6 years of GST

Why in news?

Touted as one of the biggest tax reforms, India's Goods & Services Tax (GST) turned six years this year.

What is Goods and Service Tax?

- **History -** The idea of a Goods and Services Tax (GST) for India was first mooted during the Prime Ministership of Shri Atal Bihari Vajpayee.
- The Constitution (***122nd Amendment***) Bill was introduced in 2014 in the Lok Sabha and was passed by Lok Sabha in May 2015.
- The Constitutional amendment was passed and notified as Constitution (***101st Amendment***) Act 2016 which paved way for introduction of Goods and Services Tax in India.
- GST was launched with effect from ***1st July 2017***.
- **Goods and Services Tax -** GST completely transformed the indirect tax structure of India.
- GST was born out of subsuming of 17 taxes and 13 cesses levied by the Central and State governments.
- Apart from zero-rated goods, the new structure has just four tax slabs 5%, 12%, 18 and 28%.
- **GST Council -** The GST Council is a joint forum of the Centre and the States which makes recommendations to the Union and the States on GST.
- Every decision of the GST Council is taken at its meeting by a majority of not less than 3/4th of the weighted votes of the Members present and voting.

Why was GST launched?

- GST was launched with the motto, "***One nation, One market, One tax***".
- It aimed to bring unity and benefits for all stakeholders, governments, taxpayers, and administrators alike.
- It also simplifies the compliance for businesses and makes the tax system more transparent with several features.
- **Features of GST** -
    - Unified taxpayer base governed by a uniform set of laws and procedures;
    - Common management of business records and filing returns;
    - An uninterrupted input tax credit chain through the mechanism of Integrated Goods and Services tax (IGST);
    - Completely automated and faceless administration with all processes being online.

• Over the last five years, the Value of Goods Transported Inter-State (Domestic Only) increased by 44% and the Cumulative Value of Imports and Domestic Goods increased by 34%. - Economic Advisory Council to the Prime Minister (EAC-PM)
• The taxpayer base has witnessed a remarkable increase, surging from 63.9 lakh in 2017 to approximately 1.40 crore currently.

What are the benefits?

- Despite the introductory challenges, one cannot deny the benefits that GST has provided to businesses and the Indian economy.
- **Few highlights** of the GST regime
  - Single indirect tax regulatory framework for businesses
  - GST eliminated the cascading effect of taxes and reduced manufacturing costs.
  - Reduction of cascading effect of taxes
  - Digitization of compliances
  - Federal cooperation and enhanced economic integration of the States.
- **Revenue standpoint -** this tax reform has witnessed a considerable increase in average revenue per month including in most cases during the pandemic year 2020-21.
- It simplified the processes of return filing through technological advancement in GST continues.
- E-invoicing today covers a taxpayer base which contributes more than 80% of GST revenue.

What are the challenges?

- Initially the tax regime's technical, structural and procedural challenges took a while to sort out.
- Bogus firms and fake invoices causes revenue loss and also adversely affects the competitiveness of honest taxpayers.
- Dispute resolution remains a pain point for industry, with GST appellate tribunals still not set up.
- There is no road map in sight on the rate rationalisation exercise or the inclusion of excluded items such as electricity, petroleum and real estate, without which the efficiency gains from the GST remain constricted.
- The GST Council needs to meet more often and turn its to-do list into a must-do list expeditiously.
- Extension of GST Compensation cess levies till at least March 2026, instead of the initial 5-year tenure.

What is the way forward?

- The risk parameters for the new applicants are continuously refined through use of data analytics and AI to control the rogue players.
- Taxation of online gaming activities and transactions involving cryptocurrency are few new areas that deserve attention under GST.
- Setting up of Centralised Authority to address the issues arising from contradictory

orders passed by the Authority for Advance Rulings (AARs) in different states.
- A National Appellate Authority for Advance Ruling with the inclusion of judicial members in bench may improve this tax reform.
- A white paper for each industry with clarifications on major issues should help further improve the certainty index.
- Operationalization of the GST Appellate Tribunal to help taxpayers in getting quicker cost-effective resolution.

Quick Facts

- **E-way bills** help the government track the movement of goods across the country.
- **E-invoicing** is a system of electronic, standardised invoicing that enables seamless data sharing and tracking between businesses and the government.

References

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