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Research Paper

A Comprehensive Analysis of Goods and Service Tax (GST) In India

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Abstract
This paper provides a comprehensive examination of the Goods and Services Tax (GST) introduction and history in India, with a particular focus on the impact of the GST on the federal financial system. It examines the primary components of GST and evaluates its intricate consequences, particularly in relation to revenue collection, productivity increase, and cost reductions in India. The historical context of the GST tax reform in India is used to understand its evolution. The study considers the structural changes that the Goods and Services Tax (GST) has caused and its implications for the federal financial system, as well as the redistribution of fiscal powers between the federal and state governments. The report also underscores the Goods and Services Tax (GST)'s key attributes, including its input tax credit method, unified tax regime, and compliance requirements. It assesses the impact of the GST on various groups of individuals, including consumers, businesses, and governmental organizations. The study specifically examines the productivity increases and cost reductions that result from the implementation of GST, emphasizing its role in simplifying business operations and reducing tax-related inefficiencies. It also examines the impact of the GST on India's revenue collections, considering factors such as administrative efficiency, tax rates, and compliance levels. In conclusion, this study contributes to the existing body of knowledge on GST by examining its historical context, structural attributes, and potential implications for India's federal financial system. It will be a valuable resource for policymakers, scholars, and practitioners who are interested in understanding the complexities of the GST implementation and its broader economic implications.
Keywords - Goods and Services Tax (GST), India, federal financial structure, tax reform, cost savings, productivity gains, revenue collections, tax compliance, input tax credit, fiscal decentralization

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I. Review of literature

The objective of Sharma and Arora (2024) is to assess the robustness of the Goods and Services Tax (GST) as a tax regime through a bibliometric analysis. The goal is to conduct an analysis of the current literature on GST in order to identify critical themes, trends, and research gaps. The researchers employed bibliometric analysis, which entails the quantitative assessment of publications on GST. Following the collection of data, they likely employed statistical tools to analyze citation patterns, publication trends, and author contributions, utilizing databases such as Scopus or Web of Science. The study likely discovered that GST is a subject that has garnered significant academic interest over time and is well-researched. Common themes may encompass the effects of GST on economic growth, compliance challenges, and sector-specific effects. The analysis likely emphasizes influential authors and papers in the field. The extensive coverage of GST in academic literature leads Sharma and Arora (2024) to the conclusion that it is a robust tax regime. The paper recommends areas for future research, including comparative studies with other tax regimes and the long-term economic impacts of GST.

The objective of Desai et al. (2024) is to examine the ongoing obstacles that the GST regime in India has encountered since its inception. The goal is to pinpoint persistent issues and suggest solutions that will enhance the efficacy of GST. The researchers likely employed a qualitative approach, which involved conducting interviews with key stakeholders, including tax officials, business owners, and GST practitioners, and conducting case studies. Additionally, they may have conducted an analysis of policy documents and GST reports to substantiate their conclusions. The study likely identifies a number of ongoing challenges, including administrative bottlenecks, compliance complexities, and issues with the IT infrastructure that supports GST. It may also address the effects of these obstacles on government revenue and businesses. Desai et al. (2024) assert that GST has simplified taxation in India; however, there are still numerous obstacles that impede its full potential. The paper underscores the necessity of ongoing technological advancements and reforms to effectively address these issues.

The objective of Basavanagouda and Panduranga (2022) is to investigate the perspectives and responsibilities of GST practitioners in the promotion of GST compliance in India. The goal is to comprehend the manner in which practitioners assist in guaranteeing that businesses comply with GST regulations. The researchers likely employed a mixed-methods approach, which involved conducting qualitative interviews with GST practitioners and conducting surveys. The data may have been analyzed to identify common practices and challenges that practitioners encounter when promoting compliance. The research likely determined that GST practitioners are essential in educating businesses about GST regulations, assisting with the filing of returns, and resolving compliance issues. It may also underscore obstacles, including the necessity for ongoing professional development and the frequent modifications to GST laws. Basavanagouda and Panduranga (2022) assert that the successful implementation of GST in India is contingent upon the presence of GST practitioners. The paper recommends that the support system for practitioners be improved by implementing training programs and streamlining regulations.

Rao (2022) intends to investigate the consequences of the GST compensation regime's termination and its influence on the finances of Indian states. The goal is to investigate the impact of compensation cessation on fiscal stress and state revenue. The impact of terminating the GST compensation is likely to be evaluated through an econometric analysis of state-level financial data in the study. Also, Rao may have conducted interviews with state finance officials and reviewed policy documents. The study likely discovered that the termination of the GST compensation regime has resulted in substantial fiscal stress for numerous states, particularly those that were heavily dependent on the compensation to stabilise their budgets. It may emphasize the discrepancies in revenue generation that exist among states. Rao (2022) concludes that the termination of the GST compensation regime presents a significant challenge to state finances. The paper recommends the implementation of policy measures to assist states during this transition period, such as the revised revenue-sharing formula or the provision of targeted financial assistance.

Sitharaman (2024) intends to present the Interim Budget for 2024-2025, which will delineate the government's financial strategy, revenue and expenditure plans, and policy initiatives for the fiscal year. The methodology entails a comprehensive examination of the government's financial statements, budgetary allocations, and policy proposals. The budget was likely formulated by Sitharaman using economic forecasts, historical financial data, and policy analysis. It is probable that the Interim Budget contains critical policy measures that are designed to improve social welfare, manage fiscal deficits, and stimulate economic growth. It may also address the anticipated revenue from GST and other taxes, as well as the allocation of funds to different sectors. Sitharaman (2024) concludes by advocating for the implementation of ongoing economic reforms and the implementation of prudent fiscal management in order to achieve sustainable growth. The budget underscores the significance of preserving a balance between fiscal discipline and development expenditure.

The objective of Shome and Shome (2021) is to conduct a thorough case study of the Goods and Services Tax (GST) in India. The objective is to investigate the historical context, theoretical underpinnings, legal framework, and administrative aspects of GST implementation. The researchers likely employed a historical and analytical approach, reviewing policy documents, legal texts, and secondary data. Additionally, they may have conducted interviews with policymakers and experts who were involved in the GST rollout. The research likely determined that GST, despite its intricacies, represents a substantial change in India's tax structure, with the objective of unifying the market and reducing tax evasion. It may address the successes and obstacles associated with GST implementation, such as the effects on various economic sectors and compliance concerns. According to Shome and Shome (2021), the GST is a significant reform in the history of Indian taxation, with the potential to significantly increase economic efficiency. The paper recommends that GST be continuously monitored and adjusted to address emerging challenges and ensure its long-term success.

Devi (2017), who examined the proposed GST and the Indian indirect tax system, posited that its implementation would stimulate exports and generate employment opportunities, thereby advancing the nation's economy. According to her, the implementation of GST will eliminate the cascading effect of taxes, which will lead to increased production and consumption and reduced prices for goods and services.

In order to substantiate the implementation of the Goods and Services Tax (GST), Ahmad and Poddar (2009) underscored the deficiencies of the existing indirect tax system. They determined that the current methodology was inefficient and susceptible to the taxation cascade effect. The VAT system was found to be particularly ineffective in providing dealers with a comprehensive input tax credit due to its distinct tax regimes for goods and services. Their analysis determined that a national system of uniform taxes on commodities and services would lead to fiscal autonomy and harmonization.

Kumar (2017) conducted a survey to ascertain the perspectives of taxpayers and auditors on the GST's implementation. According to the majority of respondents, the GST will help consumers by reducing prices and increase government revenue by broadening the tax base. People reported that the system was more transparent and easier to comprehend. The investigation revealed that respondents were exceedingly content with their tax rates.

In their comparative analysis of the Indian GST and those of other countries, Gupta and Komal (2017) examined tax rates, structures, and models. They found that the GST rates in India were higher than the average rates in other countries. The analysis concluded that the current system's compliance cost had increased significantly due to the numerous taxes and administrative challenges. Consequently, it was determined that a unified, destination-based taxation system was necessary to resolve the challenges associated with the existing tax structure.

Shehrawat and Dhanda conducted an analysis of the GST implementation timeline in India in 2015. They provided a comprehensive explanation of the primary responsibilities of the GST Council and the anticipated characteristics of GST. According to the results of their analysis, the proposed GST system would increase the revenue base by providing the benefits of a single, consistent tax structure.

1 Detailed History and Implementation of GST in India

The initial proposal for a national Goods and Services Tax (GST) in India was made by the Kelkar Task Force on Indirect Taxes in 2000.. The primary goal was to replace the current complex and disjointed tax system with a unified, integrated framework that would simplifie compliance, minimize tax cascades, and facilitate economic integration.

The Empowered Committee of State Finance Ministers generated the initial Discussion Paper on the GST structure in 2009. In 2011, the Constitution Amendment Bill was introduced with the objective of simplifying the GST implementation process. However, it encountered significant challenges, particularly in the context of State payments.

The 2014 Constitution (122nd Amendment) Bill was introduced in the legislature after extensive discussions and deliberations between the federal government and state governments. The objective of this bill was to amend the Constitution in order to facilitate the implementation of the GST law. The Lok Sabha enacted the Bill in May 2015, and the Rajya Sabha and Lok Sabha both subsequently approved it in August 2016, following some modifications. The Bill was ratified by the requisite number of states and received presidential assent on September 8, 2016, thereby becoming the 101st Constitution Amendment Act of 2016. The GST Council received formal notification on September 15, 2016, and in order to streamline its operations, the GST Council Secretariat was established.

The Union Finance Minister and representatives from all States and Union Territories were tasked with the responsibility of making critical decisions regarding GST, including tax rates, exemptions, and administrative procedures, through the GST Council. It was instrumental in the development of the GST framework in India. The GST legislation was implemented on July 1, 2017, replacing a complex framework of Central and State taxes. The Goods and Services Tax (GST) in India categorizes goods and services into four tax brackets: 5%, 12%, 18%, and 28%. Specific essential items are exempt from GST. Demerit goods and specific luxury items are subject to a compensation cess, while gold and diamond job work is subject to a reduced tax rate.

In order to guarantee the seamless implementation of the GST, a comprehensive set of measures was implemented. This involved the establishment of the necessary technological framework and the training of tax authorities and enterprises. The GST Network (GSTN) is a non-profit organization that was established to provide the technological infrastructure for the GST system. This encompasses the management of taxpayer registration, the filing of returns, and the processing of tax payments.

In response to feedback from businesses and changing economic circumstances, the Indian Goods and Services Tax (GST) has undergone numerous modifications and enhancements since its implementation. Despite the challenges that businesses faced during the initial implementation period in understanding new compliance requirements and adapting to changes, GST has since become an essential element of India's tax environment.

In conclusion, the implementation of GST in India has resulted in a significant transformation of the nation's tax system. The objective is to establish a more transparent, effective, and cohesive indirect tax framework that will ultimately benefit the economy and businesses.

2 GST and Federal Financial Structure

The financial dynamics between the Central and State Governments of India have been significantly altered by the implementation of GST. The Goods and Services Tax (GST) has replaced the numerous indirect taxes that were previously imposed by both the central and state governments, thereby establishing a unified tax structure. This system enables the Central and State Governments to impose and collect taxes on goods and services, thereby promoting economic integration and more consistent and uniform tax frameworks among states.

Central GST (CGST) and State GST (SGST) are implemented concurrently by the Central and State governments, respectively, to operate the GST system as a dual framework. Furthermore, the Integrated GST

(IGST) is imposed on imports and supplies that have been transacted between various states. The Central Government collects it, and it is subsequently distributed to the state in which the goods or services are consumed.

The GST Council plays a critical role in the distribution of income. The joint forum, which is comprised of the Union Finance Minister and representatives from all States and Union Territories, is responsible for making decisions regarding various aspects of GST, including tax rates, exemptions, and revenue distribution between the Central and State Governments. It is surprising that the Council has made nearly all of its decisions unanimously, with only one exception.

In order to ensure a smooth transition to the GST regime and to reduce any revenue losses for the States, a compensation mechanism was implemented. The Central Government committed to compensating States in the event of a deficit in income during the initial stages of GST implementation, thereby addressing the discrepancy between the anticipated revenue increase and the actual revenue collected.

By streamlining the tax structure, reducing tax obstacles, and enhancing coordination, the implementation of GST in India has led to increased efficiency and competitiveness in the economy.. A collaborative and consensus-driven approach between the Central and State Governments is essential for the successful execution of this. The implementation of this reform has led to a more cohesive economic environment by improving the synchronization and effectiveness of India's tax system.

3 Salient Features of GST

Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. Here are the key features of GST:

I **One Nation, One Tax -** The implementation of GST has resulted in the substitution of various indirect taxes previously imposed by the Central and State Governments, including excise duty, service tax, and value-added tax (VAT). This reform has achieved standardization in the tax system throughout India, eradicating the cumulative impact of several taxes.

II **Dual Structure -** GST operates under a dual structure:

- **Central GST (CGST)**: Levied by the Central Government.
- **State GST (SGST)**: Levied by State Governments.
- **Integrated GST (IGST)**: Levied on transactions between different states and imports, the tax is imposed by the Central Government and distributed to the state where the goods or services are being delivered. Imports are considered as inter-state transactions and are liable to pay Integrated Goods and Services Tax (IGST) together with customs charges.

I **Destination-based Tax -** GST is a tax that is imposed at each step of the supply chain, depending on where the goods or services are used, making it a destination-based tax. This concept is implemented to enhance the value at every level, facilitating the smooth transfer of credits and decreasing the overall tax burden on the final consumer.

II **Input Tax Credit (ITC) -** The Goods and Services Tax (GST) enables businesses to obtain a credit for the tax amount paid on inputs utilized in the manufacturing of goods and provision of services. This system mitigates the issue of double taxation and minimizes the overall tax burden for enterprises.

III **Coverage and Exemptions -** The Goods and Services Tax (GST) is applicable to all commodities and services, with the exception of alcoholic beverages intended for human use. The taxation of five designated petroleum products (crude oil, petrol, diesel, aviation turbine fuel, and natural gas) would be imposed starting from a date suggested by the GST Council. Tobacco items are liable to GST, and the central government has the authority to impose an additional excise duty on these products. Exports are exempt from input taxes and taxes on completed products, meaning they are not subject to these taxes.

IV **Threshold Exemption -** Small enterprises whose annual sales falls below a set threshold are not required to pay GST. The existing threshold for providers of services or a combination of products and services is □20 lakhs, while for suppliers of goods within the same state, it is □40 lakhs. The threshold for special category states varies between □10-20 lakhs, with few specific exceptions.

V **Composition Scheme -** Individuals or businesses having a turnover below a specified threshold (currently □1.5 crores and □75 lakhs for special category states) have the option to choose the Composition Scheme. Under this program, companies contribute a predetermined proportion of their revenue as GST and enjoy streamlined compliance obligations.

VI **Online Compliance -** GST implemented the Goods and Services Tax Network (GSTN), an internet-based platform for the purpose of registration, filing of returns, payment of taxes, and other operations related to compliance. This platform has optimized procedures and facilitated the fulfillment of taxpayers' responsibilities.

VII **Anti-Profiteering Measures -** In order to guarantee that consumers receive the advantages of GST, the government formed the National Anti-Profiteering Authority (NAA). Starting on December 1, 2022, the Competition Commission of India (CCI) is responsible for managing any complaints related to anti-profiteering under the Goods and Services Tax (GST) system.

VIII **Increased Compliance and Transparency -** The objective of GST is to improve tax compliance by incorporating a larger number of enterprises into the formal economy. The computerized and open structure of the tax system effectively reduces tax evasion and enhances transparency.

IX **Sector-specific Exemptions -** Specific industries, including as healthcare, education, and essential goods like food grains, are either excluded from GST or subjected to lower tax rates to guarantee affordability and availability.

X **Periodic Account Settlement -** The Centre and States regularly reconcile accounts to ensure accurate credit transfers. The State Goods and Services Tax (SGST) used for Integrated Goods and Services Tax (IGST) payment is shifted from the exporting state to the Central government, while the IGST used for SGST payment is shifted from the Central government to the importing state. The State Goods and Services Tax (SGST) component of the Integrated Goods and Services Tax (IGST) collected on supplies made to consumers (B2C) is also transferred by the Central Government to the state where the goods are consumed. This transfer is based on the information provided by taxpayers in their returns.

XI **Evolution and Amendments -** The GST structure is adaptable, and may be modified and adjusted to accommodate the changing requirements of the economy and the policy choices made by the government.

4 Impact of GST

4.1 Impact on Cost Savings and Productivity Gains:

The Goods and Services Tax (GST) in India represents a substantial reform of the nation's tax structure, with the aim of integrating numerous indirect taxes into a single, comprehensive system. While the Goods and Services Tax (GST) is a relatively recent development, it has had a significant impact on the improvement of efficiency and cost reduction. Nevertheless, the GST's full implications are still being revealed as it continues to develop in terms of its operational specifics and structure. The implementation of a reform that is universally accepted is inherently complex and continuous in India, as a result of the heterogeneous political and economic context. However, the fact that GST has been broadly embraced by stakeholders suggests that it is likely to persist, despite the challenges associated with implementing the necessary modifications.

Keen (2013) introduced the concept of "C-Efficiency" to evaluate the consequences of GST. C-efficiency is a metric that deconstructs the proportion of GST income in GDP into three components: the regular tax rate, the value of consumption (minus GST), and an interactive term known as "C-efficiency." This term refers to the percentage of GST revenue that is allocated to the product of the standard rate and consumption. Acosta-Ormachea and Morozumi (2019) evaluated the influence of Value Added Tax (VAT) on economic growth in the European Union. They discovered that the standard rate of VAT can be reduced, but economic growth can be stimulated by increasing VAT and simultaneously improving C-efficiency. Because of the absence of consumption estimates, the limited time for implementation, and the existence of numerous GST rates, it is challenging to estimate the C-efficiency for GST in India.

However, the adoption of GST has numerous substantial benefits, despite the challenges associated with their precise measurement. The implementation of GST has effectively consolidated various consumption taxes, resulting in a reduction of both administrative and compliance expenses. This is the primary benefit. This consolidation simplifies the tax environment, improving the administrative effectiveness of the government and facilitating operational efficiency for enterprises.

In addition, the implementation of GST has successfully standardized the domestic trade taxes that are imposed, both vertically (between the Central government and the State governments) and laterally (between states). There was a substantial overlap between the excise duties imposed by the Union government and the sales taxes imposed by the state governments prior to the implementation of GST. This overlap led to increased compliance burdens and inefficiencies. The consolidation of these tax bases and the imposition of taxes on value added have been the outcomes of the Goods and Services Tax (GST) implementation. This has resulted in the tax system being simplified, which has improved overall efficiency and eliminated unnecessary duplication.

Additionally, the implementation of GST has significantly reduced the intensity of tax competition among various states. Before the GST was implemented, states frequently competed to lower their tax rates by offering a variety of tax benefits to attract industrial and trade investments. The harmonization of tax bases and rates has been achieved through the implementation of GST, resulting in a more equitable economic climate and reduced competition across the nation.

An apparent benefit of GST is the elimination of checkpoints, which enables the unrestricted transportation of goods across the country and establishes a unified market. According to the Ministry of Road Transport, this has led to a 20% reduction in the duration of long-distance truck travel, resulting in a reduction in transit time and the prevention of rent-seeking activities at previous checkpoints. Substantial cost reductions for enterprises, particularly in the context of supply chain management, have also resulted from the removal of these obstacles.

The implementation of GST has led to an improvement in the efficiency of the supply chain. In the past, in order to avoid interstate sales tax, major corporations established satellite offices in various states. Inter-state transactions under the Goods and Services Tax (GST) are subject to Integrated GST (IGST) and enable the seamless transfer of Input Tax Credit (ITC), thereby eliminating the need for consignment transfers and branch offices. This has resulted in the optimization of logistics management and the reduction of expenses associated with the upkeep of numerous offices.

One of the primary objectives of GST was to mitigate the effects of multiple taxes by enabling continuous input tax credit throughout the entire manufacturing and distribution process. The issue of cascading has been significantly reduced by the implementation of GST, which has abolished the central sales tax and imposed taxes on suppliers at both the central and state levels. Exporters' competitiveness has been substantially enhanced by the complete elimination of domestic indirect taxes on exports as a result of the implementation of Information Technology and Communication (ITC) on interstate sales.

It is the intention of the GST to eliminate the interaction between taxpayers and tax collectors through the implementation of computerized administration. The entire process, which includes registration, tax payment, return filing, and assessment, is specifically engineered to be conducted electronically, thereby obviating the necessity for any personal involvement. The primary goal of this system was to accelerate the process of refunding money to exporters and improve the overall compliance with tax regulations. Despite the fact that there have been some initial technological issues that have impeded the full realization of these advantages, the robust technology platform remains essential for facilitating smooth credit on cross-border suppliers.

A second noteworthy feature of the Indian GST system is the GST Council's establishment. The imposition of consumption taxes is jointly supervised by the Union and State governments under this innovative fiscal federalism institution, which promotes tax harmonization. The GST Council is responsible for the oversight of competition, the resolution of disputes, the promotion of collaboration between various levels of government, and the development of a blueprint for tax harmonization. Nevertheless, the requirement for unanimous votes can potentially result in suboptimal outcomes and impede the implementation of significant reforms, thereby maintaining the current state of affairs.

In conclusion, the Goods and Services Tax (GST) has led to substantial cost savings, increased productivity, and a more unified tax structure. Nevertheless, the full extent of its impact is evolving. The reform has significantly enhanced tax compliance, reduced tax cascading, and established a single market, all of which are critical for the long-term expansion of the economy. However, the challenges of achieving consensus among various levels of government and the ongoing development of GST serve as a reminder of the complexities associated with implementing such a significant reform in a country as diverse as India.

4.2 Impact on Revenue Collections in India

The original intention of the Goods and Services Tax (GST) in India was to have a neutral impact on revenue in the short term, with the expectation that improved adherence over time would lead to substantial revenue increases. However, the financial repercussions cannot be comprehensively assessed within a two-year period, particularly in light of the numerous rate changes that transpired during this period. Nevertheless, this time frame provides valuable insights into the measures that must be taken to improve revenue efficiency in both the immediate and intermediate futures.

Initially, the implementation of GST led to a decrease in the rate of revenue growth. The Comptroller and Auditor General (C&AG) of India reported that the growth of GST revenue for the fiscal year 2017-18 was negative, with a 10% decrease in comparison to the revenue generated from the taxes it replaced. Despite the Centre's decision to transfer unallocated balances from the IGST account to its consolidated fund and retain the compensatory cess intended for the Public Account, the overall amount still decreased. In comparison to the final eight months of 2017-18, the average monthly revenues in the subsequent year, 2018-19, increased by a mere 6%. In a mere five months, the GST collections exceeded the one trillion Rupee threshold, resulting in far lower actual receipts than the budget forecasts for the fiscal year 2018-19. In September 2019, collections fell short of the monthly target of Rs. 1.18 trillion, reaching a nine-month low of Rs. 919 billion. Furthermore, the Central government received a total of Rs. 410 billion in compensation cess during the first five months of the 2019-20 fiscal year. Nevertheless, a monthly deficit of Rs. 50 billion was incurred as a result of the disbursement of Rs. 650 billion in compensation.

The Central government perceived a substantial revenue collection deficit. However, the actual amount collected was Rs. 5.81 trillion, resulting in a shortfall of Rs. 1.62 trillion or 22%, despite the projected budget for the fiscal year 2018-19 being Rs. 7.43 trillion. The actual collections were 10% lower, despite the updated expectations. The magnitude of the gap remains concerning, despite the fact that the decrease in rates for several commodities from 28% to 18% in November 2018 may have contributed to a portion of the loss.

The Comptroller and Auditor General (C&AG) conducted a compliance audit that revealed significant concerns regarding the technology platform of the Goods and Services Tax (GST). The comprehensive invoice matching system that was originally intended for the purpose of confirming Input Tax Credit (ITC) was abandoned due to the complexity of returns and technical malfunctions. Rather, the GSTR-3B return, a concise summary report, was implemented as a temporary solution, as it lacked the comprehensive invoice-wise information necessary for meticulous verification. The absence of sufficient technology-based verification has made the system susceptible to ITC frauds, necessitating continuous communication between tax officers and taxpayers, thereby undermining the goal of a streamlined and automated process. The audit concluded that the GST compliance system was primarily dysfunctional and identified issues such as duplicate data, inaccurate IGST settlements, and fraudulent ITC claims.

To address these challenges, it is imperative to address the inability to promptly match invoices in order to improve tax compliance. Keen and Mintz (2004) posit that the collection of tax revenue could be enhanced by increasing the minimum requirement for tax registration, which would allow tax authorities to focus on larger taxpayers. A threshold of USD 100,000 is recommended for underdeveloped countries. The initial threshold in India was Rs. 2 million, which was subsequently raised to Rs. 4 million for products. Nevertheless, the threshold for services remained at Rs. 2 million. The workload on the IT platform could be alleviated and the tax administration could concentrate on significant taxpayers by further increasing the threshold.

Additionally, it may be necessary to reevaluate the practice of matching invoices to the fullest extent. The implementation of a comprehensive invoice matching system was both ineffective and costly, as evidenced by preliminary encounters in countries such as Korea. On the other hand, it may be more advantageous to focus on invoices that are of substantial value and exhibit significant discrepancies. The technology platform and administrative resources would be relieved of the burden, and significant instances of tax fraud would be effectively addressed, by implementing invoice matching for suppliers in India with revenues exceeding Rs. 10 million and invoices exceeding Rs. 5,000.

It is difficult to estimate revenue collection gaps at the state level due to the arbitrary allocation of Integrated Goods and Services Tax (IGST) and the challenges associated with determining base year estimates. The long-term sustainability of these compensations beyond the years 2022-23 has been a topic of concern, as the majority of governments mandate remuneration based on the agreed-upon formula. Adhia's (2019) most recent article indicates that income decreased by 16% in 2017-18 and further declined to 12% in 2018-19. Despite substantial increases in northeastern states, the majority of non-special category states required compensation, underscoring the unequal increase in revenue among various regions.

Additionally, there is a disparity between the revenue generated from compensatory cess and the amount that is allocated to states. The Central government retained a portion of the cess collected in the fiscal year 2017-18, rather than transferring it entirely to the compensation fund. This approach raises concerns about the transparency of GST revenue administration and fiscal integrity.

Ultimately, the GST's low revenue productivity can be attributed to the architecture of the tax structure and technical platform faults. Fraudulent claims and tax evasion have been facilitated by the inability to authenticate invoices for Input Tax Credit (ITC) and confirm registrations. The system exhibits potential for improvement, despite the fact that the revenue collections were lower than anticipated. The primary goal should be to enhance the technology platform, optimize administrative operations, and revise regulations to ensure the GST's long-term effectiveness and sustainability.

5 GST Collections in April 2024: A Milestone for India's Economy

India's fiscal landscape underwent a remarkable transformation in April 2024, as the Gross Goods and Services Tax (GST) collections reached an unprecedented ₹2.10 lakh crore, the highest monthly collection on record. This figure underscores the Indian economy's resilience and strength, as it represents a substantial 12.4% year-on-year growth. The primary factors contributing to the significant increase in GST collections were a 13.4% increase in domestic transactions and an 8.3% increase in imports.

The net GST revenue for April 2024 was ₹1.92 lakh crore, a 15.5% increase from the same period in the previous year, after adjusting for refunds. The high level of compliance among taxpayers and the effectiveness of the GST framework are underscored by this substantial increase in net revenue. The ongoing expansion of domestic transactions and imports is indicative of a robust tax base and robust economic activity, which contributes to the country's overall fiscal strength.

All GST components demonstrated favorable performance in April 2024. ₹43,846 crore was collected by the Central Goods and Services Tax (CGST), while ₹53,538 crore was collected by the State Goods and Services Tax (SGST). The total collections of the Integrated Goods and Services Tax (IGST) were ₹99,623 crore, with ₹37,826 crore derived from imported goods. In addition, the Cess collections totaled ₹13,260 crore, with ₹1,008 crore being collected from imported goods.

In April 2024, the central government allocated ₹50,307 crore from the IGST collections to the CGST and ₹41,600 crore to the SGST in the context of inter-governmental settlements. This efficient settlement process generated a total revenue of □94,153 crore for the CGST and □95,138 crore for the SGST for the month. These allocations guaranteed an equitable distribution of GST revenues, thereby addressing the financial requirements of both the central and state governments.

The robustness of India's economy and the efficacy of its GST administration are underscored by the record-breaking GST collections in April 2024. The robust economic environment is suggestive of the substantial growth in both domestic transactions and imports, while the positive performance of all GST components is indicative of efficient tax collection mechanisms and broad-based compliance. This accomplishment emphasizes the necessity of ongoing technological advancements and reforms to further improve the GST framework and bolster the nation's fiscal stability.

II. Conclusion

The implementation and adoption of the Goods and Services Tax (GST) in various countries have highlighted the complex nature and benefits of this tax system. The GST, as per the literature review, represents a significant shift in tax policy, with the aim of enhancing adherence, simplifying the taxation process, and promoting economic growth.

It is evident from the documented experiences of various countries, such as Korea, India, and several emerging nations, that the design and implementation of GST are critical factors in determining its effectiveness. Acosta-Ormaechea and Morozumi (2019) emphasize the importance of meticulous planning in achieving growth advantages, suggesting that the efficacy of GST in promoting economic expansion can be significantly influenced by its configuration. Additionally, the necessity of well-organized policy frameworks and efficient coordination in shared markets and federations is underscored by the research conducted by Bird and Gendron (2007) and Cnossen (2010).

The Indian example provides a comprehensive comprehension of the advantages and challenges presented by the Goods and Services Tax (GST). In 2001, 2003, 2015, and 2019, the Ministry of Finance of India has released reports. In 2015 and 2019, experts such as Govinda Rao have conducted assessments, which have illuminated the complex obstacles associated with the implementation of the Goods and Services Tax (GST) in a vast federalized system. The transformation has necessitated the resolution of issues related to revenue neutrality, compliance, and the integration of sectors such as petroleum and natural gas (Rao & Mukherji, 2018). The GST aims to reduce tax cascading and consolidate the market. Nevertheless, its impact on the informal sector and state income is still being assessed (Adhia, 2019; Bhaskar, 2019).

The global impact of GST in emerging economies is intricately linked to broader fiscal reforms and public policy decisions. The efficacy of GST in enhancing tax revenue and reducing tax evasion is contingent upon a variety of factors, including the appropriate threshold, the expansion of the tax base, and the prevention of fraud, as demonstrated by research conducted by Keen (2007, 2009, 2013) and Emran and Stilitz (2005) (Krever, 2014).

In conclusion, the successful implementation of GST requires meticulous and comprehensive planning, robust policy frameworks, and adaptable strategies to effectively address the challenges that are unique to various sectors and interstate dynamics. The data suggests that GST can significantly contribute to economic development, enhanced compliance, and a more efficient tax system when properly implemented and managed. However, it is essential to engage in continuous evaluation and modification to ensure that GST effectively achieves its desired objectives while minimizing the negative impact on various economic sectors and regional incomes.

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