UGC Approved Journal
© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 01 | January – March 2018

Study of Role of Goods and Service Tax (GST) in Revenue Generation in India

Dr. Pawan Kumar

Lecturer in Economics, GSSS Safidon Distt. Jind

Abstract

Taxes are seen as an essential consideration when making a choice. Investors have a significant influence in determining investment options. Decisions about production and investment are heavily influenced by it. They have a significant influence in shaping a household's savings and purchasing decisions. Economic development is also heavily influenced by taxes and the taxation system. For example, a country's tax collecting structure has an impact on GDP components such as usage consumption as well as speculation and government spending. Trade and imports are also influenced. Income through indirect taxes is one of the ways the government raises funds. It was a crucial factor in determining the direction of financial growth. G&S tax is one of India's most significant roundabout fee changes. July 1, 2017 was the day it was first shown in India. Numerous studies conducted before to the implementation of GST have shown that charges for goods and services would help the country's financial growth. It has been about two years since the implementation of GST. This research examines whether or not there is a connection between the cost of goods and services and financial growth. A look at the GST and GDP of India during the last two years is used to examine this link. When everything is said and done, the study has come to a major conclusion that explains the extent to which GST has impacted Indian financial progress.

Key words: Goods, Service, Tax, Revenue, Generation, India etc.

Introduction

The government's primary source of income is taxes. Financing public expenditures is made easier with their assistance. The government uses the considerable quantity of tax revenue it receives to implement a variety of social and economic reforms and development initiatives around the country. In order to decrease the tax payer's compliance and administrative costs, as well as the amount of tax evasion, the tax structures are designed. The prices paid for the items and services are also heavily

ISSN : 2348 - 5612 | Volume : 05 , Issue : 01 | January – March 2018

influenced by fees. Assist it also plays a significant role in selecting the national level of life for its citizens. Cross-border charges levied by governments throughout the world have an influence on exports and imports. An important factor in determining economic development is the Roundabout charges. It's possible that products and administrations in India may be charged based on the purpose of creating a single common financial development in the country.

Objectives of GST

- **To achieve the ideology of 'One Nation, One Tax'**

The former tax system included various indirect taxes, which were replaced by the GST. Having one one tax implies that no matter where you live, you'll pay the same amount for the same goods and services. It is simpler to administer taxes when the rates and rules are set by the federal government. "E-way bills for goods transit and e-invoicing for transaction reporting are two examples of common regulations that might be established".

- **To subsume a majority of the indirect taxes in India**

It used to be common practise in India to levy various indirect taxes at various supply chain levels, such as service tax, "Value Added Tax (VAT)", and Central Excise. There were certain taxes that were controlled by the states, and there were others that were controlled by the central government. There was no centralised and uniform tax on both products and services in the country before this one. Because of this, GST was created. A single indirect tax replaced all of the others. As a result, taxpayers no longer have as much of a compliance burden, and tax administration has been made simpler for the federal government.

- **To eliminate the cascading effect of taxes**

The removal of the tax cascade was one of the key goals of the GST. Previously, taxpayers couldn't use one tax benefit to offset another owing to various indirect tax legislation. "For example, the excise charges paid during the manufacturing process could not be recouped against the VAT that would be due on the sale of the product. This resulted in a cascading tax burden". Taxes are only levied at each level of the supply

UGC Approved Journal
© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 01 | January – March 2018

chain if there is a net value added. As a result, taxes have been reduced and input tax credits are now flowing freely between products and services.

- **To curb tax evasion**

In comparison to previous indirect tax rules, GST legislation in India are more stricter. Taxpayers may only claim an input tax credit under GST on invoices that have been submitted by their suppliers. These measures will ensure that no fraudulent invoices can be used to claim input tax credits. The emergence of e-invoicing has bolstered this goal. Because the GST is an all-encompassing tax with a comprehensive central monitoring system, it is much easier to identify and prosecute tax defaulters.

- **To increase the taxpayer base**

New taxes have helped to broaden India's tax base, thanks to GST. Previously, the registration requirement for each tax legislation was based on a distinct turnover criterion. Tax-registered enterprises have expanded since the introduction of the GST because it is a single, unified charge on both products and services. In addition, tightened rules on input tax credits have helped bring several formerly untaxed industries into the tax net. As an example, consider the building sector in India economy .

- **Online procedures for ease of doing business**

Taxpayers formerly had to deal with a variety of tax authorities under each tax legislation, resulting in a great deal of stress. In addition, the majority of the evaluation and reimbursement processes were conducted offline, even if the return submission was done online. GST processes are now almost totally completed online. Everything from registration to return filing to refunds to e-way bill production may be done with a single click. As a result, conducting business in India has been much more straightforward, and as a result, taxpayer compliance has been greatly simplified. All indirect tax compliance, including electronic invoices, electronic waybills, and returns, will soon be handled via one unified platform by the government.

- **An improved logistics and distribution system**

Reduced paperwork for the provision of products is a benefit of a unified indirect tax system. Reduced transportation cycle times are only one advantage of GST. It also improves the supply chain and turnaround time, as well as leading to warehouse consolidation. "The elimination of interstate checks under the GST e-way bill system benefits the industry by enhancing transit and destination efficiency". As a result, the high shipping and storage expenses may be reduced.

- **To promote competitive pricing and increase consumption**

Consumption and indirect tax collections have both risen since the implementation of GST. The costs of items in India were higher than those in worldwide markets because of the cascading impact of taxes under the previous system. Some states had lower VAT rates than others, causing a disparity in purchasing. As a result of the uniformity of GST rates throughout India and the rest of the world, the total cost of goods and services has become more competitive. As a result, demand has grown and revenues have risen, both of which were essential goals attained.

Trends in Tax Revenue in India

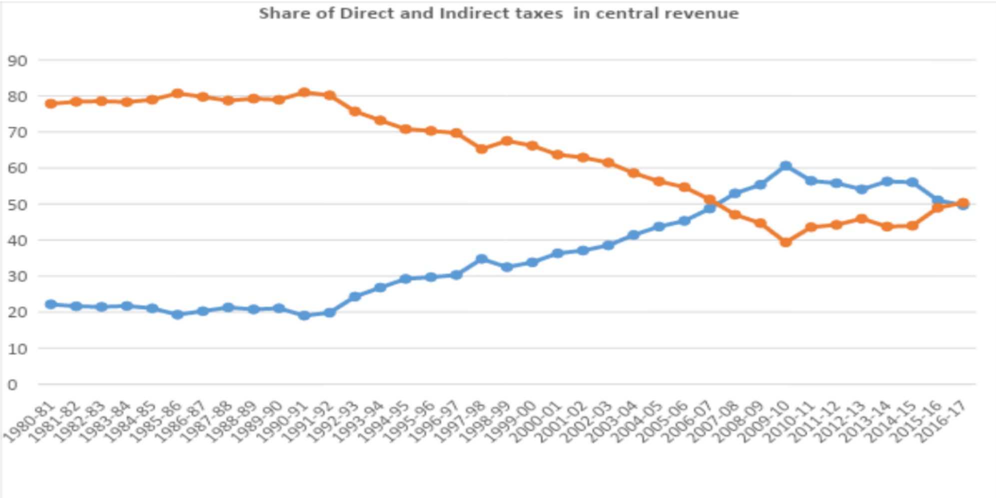
According to the Constitution, India is a federal nation, and taxing powers are split between the federal government and the states. Income, customs, excise and service taxes are collected by the federal government, whilst taxes on land, commerce, automobiles and liquor are collected by each of the states. Depending on how they are collected, taxes may be characterised as either direct or indirect. This week, we'll take a closer look at trends in the collection of direct and indirect taxes at the federal level, as well as how they contribute to total central revenue. According to CBDT data, ministry of finance publications and the Principal Controller of Accounts, Table 1 shows the central government's total direct and indirect taxes.

Table 1: Trends in Direct and Indirect Taxes (Rs. in Crores)

UGC Approved Journal
© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 01 | January – March 2018

Financial Year	Direct Taxes	Indirect Taxes	Total Taxes	Direct Tax as per cent of total tax	Indirect tax per cent of total tax
1980-81	2,817	9,909	12,726	22.17	77.83
1990-91	10,606	45,158	55,764	19.02	80.98
1995-96	32,090	75,944	1,08,034	29.70	70.30
2000-01	68,305	1,19,814	1,88,119	36.31	63.69
2004-05	1,32,771	1,70,936	3,03,707	43.72	56.28
2008-09	3,33,318	2,69,433	6,03,251	55.34	44.68
2012-13	5,58,658	4,74,482	10,33,140	54.07	45.93
2014-15	6,96,000	5,46,000	12,42,000	56.03	43.97
2016-17	8,49,818	8,61,515	17,11,333	49.66	50.34

Figure 1: Trends of Direct and Indirect Taxes



Since 1980-81, direct taxes have grown, although their ratio maintained at roughly 20% until 1991-92, as indicated in table1 and figure 1. As a percentage of overall tax revenue, however, it has expanded dramatically since then. Up until 1991, “it accounted for almost one-fifth of all central taxes (or approximately 20% of the total), but it rose rapidly to 40% in 2003-04 and to 52.70 percent in 2007-08, when it passed the halfway point. Afterwards, it increased even further, reaching a high percentage of 60.64 percent in 2009-2010. Once again in 2016, indirect taxes outpaced direct taxes by a slim margin of 50.34 per cent compared to 49.66 per cent of the total tax revenue collected in 2016. Direct tax collection eclipsed indirect tax collection for the first time in history in the year 2007-08. It peaked in 2009-10, when it amounted to little over 60% of all central taxes collected”. While the decline in marginal tax rates may have increased compliance, it's more likely to be attributed to the booming organised sector, expanding financial

UGC Approved Journal
© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 01 | January – March 2018

sector-to-to-to contact, and administrative steps taken by tax authorities than it is to an uptick in direct tax collection.

Conclusion

Regulatory effectiveness, macroeconomic stability, and geopolitical consistency have all improved dramatically as a result of India's post-'90s economic reforms. After three decades of remarkable indirect tax reforms in India that have proved economic resiliency, the country launched another breakthrough in July 2017 with a new tax reform bill that is expected to be finalised by the end of this year. Experts say that the Goods and Services Tax (henceforth GST) represents a substantial shift in taxes by the Indian government after the liberalisation of the Indian economy in 1991. Since its inception, the Goods and Services Tax (GST) has been an important and long-awaited indirect tax reform in India. By decreasing the number of state and federal taxes and simplifying tax structures, GST has proven to be more efficient than ever for businesses throughout the world. The GST is an indirect and destination-based tax.

References

1. Gurumurthi S, 1993, "Value Added Tax and Fiscal Federalism", Economic and political weekly, May 29, pp.1108-1120.
2. Kavita Rao, 2004, "Impact of VAT on Central and State Finances", Economic and political weekly, June 26, pp.2773-2776.
3. Purohit M C, 1982, "Structure of Sales Taxes in India", Economic and political weekly, Aug 21, pp.1365-1375
4. Rao Hemalata, 2002, "Value Added Tax: Design and Policy Issues", Sun Publishing House, Bangalore.
5. Rao Govinda, 2005, "Tax System Reform in India: Achievements and Challenges Ahead", Prepared for the International Symposium on Tax Policy and Reform in Asian Countries, Hitotsubhashi University, Tokyo, Japan, July 1-2, 2005.
6. Ahuja, Girish ; Gupta Ravi, Professional approach to Direct Taxes(18 Edition) Bharat Publications Law House, New Delhi.

ISSN : 2348 - 5612 | Volume : 05 , Issue : 01 | January – March 2018

7. Banger, Yogendra; Agarwal., Seema, Income Tax Problems & Solutions., Jaipur : Ajmera Book Company.
8. Jain, Anil Kumar;. Direct Taxation in India. ., Jaipur : RBSA Publishers.
9. Mehrotra H.C ; Goyal S.P., Income Tax Law & Accounts., Sahitya Bhawan Publishers & Distributors, Agra.
10. Patel,R.S.(2006).IncomeTax., Jaipur Choudhary Publishers.
11. Singania,Vinod ; Singania, Kapil, . Direct Tax Law and Practices., Taxman Publications Pvt.Ltd.
12. Singh, S.K.; Jain, R.K; Income Tax Law and Accounts., New Delhi : Sahitya Bhawan Publishers & Distributors, Agra.