

**LAW OF TAXATION STUDY MATERIAL
(LAW 806)**

UNIT V

(GOODS AND SERVICES TAX)

BY

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WHAT IS GST?

GST, or Goods and Services Tax, is an indirect tax imposed on the supply of goods and services. It is a multi-stage, destination-oriented tax imposed on every value addition, replacing multiple indirect taxes, including VAT, excise duty, service taxes, etc. Goods and services are included under a single domestic indirect taxation law for the whole of India. In this regime, tax is charged at each point of sale.

HISTORY OF GST (GOODS AND SERVICES TAX)

The history of GST is fascinating. It was first implemented as a tax regime in 1954 in France and later adopted by several countries, including Australia, Canada, the United Kingdom, Spain, South Korea, Vietnam, Monaco, etc.

In India, the GST came into force in 2000 after a committee was set up by the then Prime Minister Atal Bihari Vajpayee, a taskforce. Headed by the finance ministry's advisor, Vijay L. Kelkar, he concluded that GST could help improve the tax structure in India. In 2006, the Union ministry of finance proposed GST introduction from 1 April 2010. But, the Constitution Amendment Bill to facilitate the introduction of GST law was introduced in 2011. However, four supplementary GST bills were passed in Lok Sabha and approved by the cabinet. Later, GST came into force on 1 July, 2017.

Upon implementation, the GST replaced the following central taxes:

- Service tax
- Duties of excise
- Central excise duties
- Cess and surcharge
- Additional duties of excise
- Additional duties of customs
- Additional duty of customs

GST services also subsumed the following state taxes:

- Entry tax
- Purchase tax
- Luxury tax
- State VAT
- Central sales tax
- Entertainment tax
- Taxes on advertisements
- State cess and surcharges
- Taxes on gambling and lottery

OBJECTIVES OF GST

GST definition states that it is a tax that has replaced multiple indirect taxes like VAT, services tax, excise etc., in India. Notably, gaining an insight into the objectives of this tax regime helps to understand GST meaning better.

For instance, the primary objective of the GST service tax includes:

- Elimination of the cascading tax effect: Under the GST bill, taxes are levied only on the net value-added portion, which eliminates the tax-on-tax regime and, in turn, lowers the cost of goods.
- The subsumption of all indirect taxes: Except for a few, indirect taxes under the state and central government are subsumed into Goods and Services Tax.
- Increase the tax to GDP ratio and revenue surplus: A high tax to GDP ratio indicates higher tax collections, a sign of a strong economic system. A wider tax base and increased tax compliance are more likely to result in higher revenue for the government through GST services.
- Decrease corruption level and tax evasion: The GST bill aims to bring transparency in the tax system resulting in fewer instances of a false input tax credit.
- Increase tax compliance: GST online aims to increase tax compliance, especially in small and unorganized businesses, by simplifying the GST platforms registration and returns filing process.
- Increase in overall productivity and efficiency: The Goods and Services Tax in India aims to remove constraints regarding logistics and the lengthy claim process of an input tax credit. Also, by subsuming the entry tax, the overall productivity of enterprises is expected to increase.

TYPES OF GST

There are **four different types** of GST, which are as follows:

- **State Goods and Services Tax (SGST):** The state government charges SGST on intra-state goods and services transactions. Later, the revenue is collected by the state where the transactions in question were carried out.
- **Central Goods and Services Tax (CGST):** The central government charges CGST on the intra-state transaction of goods and services. The concerned body is also responsible for collecting the revenue generated through this tax.

- **Integrated Goods and Services Tax (IGST):** This GST tax is charged on inter-state transactions of goods and services and applied on imports and exports. Note that both centre and State share the revenue collected through IGST as per the GST bill. The state goods and service tax portion of this tax is collected by the state where the goods and services in question were consumed.
- **Union Territory Goods and Services Tax (UGST):** This GST tax is levied by Union Territories and charged on all transactions carried out in any UT in India. It is similar in terms of payment rules on the GST platform and distribution.

Transaction	Old regime	New regime	Revenue
Sale within a particular state (for example sale within Maharashtra)	VAT + Excise/ service tax + central excise	Central GST & State GST	Shared between the state and centre
Sale between states or more (for example Sales from Delhi to Maharashtra) Integrated GST centre	Excise/ service tax+ central sales	Integrated GST	The centre shares the revenue as per goods' destination

ADVANTAGES OF GST

The introduction of GST is touted as one of the biggest tax reforms in India. To know more about the impacts of GST, it is imperative to learn more about its advantages and disadvantages.

In this regard, the most prominent advantages of GST include:

- **Removal of cascading effect of tax:** the implementation of GST has brought indirect taxes under one umbrella, successfully eliminating the cascading tax effect and lowering the amount of compliance one must consider. For example, previously service tax and VAT had their respective returns and compliance, but with the introduction of GST, entities only have to file one return, this, in turn simplifies the process of inputting tax credit claims.
- **A uniform tax structure:** GST has brought the entire country under one tax regime; it facilitates uniformity in processes and tax rates across India.
- **Simplified GST online process:** All Goods and Services Tax processes can be initiated online, including registration and Goods and Services Tax return (GSTR) filing. This has simplified the process significantly and made it possible for start-ups to get registered with GST services without hassle in one place.

- **Regulation of the unorganized sector:** The GST bill effectively streamlines the processes related to online compliance, payments, and claim processes. Further, it helps the unorganized sector, bringing them directly under the regulation of goods and service tax norms.
- **GST extends the composition scheme for all small businesses:** Small businesses with an annual turnover up to Rs 1.5 crore (Rs 75 lakh for special category States) can become beneficiaries of GST's composition scheme. The said scheme allows businesses to reduce their taxes.

Besides these, the GST bill has replaced 17 indirect taxes with one uniform tax. It has lowered the cost of goods and boosted demand for them, bringing in more revenue for both the centre and state governments.

FEATURES AND BENEFITS OF GST

The comprehensive indirect tax comes with many features benefiting businesses. The GST features are subject to change with the evolving economic landscape and Government decisions.

Let us discuss the salient features of GST .

➤ **One Nation, One Tax :**

Replacing multiple taxes imposed by the Central and State governments, GST is a uniform tax structure eliminating cascading taxes.

➤ **Dual Structure :**

Operating as Central GST under the Central Government and State GST (SGST) under the State Governments, the Inter-State Transactions Integrated GST (IGST) is collected by the Central Government and apportioned to respective states with additional customs duties.

➤ **Destination-based Tax :**

This tax is levied at each stage of the supply chain from manufacturer to the consumer, adding value at every stage and reducing the consumer burden.

➤ **Input Tax Credit (ITC) :**

By claiming credit on the tax paid for inputs used in the production and provision of goods and services, one can avoid double taxation and lower the overall tax liability.

➤ **Threshold Exemption :**

Businesses that have a low turnover get GST exemption, reducing compliance burden on smaller businesses.

➤ **Composition Scheme:**

Taxpayers below the prescribed limit turnover in special category states can pay a fixed percentage of GST from their turnover simplifying their compliance requirement.

➤ **Online Compliance :**

The online portal Goods and Services Tax Network (GSTN), streamlines taxpayers to meet tax obligations.

➤ **Anti-Profiteering Measures :**

This ensures businesses do not practice unfair pricing and the benefits of GST are passed on to consumers, National Anti-Profiteering Authority (NAA) monitors the activities of businesses.

➤ **Increased Compliance and Transparency :**

Bringing businesses into a formal economy, GST has enhanced tax compliance through transparency, digitalization and maintenance of electronic records.

➤ **Sector-specific Exemptions :**

Certain sectors like Health, Education and Food grain are either exempted or have reduced GST for affordability and accessibility.

HOW DOES GST WORK?

As discussed, items go through multiple value additions from the manufacturing stage to the final sale to the consumer. Tax is levied at every stage of manufacturing to sale.

The stages include:

- Purchasing raw material
- Production

- Warehouse of finishing goods
- Selling to wholesaler
- Selling the produced goods to retailers
- Selling to end consumers

Manufacturers buy the raw materials to prepare the product. The finished product is sold to the warehouse agent, who packs the cartons and labels it, adding value to the forefront of the product. The warehouse agent sells the finished and packed product in smaller quantities to the retailer. The retailer sells the goods in smaller quantities and invests in marketing the products by increasing their value. GST or monetary value is applied on these, value additions as applied at each stage, and the final sale made to the end consumer exacts the final stage GST.

GST is levied at the point where the product or service is consumed. If the product is being sold in Bhopal, the tax revenue will go to the state of Madhya Pradesh and not to the state where the product was manufactured. Businesses, to comply with GST, need to obtain a unique Goods and Services Tax Identification Number (GSTIN). The GST charged on sales is called output tax. Businesses claim input tax on goods and services purchased.

WHAT ARE THE POSSIBLE IMPACTS OF GST ON DIFFERENT STAKEHOLDERS?

How GST will affect various stakeholders such as the government (including State governments), businesses and consumers is difficult to foresee clearly at this point of time and hence we discuss some of the *possible* impacts.

1. Government

For the government, one of the main issues is how the adoption of GST would impact tax revenue.

At the overall level, it is expected that revenue collection will go up with the implementation of GST. This is because GST is expected to improve compliance as each transaction will have to be uploaded online to avail the benefit of ITC. The chain of tax credits in turn would make it difficult to conceal all transactions. Also, it is believed that businesses/dealers/retailers will have fewer incentives to evade taxes as they know that they can offset the tax paid at one stage in the next stage. This should then help bring more number of people/enterprises in the tax net, including those that were not paying taxes earlier. The combination of improved compliance and a larger number of people/enterprises paying taxes is expected to improve revenues.

For the Central government, doing away with specific cesses such as the Swachh Bharat cess, *Krishi Kalyan* cess (a major chunk of which is imposed and collected from services), could result in a significant loss of revenue from these sources. At the same time, it will now get access to a part of the indirect tax revenue generated by States.

For State governments the impact of GST on revenue may depend on their level of economic prosperity

Given that GST is a destination-based consumption tax, the revenue earned on supply of goods and services goes to the State where the final sale happens. As a result, there are apprehensions that producing States from where goods and services originate could lose revenue. This is particularly so because of the withdrawal of the Central Sales Tax (CST) on inter-state movement of goods which that the producing States collected and kept. So, unlike earlier, whereby Maharashtra would earn the tax revenue for goods produced in Maharashtra, under the GST regime Bihar will earn the tax revenue if the final consumption takes place in Bihar.

It is, however, not clear, how much the States such as Bihar, Uttar Pradesh, that are net consumers (that is they import goods and services from other states more than they export) stand to gain. This is owing to the fact that producing States are also more prosperous because of more economic activity and generally have higher levels of consumption as well. By the same logic, poorer States with lower purchasing power are likely to have lower levels of consumption; hence the gain in tax revenue may not be much.

At the same time, the producing States will now also get to tax services, which they could not earlier. Since consumption of services increases with purchasing power, the better-off States may gain more than poorer States.

2. Businesses

It is expected that GST will increase compliance and a number of businesses, which earlier did not have to pay taxes, will now come under the tax net. Other than this, the impact of GST may be very different for big business houses on the one hand and small and marginal enterprises on the other.

For big businesses, the move to a uniform tax rate can help:

- ❖ Make the supply chain more efficient;
- ❖ Reduce transportation time and hence costs for inter-state movement of goods and services; and
- ❖ Reduce overall costs of business because of reduction of cascading of taxes.

For other small businesses (many of which are in the informal sector), the GST provides the benefit of not having to pay taxes under GST if their annual turnover is less than Rs. 20 lakh (Rs. 10 lakh in the case of northeastern and special category states). This is to help small businesses avoid the challenges of having to file regular returns, maintain invoices and others documents.

There is still possibility of small businesses facing some other challenges:

- ❖ Small firms (those below the threshold) may be pushed to register under GST by their clients. This is because clients of small firms will not be able to get ITC for things supplied by firms which do not register themselves in the GST Network.
- ❖ But conforming to the compliance requirements under GST – paying the required taxes, hiring people to file returns periodically, the need to use information technology, etc. – can increase their costs and even make many of them unviable.

3. Consumers

The impact of GST on consumers will depend significantly on:

How tax rates differ from the present rates

For consumers GST may be a mixed bag in terms of the impact it has on prices of goods. A number of basic consumption goods such as unbranded food products, like food grains, pulses, fruits, vegetable, etc. along with education and health care services, have been kept in the zero tax bracket with other items being placed at tax rates of 5 per cent, 12 per cent and 18 per cent and 28 per cent. Thus, taxes may be lower for some goods and for some others it might go up. When it comes to services, which form a large chunk of GDP, since tax on several services is set to rise their prices may also go up.

Whether reduction in costs are passed on to the consumers

There is evidence from the days of VAT that decline in costs arising out of ITC are not necessarily passed on to the consumers in the form of lower prices. To counter this problem, the GST Bill has introduced the Anti-profiteering clause, to ensure that gains made by manufacturers— either because of a lower tax rate or higher input tax credits, or both— are passed on to the consumers. It remains to be seen how this clause is implemented and what impact it has on prices.

Whether costs/prices of products left out of the ambit of GST increase

Another aspect to be taken into account is the price implication of keeping several petroleum products (which act as universal intermediates), electricity, out of the purview of GST. For example, in the case of the final output of petroleum products which are out of the GST, the

amount of GST that petroleum companies will pay on their inputs (such as hiring of rigs and purchase of equipment and services for crude oil production and refining) cannot be offset against the tax levied on the final products. Any increase in cost of these industries will be passed on to the consumers and hence can pose an inflationary threat.

GST RATES IN INDIA

The Goods and Services Tax (GST) is a **comprehensive indirect tax** that has replaced multiple taxes such as excise duty, service tax, and value-added tax (VAT) in India. Under the GST regime, the government has standardized tax rates across different goods and services. The GST rates in India are divided into four categories - 5%, 12%, 18%, and 28%.

The GST rates are determined based on the HSN (Harmonized System of Nomenclature) code of goods and services. The HSN code is a standardized system of names and numbers that are used to classify goods and services. This classification system is used globally to ensure uniformity in the classification of goods.

DECODING THE GST RATES

The 5% GST rate is applicable to essential goods such as food items, medicines, and renewable energy equipment. The 12% GST rate is applicable to items such as mobile phones, computers, and processed foods. The 18% GST rate is applicable to items such as air conditioners, televisions, and digital cameras. The highest GST rate of 28% is applicable to luxury items such as cars, tobacco products, and aerated drinks.

The GST rates in India have been designed to ensure that the tax burden is shared equally among consumers, businesses, and the government. The GST has replaced the cascading effect of multiple taxes, leading to a reduction in the overall tax burden on goods and services. The standardized tax rates across different goods and services have also simplified the **tax system**, making it easier for businesses to comply with the tax regulations.

In conclusion, the GST rates in India are an important aspect of the GST regime. The four-tiered GST rates have been designed to ensure that the tax burden is shared equitably among different goods and services. The standardized tax rates have simplified the tax system and reduced the overall tax burden on goods and services, making it easier for businesses to comply with the tax regulations.

UNDERSTANDING HSN AND SAC CODES FOR ACCURATE GST CLASSIFICATION OF GOODS AND SERVICES

The HSN and SAC codes are used to identify goods and services and determine their GST rates. It is important to accurately classify the product or service under the appropriate HSN or SAC code to determine the correct GST rate.

HSN System

The HSN system is a classification system for goods based on an internationally accepted standard. In India, it is used to classify goods for the purpose of levying GST (Goods and Services Tax). The HSN code consists of a series of digits that represent different categories of goods. Each digit represents a different level of classification, with the first two digits representing the chapter, the next two digits representing the heading, and so on. The HSN code is used to determine the GST rate applicable to a particular product or service.

SAC System

The SAC system is a similar classification system for services. It is used to classify services for the purpose of levying GST. The SAC code consists of a series of digits that represent different categories of services. Each digit represents a different level of classification, with the first two digits representing the major service category, the next two digits representing the sub-category, and so on. The SAC code is used to determine the GST rate applicable to a particular service.

Both the HSN and SAC systems are important for the implementation of GST in India. They help to ensure that the tax is levied in a standardized and consistent manner across the country, and they make it easier for businesses to determine the applicable tax rates for their products or services. It is important for businesses to accurately classify their products or services under the appropriate HSN or SAC codes to ensure compliance with GST regulations.

WHO DECIDES THE GST RATE

The Goods and Services Tax (GST) in India is decided by the GST Council, which is a constitutional body formed by the President of India. The council is chaired by the Union Finance Minister and includes the finance ministers or other tax officials from all the states of India. The Council meets regularly to discuss and decide on issues related to the GST and to make recommendations on changes to the GST law and regulations.

Goods and Services along with their respective rates

The complete list of GST rate with the HSN / SAC code can be accessed through the website <https://cbic-gst.gov.in/gst-goods-services-rates.html> Below are the list of few products and their corresponding GST rates.

Products	Rate of GST
<p>FOOD ITEMS Milk Egg Curd Lassi Honey Unpacked foodgrains and Paneer</p> <p>NON FOOD ITEMS Sanitary Pads Printed books Stamps Newspapers</p>	0%
<p>FOOD ITEMS Sugar Packed Paneer Coffee Beans Frozen vegetables Pizza Bread Domestic LPG Skimmed Milk Cashew Nuts</p> <p>NON FOOD ITEMS Agarbatti Plastic Waste Insulin Lifeboat Ayurvedic medicines Kerosene</p>	5%
<p>FOOD ITEMS</p>	12%

Butter					
Ghee					
Processed				Food	
Pickle					
Frozen				meat	
Instant		food		mixes	
Namkeen					
NON		FOOD		ITEMS	
Mobile					
Sewing				machine	
Tooth				Powder	
Umbrella					
Wooden				Frames	
Jewellery				box	
Artificial				yarn	
Photographs					
Paintings					
FOOD				ITEMS	18%
Pastries					
Corn				Flakes	
Preserved				Vegetable	
Chocolate					
Ice				Cream	
Mineral				Water	
Soup					
NON		FOOD		ITEMS	
Mirror					
Hair				Oil	
Detergents					
Computers					
Safety glass					
OTHER				ITEMS	28%
Small				Cars	
Durable	consumer	goods	such	as	AC
Luxury					Items

Tobacco				
Aircraft	for	personal	use	
Ceramic Tiles				

Following changes had been recommended by the GST Council and notified by the CBIC which shall be effective from 01st January 2023

ITEM DESCRIPTION	Prior Amendments	to	Post Amendments
Husk of pulses, along with chilka and concentrates, chuni or churi, and khanda used as cattle feed	5%		NIL
Ethyl alcohol sold to refineries to blend it with the motor spirit or petrol	18%		5%
Scale of Mentha arvensis, similar to Mentha oil	No RCM		UNDER RCM

GST CALCULATION

How to calculate GST

In India, GST (Goods and Services Tax) is calculated as a sum total of GST payable on reverse charge, inward supplies, and output supplies. This total is derived individually for every month, and you will have to pay the amount calculated while filing GST returns every month.

As a taxpayer, you will have to consider all aspects and charges such as reverse charge, exempted supplies, inter-state sales, along with eligible, and non-eligible ITC, while calculating GST. Calculating the right GST amount will help you evade the 18% interest that will be levied if

your payment falls short of your actual obligation. You can also use the GST calculator available in the Government of India's GST portal. It is to find out your total tax liability by filling in all the necessary amounts under the mentioned heads, such as return filing month, current ledger balance, tax liability under RCM, etc.

GST calculation formula

GST amount = (original price x GST rate) / 100
Net price = original price + GST amount
example: Say you are selling a commodity from Mumbai and sending it to Kolkata for Rs. 10,000, and the rate of GST applied on it is 12%. The GST amount applicable for it will be $(10,000 \times 12) / 100 = \text{Rs. } 1,200$; and the net price will be $\text{Rs. } 10,000 + \text{Rs. } 1,200 = \text{Rs. } 11,200$.

WHY DOES GST RATE INCREASE OR DECREASE?

GST (Goods and Services Tax) rates can increase or decrease due to a variety of reasons, but the most common factors that impact GST rates are:

1. Economic conditions:

The GST rates can be impacted by the overall economic conditions in the country. For example, if the economy is growing and there is high demand for goods and services, the GST rates may be increased to curb inflation. On the other hand, if the economy is struggling and there is low demand, the GST rates may be decreased to encourage spending and boost economic growth.

2. Government Policies:

The government can increase or decrease the GST rates to achieve its policy objectives. For instance, if the government wants to promote the use of environmentally-friendly products, it may reduce the GST rates for such products. Similarly, if the government wants to discourage the consumption of certain products, it may increase the GST rates for those products.

3. Industry demands:

The GST rates can also be influenced by the demands of specific industries. For example, if a particular industry is facing a tough time due to high taxes, it may lobby the government to reduce the GST rates. Conversely, if an industry is doing well and can afford to pay higher taxes, the government may increase the GST rates for that industry.

FAQS ON GST RATES:

1) How are GST rates determined?

GST rates are determined by the **GST Council**, which is chaired by the Union Finance Minister and comprises representatives from all the states and union territories. The Council decides the GST rates based on the recommendations of the GST Fitment Committee, which studies the revenue implications of the proposed changes.

2) Are there any exemptions from GST?

Yes, certain products and services are exempted from GST, such as healthcare services, educational services, and certain agricultural products.

3) Can GST rates change in the future?

Yes, GST rates can change in the future based on the recommendations of the GST Council.

4) How to find the GST rate for a product or service?

The GST rates for various products and services are available on the GST Council's website. Additionally, the GST rate for a particular product or service can also be found on the invoice or bill issued by the supplier.

5) Is GST applicable to exports and imports?

GST is not applicable to exports, as they are zero-rated. However, GST is applicable to imports, as IGST is levied on the imported goods.

6) Is GST applicable to small businesses?

Yes, GST is applicable to small businesses with an annual turnover of more than Rs. 20 lakhs (Rs. 10 lakhs for special category states). However, small businesses with an annual turnover of up to Rs. 1.5 crores can opt for the Composition Scheme, which has a lower compliance burden and a lower GST rate.

GST IN INDIA AND OTHER COUNTRIES

France was the first country to implement the Goods and Services Tax in 1954. After the implementation of GST in France various countries adopted GST including China, Canada, Singapore, New Zealand, and Australia. China implemented it in 1994 while Russia adopted in 1991. GST came into effect from July 1, 2017 through the implementation of 101st amendment of the Constitution of India. The structure of indirect taxes in India (as existing up to 30-6-2017), which includes taxes like VAT, entertainment tax, luxury tax, service tax, surcharge etc. merged into GST.

India and Canada

After comparing India's GST with Canada, it has been found that GST is known in Canada as a Federal GST & Harmonized Sales Tax (HST). It has been implemented in Canada earlier than India. Threshold limit to get register under GST in Canada is low as compared to India. GST34 is the return which is filed by the taxpayer in the Canada, but this return in India is known as GSTR. India has four slabs of tax but Canada has the single slab of tax.

India and Australia

GST has been implemented in Australia earlier than India. Threshold limit in Australia is higher as compared to India. Instead of GSTR which is filed in India, Australian tax payers file BAS (Business Activity Statement). India has four slabs of tax but Australia has the two slab of tax. Maximum rate of GST in Australia is 10% and in India this rate is 28%.

India and New Zealand

New Zealand implemented GST 31 years ago than India. Threshold limit of GST in India is lower as compared to New Zealand. GST101 and GST103 is filed in New Zealand but in India GSTR is filed. New Zealand has only one single rate of tax but India has four slab of taxes. India's maximum rate of GST is 28% and this rate in New Zealand is 15%. India and France After comparing India's GST with France, it has been found that GST is known in France as a GST/VAT. It has been implemented in France earlier than India. Threshold limit to get register under GST in France is higher as compared to India. VAT return is filed by the taxpayer in the France, but this return in India is known as GSTR. India has four slabs of tax similarly France has also the four slab of tax, but the maximum rate of GST is 20% in France which is lower than India.

India and Singapore

Singapore implemented GST 23 years ago than India. Threshold limit of GST in India is lower as compared to Singapore. GST F5 is filed in Singapore but in India GSTR is filed. New Zealand Singapore has only one single rate of tax but India has four slab of taxes. India's maximum rate of GST is 28% and this rate in Singapore is 7%.

India and Malaysia

GST has been implemented in Malaysia earlier than India. India is the first country who implemented GST after Malaysia. Threshold limit in Malaysia is higher as compared to India. Instead of GSTR which is filed in India, Malaysian tax payers file GST-03 and GST-04. India has four slabs of tax but Malaysia has only one slab of tax. Maximum rate of GST in Malaysia is 6% and in India this rate is 28%.

This study suggested that Government of India should reduce the 28 % tax slab which is highest as compared to other countries and also increase the existing threshold limit, if this limit increases then micro, small, and medium enterprises of India will not come under the GST regime and they need not to pay any taxes.

GST replaces all the indirect taxes which were levied on the goods and services. The GST structure around the world is an advancement of the VAT system. The idea behind the implementation of GST is to reduce the cascading effect of taxes. This study compares India's GST with four OECD and two ASEAN countries and found that these countries have the highest threshold limit except Canada. Singapore has the highest threshold limit to get register under GST. These countries implemented GST earlier than India. This study also found that in Canada GST is known as Federal GST and Harmonized Sales Tax. In Australia, GST return is known as Business Activity Statement. This study also found that India tax slab is divided in four parts, low rates for essential items and higher rates for luxurious things. India and France are the only countries which have four slab tax structure and remaining countries have one and two slab tax structure.

THE IMPACT OF GST ON THE INDIAN ECONOMY

A lot has been discussed and published about the impact of GST on the Indian economy - either positive or challenging. The Goods and Services Tax (GST) is an indirect tax on goods and services that was introduced in 2017 to simplify the tax system. It replaced several indirect taxes with one tax, which made things a lot easier for businesses. The tax system has since been streamlined, leading to increased tax compliance and formalisation of the economy. However, it

wasn't all sunshine and rainbows when GST was first introduced, and some businesses had trouble adjusting to the new system.

The Positive Impact of GST on the Indian Economy

Below are some areas where we have seen positive impact of GST on the Indian economy:

1. Streamlined Tax System

GST streamlined the tax system by replacing multiple indirect taxes with a single tax, reducing complexity and making compliance more manageable for companies.

2. Increased Tax Compliance

GST's technology-driven procedures like online registration, e-filing of returns, and e-way bills have raised tax compliance. The tax base has grown, increasing the government's tax intake.

3. Economic Growth Boost

GST's simplified tax code, elimination of interstate restrictions, and removal of checkpoints and entrance tax barriers at state borders increased efficiency and decreased logistical expenses. This helped the economy thrive, especially in industries like manufacturing and logistics.

4. Reduction of Tax Burden

By removing the cascading impact of taxes, the GST aims to lessen the tax burden on consumers and businesses. Consumers have benefited from reduced prices of goods and services due to the efficient input tax credit mechanism.

5. Economic Formalisation

GST encouraged enterprises to join the formal tax system, enhancing tax collections, decreasing tax evasion, and improving openness.

The Challenging Impact of GST on the Indian Economy

Below are some areas where there have been challenges on the GST front for the Indian economy:

1. Initial Setbacks

During the introduction of GST, small and medium-sized businesses had trouble adjusting to the new compliance standards, temporarily disrupting business operations.

2. Compliance burden

While GST intended to simplify the tax code, businesses found the paperwork and compliance procedures burdensome. SMEs found it challenging to navigate the complexity of GST reporting and maintain proper paperwork.

3. Impact on Small Firms

Implementing the GST placed a significant adjustment load on small firms, which disproportionately impacted sectors that had enjoyed threshold exemptions or were exempt from specific taxes. Compliance costs, including investing in technology and professional services, increased.

4. Sectoral Differences

Some industries, like manufacturing and logistics, benefited from GST, while others, including real estate and textiles, had difficulty adjusting to the new tax structure.

5. Inflation

Adopting the GST led to temporary price increases due to shifting tax rates and categories, despite the goal of decreasing overall taxation.

The Goods and Services Tax, implemented in India in 2017, has greatly impacted the economy. It has streamlined the tax system, leading to increased compliance and formalisation of the economy. This has boosted growth in industries such as manufacturing and logistics. However, there have been challenges, including increased compliance burdens for small and medium-sized businesses and temporary inflationary pressures. Despite these challenges, the overall impact of GST has been positive, and the Indian economy is expected to continue growing.