A STUDY OF GOODS AND SERVICES TAX (GST) IN INDIA: OPPORTUNITIES & CHALLENGES.

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Abstract:

The Goods and Services Tax (GST) is a indirect tax levied on the supply of goods and services in India. It was introduced on 1 July 2017 with an aim to improve collections, increase efficiency, and create a single market across India. The GST is administered by the Central Board of Excise and Customs. The GST is a unique tax system that is based on the principle of taxation at the point of consumption. This means that goods and services are taxed once they are sold to consumers. In addition, the GST applies to a wide range of goods and services, including items that are currently not subject to any taxes in India. The GST Council is currently working on implementing multiple reforms to further improve the efficiency and fairness of the GST system. These include proposals to rationalize the rate structure and reduce the number of rates, as well as measures to improve compliance and administration. Goods and services tax is the new Indian tax levied on goods and services at a uniform rate, replacing separate taxes levied earlier. It is designed to lift India's economy by reducing internal trade barriers. In this article, we are going to talk about GST in terms of its impact on the economy and its opportunities and challenges for businesses. We will also talk about the role of GST in India's economic development.

Keywords: - *Growth, VAT, Customs, Excise, GST, challenges, opportunities.*

Introduction:

The Goods and Services Tax (GST) was introduced in India in October 2017. The GST is a nationwide tax system that harmonizes the indirect tax system of India into a single market. It replaces the multiple taxes levied by the central and state governments, and is intended to boost India’s GDP growth by making it simpler and more efficient.

The Goods and Services Tax (GST) is a central levy in India that came into effect from 1st April 2017. The GST is a single tax levied on the supply of goods and services across the country. It replaces all the existing indirect taxes including Central Sales Tax, State Sales Tax, luxury tax, Service Tax and entry tax.

The GST was introduced in an effort to harmonize the taxation system across the country and to create a single market. The GST replaces over 30 taxes with a single tax that is levied at the state level. The rollout of the GST was met with some initial glitches but has since been improved significantly.

One of the biggest challenges before the government is to bring under one umbrella all businesses and individuals who have to be taxed under GST. One way they are trying to achieve this is by bringing e-way bills system under GST regime. Under this system, individual vendors or traders need not upload invoices online any more since they can carry out e-way bill generation at an Electronic Toll Collection System (ETCS). This would help in easy and time saving process for transporters.

One of the main advantages of the GST is that it simplifies taxes for businesses. The tax system has been designed to be more transparent and efficient. The GST also offers a degree of uniformity across India, which should make it easier for businesses to operate in all states. In addition, the GST is expected to boost economic growth in India by reducing red tape and increasing efficiency.

However, there are some disadvantages to the GST as well. One is that it may cause prices to rise for some products. Another is that it may not be well received by consumers, who may find it more expensive to buy goods and services. Finally, the GST may not be effective at generating revenue enough to cover its costs.

Despite these limitations, the GST is still a major improvement over India's previous tax system. It has the potential to transform India's economy and create many new opportunities for businesses.

In this study section, we will analyze the good and services tax (GST) in India. We will discuss its advantages and disadvantages, as well as the opportunities it presents for businesses.

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Literature review:

The Goods and Services Tax (GST), which was implemented in India in July 2017, is a major tax reform in the country. The GST is a value-added tax (VAT) that replaces most of the current taxes levied on goods and services in India. The GST has been controversial since its inception, with concerns raised about its potential to increase prices for consumers and businesses, as well as its implementation challenges. This literature review provides an overview of the GST legislation and its implementation in India, as well as analysis of the potential impacts of the GST on economic activity in India.

Dhingra et al. (2017) finds that while there are some initial negative impacts of GST on firms, particularly small businesses, in the long run, GST will lead to increased productivity and efficiency gains for firms. The authors also find that while there may be some increase in prices due to GST in the short run, this will be offset by increases in productivity and efficiency in the long run.

Fotiadis, (1996) examined how the GST has affected businesses since its implementation. Businesses are required to collect the tax on behalf of the government and remit it to the Canadian Revenue Agency. Businesses are also able to claim input tax credits for GST paid on purchases made for business purposes. The credit is intended to offset any competitive disadvantage created by the imposition of the tax (Fotiadis, 1996). Another purpose of this study is to determine whether or not businesses have been passing on the cost of the GST to consumers through higher prices. Consumer price index data can be used to measure changes in prices charged by businesses over time.

The findings of the present study are in consonance with earlier studies which have shown that GST has had a positive impact on the Indian economy the implementation of GST has led to an increase in government revenues and a decrease in the prices of goods and services (Bhattacharya, Ghosh and Roy, 2018; Chanda, 2019; Dhingra and Gulati, 2019; Gupta, 2019). It has also helped in the development of infrastructure and promoted industrial growth. The present study adds to the existing body of literature by providing detailed quantitative evidence on the impact of GST on different sectors of the Indian economy.

The review of literature on GST has had a positive impact on the Indian economy. It has helped in the growth of industries and has made the tax structure more efficient. The GST has also helped in creating jobs and reducing inflation.

Research gap:

There is a significant research gap on goods and services tax (GST) in India. This lack of research could hamper the understanding of the GST system as well as impede the design of effective policies and interventions to improve its operation. The purpose of this paper is to fill this research gap by providing an overview of the GST system in India, evaluating its key features, and highlighting some opportunities for further development.

What is GST?

GST is a tax levied on the supply of goods and services in India. It came into effect from 1 July 2017. The GST Council, chaired by Prime Minister Narendra Modi, formulated the GST legislation in March 2016. The purpose of the GST is to create single tax regime for all goods and services within the country. The GST is administered by the Central Board of Excise and Customs (CBEC).

The government aims to reduce the incidence of taxation by harmonizing the rates of different states. This will make it easier for businesses to operate in multiple states without having to worry about different tax rates.

Businesses that are registered for GST must file invoices under the GST code. There are four main categories under which goods and services can be categorized: input taxed, output taxed, exempt goods and services, and supplies between related parties.

Input taxed entities are those that incur expenses in supplying goods or services taxable under the GST. Input taxed goods and services include goods imported from outside India as well as locally produced input materials and goods used in the production of other goods or services. Output taxed entities are those that incur expenses in supplying goods or services taxable under the GST. They also include goods or services received in return for making exempt goods but which is used by a taxable entity and is itself not taxable (e.g., wheat for flour). Output taxing entities also include ancillary activities such as repairs of motor vehicles, maintenance of machinery, repair of dams, etc., provided they are done by a person providing an exempt service to another person. Exempt status would generally be reserved for products with negligible consumption, such as agricultural produce and vegetables, or specified minerals and fuels. Exempt status is also reserved for certain services such as education, health care and aged care.

The GST Council is responsible for recommending a range of tax rates to be considered by the Centre and States. The recommendations are subject to an informal discussion within the Council followed by a formal meeting where adjustments are made if necessary. These final recommendations are then notified by the Union Finance Minister.

Why has GST been introduced in India?

GST is a tax levied on the integrated supply of goods and services in India. The GST Council, a statutory body comprising representatives of all the state governments, decided to implement GST in July 2017. The main reasons for implementing GST were to improve tax compliance, boost economic growth and create a common market among the states.

GST will be levied at pre-defined rates on most goods and services. The government has proposed a standard rate of 24% for all goods and services, except luxury items that will be taxed at a higher rate of 30%. Listed below are some of the key aspects related to GST that you should know:

- GST is an indirect tax that will be collected by the state governments through their respective tax authorities.
- The central government will have the authority to levy fines and penalties on errant businesses who do not comply with the provisions of GST.
- GST is expected to create huge revenue streams for the government, as it will generate more than Rs 1 trillion annually by 2021.
- The rollout of GST is likely to lead to increased investment and growth in the Indian economy.

One of the most important aspects that you should know about GST is that it will help strengthen the economy of India. However, some economists feel that the long-term effect of GST is not measurable since even after four years, there will be many unanswered questions like how it will work with different types of businesses and how it would be implemented in various provinces. You should also understand that once GST becomes a reality, there will be no tax on those who are manufacturing or selling goods in India.

- Some other important things to know about GST include:
- GST is expected to create more than 1 million jobs by 2020.

How does the process of taxation work post GST?

The Goods and Services Tax (GST) was implemented in India on July 1, 2017. The GST is a tax system that replaces a host of different state and local taxes with a national tax. The GST is administered by the Central Board of Excise and Customs (CBEC). The GST consists of four main components: value-added tax (VAT), central excise duty (CED), State VAT, and local body tax.

The Goods and Services Tax (GST) is a new indirect tax regime that came into effect from July 1, 2017. The GST replaces all the state and central indirect taxes currently in place in India. The GST is levied on the supply of goods and services across the country. The tax is divided into four levels: central, state, local, and Additional Local Rates (ALRs).

The central GST rate is 18%. State GST rates vary from state to state. The local GST rate is 4% of the value of the taxable supply. The ALR rate is also 4% of the value of the taxable supply. The total tax payable on a taxable supply is therefore 24%.

There are certain exemptions from the GST, including essential commodities such as food items and medical supplies, luxury items such as cars and alcohol, and services that are not considered essential by the government. There are also input tax credits available for businesses who qualify under specific conditions.

In terms of post-GST taxation, businesses will continue to be subject to income tax (including corporate income tax, capital gains tax, dividend tax, etc.), customs duty, service tax, and all other applicable taxes. The GST rate will hit 6% from 1 April next year, with the government having already set up a committee to look at the various dimensions of GST in India and recommend the optimal rate for it.

Benefits of GST for businesses:

- Simplified tax system with reduced paperwork: GST is a single indirect tax with a single rate of 12% across all products and services. This makes it easier for businesses to keep track of their taxes and simplifies tax filing processes.
- Reduced compliance costs: Transactions that were previously subject to multiple taxes, like tariffs on imported goods, sales taxes on various services, and value-added taxes (VAT), will now be subject to only one GST rate. This will reduce the cost and time required to comply with the stringent tax laws in India.
- Improved tax collection efficiency: The GST network will have better capacity to collect taxes from businesses. In addition, the automated software that is currently used by customs authorities to collect duties and taxes will also is used to collect GST from businesses. This will improve tax collection efficiency and accuracy.
- Elimination of exemptions and special rates for certain goods and services: The inclusion of items in the ambit of the GST has eliminated many exemptions which have led to widespread double taxation
- One at the time of purchase and another when the good or service is sold. This will lead to significant savings for businesses as they will not be forced to pay taxes multiple times.- Simplified rate structure: The present rates of tax - 14% for Central Goods and Services Tax and 6% for State Goods and Services Tax as well as 0%-10% for various other items like customs duties, excise duties etc.

Challenges faced by the Government and private sectors with this new tax system, Goods and Services Tax (GST):

This week, the GST Council met to finalize the rates for various goods and services. The GST system is a relatively new tax system in India that replaces over a dozen state and central taxes.

The GST Council has been tasked with finalizing rates for over 1,500 items, and there are still a few items left to be decided. Here are some of the key challenges faced by the Government and private sectors with this new tax system:

- The Government has to work out a fair tax rate for all items in the 1,500 item list. This is no easy task, as different items have different values and costs.
- The Government needs to make sure that businesses can adapt to the new tax system. This involves creating software that will calculate taxes automatically, training businesses on how to use this software, and setting up support systems.
- The Government needs to create a reliable online infrastructure for taxpayers to use. This includes systems that can handle payments, keep track of inventory, and identify fraudulent claims.
- The Government needs to educate people about the new tax system. This involves public information campaigns, setting up call centres for taxpayers who have questions, and providing educational materials online and through social media.
- The Government must protect taxpayers during the transition. This involves establishing a clear and acceptable audit process that can be used by all tax collection agents, protecting taxpayers during the transition period, and setting up an effective anti-fraud system.
- The Government needs to establish a reliable national identity system that will authenticate taxpayers and match data from multiple government sources.
- The Government needs to create a national tax registration number system that will identify individuals by their income level so that they can file taxes on their own or with their employer.

Opportunities:

The main opportunity that businesses in India see with the introduction of GST is that it will make the tax system more efficient. This will allow businesses to reduce their compliance costs and to better prepare for tax audits. Another benefit of GST is that it will harmonize the taxation of goods and services across India. This will make it easier for businesses to compare prices and to know how much tax they are liable to pay.

The biggest opportunity that businesses in India see with the implementation of GST is the potential for increased revenue. The government has estimated that GST could lead to an increase in government revenue of up to Rs 1.5 trillion (approximately US$ 25 billion). In addition, this increased revenue will be used to fund other government initiatives, such as infrastructure development and social welfare programmes.

Research objective:

The objective of this study is to understand the opportunities and challenges associated with Goods and Services Tax (GST) in India.

Research question:

What are the opportunities and challenges that businesses face when implementing the Goods and Services Tax (GST)?

Research methodology:

The Goods and Services Tax (GST) is a new indirect tax system that was implemented in India from 1 July 2017. The GST is a key part of the Indian government's efforts to modernize the country's taxation system and to reduce the tax burden on businesses and individual taxpayers. This study was conducted using a qualitative approach. The study used interviews with key informants, such as government officials, industry representatives, and academics. The study also used a literature review to explore the opportunities and challenges associated with the GST. This article provides a brief overview of the GST, discusses the potential benefits and challenges of its implementation in India, and reviews the existing research on the impact of the GST on economic activity in India.

Data analysis:

The GST is a destination-based tax, which means that the tax is levied on the final sale of goods and services. The GST replaces the many different indirect taxes that were previously in place in India. The main purpose of the GST is to harmonize the taxation of goods and services across India, reduce tax evasion, and generate more revenue for the government. In this article, we will be discussing Goods and Services Tax (GST) in India. GST is a new indirect tax system that came into effect from 1 July 2017. This article will provide you with an overview of the GST system, as well as some of its opportunities and challenges.

The gross GST revenue collected in the month of May 2022 is ₹1,40,885 crore of which CGST is ₹25,036 crore, SGST is ₹32,001 crore, IGST is ₹73,345 crore (including ₹ 37469 crore collected on import of goods) and cess is ₹10,502 crore (including ₹931 crore collected on import of goods). The government has settled ₹27,924 crore to CGST and ₹23,123 crore to SGST from IGST. The total revenue of Centre and the States in the month of May 2022 after regular settlement is ₹52,960 for CGST and ₹55,124 for the SGST.

GST collected for the month of August 2022 is ₹ 1,43,612 crore, of which CGST is ₹ 24,710 crore, SGST is ₹ 30,951 crore and IGST is₹ 77,782 crore with a cess of ₹ 10,168 crore. The government has settled ₹ 29,524 crore to CGST and ₹ 25,119 crore to SGST from IGST and the total revenue of Centre and State after regular settlement is at₹ 54,234 crore for CGST and at₹ 56,070 crore for the SGST. In six months this year, the GST revenue grew 33% over the same period last year. This is an indication of high buoyancy in the GST regime. However, this outcome has been largely due to various measures taken by the council in order to improve compliance. Better reporting and an improving economy have led to increases on a consistent basis. In July of this year, 7.6 crore e-way bills were generated, which was higher than 7.4 crore and 19% higher than 6 month ago.

Table1: Trends in GST collection (Rs- in crore):

Month	GST collection in FY 2021- 22	GST collection in FY 2022- 23
April	139708	167540
May	97821	140885
June	92800	144616
July	116393	148995
Aug	112020	143612

Sources: https://pib.gov.in/PressReleasePage.aspx?PRID=1855967

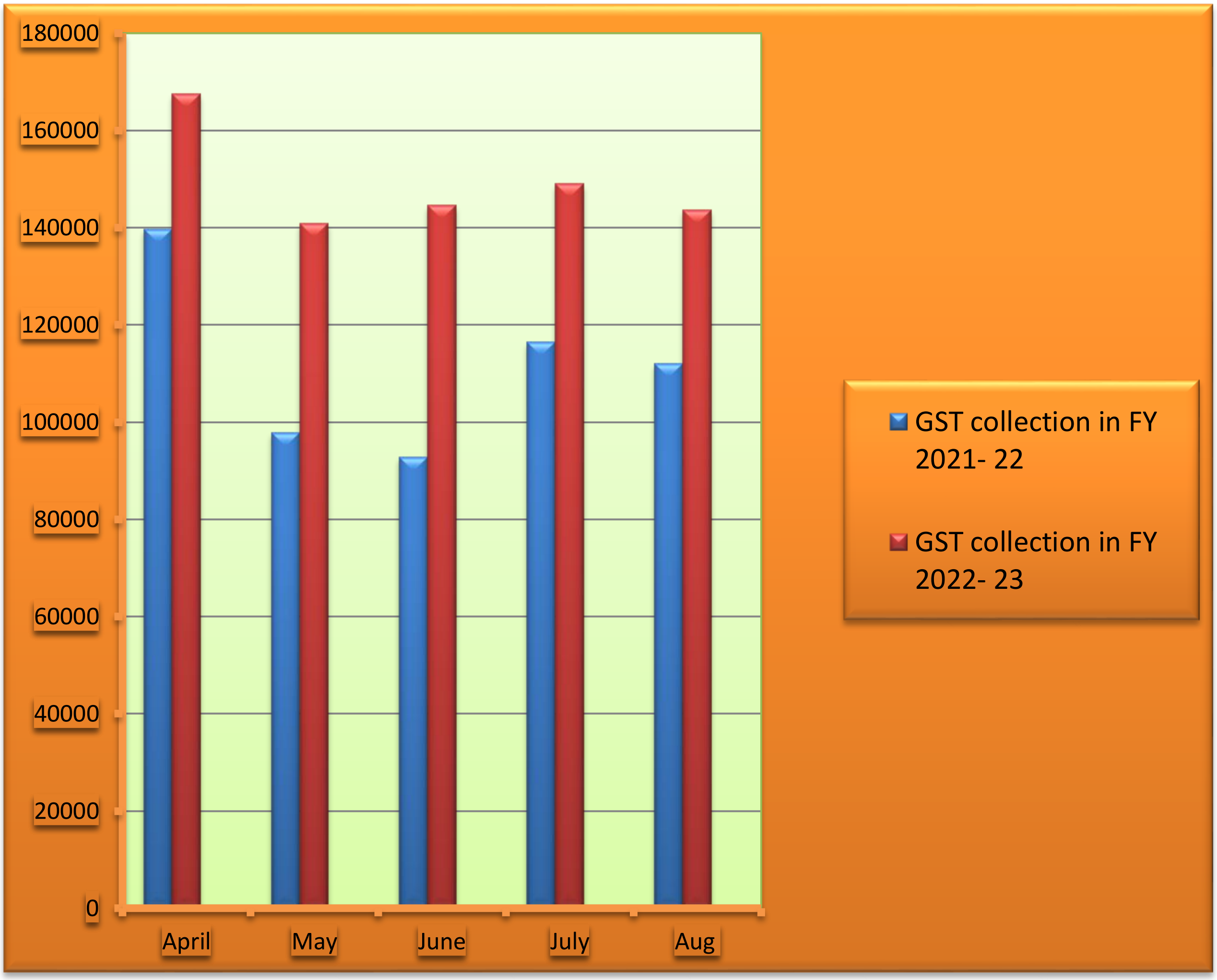

Figure: Trends in GST collection (Rs- in crore),
Sources: https://pib.gov.in/PressReleasePage.aspx?PRID=1855967

The Goods and Services Tax (GST) was implemented in India from July 1, 2017. The GST is a indirect tax system that replaces several existing taxes. The GST is levied on the value of goods and services. The tax is levied by the central and state governments and administered by the GST Council.

Result:

The Goods and Services Tax (GST) is one of the most important reforms in India's economy. The GST is a single tax system that will replace all the existing state and central taxes. The GST will be implemented from April 1, 2017. The main aim of the GST is to boost economic growth and make India a global leader in tax reform.

The GST will be implemented in four stages. In the first stage, the GST will be implemented on goods. From April 1, 2018, the GST will also be implemented on services. In the second stage, from January 1, 2019, the value-added tax (VAT) will also be replaced by the GST. In the third stage, from January 1, 2020, state and local taxes will also be replaced by the GST. In the fourth stage, from 2021 onwards, all indirect taxes including central excise duty, customs duty and service taxes will be replaced by the GST.

The GST will raise tax revenue for the government. This will help to reduce the deficit and improve the country's fiscal health. GST will replace more than 20 different taxes. This will make taxation simpler and more transparent for businesses. The GST will boost economic growth in India by making it easier for businesses to operate and expand. This will create more jobs and increase economic prosperity in India.

Findings:

In India, the Goods and Services Tax (GST) was implemented from 1 July 2017. The GST is a nationwide indirect tax which replaces all the existing taxes on goods and services in India. The GST has a combined rate of 12%. The main objectives of the GST are to improve tax administration, increase revenue and reduce business costs. This paper evaluates the major findings of GST implementation in India.

- The GST will replace more than 20 different taxes. This will make taxation simpler and more transparent for businesses.
- The GST is expected to increase government revenue by about Rs 2.4 lakh crore over the next five years.
- The GST is expected to reduce business costs by about Rs 1.8 lakh crore over the next five years.
- The GST is expected to boost India's competitiveness and make it a global leader in tax reform.
- The GST is a complex and challenging reform. It will take about two years to implement the GST in all states.

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- The rollout of the GST has been very volatile, with some items becoming more expensive and others becoming cheaper. This has caused some businesses to suffer from increased costs and delayed delivery of goods.
- The implementation of the GST will involve a lot of compliance costs for businesses.
- Some businesses have failed to comply with the new tax rules, causing financial losses and inconvenience to consumers.

Overall, the implementation of the GST in India is a complex and challenging task. However, the benefits of the GST are expected to outweigh the challenges.

Suggestions:

- The GST Council should consider a cap on the rate of GST This could help in consolidating tax collections and also prevent any cascading effects caused by high GST rates.
- The government should work to make the process of filing taxes simpler For instance, by automating certain processes or providing online tools which would make it easier for taxpayers to submit their tax returns on time.
- Tax reforms need to be targeted at improving ease of doing business in India According to a report by Ernst & Young, India has dropped from 131 out of 190 countries assessed in terms of ease of doing business in 2016 to 147 this year. This is likely owing to the introduction of the GST as well as other policy changes by the government over the past few years.
- A robust public education campaign is needed to ensure that people are aware of their obligations under the GST system and understand their tax liabilities A recent survey found that only 45% of respondents were aware that they had to register for the GST system, and just 32% knew about their tax liabilities under the new regime.

Conclusion:

The GST is one of the most important economic reforms to be implemented in India, and it has been the subject of much debate and discussion. This literature review has looked at the GST from different perspectives, including its impact on businesses, consumers and the economy as a whole. In this study, we have looked at Goods and Services Tax (GST) in India from a policy perspective. We found that GST is an important new tax system in India and is expected to help reduce tax evasion and improve the efficiency of the tax system. We also found that there are opportunities for businesses in India to get involved in the GST system, and that there are many benefits to integrating into the GST system. Overall, we believe that GST is a promising new tax system in India that will benefit businesses and taxpayers alike.

Limitations of study:

One of the limitations of this study is that it does not take into account the impact of the Goods and Services Tax (GST) on prices. The GST was implemented in July 2017, and its effects are just starting to be felt. Prices may change differently in different parts of the country because of variations in local taxes and preferences for particular goods and services. Another limitation is that the data used in this study are from 2017. It will be interesting to see how prices change after the implementation of GST, and whether they continue to rise or fall.

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