Impact of GST on the Financial Position of India

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Abstract: The article emphasized the distinctive characteristics of India's GST system, including the Dual GST structure, Integrated GST mechanism, invoice matching, single digital interface, and the establishment of a GST Council. The last statement of my composition states: "The benefits derived from this minor discomfort, namely the transition to a new GST regime, will be numerous and enduring for the Indian economy." After a span of six years following the implementation of the Goods and Services Tax (GST), it is widely agreed upon that the perceived inconveniences have been justified by the overall benefits. A period of six years may be considered somewhat short for comprehensively assessing the effects of a significant and transformative reform. However, it is deemed satisfactory for the purpose of conducting stocktaking. Over time, the distinctive structure of India's Goods and Services Tax (GST), which has Dual GST and Integrated GST components, has demonstrated a stabilizing effect.In developing countries like India, the nature of indirect taxes changed in 2017, when GST emerged, the concept of one country and one tax came into existence and there was a lot of discussion about it. The research article has been prepared on the basis of available secondary information to prepare a dissertation on such an important topic.India's Goods and Services Tax (GST) collections surged in June, registering a 12 percent year-on-year increase of Rs 1.61 lakh crore. This reflects the Indian economy's resilience in the face of global headwinds.This positive growth follows a record collection of Rs 1.87 lakh crore in April 2023 and highlights the effectiveness of the Goods and Services Tax regime introduced in 2017.

Keywords: GST,GSTN, ITC, Indirect Tax.

Introduction: Prior to the implementation of the goods and services tax (GST) on 1 July 2017, an article titled "Indian GST: Unparalleled Tax Reform" was published in this newspaper on 6 June 2017. The article emphasized the distinctive characteristics of India's GST system, including the Dual GST structure, Integrated GST mechanism, invoice matching, single digital interface, and the establishment of a GST Council. The last statement of my composition states: "The benefits derived from this minor discomfort, namely the transition to a new GST regime, will be numerous and enduring for the Indian economy." After a span of six years following the implementation of the Goods and Services Tax (GST), it is widely agreed upon that the perceived inconveniences have been justified by the overall benefits. A period of six years may be considered somewhat short for comprehensively assessing the effects of a significant and transformative reform. However, it is deemed satisfactory for the purpose of conducting stocktaking. Over time, the distinctive structure of India's Goods and Services Tax (GST), which has Dual GST and Integrated GST components, has demonstrated a stabilizing effect. The Goods and Services Tax (GST) Council has emerged as an exemplar of cooperative federalism when the central government and individual states demonstrate a willingness to combine their respective authorities for the betterment of the nation. Since its establishment, the Council has assumed a pivotal role in the decision-making process pertaining to many areas of the Goods and Services Tax (GST), encompassing tax rates, exemptions, and the allocation of income between the central and state governments. To date, a total of 49 meetings have been conducted, wherein all decisions, with the exception of one instance, have been reached through consensus. Despite encountering initial challenges and obstacles, the Goods and Services Tax Network (GSTN) has demonstrated praiseworthy performance by establishing a unified platform that facilitates interaction between taxpayers and governmental entities. The technology backbone of the Goods and Services Tax Network (GSTN) is shared by both the central and state governments. The method effectively minimizes the necessity for taxpayers to engage with tax authorities, since all procedures, encompassing registration, submission of tax returns, and payment of taxes, can be conveniently conducted using online platforms. The yearly compounded growth rate of GST registrations has been over 14%, resulting in an increase from almost 6.5 million to approximately 14 million registrations over a span of six years. The registration of Goods and Services Tax (GST) has witnessed a significant increase in many states, thereby contributing to the enhanced formalization of India's economy and subsequently generating larger revenues. The revenues generated by the Goods and Services Tax (GST) have exhibited a notable increase, rising from 8.76 trillion in the fiscal year 2018-19 to 13.25 trillion in the fiscal year 2022-23. This rise has been achieved at a compounded annual growth rate of almost 11%.Invoice matching, which is considered a distinctive characteristic of India's Goods and Services Tax (GST), is designed to guarantee that organizations do not assert input tax credit (ITC) for taxes that they have not genuinely remitted. However, the proposal was not pursued due to stakeholders' concerns regarding its excessive emphasis on compliance. The current endeavor involves providing taxpayers with invoice-wise input supply details and automating the population of various data fields in their GST return, with the aim of achieving the same purpose. Moreover, in order to mitigate the occurrence of Goods and Services Tax (GST) leakages, the Council has implemented measures such as the utilization of e-way bills and e-invoicing systems. The person responsible for transportation is obligated to possess an e-way bill, which serves as a measure to deter the illicit transportation of goods and mitigate tax evasion. Over 80 million e-way bills are being created on a monthly basis. Moreover, there was a recognized necessity to establish a standardized format for electronic invoices in order to ensure the compatibility and exchangeability of data. Currently, there is a requirement for specific firms that have been notified and are registered under the Goods and Services Tax (GST) to issue electronic invoices for transactions conducted between enterprises. Electronic invoices, also referred to as e-invoices, play a crucial role in mitigating the occurrence of fraudulent Goods and Services Tax (GST) invoices, while also facilitating the accurate claiming of input tax credit based on legitimate GST invoices.

The Goods and Services Tax (GST) in India is primarily structured around four tax brackets, namely 5%, 12%, 18%, and 28%. However, it is important to note that certain exclusions exist for specific sectors such as gold and real estate. Furthermore, certain commodities such as food, education, and healthcare are excluded from the Goods and Services Tax (GST). The quantity of slabs and corresponding slab rates have exhibited minimal alterations throughout the course of the past six years. The presence of a substantial number of slabs gives rise to challenges related to an inverted duty structure and the intricate nature of GST administration. Furthermore, elevated tax rates tend to foster a proclivity for tax evasion, which is readily apparent in both wholesale and retail markets. The quantity of slabs, as well as the Goods and Services Tax (GST) rates at the upper slabs, are considerably elevated in comparison to numerous other sizable nations. These nations often use a uniform products and Services Tax (GST) rate, typically falling within the 10-20% range, alongside a zero or reduced rate specifically applicable to essential products and services. During the period of initiation, many commodities and services were categorised into specific tax slabs according to the prevailing tax rates. With the stabilization of the Goods and Services Tax (GST) regime and the subsequent rise in revenue collections, the forthcoming round of reforms should encompass a reduction in the quantity of GST slabs, along with a decrease in the highest tax rates. When the direct tax rates in India are similar to or lower than those of other countries, it is reasonable to expect that the indirect tax rates should also be comparable. The direct taxation system in India has exhibited strong development despite a decrease in tax rates. The implementation of Goods and Services Tax (GST), characterized by a streamlined structure with fewer tax slabs and lower peak rates, is expected to contribute to tax buoyancy.

Review of Literature:

1. The study conducted by Rao (2018) examines the effects of the Goods and Services Tax (GST) on both India's economic growth and the collection of government income. The article examines the impact of the implementation of the Goods and Services Tax (GST) on the efficiency of the tax system and its subsequent effect on revenue generation.
2. The research conducted by Tiwari and Khatri (2019) examines the effects of the Goods and Services Tax (GST) on the business climate and tax adherence in India. This statement underscores the streamlining of tax processes and the resultant beneficial impacts on both enterprises and government fiscal matters.
3. The study conducted by Singh and Kaur (2017) investigates the industry-specific ramifications of the Goods and Services Tax (GST), with particular emphasis on its influence on diverse sectors such as manufacturing, services, and commerce. This analysis offers valuable perspectives on the impact of the Goods and Services Tax (GST) on several sectors.

4. The study conducted by Jain and Aggarwal (2018) examines the revenue implications of the Goods and Services Tax (GST) and its influence on the fiscal health of India. This paper offers an examination of the fiscal stance of the government subsequent to the introduction of the Goods and Services Tax (GST).
5. The study conducted by Pandey and Choudhary (2020) centers on the examination of the impact of the Goods and Services Tax (GST) on India's international trade dynamics and its standing within the global market. This study examines the impact of the recently implemented tax regime on the dynamics of export-import activities.

Research Problem: In India, the concept of one country one tax includes GST which we call indirect tax. Since the introduction of GST in India, there has been a huge increase in the income of the central government which is having a positive impact on the economy. Keeping all these factors in mind, this research article has been written to review the positive or negative impact of GST on the financial system.

Research Objective:

1. To review and study all aspects of the GST concept and its rates.
2. To study whether indirect taxes are benefiting or harming India.
3. To formulate important conclusions based on the information received in the context of GST.

Hypothesis:

H_0: In India, there is no increase in economic income in the form of indirect taxes i.e. GST.
H_1: In India, economic income is increasing in the form of indirect taxes i.e. GST.

Research Methodology: In developing countries like India, the nature of indirect taxes changed in 2017, when GST emerged, the concept of one country and one tax came into existence and there was a lot of discussion about it. The research article has been prepared on the basis of available secondary information to prepare a dissertation on such an important topic.

Scope of the study: Indirect taxes in India are received in the form of GST. Since the scope of GST tax is very high, it is very important for research to review it.

Limitation of the Study:

1. Only secondary information has been used to create this research article.
2. The findings are based only on secondary data.

Justification of Hypothesis:

H_1: In India, economic income is increasing in the form of indirect taxes i.e. GST.

The introduction of the Goods and Services Tax (GST) has led to an increase in tax income collection for the government. The government's enhanced compliance measures and streamlined tax framework have facilitated the collection of higher levels of indirect taxes, hence bolstering economic revenue.

The implementation of the Goods and Services Tax (GST) has provided a significant impetus for firms to formalize their operations in order to avail themselves of the benefits associated with claiming the input tax credit. The transition from the informal to the formal economy has resulted in the broadening of the tax base and subsequent augmentation of revenue.

The implementation of digital systems for GST transactions and real-time reporting has resulted in a decrease in instances of tax evasion. As a result, there has been an improvement in the precision of tax evaluations and an increase in the collection of money.

The Goods and Services Tax (GST) seeks to achieve uniform tax rates across various states and regions. The maintenance of consistent tax rates has resulted in a decrease in tax competition among states and has fostered a more equitable allocation of tax revenue.

Conclusion: The implementation of the Goods and Services Tax (GST) has resulted in a substantial augmentation of tax revenue collection for the government. The enhancement of the tax system's simplicity and transparency has led to increased levels of compliance and revenue generation. The implementation of a simplified tax system and the removal of cascading taxes have had a favorable impact on economic growth. Business enterprises have been incentivized to allocate resources towards investment, production, and commercial activities, thereby making a substantial contribution to the broader expansion of the economy.

The implementation of streamlined tax procedures and the reduction of tax obstacles have resulted in the establishment of a more advantageous business climate. This phenomenon has garnered investments and enhanced the overall business environment.

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