

Miss Pinki Rani (2022). Indian Goods & Services Tax: - A Review of Its Introductory Stage, Structure, Implementation and It's Contribution Towards Sustainable Economic Development and Challenges in the Current GST System .

*International Journal of Economic Perspectives*,16(2), 13-20

Retrieved from <https://ijeponline.org/index.php/journal>

## **Indian Goods & Services Tax: - A Review of Its Introductory Stage, Structure, Implementation and It's Contribution Towards Sustainable Economic Development and Challenges in the Current GST System**

**Miss Pinki Rani**

ASSISTANT PROFESSOR, DEPARTMENT OF COMMERCE

MUKAND LAL NATIONAL COLLEGE, RADAUR, PIN-CODE:- 135133

**E-MAIL I'D :- pinki.11121996@gmail.com**

ABSTRACT:- In this paper, we have studied analysis of structure, implementation and it's contribution towards sustainable economic development and challenges in the current GST system. The success of any scheme or program is analysed through its power to transform the standard and welfare state of human beings and their ability to reduce inequality in the society and contribute to the growth of country. GST plan is a change towards traditional taxation system in India. The introduction of GST would be a very significant step in the field of indirect tax reforms in India. This paper revealed the concept of GST, and it's evolution in India, then it discusses the problems and potentials regarding GST and it's contribution towards sustainable economic development.

KEY WORDS:- GST, indirect taxes, CGST, SGST,IGST, Input tax credit(ITC).

INTRODUCTION:- A new era has been started through the GST plan in our country. GST is a single tax at a national level to be levied at all stages right from manufacture up to final consumption. It is a single taxation system which has converted entire country in integrated common national market. The motto of this system is "ONE NATION ONE TAX". Under GST every person is liable to pay tax on his output and entitled to get input tax credit (ITC) on the tax paid on it's inputs. It is a tax on value addition only. Ultimately the final consumer shall bear the burden of tax under GST. GST removed the cascading effect and pave the way for a common national market. GST removed the overall tax burden on goods from the consumer point of view. The Indian GST subsumed about 17 indirect taxes levied by central and state government as well as 23 cess. Dual GST model has been adopted in India. Central government and state government will simultaneously levy GST on every supply of goods & services or both which takes place within a state or union territory. Mainly GST rates would be in four slabs of 5%, 12%, 18% and 28% apart from the nil rate. GST commenced its journey smoothly from 1 JULY, 2017 in INDIA.

Miss Pinki Rani (2022). Indian Goods & Services Tax: - A Review of Its Introductory Stage, Structure, Implementation and It's Contribution Towards Sustainable Economic Development and Challenges in the Current GST System .

*International Journal of Economic Perspectives*,16(2), 13-20

Retrieved from <https://ijeponline.org/index.php/journal>

#### OBJECTIVES OF THE STUDY:-

- To understand the concept and framework of GST in INDIA.
- To study the structure and implementation of GST.
- To highlight the contribution of GST towards sustainable economic development.
- To pinpoint the overall Indian goods and services tax .
- To study the challenges in the current GST system.

RESEARCH METHODOLOGY:- Data and information presented in current study are collected from various reports prepared by national and international agencies and various books . I have studied few research papers and news articles which has been published already. Informations are collected from various authentic websites. Additionally as per the need of the study, further considerations have been made.

#### FINDINGS:-

##### ❖ BACKGROUND:-

2000:- In India, the idea of adopting GST was first suggested by the Atal Bihari Vajpayee government in 2000.

2004:- A task force that was headed by Vijay L. Kelkar the advisor to the finance ministry, indicated that the existing tax structure had many issues that would be mitigated by the GST system. The Kelkar task force suggested a comprehensive GST based on VAT principle.

2005:- The finance minister, P. Chidambaram said that the medium to long term goal of the government was to implement a uniform GST structure across the country, covering the whole production – distribution chain.

2006:- The idea of moving towards the GST was first mooted by the then union finance minister in his budget for 2006-07.

2007:- The empowered committee of state finance ministers had been formulated.

2008:- At the union budget session for 2008-09, the finance minister confirmed that considerable progress was being made in the preparation of the roadmap for GST. The targeted timeline for the implementation was confirmed to be 1st April, 2010.

2009:- In July 2009, Pranab Mukherjee, the new finance minister of India , announced the basic skeleton of the GST system. The empowered committee of state finance ministers released its first discussion paper(FDP) on GST in November, 2009.

2010:- The government introduced the mission mode project that laid the foundation for GST.

2011:- The constitution 115<sup>th</sup> amendment bill introduced, but not passed.

2012:- The standing committee starts discussion on the bill.

Miss Pinki Rani (2022). Indian Goods & Services Tax: - A Review of Its Introductory Stage, Structure, Implementation and It's Contribution Towards Sustainable Economic Development and Challenges in the Current GST System .

*International Journal of Economic Perspectives*,16(2), 13-20

Retrieved from <https://ijeponline.org/index.php/journal>

2014:- India's new finance minister, Arun Jaitley submits the constitution (122<sup>nd</sup> amendment) bill, 2014 in the parliament. The opposition demanded that the bill be sent for discussion to the standing committee.

2015:- The Lok Sabha passes the constitution amendment bill. Jaitley ji also announced that petroleum would be kept out of the ambit of GST for the time being. But the bill is not passed in the Rajya Sabha.

2016:- The ministry of finance releases the draft model law on GST to the public, expecting suggestions & views in June, 2016. The bill with certain amendments was finally passed in the Rajya Sabha. The honourable president of India gives his consent for the constitution amendment bill to become an Act.

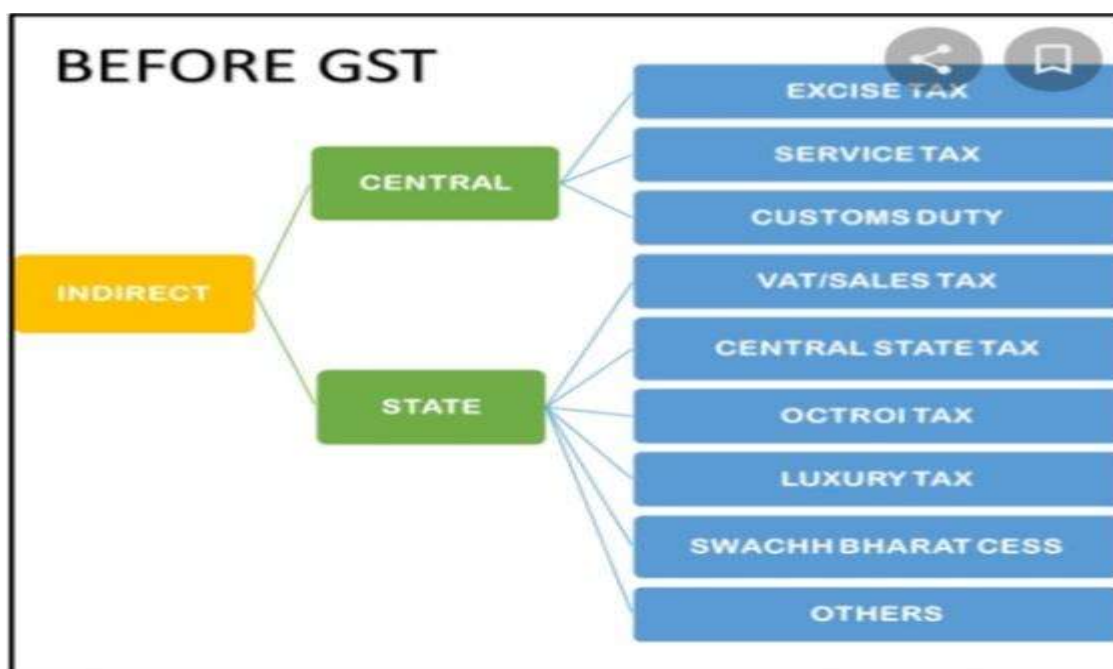
2017:- A 22 members select committee was formed to look into the proposed GST laws. Four bills related to GST become Act, following approval in the parliament and the president's assent:- central GST bill, Integrated GST bill, Union territory GST bill, state GST bill.

The GST implemented from 1 July, 2017. The GST council also finalises on the GST rates & GST rules. Government declares that GST Bill will be applicable from 1 July, 2017.

#### TAX STRUCTURE IN INDIA:-

- Tax structure in India before implementation of GST.
- Tax structure in India after implementation of GST.

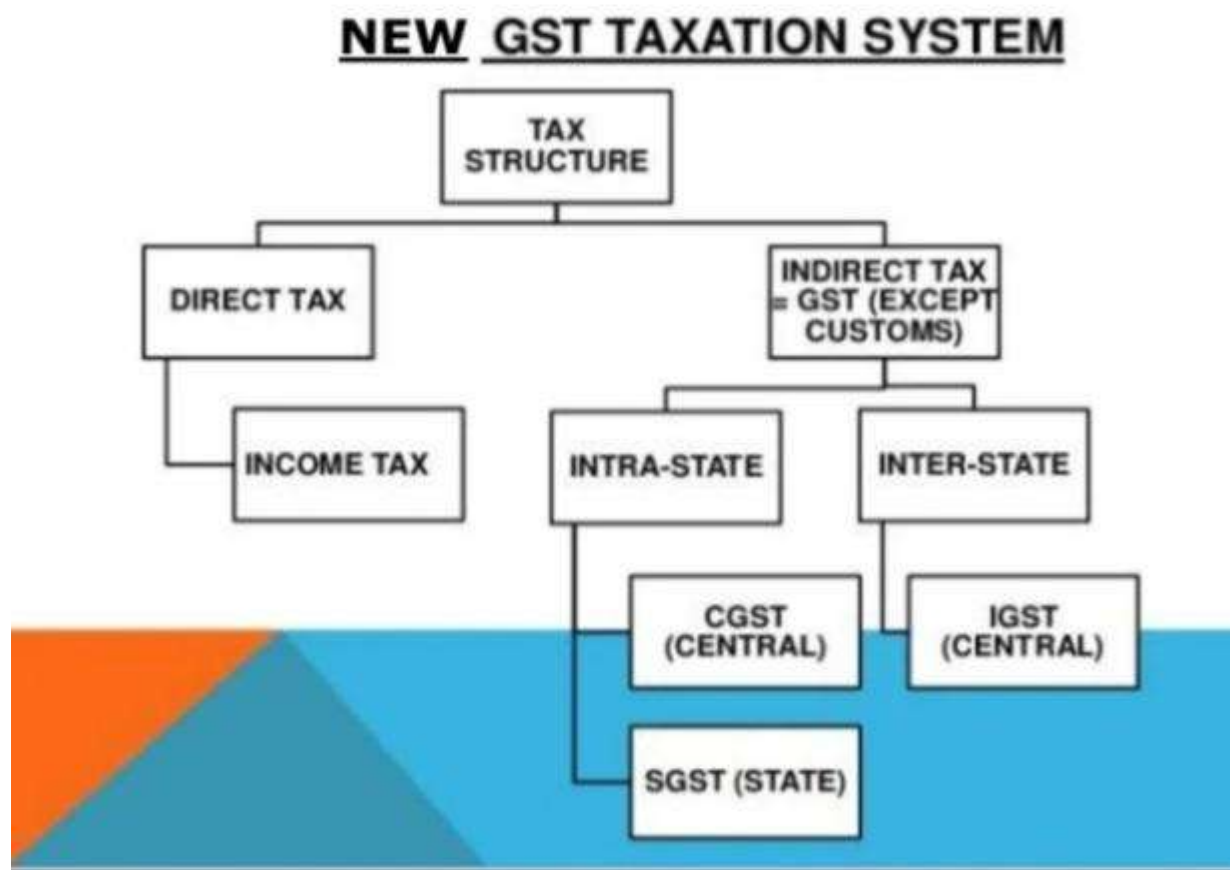
❖ TAX STRUCTURE IN INDIA BEFORE IMPLEMENTATION OF GST:- The direct tax and some important indirect taxes imposed in INDIA before implementation of GST.



The some important indirect taxes imposed in India are as under:- excise duty, customs duty, service tax, sales tax and VAT etc.

Excise duty is imposed by the government on the manufacturer or producer on the production of some goods. Duties of customs are levied on goods imported or exported from India at the rate specified under the customs tariff Act, 1975 as amended from time to time. Tax paid by the consumer on the purchase of some items is called the sales tax. VAT is a tax on the sale of goods. It is imposed on intrastate sale and on the amount of value addition made.

- ❖ TAX STRUCTURE IN INDIA AFTER IMPLEMENTATION OF GST:- Tax structure in India is significantly affected by the implementation of GST and majority of indirect taxes are replaced by GST. GST is a single tax at national level to be levied at all stages right from manufacture up to final consumption.



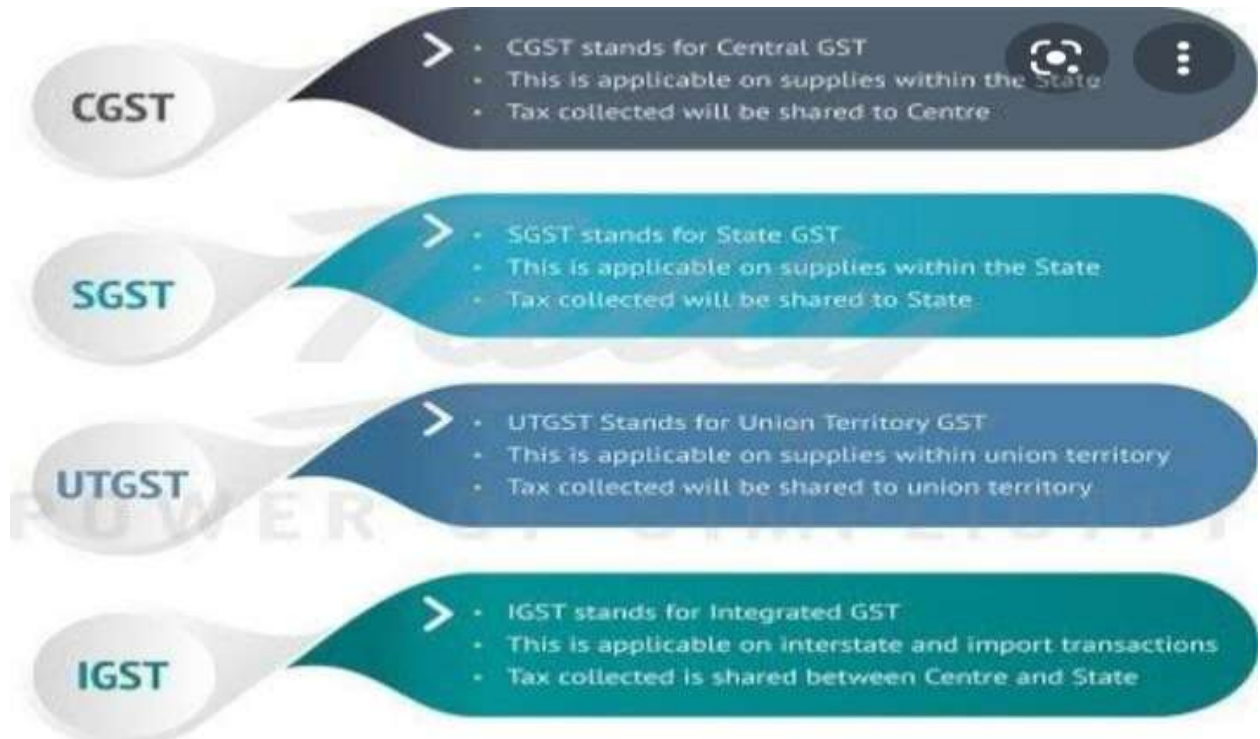
Direct taxes are not significantly affected by the implementation of GST. Existing taxes to be subsumed under CGST are central excise duty; duties of excise; service tax; special additional duty of customs; cesses and surcharges in so far as they relate to supply of goods or services. Existing taxes to be subsumed under SGST are state VAT; central sales tax; purchase tax; luxury tax; entry tax; taxes on

Miss Pinki Rani (2022). Indian Goods & Services Tax: - A Review of Its Introductory Stage, Structure, Implementation and It's Contribution Towards Sustainable Economic Development and Challenges in the Current GST System .

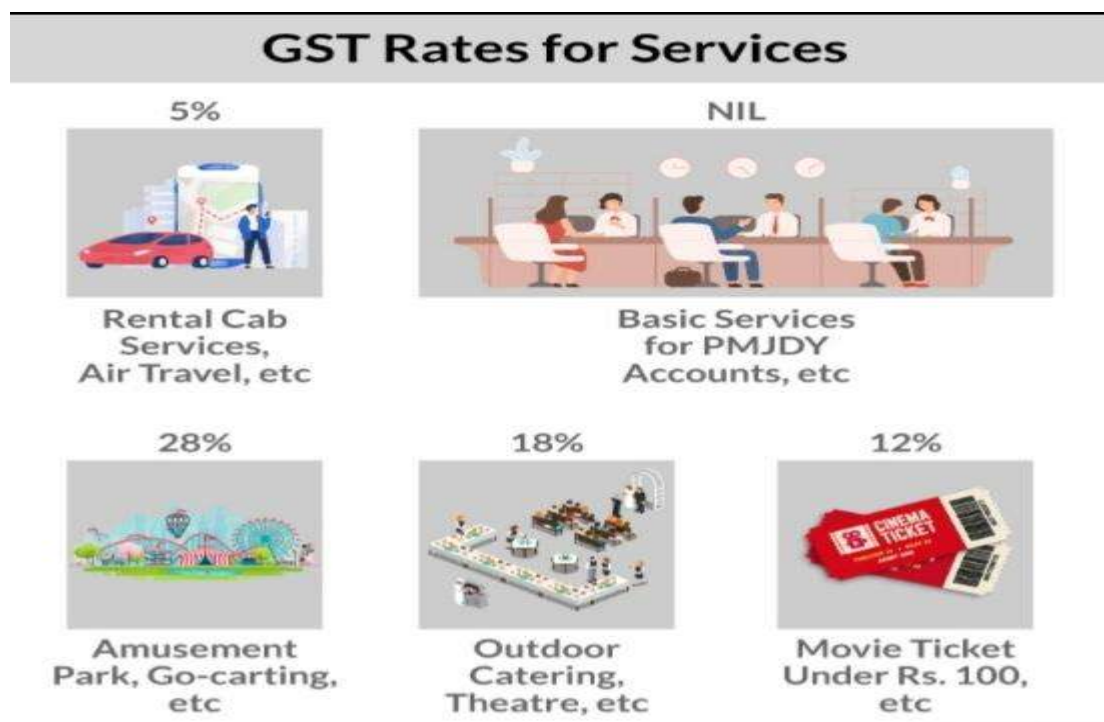
*International Journal of Economic Perspectives*,16(2), 13-20

Retrieved from <https://ijeponline.org/index.php/journal>

advertisements; taxes on lotteries, betting and gambling; state cesses and surcharges in so far as they relate to supply of goods or services.



CONTRIBUTION TOWARDS SUSTAINABLE ECONOMIC DEVELOPMENT:- The goods and services tax policy of India is a step to normalize the taxes applied on various goods and services. This would curb off the cascading effect of the taxes and in turn bring out a better place for the customers & suppliers. It is expected to have a tax only on the value addition. The GST applied by the Indian government, even though proposing uniformity in taxes across the country. When considered for an overall sale & purchase scenario, the amount of indirect taxes applied over the goods throughout the supply chain will reduce and in turn reducing the cost of goods and services.



The health & education services getting tax exempt may have a direct positive impact on accomplishing SDG of good health & well-being and quality education.

GST has brought in a new regime of business compliance in India. GST also has an optional scheme of lower taxes for small businesses with a turnover of 50 lakhs, 7 lakhs & 1.5 crore in different cases and different regions & states. This optional scheme is called “composition scheme” and also called “optional scheme”.

For the first time, GST clearly maps out the provisions applicable to the e-commerce sector. GST has provisions for online compliances & payments. ITC (input tax credit) is the key feature of GST which avoids the cascading of taxes. Through GST, accountability & transparency has ensured. Unorganized and unregulated sectors & industries are regulated through GST.

Thus, GST may have direct impact on accomplishing sustainable development goals. By reducing price of goods consumed & exempting basic goods of daily consumption the GST regime ensures to contribute towards economic growth of the country.





**CHALLENGES IN THE CURRENT GST SYSTEM:-** With introduction of major tax reform in indirect taxation system & introduction of GST, the tax collection are changed. GST has simplified the India's indirect tax regime but many hurdles in the way of GST that posed a challenge in its implementation. Some of them are enumerated below:-

- In the GST regime, the process of reconciliation is a challenge. The invoice number that the purchaser has recorded does not match with seller's invoice received. Both follow a different principle.
- Refunds are time taking in GST regime. It was assured that 90% of the refunds of GST would happen in seven days at the time of GST implementation. But on the longer term, it did not happen. The recent unearthing of fake invoices & fraudulent practices to corner ITC may only lead to more scrutiny and more delays. This results in human interfaces, which may lead to the involvement of corruption.
- Filing GST can be a great challenge as there is no helpline number, which can make this job hassle-free.
- Most of the small & medium enterprises may not be technically savvy to adopt this change. GST assumes much higher technical standards which May still be a great impossibility for small enterprises.
- One of the major challenge today is that the compliance portal of GST viz GSTN ( goods and services tax network) is yet to achieve its true potential. Given the magnitude of the change, GSTN is still in the process of automating returns and has not been able to achieve the ability to match

Miss Pinki Rani (2022). Indian Goods & Services Tax: - A Review of Its Introductory Stage, Structure, Implementation and It's Contribution Towards Sustainable Economic Development and Challenges in the Current GST System .

*International Journal of Economic Perspectives*,16(2), 13-20

Retrieved from <https://ijeponline.org/index.php/journal>

the invoices from a credit perspective. This is one of the primary reasons for credit frauds and fake invoices witnessed across the country. On the technology front, many actions still need to be completed to make the system fully automated.

**CONCLUSION:-** The government has introduced a GST system to smoothen tax processes & bring businesses into the formal economy. Being GST –compliant, businesses can experience the merits of having a unified tax system & easy input credits. Stakeholders welcome GST implementation as a new change as it helps boost the economy. Even though GST serves as a historical tax reform in India, there are several downsides that make this tax challenging to implement.

Thus, automation in compliance is the need of the hour to ease the burden on the taxpayers. Apart from compliances there is still a need to streamline law and process. Centralized assessment or audit is a necessity. The government should have a clear vision as to how they plan to streamline the law and provide relief to the taxpayers. Making GSTN fully functional, seamless invoice matching, simplification of laws and a uniform application of e-invoicing to all would go a long way in making the system and processes better.

In the last four years, on the demand of businesses, GST council has changed rates for various items, extended deadlines for filing of returns, introduced various exemptions, and debated on possible beneficial scenarios. The central government should discuss the changes and roadmap for a flawless and smooth functioning of taxation ultimately making India a better place to do business in. It is the time GST contributed its share to the GDP growth & brought in ease of doing business in the country.

**REFERENCE:-**

- Wikipedia.com
- <http://economictimes>, [Indiatimes.com](http://indiatimes.com)
- [www.cambridge.org](http://www.cambridge.org)
- [www.cnbctv18.com](http://www.cnbctv18.com)
- [www.gstindia.com](http://www.gstindia.com)
- <http://www.gstindia.com/history-of-gst/>
- <http://www.gstcouncil.gov.in>
- <http://www.business-standard.com>
- <http://www.cbec.gov.in/htdocs-cbec/gst/index>