

# A National Journal of Research

## Goods and Services Tax In India:

### A Swot Analysis

Paper Submission: 15/10/2021, Date of Acceptance: 23/10/2021, Date of Publication: 24/10/2021

#### Abstract

Number of indirect taxes is under one umbrella which simplifies the taxation system for service and commodity businesses. GST can convey various advantages to the economy as an indirect tax. The paper focuses on advantages to the Indian economy, and various problems, issues, and challenges in front of GST. In India, there are different indirect taxes applied on goods and services by the central and state government. GST is intended to include all these taxes into one tax with seamless ITC and charged on both goods and services. Thus, excise duty, special additional duty, service tax, VAT to name a few will get repealed and will be added into GST. For this, GST will have 3 parts –CGST, SGST and IGST. The central taxes like excise duty will be subsumed into GST and state taxes like VAT into SGST. Thus, the research paper starts with the existing issues faced by the industry under service tax laws and based on the available information in the public domain and the issues faced captures the issues which need to be addressed from a financial industry perspective for GST. Further the paper has analysed data collected from research articles and information for global practices for similar issues and data collected through interview and questionnaire from people in the field. Based on this analysis, the paper goes on to suggest changes or requirements that GST should address from a financial service industry perspective.

**Keywords** GST; VAT; CGST; SGST; IGST

#### Introduction

The idea of a Goods and Services Tax (GST) for India was first mooted sixteen years back, during the Prime Ministership of Shri Atal Bihari Vajpayee. Thereafter, on 28th February 2006, the then Union Finance Minister in his Budget for 2006-07 proposed that GST would be introduced from 1st April 2010. The Empowered Committee of State Finance Ministers (EC), which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on GST in November 2009. The FDP spelled out the features of the proposed GST and has formed the basis for the present GST laws and rules.

In March 2011, Constitution (115th Amendment) Bill, 2011 was introduced in the Lok Sabha to enable levy of GST. However, due to lack of political consensus, the Bill lapsed after the dissolution of 15th Lok Sabha in August 2013.

On 19th December 2014, The Constitution (122nd Amendment) Bill 2014 was introduced in the Lok Sabha and was passed by Lok Sabha in May 2015. The Bill was taken up in Rajya Sabha and was referred to the Joint Committee of the Rajya Sabha and the Lok Sabha on 14th May 2015. The Select Committee submitted its report on 22nd July 2015. Thereafter, the Constitutional Amendment Bill was moved on 1st August 2016 based on political consensus. The Bill was passed by the Rajya Sabha on 3rd August 2016 and by the Lok Sabha on 8th August 2016. After ratification by the required number of State legislatures and assent of the President, the Constitutional amendment was notified as Constitution (101st Amendment) Act 2016 on 8th September 2016. The Constitutional amendment paved the way for introduction of Goods and Services Tax in India.

After GST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok Sabha on 29th March 2017. The Rajya Sabha passed



**Soniya Tiwari**  
Research Scholar  
Dept. of commerce,  
Purvanchal University,  
Jaunpur, U.P., India

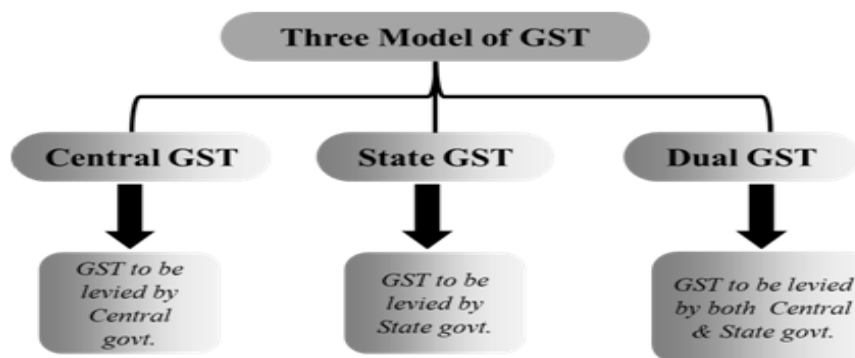


**Sataya Prakash**  
Assistant Professor  
Dept. of Commerce,  
Shree Mahant Ram  
Ashrya Das, P. G  
College, Bhurkura  
Ghazipur, U.P., India

these Bills on 6th April 2017 and were then enacted as Acts on 12th April 2017. T 2015. 6 on 08.09.2016

Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, GST was launched with effect from 1st July 2017 by Shri.Narendra Modi, Hon'ble Prime Minister of India in the presence of Shri.Pranab Mukherjee, the then President of India in a mid-night function at the Central Hall of Parliament of India.

## Structure of GST



## The latest category list issued by government in 2020 is under as

1. **No text category**  
It includes goods like symmetry napkin raw material used in the brooms and forfeited milk fruits and vegetables. It also includes services like hotels and lords who carried tariffs below rupees 1,000.
2. **5% GST category**  
It includes goods like skimmed milk powder fish wallet frozen vegetable coffee cold fertilizer tea spices pizza bread kerosene medicine and so on services like railway and airways also including
3. **12% GST category.**  
It includes goods like frozen meat product butter cheese fruits juicy jewelry box wooden frames and for painting and photographs.
4. **18 %GST category.**  
Sugar context pasta pastries and cake detergents are some notable items in this category. It also includes services of a restaurant located inside a hotel with a diary of 7500 and above outdoor catering and movie tickets priced above rupees 100.
5. **28% GST category.**  
This includes over 200 goods, mainly sunscreen masala dishwasher with washing machine paint cement working cleaner services like five-star hotels and casinos are also included.

## Objective of the Study

The study has following objectives:

1. To evaluate the history of tax structure in India.
2. To do a SWOT analysis of GST in the Indian context.

## Review of Literature

Monika Sehrawat, Upasana Dhanda (2015) in, "GST in India: A Key Tax Reform", presented that implementation of GST was the need of the era. It is required for a simplified, user-friendly, and transparent taxation system. If the government can successfully implement it, it will expand employment opportunities, lower cost of production, higher output, reduce the regional disparities and consequently increase GDP 1-1.5%

Bikram Pegu<sup>16</sup>(2017) the proposed GST regime is a half-hearted attempt to rationalize multiple indirect tax structures. The real success of the GST lies on the impact on the common Indian consumer. We hope GST leaves a positive impact and helps to boost up the Indian economy and a rising Indian economy will help in the financial growth of the common man. Tax policies of a country play an important role in the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and at the same time, also generate tax revenues to support government expenditure on public services and infrastructure development. The framework of value added tax (VAT), recognized as GST as well in several countries, has been one of the major developments in taxation structures

worldwide. More than 135 countries adopted the GST/ VAT framework effectively. 8. B.S. Gosavi 11 (2012) this is the brief description

#### **Strength of Gst In India For common man**

A GST act the white that the common items of consumption of common men remain tax free. Does no tax is levy on the item like made Levi don't item like milk card fresh fruit vegetables and the like first of this should be given a big relief to common man full stop next line only tax of five percent leave right on items slightly coffee and medicines which are another set of item being commonly used by most of the people in the country briefly the essential of life of common man are either tax free or moderately taxed.

#### **Trade and industry first**

producer for filing GST returns has simplified. Facilities for filters will save a lot of time for traders and industrialists.

This shall be up unit trapped flow of input credit full stop so that in the incidence of the taxation does not cause full stop the traders and industry can claim input credit themselves why filing GST returns.

A cut in taxation would enhance the competitive power of the traders and industry list in the international goods market.

Text exemption on many commonly used items would offer a more favourable market for women to the small traders who deal with this item.

#### **Benefits to the economy**

1. GST is expected to create one unified market for most of the cool sense services in the country. It means that for every producer in the economy the size of the market will extend.
2. If the price of puts and services fall in the domestic economy, exports will rise leading to higher earnings for the foreign exchange.
3. A unified market is expected to balance regional growth.
4. With the growth of market size GST is expected to raise the level of economic activity in the economy implying the fastest GDP growth it would also mean faster generation of the percentage of employment. Next line
5. Giants is expected to improve tax complaints because input credit will be available only those who buy their inputs from GST complaints from full stop
6. There is to be a digital record to monitor the value addition at the stage of production activity.
7. Higher degree of tax complaints would mean higher tax CDP ratio and gradually elimination of the share economy or the black money economy.

#### **Weakness of Gst In India**

1. Due to compliance, small marginal producers of the shadow economy may find their business operations. If the small and marginal producers are eliminated, production activity will decline and still harder will the impact on employment. Because it is production activity in the shadow economy which generates most employment opportunities in the country.
2. The government proposed to set up aunty profiteering at 30 to monitor that the benefit of lower taxation is passed on the consumers. This attorney shall have the right to cancel registration of such business establishments which are found to be exploiting the consumer by charging.
3. higher price.
4. The business community has expressed their serious recombinant over the decision they are fearing that the entity profiting authority will mean the return of inspector Raj leading to Verizon corruption.
5. It is feared that operating costs of small and marginal producers will rise due to the maintenance of record of all the level of cell and purchases of goods and services.
6. According to P Chidambaram X finance minister small and medium microscale entrepreneurs are not GST prepared full stop even when GST is a tax reform it's introduced should have waited till days enterprise and cons of this text this enterprise accordingly is still not clear to ask who Levi GST state is or centre full stop
7. Petroleum electricity are out of the amateur GST even when these products constitute nearly 305 to 40% of the economy this is a serious team Meritor or deficiency of GST

- Opportunities of Gst In India** The rates of tax are set at ground level which will help States and Unions to collect more revenue. It will reduce the transaction costs and wastage of scarce resources because at one registration people can do transactions from States and Unions. So, it will connect the whole nation from a single click. In the indirect tax structure multiple taxes were charged from taxpayers. But GST will eliminate the taxes on chain of transactions. GST is also known as "One Point Single Taxation System ". This is a helping hand for businessmen, they can come to agreement on price modalities, supply chain etc., without thinking too much about taxes imposed on them at later stages. GST will reduce the average tax burden of consumers. They will be certain about their taxes which will reduce evasion of taxes
- Treats of Gst In India** Inter-States supply of goods and services are considered as import and IGST will be applied (1%) in addition to custom duties. The Central government promised compensation to loss making States for a period of 5 years. The compensation will be: 100% for the first 3 years, 75 % for 4th year and 50% for 5th year. So, it is possible that all States do not implement it in an effective manner to get compensation. GST is not friendly with the banking sector. Because the cost of goods becomes cheaper after GST and it will promote exports. Presently, 14% service tax is being levied on banking transactions. GST will make these transactions more costly. Over and above, in most countries the banking sector is excluded from GST. GSTC (Goods and Service Tax Council) will set the benchmark for resolving the dispute on recommendations of GSTC. It means the GSTC will lay down the criteria for the GSTC itself. It is against the principle of natural justice. GST is not a guarantee that it would not be influenced by political parties and politicians will not use it as a win-loss game.
- Conclusion** GST is a national tax replacing multi of taxes on the goods and services in the economy one tax in place of all is doubly the significant reform in the field of taxation it is also an undoubted table fact that GST would increase the tax complaints leading to arise in tax GDP ratio elimination of shadow economy full stop yet the flows related to GST cannot overlook full stop particularly the fact that petroleum product which are a significant source of revenue of state government are out of the ambit of GST. Nearly 50% of market price first of given the fact that the highest GS lab is 28% if petroleum products are brought in amidst GST the consumer will get significantly relieved by the way of price cut full stop. If GST is being propagated as consumer friendly then why not drink petroleum products in the amateur GST. With the unified market and movement of the goods across all the parts of the country GST will help create the economic India this would mean level playing field for the buyer and seller in the country domestic economy would become more competitive higher the degree of competition greater the need of innovations innovations equity economies always better place of tack of and sustainable growth.
- References**
1. *Sehrawat,Dhanda(2015).GST in India: A key tax reform. International journal of researchGranthaalayah,3((12),133-141.*
  2. *Seema Devi (2015), Goods and Services Tax in India, International Journal of ResearchGranthaalayah, Vol.4, issue 12, pp. 188-195.*
  3. *Lourdunathan,F.,&Xavier,P.(2017).A study on implementation of goods and services tax(GST) in India: Prospectus & Challenges. International Journal of Applied Research, 3(1),626-629*
  4. *Bharti Sharma GST in India (2018), IAETSD journal for advanced research in applied sciences, vol. 5, issue 2,pp.489-497*
  5. *Vedant Madan and Deepak Joshi (2018),Taxguru*
  6. *Deewan Chopra & Co, Chartered Accountants*
  7. *Akansha Khurana and Aastha Sharma (2016), on "GST- A positive reform for indirect taxation system" International journal of advance research, (2016) vol 4, issue3.pp-500-505.*
  8. *Hitesh K. Prajapti (2016), "Challenges and Implementation of GST (Goods and Service Tax)in India" PARIPEX - INDIAN JOURNAL OF RESEARCH, Volume : 5 | Issue : 7*
  9. *Pankaj Kumar and SubhrangshuSekhar(2016), "Goods and service tax in India: problems and prospects" Asian Journal of Management Research, Volume 6 Issue 3, pp. 504-513.*
  10. *Monika Sehrawat and Upasana Dhanda (2015) " GST in India – A key tax reform"International journal of research Granthaalayah. Vol. 3, Issue. 12*
  11. *www.wikipedia.org*