF GOODS AND SERVICES TAX IN INDIA

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ABSTRACT

Government of India has implemented Goods & Services Tax (GST) in India on 1 July, 2017. The obective of this research paper is to explain the mechanism of GST and its effects on Indian economy. The Kelkar Committee was convinced that a dual GST system shall be able to tax almost all the goods and services and the Indian economy shall be able to have wider market of tax base, improve revenue collection through levying and collection of indirect tax and more pragmatic approach of efficient resource allocation. Under the Goods and Service Tax mechanism, every person is be liable to pay tax on output and shall be entitled to enjoy credit on input tax paid and tax shall be only on the amount of value added. The historic GST or goods and services tax has become a reality. GST is going to consolidate these multiple taxes into one as 'One Nation, One Market, and One Tax'. Integration of goods and services tax would definitely lead to ease of doing business and simplifies tax compliance. GST bill will be a form for economic integration of India. Government of India, this surplus revenue may contribute to the growth of economy by way of investment in various infrastructural & development projects by Government of India. GST may have positive impact on economy, four tier structure of tax rate under GST may result into massive price hike of luxurious Goods & Services as well Government has taken efforts to put Goods & Services of necessity under lowest slab of tax rate. This is the major indirect tax reform in the history of India, outcome of which various Central & State taxes subsumed under GST viz. Central Excise Duty, Service Tax, Additional Duty of Excise, Surcharges, Cess, Countervailing Duty, Special Additional Duty, Sales Tax, VAT, Purchase Tax, Luxury Tax, Entry Tax etc.

KEYWORDS:-*Economy, GST, Negative Impact, Positive Impact, Transparency.*

INTRODUCTION

GST stands for Goods and Services Tax levied by the Government in a move to replace all of the indirect taxes. In India, the idea of GST was contemplated in 2004 by the Task Force on implementation of the Fiscal Responsibility and Budget Management Act, 2003, named Kelkar Committee. The Kelkar Committee was convinced that a dual GST system shall be able to tax almost all the goods and services and the Indian economy shall be able to have wider market of tax base, improve revenue collection through levying and collection of indirect tax and more pragmatic approach of efficient resource allocation. Under the Goods and Service Tax mechanism, every person is be liable to pay tax on output and shall be entitled to enjoy credit on input tax paid and tax shall be only on the amount of value added. In addition to that a single individual or entrepreneur was also required to register with different Central and State tax authorities like Central Excise, Service Tax, and Sales Tax etc. The principal aim of GST is to eliminate cascading effect i.e. tax on tax and it will lead to bringing about cost competitiveness of the products and services both at the national and international market. GST System is built on integration of different taxes and is likely to give full credit for input taxes. GST is a comprehensive model of levying and collection of indirect tax in India and it has replace taxes levied both by the Central and State Governments. VAT rates and regulations differ from state to state. And it has been observed that states often resort to slashing these rates for attracting investors. This results in loss of revenue for both the Central as well as State government. On the other hand, GST brings in uniform tax laws across all the states spanning across diverse industries. Here, the taxes would be divided between the Central and State government based on a predefined and preapproved formula. In addition, it would become much easier to offer services and goods uniformly across the nation, since there would not be any additional state-levied tax. GST rollout missed several deadlines due to disagreement among many states over certain important issues on the new tax reform. However GST is scheduled for a nation-wide rollout on July 1st, 2017 Features of GST 1. GST is one indirect tax for the entire nation, which will make India "one unified common market". With

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the introduction of GST, all indirect taxes would come under a single roof. GST would not be charged at every point of sale like other indirect taxes so in this way, market would be developed. Due to reduced costs some products like cars, FMCG etc. will become cheaper. A unified tax regime will lead to less corruption which will indirectly affect the common man. Negative Impact of GST in India. GST is likely to increase India's ranking in the ease of Doing Business Index and is expectable to increase the GDP growth by 1.5 to 2percent. GST has carry more transparency to indirect tax laws. The whole supply chain has taxed at every stage with credit of taxes paid at the previous stage being available for set off at the next stage of supply, the finances and tax value of supplies are easily different Goods and Services Tax GST. Vasanthagopal studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to GST from current indirect tax system in India will be a positive step to boost the Indian economy. GST while replacing the VAT (Value Added Tax) solved all the complexities present in the current indirect tax system.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows.

1) To highlight the benefits associated with the implementation of GST.
2) To analyse the effects of GST on different sectors in India.
3) To investigate impact of GST on various sectors of the Indian economy.

LITERATURE REVIEW

Pallavi Kapila (2018) in the article entitled "GST: Impact on Indian Economy", In this research paper an attempt has been made to throw light on how GST would help in reducing the existing complexity of taxes in India as it subsumes VAT, Excise Duty, Service tax and Sales tax. The study found that, the implementation of GST had played an important role in the growth of Indian economy. A uniform and rational taxation system in India would lead to lesser disruptions in the market economy and more efficient distribution of resources within the industry in the near future. The study also found that, GST will lead to an increase in GDP and exports of the country, enhancing economic welfare and returns to the factors of production i.e. land, labour and capital. Rd. N. L. Balasudarsun and Melvin Paul Antony (2018) the article entitled "Impact of Demonetization and GST in Life Insurance Sector". This paper deals with impact of Demonetization and GST on life insurance sector. For this purpose 130 was collected from life insurance employees of Cochin region based on random sampling method. Descriptive statistics and ANOVA test were used to analyse the data. The study found that, Demonetization and GST have life insurance sector. Jadhav Bhika Lala (2017) the article entitled "Impact of GST on Indian Economy". In this paper an attempt has been made to throw light on GST, its features and also effect of GST on prices of goods and services. The study found that, the GST system is basically restructured to simplify current critical indirect tax system in India. The study also found that, a well-designed GST is an attractive method to get liberate of deformation of the existing process of multiple taxes and reduce the compliance burden. Prof. Pooja S. Kawle and Prof. Yogesh L. Aher (2017) the article entitled "GST: An Economic Overview: Challenges and Impact Ahead". The research intends to focus on understanding the concept of goods and service tax and its impact on Indian economy. The study found that, GST may assure the possibility of overall gain for industry, trade and agriculture. The study also found that, GST will have positive impact on the Indian economy. Jaspreet Kaur (2016) has thrown light on GST, its features and also effect of GST on prices of goods and Services. According to him electronic goods, restaurant bill, SUV'S and diamond, jewellery, textile are going to be cheaper and costlier respectively. He also highlighted that implementation of GST is expected to narrow the large indirect tax differences between organized and unorganized sector. Dr. Badar Alam Iqbal (2017) states the very purpose of GST is to take a shift from existing complex, multi layers and cascading indirect tax mechanism which permits tax set off across the value chain in terms of both commodities and services. By implementing GST, cost of output will go down resulting into enhancing the degree of competitiveness of Indian goods in the context of imports and further increase the margin of profit. Upendra Gupta (2017) highlighted upon the key features and Benefits of GST in a comprehensive manner. He emphasized on how will GST benefit and empower citizen and who is liable to pay GST.

RESEARCH METHODOLOGY

The study is descriptive analysis based on the secondary data collected from GST Council, Government of India, various journals articles and media reports. Available secondary data were extensively used for the study. GST will impact the overall taxation system of the Indian economy. GST is expected to raise the GDP growth from 1% to 2%, but these figures can only be analysed after successful implementation. GST is also different in the way it is levied at the final point of consumption and not at the manufacturing stage.

IMPACT OF GOODS AND SERVICE TAX (GST) ON INDIAN ECONOMY

After a long wait of about 16 years, Indian government finally passed goods and service tax on

1st July, 2017. It's expected to turn India into one common market. Reduces the tax burden on producers, which will stimulate the producers to produce more. The previous tax structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retard growth. GST will take care of this problem by providing tax credit to the manufacturer. There will be more transparency in the system as consumers will have a complete idea of the amount being charged to them as tax. Increases the tax revenue of the government, which improves the economy of the country. Goods and Service Tax will remove the bundled of indirect tax like VAT, CST, Service tax, CAD, SAD and excise. Less tax compliance and a simplified tax policy as compared to the previous tax structure. Removal of cascading effect of taxes i.e. removes double taxes. ϖ Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. These results in prices of consumer goods will be likely to come down. Increases the demand and supply of consumer goods. Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check. Different tax barriers like check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehouse costs.

A single taxation system will eliminate this roadblock. GST, also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajya sabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country. Among economic crisis across the globe, India has posed as a beacon of hope with ambitious growth targets, supported by slew of strategic missions like 'Make in India', 'Digital India', etc. Goods and Services Tax (GST) is expected to provide the much needed stimulant for economic growth in India by transforming the existing basis of indirect taxation towards free flow of goods and services within the economy and also eliminating the cascading effect of tax on tax. In view of the important role that India is expected to play in the world economy in the years to come, the expectation of GST being introduced is high not only within the country, but also in neighbouring countries and in developed economies of the world.The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

STOCK TRANSFERS

Stock transfers outside the State will be subject to GST. It is unclear whether stock transfers within the State will also be subject to GST. It is to be noted that the GST framework was intended to tax only inter-State stock transfers and not intra-state stock transfers. Additionally, with respect to the valuation of stock transfers, the GST Valuation Rules provide that the value of goods shall be the transaction value. Transaction value is the price paid or payable for the supply of goods. As stock transfers do not have a consideration, this provision cannot be implemented. In addition, GST valuation rules IJIRMS — Volume 2, Issue 8, September 2017 10 provide that if the transaction value is not available then the value for the good/service would be considered as the transaction value of good/service of same kind and quality

GST RATE ON FMCG GOODS

Industry was anxiously waiting for the GST rates to be announced on the different products. GST rates for all different goods or products under the FMCG there has been announced by the Indian Government. Most of the products/goods have been categorized under the tax brackets as expected by the FMCG industry experts. Although there are few products placed under the 12% bracket which is expected to be more expensive than under current laws. Basic food products such as milk, rice, wheat and fresh vegetables have been kept under the NIL bracket which is in line with the expectation from the FMCG experts. Paneer branded and sold like mother dairy paneer or Nestle Paneer and Frozen vegetables have been kept under the 5% bracket which would be largely neutral as the current rates are around 3- 4%. Although there are certain products like butter, Cheese and Ghee will get expensive under GST as they are placed in the 12% bracket which is higher than the current average tax rate of 4-5%. Gifting dry fruits at the time of Diwali is going to be more expensive as dry fruits have been placed under the 12% bracket under GST law. FMCG sector is very pleased with the rates announced under GST law for FMCG products. The FMCG industry is going to benefit from the lower logistics cost and better competitive market and rates for most of the products being kept under the expected tax bracket. Some of the Relevant Issues arising from the model of GST which can be issue to the FMCG sector are as follows:

1. Input Tax Credit:

Reconciliation of inward and outward supplies, if there is a mismatch between the details of outward supplies uploaded on the GST Network by the vendors and the inward supplies uploaded by the recipient. Such mismatch will be communicated to the recipient. If the mismatch is not rectified by the vendor in the month of communication, the recipient will be liable to pay the differential GST along with interest, in the subsequent month. This provision places the liability for non-compliance on the recipients, i.e. the FMCG companies, as against their vendors. Placing the responsibility on FMCG companies for non-compliance by vendors and stockists will cause undue hardship to these companies.

2. Area based exemptions under the Excise legislation and State Industrial Policy:

The First Discussion Paper on GST had stated that area-based exemptions under the Excise legislation and incentives under the State Industrial policies should be converted to a tax refund mechanism. However, the transition provisions prescribed under the Model GST Law do not provide for the treatment of the said exemptions/ Incentives. Further, the valuation provisions envisage that subsidies should be included in the transaction value. This would impact the benefits available to the industry.

3. Transition provisions for traded goods:

The transition provisions provide that the credit balance which was admissible under the present regime would be carried forward under GST. In case of stocks of imported finished goods, Countervailing Duty is not admissible under the present regime, and in case of goods procured from contract manufacturers, Excise Duty credit is also not available.

4. Power to challenge the transaction value:

The Model GST Law provides that if there is a reason to doubt the accuracy of the transaction value declared by the supplier, then the authorities can determine the transaction value as per the GST Valuation Rules. Such an unfettered power to question the transaction value can lead to litigation.

5. Taxability of Free Supplies:

Supply of goods between persons without consideration is deemed to be a 'supply'. Accordingly, stock transfer of promotion materials/ free samples will be subject to GST. Subsequent supply of the said promotion materials to stockists/end customers will also attract GST. The valuation of such samples/ materials will be as per the GST Valuation Rules, i.e. the transaction value of goods of like kind and quality or the cost of sales. Under the present regime, free supplies are not subject to VAT. Hence, promotion expenses of FMCG companies will increase under the GST regime.

6. In case of warehouse across the states:

Many of the FMCG companies set up units which offered tax benefits. They set up warehouses across the states in a bid to have a more tax efficient system. The very fact that they do not have to pay CST led them to carry out stock transfers to the warehouses. With the GST roll out the CST will be subsumed into GST and will have far reaching implications. A Study on Impact of Goods and Services Tax on Indian Industries with Reference to FMCG Sector 11

7. In the current scenario, the traders are not entitled for any credit other than state VAT:

In the countries where GST or similar tax structure is prevalent the retailers avail of tax credits when they create infrastructure. This is likely to change for the FMCG industry with the GST implementation. Since the GST encompasses the goods and services under one-fold, there will not be any distinction between manufacturers, traders and service providers with regard to taxation.

TREND OF GST COLLECTION IN INDIA

The gross GST revenue collected in the month of March 2022 is 1,42,095 crore of which CGST is Rs 25,830 crore, SGST is Rs 32,378 crore, IGST is Rs 74,470 crore (including Rs 39,131 crore collected on import of goods) and cess is Rs 9,417 crore (including 981 crore collected on import of goods). The gross GST collection in March'2022 is all time high breaching earlier record of Rs 1,40,986 crore collected in the Month of January 2022. The government has settled Rs 29,816 crore to CGST and Rs 25,032 crore to SGST from IGST as regular settlement. In addition, Centre has also settled Rs. 20,000 crore of IGST on ad-hoc basis in the ratio of 50:50 between Centre and States/UTs in this month. The total revenue of Centre and the States in the month of March 2022 after regular and ad-hoc settlements is 65646 crore for CGST and 67410 crore for the SGST. Centre also released GST compensation of 18,252 crore to States/UTs during the month. The revenues for the month of March 2022 are 15% higher than the GST revenues in the same month last year and 46% higher than the GST revenues in March 2020. During the month, revenues from import of goods was 25% higher and the revenues from domestic transaction (including import of services) are 11% higher than the revenues from these sources during the same month last year. Total number of e-way bills generated in the month of February 2022 is 6.91

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crore as compared to e-way bills generated in the month of January 2022 (6.88 crore) despite being a shorter month, which indicates recovery of business activity at faster pace. The average monthly gross GST collection for the last quarter of the FY 2021-22 has been 1.38 lakh crore against the average monthly collection of 1.10 lakh crore, 1.15 lakh crore and 1.30 lakh crore in the first, second and third quarters respectively. Coupled with economic recovery, anti-evasion activities, especially action against fake billers have been contributing to the enhanced GST. The improvement in revenue has also been due to various rate rationalization measures undertaken by the Council to correct inverted duty structure.The chart below shows trends in monthly gross GST revenues during the current year. The table shows the state-wise figures of GST collected in each State during the month of March 2022 as compared to March,2021. The GST revenue in maor states of India are shown in table-1, Table-2 and Table-3.

Table-1 GST Revenue in Major Northern States in India in Rs Crores

Sl No	State	Mar-21	Mar-22	Growth
1	Jammu and Kashmir	352	368	5%
2	Himachal Pradesh	687	684	0%
3	Punjab	1,362	1,572	15%
4	Chandigarh	165	184	11%
5	Uttarakhand	1,304	1,255	-4%
6	Haryana	5,710	6,654	17%
7	Delhi	3,926	4,112	5%
8	Rajasthan	3,352	3,587	7%

Source- GST Council News Letters, Govt. of India

There is significant increase in GST revenue in Haryana(17 %) followed by Punjab(15%). It implies that developed states have higher increasing trend of revenue compared to less developed states.

Table-2 Revenue from GST in Eastern States of India in Rs Crores

Sl No	State	Mar-21	Mar-22	Growth
1	Bihar	1,196	1,348	13%
2	Assam	1,005	1,115	11%
3	West Bengal	4,387	4,472	2%
4	Jharkhand	2,416	2,550	6%
5	Odisha	3,285	4,125	26%

Source- GST Council, Govt. of India

From table-2, it is clear that Odisha has increased the GST revenue by 26 % in March, 22 compared to march, 21. Bihar has significant increase in revenue from GST in March, 22 compared to March,21.

Table-3 GST Revenue in Major Southern and Western States in Rs Crore

Sl No	State	Mar-21	Mar-22	Growth
1	Andhra Pradesh	2,685	3,174	18%
2	Maharashtra	17,038	20,305	19%
3	Karnataka	7,915	8,750	11%
4	Goa	344	386	12%
5	Kerala	1,828	2,089	14%
6	Tamil Nadu	7,579	8,023	6%
7	Telangana	4,166	4,242	2%

Source- GST Council News Letters, Govt. Of India

Maharastra and Andhra Pradesh have significant increase in GST revenue in March,22 compared to March,21.

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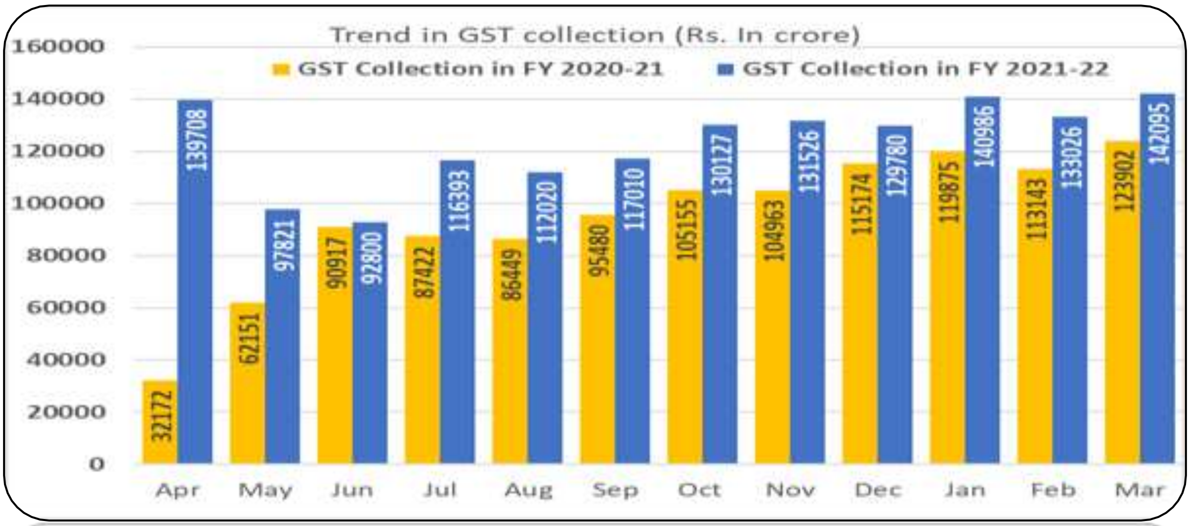

SUGGESTIONS

The researcher would like to suggest that the government should construct a proper monitoring system to evaluate the impact of implementation of GST Taxpayer education or public awareness campaign need to be provisioned by central government. Public workshops, training and various seminars on GST must be conducted in all states by their respective state governments.

CONCLUSION

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. All sectors of economy whether the industry, business including government departments and service sector shall have to bear impact of GST. The goods and service is all set to integrate state economies and boost overall growth. This will create a single, unified Indian market to make the economy stronger. GST is not a new tax but replaces all taxes which were levied at all the previous stages in production and sale process with one tax. Now there is one tax with two components - state and central components. GST becomes a reality today. GST is building a new India through one nation, one tax and one market. GST will improve the collection of taxes as well as boost the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate. India's historic and bold move towards integrated tax structure is viewed by most economists as an answer to regressive indirect tax slab. It is believed that GST would put India's tax structure at par with more then 140 countries and would be productive for all the sectors.

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