

IMPACT OF GST ON GOVERNMENT REVENUE IN INDIA

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ABSTRACT

GST will help to make India a common national market with uniform tax rates and producers and remove the economic barriers, thereby paving the way for an integrated economy at the national level. It will give a major boost to the 'Make in India' initiative of the Government by making goods or services produced or provided in India and make competitive in the national and the international market. Thus, GST will be helpful in grow the Indian economy. This paper highlights the concept and Impact of GST on Government revenue in India.

KEY-WORDS: *Indirect Tax, GST, Government revenue*

INTRODUCTION

The state generates revenue to the betterment of the people of their country. State collect revenue from many sources and Taxes is one of the important sources. Taxes are categorized into Direct and Indirect Tax. Tax burden directly pay to the Government by the person himself is Direct Tax whether tax burden shifted to another person known as Indirect Tax. India has recently adopted new Indirect tax regime known as GST (Goods and Services Tax) on 1st July 2017. GST adopted by the 122nd constitutional amendment bill 2014 and after passed by both of the house of parliament and president assent became 101st constitution amendment act 2016. GST subsume 17 different indirect taxes like VAT, Excise, Custom, service Tax etc. In the earlier Indirect Tax regime, there were many indirect taxes Levied by State government and central Government separately due to federal structure of the nation. This leads to a overlapping of taxes and create cascading effect of taxes. One of the primary objectives of

the GST is avoid the cascading effect of taxes. GST is the biggest tax reform in India since independence and provides One Nation One Tax structure. GST is a destination based tax because it's levied on the supply of goods and services or both that means event of tax is supply. Supply is the keystone of the GST architecture. Earlier from GST regime different types of indirect taxes are there, and different way to its calculation. Now we have a uniform taxation system which known as GST.

The ultimate objective of the any tax system is revenue generation. It is important to analyse the impact of GST on Government revenue to the assessment of the new tax system.

OBJECTIVE OF STUDY

- To understand the tax mechanism of GST.
- To compare the revenue of Government from pre GST.
- To examine the effect of revenue of Government.

REVIEW OF LITERATURE

Some studies related to GST were reviewed and their important insights are being highlighted here :-

Garg(2014) explained that the GST is all set to integrate state economies and boost overall growth. GST will create a single unified Indian market to make the economy stronger.

Kumar(2014) studied different aspect of GST and conclude that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Devi (2016) performed swot analysis on GST in India and conclude that GST will present India in a top class taxation system that will appeal the international eyes for investment.

Tax mechanism under GST

India has adopted a dual GST which is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. Centre has the power to tax intra-State sales & States are empowered to tax services. GST extends to whole of India including the State of Jammu and Kashmir. There are three types of taxes under GST namely CGST, SGST/UTGST and IGST.

IGST:- Integrated GST is levied on inter-state supplies of Goods or services. In such cases, collection of taxes will be done by central government but the money will be distributed between Central Government and State Government.

CGST :- Central GST is levied on intra-state supplies of goods and Services in which collection and retention of such taxes is done by Central Government.

SGST/UTGST :- levied and collected by State Governments/Union Territories with State Legislatures and Union Territory Goods and Service Tax levied on intra-state supply.

Inter-State supplies of taxable goods and/or services are subject to Integrated Goods and Service Tax (IGST). IGST is approximately the sum total of CGST and SGST/UTGST and is levied by Centre on all inter-State supplies.

The base tax rate of GST are 0, 5, 12, 18 and 28 percent but 90 percent of consumer goods below the rate 18 percent of Tax.

The incidence of tax is the foundation stone of any taxation system. It determines the point at which tax would be levied, i.e. the taxable event. The earlier framework of taxable event in various statutes was prone to catena of interpretations resulting in litigation since decades. The controversies related to issues like whether a particular process amounted to manufacture or not, whether the sale was pre-determined sale, whether a particular transaction was a sale of goods or rendering of services etc. The GST laws resolve these issues by laying down one comprehensive taxable event i.e. "Supply" - Supply of goods or services or both.

The definition of supply begins with the term 'Supply includes', thus making it clear that CGST Act intends to give an extensive meaning to the term 'supply'. The first part of section 7 [Clause (a) of sub-section (1)] includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for consideration in the course or furtherance of business.

Revenue Data

After the implementation of GST finance ministry data reflect that Indirect Tax collection increased. As per Finance ministry data total indirect tax collection in the period April 2016 to March 2017 is ₹ 8.63 Lakh Crore while total GST collection in the period August 2017 to March 2018 is ₹ 7.19 Lakh Crore. The average monthly collection of the indirect tax in the earlier year from GST implementation is ₹ 71900 crore which is increased in the GST regime and monthly average collection of GST reached at ₹ 89700. The data shows that 24.75 percent increase of the monthly GST collection from the previous tax regime. The SGST collection during the year, including the settlement of IGST has been Rs. 2.91 lakh crore and the total compensation released to the States for a period of eight months during the last financial year was Rs. 41,147 crore to ensure that the revenue of the States is protected at the level of 14% over the base year tax collection in 2015-16. The revenue gap of each State is coming down over last eight months. The average revenue gap of all states for last year is around 17%. The average monthly tax collection under GST in the year 2018-19 is ₹ 97,100 crore per month as compared to ₹ 89,700 crore per month in the first year of the GST regime. GST has resulted in increased tax base, higher collections and ease of doing business. This will reduce the interface between the tax payers and the Government for day-to-day operations and assessments. Returns are fully online and e-way bill system is in place. Inter-state movements have become faster, more efficient, and hassle free with no Entry Tax, check posts, and truck queues among others.

CONCLUSION

The ultimate objective of the any tax system is revenue generation. India has introduced new Indirect Tax regime namely GST(Goods & Services tax) . After implementation of GST tax collection has been increased in the short period of time and it is accelerate the economic growth of India. The new tax system has been fully digitalised and easy to use for all the stakeholders to the economy. This system of GST eliminate cascading effect of taxation, tax evasion, and provide a digitalised mechanism for supply of Goods. In my view GST is a foundation and pace maker of the Indian economy.

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