



# NATIONAL AND INTERNATIONAL CONSEQUENCES AFTER IMPLEMENTATION OF GOODS AND SERVICE TAX WITHIN THE TAX STRUCTURE

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### ABSTRACT:

Implementation of *Goods and Services Tax* (GST) has brought a big change in the tax structure of India. India has faced lots of challenges at the time of implementation of GST. At the first stage manufacturing sectors of India have started to get benefits of the new tax structure and in the recent time pharma sector is getting the highest benefit from GST. The national consequences that have been evaluated through GST can be determined through the fact that major exceptions have been granted upon to revise tax implementation. According to the budget in the year 2018-19 the collection of GST has increased, on the other hand in the year 2020-2021 it has been reduced due to fewer sales in goods and services. The main purpose of GST was to reduce the cascading effect of the existing tax structure that has been fulfilled by the implementation of GST.

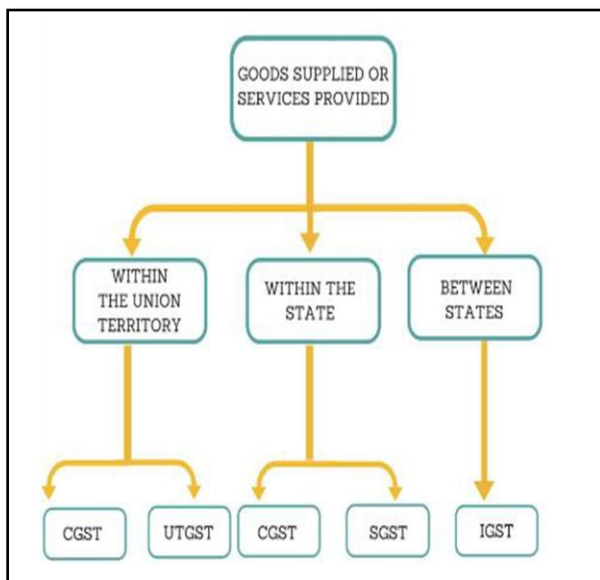
### KEYWORDS:

### INTRODUCTION

GST was planned to be implemented in 2010 in the month of April. Different political issues and confusion about the implementation process, postponed the plan. The objective of the GST was to subsume all present indirect taxes within the GST taxation system. Government was planning to implement “one taxation system” in India and trying to adopt more transparency in the taxation process (John et al, 2019). GST was focused on to reduce the tax theft within the country. GST subsumed the old tax structure such as “Central Excise Duty”, VAT, “Service tax” and many more. The GST model consists of four stages, first one is SGST, second one is CGST, third one is IGST and the last one is UGST.

According to economists, GST is a good tax structure for the country; on the other hand they also noticed that after implementation of GST there are also some negative effects that arise. This tax structure has increased the “cost of production” of some commodities (civil service India, 2022). As a result the selling prices of those commodities have increased. Some sectors are facing losses due to implementation of GST such as textile, media, IT and many more. Real estate industry is critically affected by the new tax structure, near about 8% tax has increased in this sector and demand has decreased near about 12% (civil service India, 2022). In the global context there are 140 countries, who have already implemented GST in their nations. At the time of introducing the GST structure, every country faces problems regarding implementation of the structure. GST replaced different indirect taxes and brought a single tax system in India. Every state needs to follow the same tax structure for a particular product. The objective of this tax structure was to reduce the cascading effects of different taxes. India is considered as a hub of taxes, as people of India pay two types of taxes, one in direct tax and another one is indirect tax. People pay direct tax to governments in the form of “Income tax, Wealth tax and corporation tax”. Indirect taxes are levied on the “goods and services”. GST was introduced to change the scenario of the present indirect taxes.

According to the rules of GST in which businesses exceed the turnover of 20 lakh, they need to register under the GST act excluding the “Himalayan and north eastern states”. Every taxpayer needs to submit their monthly tax files based on the goods and services provided, goods and services received and the payment of GST. Taxpayers also need to prepare an annual return file along with the monthly files.



**FIGURE 1: GST STRUCTURE**

(Source: taxguru, 2018)

### LITERATURE REVIEW

**INTRODUCTION**

The review of literature is based on the past studies of related subject matter that were being researched by various researchers, scholars and authors. This chapter will provide an overview of the overall section related to goods and service tax in India. However, the theoretical underpinning provides the information that is related to past studies and based on that matter the researcher creates the theoretical model that explains the identity of the research paper. Furthermore, the theories will be based on the constitutional system of the indirect tax of India which was adopted before GST. Therefore, the chapter will also give a brief description on the national and international consequences revolving around the home country which is India in the global spectrum.

**THEORETICAL UNDERPINNING**

**Analysis on Goods Service Tax**

The Taxation policy plays a significant role for the progress of a country and directly impacts the economy in accordance with equity and efficiency. A good policy of taxation is considered to which it takes a positive care regarding the entire distribution of income and creates the tax revenues in such a way in terms of State and Central Governments that leads to the entire benefit within the infrastructure of the nation, people’s security, public amenities, country’s export and defence. The overall framework of the taxation policy is to impose the indirect tax that comes under the provisional Constitution of India (Kaakandikar and Bhandwalkar, 2019). According to the “Article 246”, the seventh schedule provides the discussion on the right to State and Central Governments in order to impose and collect the indirect taxes that are based on the transactions of GST. However, the taxation system differs from manufacturer to manufacturer on the import or export level or as per the perspective of sale. Indirect taxation is however based on the collection system within the origin and is created to impose the taxes and hence collect the same during the incident of any taxation activity.

**ACCORDING TO ARTICLE 246**

(Source: Nayyar and Singh, 2018)

The above figures indicate the tabular representation or flow chart of the indirect system of tax in India according to “Article 246 of the Constitution of India” (Thomas, 2020). However, the figure represents the various taxes that are collected and imposed by the State and Central Government of India.

**JOURNEY OF INDIRECT TAX AND SIGNIFICANT TURNING POINTS:**

The below points illustrate the indirect taxation journey and its turning points that has been reformed under the taxation system since the GST introduction in India.

1986: Introduction of VAT

1994: Introduction of Service Tax.

2005-2006: Implementation of VAT based on taxation system

2008: EC roll out within the taxation system of GST structure

2012: Negative regime list for the implementation of service tax.

2014: 115th lapse of Amendment Bill and re- addressed in 122nd “Constitutional Amendment Bill”.

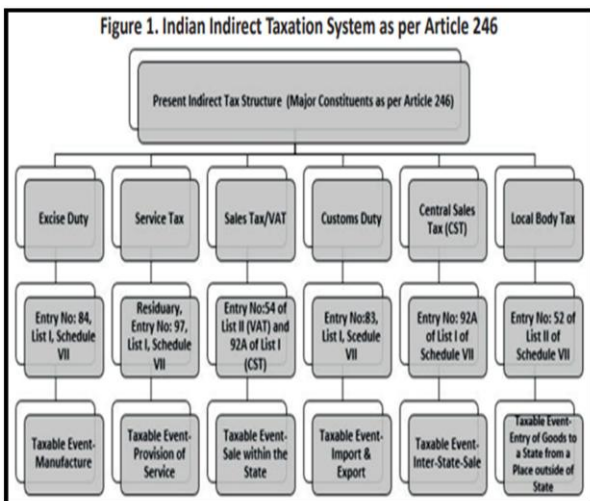
**IMPACT OF GST AFTER THE IMPLEMENTATION IN INDIA**

GST is projected to transform the entire condition of the present indirect taxes. However, GST will further combine with all the “indirect taxes” that will help to create a smooth market. It is projected that GST will further help to create a “single and uniform market” that will provide benefits to both the corporate system and the Indian economy (Bhushan, 2018). The direct taxes will create the tax structure of India and will generate a similar market across all the areas. However, the government has pledged that GST will further lower the load of regulatory at the present time. The significant aim of GST introduction is to lower the overflow impact of taxes that are considered as the fundamental focus in terms of VAT. The State and the Central Government would have a concurrent jurisdiction that will be for the overall “value chain” and hence for all the taxpayers based on the threshold of GST has been prescribed. The study of GST for the indirect taxation system of India concludes that the new taxation system of India shows a positive effect towards the GST implementation (Shaikh, 2020). Hence it is profitable for the state government, central government as well as for the customers in the long term if the adoption is backed up by a strong foundation of IT. The fundamental tax reform that is due to the situation of the Indian economy is due to the time in order to adopt GST.

**THEORETICAL FRAMEWORK**

**DUAL GST MODEL**

Dual GST indicates that GST will be imposed simultaneously by the State and Central Governments.



**FIGURE 2: INDIRECT TAXATION SYSTEM OF INDIA**

Each and every transaction related to goods and services should suffer the Central GST as well as State GST when the transactions are between the states. However, there is an integrated GST that will be collected by the government and then the State GST factors is paid to the State Government where the GST will be consumed (Bala, 2018). Dual GST is considered in those countries where the federal structure of the state government is present. However, in this system, states preferred to be independent within the revenue sources and thus do not have to depend on the central government to share the collected revenues. This is significant as it will further reduce the dispute among the state and centre over the distribution of revenue. Both the government level has an equal responsibility to function as per the divisional powers that are being prescribed by the Constitution for which the government is required to adopt various resources. Therefore, a “dual GST model” in accordance with the Constitutional requirement for fiscal federalism has been presented (Banik and Das, 2018). There are two types of dual GST model- “Non- Concurrent Dual GST model” and “Concurrent Dual GST model” (Padma, 2018). India has adopted the “Concurrent Dual GST model” where the requirement for the model is based on the below points:

- In the pre- framework of GST, both the government levels according to the constitution held the powers to impose taxes on national goods and services.
- The “Concurrent Dual GST model” is considered to be a dual that is “imposed concurrently” by both the governments but independently.
- Both the state and central government function over the common system that is based on the imposition of tax liability to be identical.

**METHODOLOGY**

The study highlights a broad range that collects the secondary data information collected from various journals or articles. Published government reports, national or international journals, publications from different websites that focus on several factors and significance of “goods and service tax”. The requirement of the GST model in India is very significant that follows the present taxation system allowing the diversity of tax, GST introduction is likely to be unique in this section (Damani and Vora, 2018). Many of the service areas are untaxed, however after the GST introduction; all those systems have been covered. GST avoids the confusion that is caused by the recent structure of tax and will further help in the national market development. Moreover, CST, VAT and excise have an outrageous impact on taxes. Therefore, if the GST replaces the existing taxes, then there will be an end in paying all the taxes. Furthermore, GST leads to credit availability on the purchases and reduction in its requirements. Application of GST will further do more than the simple redistribution of tax burden from one source or group within the Indian economy to another. It achieves

the uniformity of taxes across the country despite the place in terms of distribution or manufacture. It also provides transparency in taxes and greater certainty by ensuring the compliance of tax among the country (Sunitha and Madhav, 2021). However, GST will avoid the double taxation to some extent after the effective GST implementation by ensuring that India provides a taxation system that is similar to the entire world wherever the GST is being implemented. Although, GST will improve the international cost competition level of different goods and services that provides an impartial structure of tax considered neutral for the business process and geographical locality in India. Therefore, if the implementation of GST is done with true spirit, then it will have a positive impact for the stakeholders that lead to a better taxation environment.

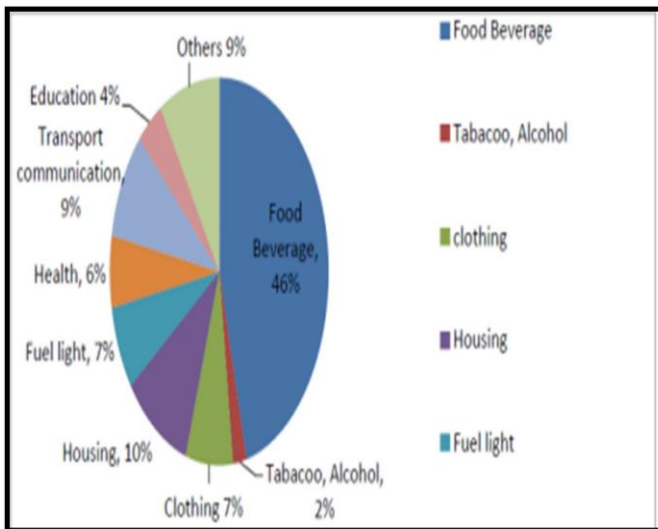
The initial stage for each sector has been registered under the “Central Goods and Service Tax Act (CGST)” and “State Goods and Service Tax Act (SGST)”. In case an individual is forced to be registered under GST then the individual shall register themselves under the act of SGST as per the respective state where the performance of the business work also is registered under the act of CGST (Ahluwalia, 2019).

GOODS	BEFORE	AFTER
Package Products	4-5%	18%
Readymade Garments	4-5%	18%
Jewellery	3%	18%
Mobile & credit cards	15%	18%
Cars	30-44%	18%
Home appliance	12.5% & 14.5% (Excise & VAT)	18%

**FIGURE 3: BEFORE AND AFTER IMPLEMENTATION OF GST**

(Source: Ahluwalia, 2019)

The above figure reveals the tax percentages that are being imposed before and after the GST implementation. Payment of taxes on the package product is 4- 5% but however after the GST implementation it can be observed that 18% of total tax has affected the common man. Here it can be stated that after the GST implementation, the common people need to suffer as they do not have the capabilities for satisfying their wants and desires entirely but however, there would be no negative effect for the rich people.



**FIGURE 4: IMPACT OF GST ON CONSUMER PRICE INDEX**

(Source: Ahluwalia, 2019)

The “consumer price index (CPI)” assesses the level of price changes within the market area of the “consumer goods and services” that are being brought by the households such as tobacco, beverages, clothing, housing, alcohol, fuel light and so on. The CPI indicates the statistical analysis that is estimated for the construction by using sample prices representing those items that are collected periodically Ahluwalia, 2019. In the above figure, it can be observed that according to the sector wise, the weight age system under the present CPI is being highlighted. Therefore, it indicates that GST will have an important impact on 20% to 25% of items present in the CPI basket.

**RESULT AND DISCUSSION**

Peoples of India faces many problem regarding paying more money as a tax on some commodity in the short term. Majority noticed that just after the implementation of GST they faced slightly high prices for daily use commodities. After the implementation of the SGST, VAT has been removed. The prices of different commodities have been decided based on the CGST and SGST.

GST has been designed to remove the extra burden of tax from different commodities; as a result it will reduce the prices of the commodity. GST was introduced to reduce tax evasion and eliminate tax theft. In order to improve the economic structure this new tax structure has been introduced.

**IMPACT OF GST ON INDIAN ECONOMY**

After the implementation of GST, the GDP of India grew up to 1 to 2%. The manufacturing sectors are receiving more benefits and other service sectors are trying to understand the effect of GST. The economy of New Zealand noticed that their economy is growing after adopting the new tax structure. Some states are giving benefits of GST in the entertainment sector. Before implementation of GST people of Uttar Pradesh paid Rs. 480 (ticket price 300 and

tax 180) for a movie ticket, after GST this movie ticket price came down to rs. 384 (ticket price 300 and tax 84). The owner of the multiplexes is also taking the advantages of the new tax structure.

Particulars	Before GST	After GST
Ticket sales	10,00,000	10,00,000
Entertainment tax @30%	3,00,000	-----
GST@28%	-----	2,80,000
Food & Beverages sold	15,00,000	15,00,000
VAT & Service Tax @23.5%	352,500	-----
GST@18%	-----	2,70,000
<b>Total Output GST</b>	-----	<b>5,50,000</b>
Rent	6,00,000	6,00,000
Service Tax@15% of 6,00,000	90,000	-----
<b>Input GST@18%</b>	-----	<b>1,08,000</b>
<b>Total Tax paid</b>	<b>7,42,500</b>	<b>4,42,000</b>
	(3,00,000+352,500+90,000)	(5,50,000-1,08,000)

**FIGURE 5: EFFECT OF GST UPON INDIAN ECONOMY**

(Source: clear tax, 2022)

From the above figure it is clearly shown that the multiplexes are generating more profits after the implementation of the GST in India. GST removes the burden of taxes from the people of India. Before GST the tax system was complicated, people were unable to understand the cascading effects of the VAT and other taxes. After implementation of GST, the tax structure is simplified among the peoples and they are easily taking the benefits of the input taxes. As cascading effects are removed, the manufacturing units are producing their products at low costs. As a result the purchasing power of people is increasing and it is leading the growth of the economy. In this modern world, the use of IT is increasing day to day. Although the tax rate is increased to 18% for software services, on the other hand increasing trend of software’s sales is definitely increasing the profits of the IT sectors.

Different areas are affected differently as an effect of the implementation of GST. In the power sector SGST subsumed the duty of electricity. GST helps to reduce the cost of the power sector materials and different projects and also reduces the cost of distribution. As a result it is increasing the profitability of the nation. On the other hand GST subsumed different taxes which levy on the vehicles and in the transportation services. Transportation services play a role in determining the price of the products (clear tax, 2022). All goods are needed to transport one area to another area for sales. Before GST transport companies were facing the problem of road blocks due to tools and they are facing more stoppages, which is indirectly increasing the cost of the goods. After GST these problems are reduced, as a result cost of freight of the transporting goods is reduced and indirectly it growing up the economy of India.

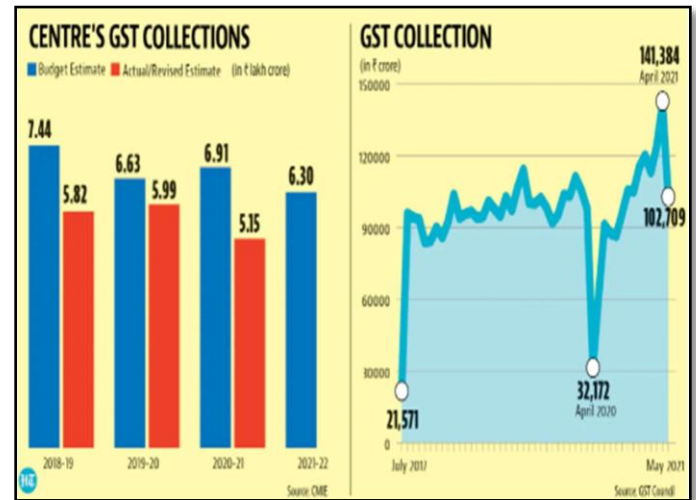
The revenue collections of the Indian government have increased after the implementation of GST. In the year 2018 (first nine month) the total collection of revenue was

Rs. 7.4 crore. After that the Indian economy shows a healthy growth in the revenue collection. In the year 2019 the government has collected 11.7 lakh crore and in the financial year 2020 it will reach about 12.2 lakh crore (deloitte, 2022). The figures are clearly denoting that GST implementation is in the favor of the Indian economy. According to the report of Indian Express finance minister Nirmala Sitharaman says that the taxpayer base of India reached almost double after the implementation of GST (newindianexpress, 2017). Before implementation of GST total number of taxpayers was 66.25 lakh and after GST implementation it reached 1.28 crore.

### ANALYSIS OF NATIONAL CONSEQUENCES OF GST IMPLEMENTATION

There are different types of tax implemented in India in comparison that eventually helps in determining the tax structure of the country. "State Goods and Service Tax" delves into intrastate transactions on goods and services while "Central goods and Service Tax" is the most significant tax form of the country such as India where the central government delves into collection of a significant amount of revenue in the form of tax (hindustantimes, 2022). In this aspect, these two forms are essential to determine revenue transactions by the state in comparison with revenue transactions by the central government. India is the home country that has eventually faced the grave national as well as international consequences where the cascading effect of the tax has considerably reduced where it has been found that GST has helped in subsuming domestic form of indirect taxes such as petroleum, beverages, stamp duty and others which have encountered tax exemptions (hindustantimes, 2022). The national consequences that have been evaluated through GST can be determined through the fact that major exceptions have been granted upon to revise tax implementation.

In addition, the Union Budget of the country between 2017 and 2018 estimated receipts to be around ₹7.43 lakh crore where the actual collections have been found to be around 78% (hindustantimes, 2022). The budget estimations have also reduced where it has been found that actual collections have been around ₹6.63 lakh crore (hindustantimes, 2022). In this respect, the budget estimates for the respective GST collections in 2020 and 2021 have been lowered in comparison with 2018 and 2019. The national consequences of GST implementation can easily be determined where collections have increased in 2018 and 2019 while it has reduced in 2020 and 2021 indicating that sales of products and services taught were implemented with GST has reduced in 2020 and 2021 as compared with 2018 and 2019.



**FIGURE 6: FLUCTUATIONS IN GST COLLECTIONS IN THE CENTER**

(Source: hindustantimes, 2022)

The above image is evidence that there is a difference between revised estimate and budget estimate where it is seen that in 2018 and 2019, the budget estimate is around 7.44% while it is around 6.63% in 2019 to 2020 (hindustantimes, 2022). According to the image, the graph is fluctuating where in 2020, the budget has been found to be 6.91% and in 2021, it is around 6.30% (hindustantimes, 2022). The actual estimate has always been reduced as compared with budget estimations. The actual estimates have always been reduced which indicates that GST has a negative impact indicating GST collections have reduced that too after implementation of GST.

### EVALUATION OF INTERNATIONAL CONSEQUENCES AFTER GST IMPLEMENTATION

Imports in India are considered as an "Inter-state supply", according to this IGST will be levied on the Imported goods and services along with surcharges. In the case of services, the service receiver is liable to pay the taxes. According to the model of GST Countervailing Duty (CVD) is included in the GST and "Special Additional Duty" (SAD) is also included in the model. Currently CVD value is included in the IGST and it affects the price of the imported products. Currently the Government of India is planning to increase the output of the product and also increase the quality of the products as per the project "Make in India". The Indian government is providing tax benefits to the exports to encourage the exports of India.

### CONCLUSION AND RECOMMENDATION

From the above study it can be concluded that the GST structure of India carries both advantages and disadvantages for the people of India. In the first year of implementation of GST, the government has faced many problems implementing the new tax structure all over the country. The organizations and common peoples are quite confused about implementation of GST in their organizations. Before GST people need to prepare their tax file once a year, on the other hand after implementation of

GST people need to prepare their files on a monthly or quarterly basis. This system has increased the cost of the tax file preparation and also some people are facing irritation with this system (Thoram, 2022). The Indian Government has introduced the GST to reduce the tax evasion and eliminate the theft of taxes. GST brings more transparency in the taxation system of India and also increases the number of taxpayers which increases the revenue generation of the Government.

The Government of India needs to focus on the tax filing system, as people are facing problems regarding frequent filing. Government can use different strategies or methods to implement the GST in a structured way so that people do not face any problems regarding their filing process. Government also can arrange for more knowledge programmers to give more knowledge to the people of India.

Different sectors are facing different consequences regarding implementation of GST. Some sectors are facing problems, on the other hand most of the sectors understand the applications of GST and they are receiving the benefits of input tax credit. Textile industry, information and technology industry faced the problems in the first stages and the impact of their revenue was negative. After a long period these industries understand different purposes of the GST and now they are also taking the benefits of the new taxation system. The common peoples are availing the benefits of low prices of multiplex tickets and also cut down the costs of foods in the restaurants. In the first year the government has faced lots of problems implementing the new tax structure all over the country. At that time the process of implementation of GST was unknown by most of the officials. As a result, people are paying low prices for their entertainment. Reduction in tax theft leads the growth of the economy. Growth in the number of taxpayers is also a good sign for the country.

The system of GST is structured to identify the present system of "indirect tax" in India. However, a "well designed GST" is considered to be an attractive system in order to get rid of the existing process of deformation to taxation where the government has ensured that GST will lower the burden of compliance at the present time. Hence there will be no such difference between the Indian goods and imported products and thus they will be levied at a similar rate. Various "indirect taxes" will come to an end due to their one taxation system and will reduce the burden of compliance.

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