WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

GST IN INDIA IMPACT AND CHALLENGES

Sumant Wachasundar[1], Prajwal Damahe[2], Siddhesh Diwe[2], Shubham Gupta[2], Vaibhav Bramhankar[2]

[1]*Assistant Professor, DAIMSR, Sumant.2184@Gmail.Com*

[2]*(DAIMSR BBA 2ND YEAR, Email Id: Damaheprajwal@Gmail.Com, Siddheshdiwe0@Gmail.Com, Shubhamsurendragupta@Gmail.Com, Vaibhavb382@Gmail.Com*

ABSTRACT

The largest tax reform in India since independence is the long-awaited Goods and Services Tax, or GST. With the introduction of GST, India's complex system of indirect taxes would be made simpler. The GST is the only indirect tax that directly links every sector of the Indian economy, promoting the development of the nation's economy by establishing a single, unified market. France is the second nation in the world after more than 160 others to have introduced GST. AtalBihari Vajpayee first suggested the GST in India in 1999. It was planned to go into effect on April 1, 2010. The LokSabha approved the constitutional amendment bill for the GST in May 2016, with a deadline of 1 April.

***Keywords**: Services and products Indian economy, indirect tax, and tax*

1. INTRODUCTION

India has a comprehensive, multi-stage, destination-based goods and services tax regime that is imposed on every value addition. The way a country handles its taxes has a big impact on its economy. The primary source of funding for the government is the collection of direct and indirect taxes from the populace. Direct tax is applied when both the effect and the incidence fall on the same person. Indirect tax is applied when both the impact and the incidence fall on two distinct persons, meaning that the burden may be transferred to another party. Prior to the implementation of GST, India had a convoluted indirect tax structure with several taxes levied separately by the union and state. With the implementation of GST, all of these taxes were combined into one. A single point of taxation known as GST is applied to the delivery of goods and services from the manufacturer to the customer. GST will lessen the customer's overall tax burden, which is now projected to be between 25 and 30 percent. In 1954, France became the first country to apply the Goods and Services Tax, or GST, which is known as what it is today around the world. Since then, more than 160 nations have adopted the GST law. India has enacted a dual GST system that includes both CGST and SGST. Atal Bihari Vajpayee first suggested the GST in India in 1999.Moreover, a committee was established to develop a GST model under the direction of West Bengal's former finance minister, Asim Das Gupta. Arun Jaitley, India's finance minister, set a deadline of April 1, 2017, for the implementation of the GST, which was expected to begin with the implementation of the constitutional amendment law for GST in May 2016. On July 1, 2017, at midnight, Pranab Mukherjee, the president of India, and Narendra Modi, the prime minister of India, officially introduced the goods and services tax.

2. EXPERTS HAVE ENLISTED THE BENEFITS OF GST AS UNDER

- It would introduce "one country, one tax," absorb all indirect taxes at the federal and state levels, ending the cascading effect of taxation lower prices for goods and services, which will benefit businesses by increasing consumption, and raise the registration threshold to the point where many small business owners and service providers are exempt.

  When all taxes are incorporated into the GST system, it will reduce the number of compliances, such as return filing.

- Eliminating the separate tax imposed on goods and services, which forces transactions to divide their value between products and services and causes further complexities, would be beneficial.

  By including all sectors, even the unorganized ones, it would broaden the tax system and enlarge the tax base. As a result, the government would be able to collect taxes more effectively. GST will streamline business processes and lessen the tax burden on logistics and e-commerce companies.

  Creating jobs for young people as a GST specialist.

3. OBJECTIVE OF STUDY

1. To understand the GST idea
2. To research and comprehend the characteristics of GST
3. To evaluate the benefit and difficulties of GST adoption

4. RESEARCH METHODOLOGY

Based on secondary data gathered from several journals, books, government reports, articles, and newspapers that focus on various facets of the Goods and Services Tax, an explanatory research is examined.

1. According to the Indian Constitution, both the national and state governments have concurrent authority to impose taxes on domestic commodities and services.

2. Under the dual GST approach, taxes may be imposed separately by the federal and state governments, but both will use a single platform to collect taxes, and obligations will be the same.

5. CONCEPT OF GOODS AND SERVICES TAX

The long-awaited Goods and Services Tax, or GST, is the largest tax shift in India since Independence. India's intricate system of indirect taxes would be made easier with the implementation of GST. The complete, multi-stage, destination-based GST tax is applied to every value addition. GST will provide the Indian economy a new dimension by unifying the market and reducing the cascading effect of tax on the cost of goods and services. All facets of the indirect tax system, such as the tax structure, tax incidence, tax computation, compliance, and reporting procedures, would be impacted. In India, CGST and SGST are both included in the dual GST system. The requirement for a concurrent dual GST

1. All sales of goods and services, excluding those that are exempt, will be disclosed

2. The GST is divided into two parts: the national GST and the state GST. State GST will be paid to the appropriate state government, while national GST will be paid to the central government.

3. The terms "taxable person," "taxable occurrences," "chargeability," and "measure to levy tax," among others, would have the identical meanings under CGST and SGST.

4. The federal government would be in charge of CGST administration, while state governments will be in charge of SGST administration. Both the federal government and state governments have the authority to pass laws governing the taxation of goods and services. State GST laws would not be superseded by a national government GST law.

5. The taxpayer would receive an identifying number based on a pan card to make filing and paying taxes easier.

6. Separate tax returns must be submitted to the federal government for CGST and the state government for SGST.

7. Input credit can be claimed from the department where GST was paid, meaning that only central GST paid on inputs can be used to offset central GST, and the same is true for state tax credits.

8. If there is an import of goods and services, GST would be applied.

9. For various commodities and services, the GST slabs have been established at 0%, 5%, 12%, 18%, and 28 percent.

10. The integrated goods and services tax (IGST), also referred to as the interstate goods and services tax, is a subset of the GST that is levied on the supply of goods and services during interstate commerce. It is collected by the federal government and distributed as destination-based tax to the states that import goods. A further 1% interstate sales tax on goods is imposed by the federal government and is allocated specifically to the exporting state. According to the GST Council's suggestion, this tax would be levied for a minimum of two years.

11. On the suggestion of the GST council, the union government would reimburse the states for the income lost as a result of the implementation of the GST for a period of at least five years.

12. The federal finance minister had been appointed as president and chair of the GST Council. It shall be composed of the union minister of state responsible for revenue and the minister responsible for finances, as well as any other position proposed by the state government. Two thirds of the council's members are from the states, while one third are from the union. A majority of 3/4 of the votes cast is required to reach a resolution in council, while a majority of 50% is required for a quorum.

6. CHALLENGES

In a note titled "India: Q and A on GST- Growth Impact Could Be Muted," Wall Street firm Goldman Sachs provided estimates that the Goods and Services Tax (GST) model adopted by the Modi administration will not boost growth, will increase consumer price inflation, and may not result in higher tax revenue collections.

The GST model enacted by the union government looks to have several fundamental flaws that might prevent it from producing the desired outcomes.

1. The one nation, one tax idea that underlies the implementation of the GST is inappropriate for India. Prior to the establishment of the GST, there were 32 taxes, including service tax, excise tax, sales tax, and 29 state VAT taxes.

2. Due to, another fundamental tenet of the GST-one rate of tax is not achievable in India. Article 246 A of the constitution's 101st amendment stipulates that the legislative assembly and parliament have the authority to enact taxes on goods and services. As a result, state governments as well as the union government have the authority to set their own GST rate. According to Article 279 A of the constitution, the GST Council only has advisory authority. As a result, each state is free to choose its own GST rate, which distorts the nation's overall system of GST uniformity rates.

3. Less than 10% of the population in India has insurance, indicating that the insurance industry there is not well established. The government's "PradhanMantriJeevan Bema Yojna" was created for this purpose, however since the introduction of the GST, insurance prices have increased by 300 basis points, making it more difficult for insurers to enter new markets and harming campaigns to raise public awareness of insurance. The government's "PradhanMantri Jan Dhan Yojna," which aims to ensure that every person has a bank account, could encounter challenges since the new goods and services tax system would increase the levy on financial services by 3%.

4. The telecommunications sector faces serious challenges as the government works to create a digital India while at the same time raising the price of telecom services. Even though India's rural teledensity is below 60%, telecom services will now be subject to a GST tax rate of 18%, a 3 percent increase over the previous service tax rate.

5. The GST administration wants to avoid include petroleum items in the GST since they are a significant cause of inflation in India.

7. CONCLUSION

The government's careless effort to defend the nation's indirect tax system is the Goods and Services Tax (GST) dominion. Before implementing the GST, the government should carefully research the mechanisms that many nations throughout the world have put in place as well as its effects. GST undoubtedly helped to reduce the complexity of the old indirect tax structure and prevent the cascading impact of taxes. Despite government demands for a favourable transformation in the economy with a GDP growth rate, the measure that was submitted to implement one country, one tax fell victim to a trap when the cost of necessities increased. States' average GST collection increased by 12.7% in the first quarter of the fiscal year 2021–2022 compared to.The unplanned implementation of the GST has clearly caused the economy to slow down; therefore, the disruptions may have hastened the decline. Making the switch to GST easier is the only way to stop this disruption.

8. LITERATURE REVIEW

According to the Kelkar (2009) committee's recommendations, the GST will qualitatively alter the nation's indirect tax structure, and the GDP will increase as a result of lower manufacturing costs, which will increase consumer spending. In "Goods and Services Tax Reforms and Intergovernmental Consideration in India," Ehtisham Ahmed and Satya Poddar (2009) argue that the introduction of the GST will result in a straightforward and transparent tax system that will increase economic productivity and output, but that this depends on the GST's well-thought-out design.

In "Goods and Services Tax-Panacea for Indirect Tax System in India," Pinki, Supriya Kamma, and Richa Verma (2014) came to the conclusion that the NDA government is in favour of implementing GST because it will ultimately benefit the government and all stakeholders, but emphasis needs to be placed on IT infrastructure.

In "GST in India: A Key Tax Reform," Monika Sehrawat and Upasana Dhanda (2015) came to the conclusion that while the adoption of GST will surely help the Indian economy, attention should be paid to the rational design of the GST model and prompt implementation.

REFERENCES

[1]. https://cleartax.in/s/gst-law-goods-and-services-tax

[2]. Publication by the Reserve Bank of India https://www.rbi.org.in/scripts/PublicationsView.aspx?id=17470

[3] "GST: A 17-year-old Dream, 17 Phases Toward Creating History" by Mohak Gupta. IndiaToday.in "Challenges and inadequacy of GST in India," Kunal Sharma (2017), p. https://blog.ipleaders.in/gst-one-nation-one-tax-negativeaspects-of-gst ShefaliDani (2016) "A study report on the effects of the goods and service tax (GST) on the Indian economy." Journal of Business and Economics, Volume 7, Issue 4. GDP growth in Q2: For team NarendraModi, a (temporary) breath of relief after 5 agonising quarters, R. Shrivastava (2017). IndiaToday