



# Four Years of the GST

## Why in News

Recently, the **Central Board of Indirect Taxes and Customs (CBIC)** decided to felicitate around 54,000 taxpayers to mark the competition of 4 years of **Goods and Services Tax (GST)**.

## Key Points

### ▪ Achievements of GST:

#### ◦ Automated Indirect Tax Ecosystem:

- The **introduction of e-way bills coupled with the crackdown on fake invoicing** has helped in bringing in a substantial portion of GST revenues, which were either being evaded or under-reported.
- E-invoicing system **would also usher the taxpayers into a fully automated compliance regime** wherein the computation of tax liabilities and matching of input tax credit would become very simple.

#### ◦ Simplification of Compliance:

- Various initiatives viz. **linking the customs portal with GST portal** for credit availability on imports, making available proper means for matching input tax credit, increased automation of the refund procedure to seamless operation of the Invoice Registry Portal, helped simplify tax compliance.

#### ◦ Functioning of GST Council:

- The GST Council made corrections to law, issued clarifications on complex issues, rationalized GST rates and introduced relaxations for dealing with the **Covid-19 pandemic**, which establishes that the GST Council structure has been very functional and agile.

#### ◦ Example to the World:

- India has served as an example to the world by **successfully implementing one of the most complex tax transformation projects** for the country.

### ▪ Challenges:

#### ◦ Fiscal Federalism:

- This issue **became controversial when GST collections fell because of the pandemic.**
- Because **GST entailed a bigger surrender of taxation powers for the states** - states do not levy direct taxes or customs duties - **a guaranteed revenue growth of 14% for a period of five years was offered** to them by the centre to get them to agree.

#### ◦ Issues Highlighted by the 15<sup>th</sup> Finance Commission:

- The **15<sup>th</sup> Finance Commission** has highlighted several areas of concern in the

GST regime relating to **multiplicity of tax rates, shortfall in GST collections vis-à-vis the forecast, high volatility in GST collections**, inconsistency in filing of returns, dependence of States on the compensation from Centre and so on.

- **Large Businesses vs Small Businesses:**

- The fundamental principles on which the GST law was built viz. seamless flow of input credits and ease of compliance **has been impaired by IT glitches.**
- Indirect taxes, unlike direct taxes such as income tax, **do not differentiate between the rich and the poor** and therefore put a bigger burden on the latter.
- Further, **small and medium businesses are still grappling to adapt to the tech-enabled regime.**

- **Suggestions:**

- With **oil prices sky-rocketing across the country**, the policymakers **need to contemplate the inclusion of petroleum and related products within the GST** net.
- It is vital to finally **constitute the GST Appellate Tribunal** as it is obvious that all taxpayers do not have the finances or means to approach the High Court for every practical difficulty faced.
- **Streamlining of [anti-profiteering measures](#) and simplification of compliance procedures** also needs to be revisited to ensure that the cost efficiency and reduction in prices envisaged under GST law finally reaches the common man.

## Goods And Services Tax

- **About:**

- The GST is **a value-added tax levied on most goods and services sold for domestic consumption.**
- The GST is **paid by consumers**, but it is **remitted to the government by the businesses selling the goods and services.**
- GST, which **subsumed almost all domestic indirect taxes** (petroleum, alcoholic beverages and stamp duty are the major exceptions) under one head, is perhaps the biggest tax reform in the history of independent India. It was launched into operation on the midnight of 1<sup>st</sup> July 2017.

- **Features of GST:**

- **Applicable on Supply Side:** GST is applicable on **'supply'** of goods or services as against the old concept on the manufacture of goods or on sale of goods or on provision of services.
- **Destination based Taxation:** GST is based on the principle of destination-based consumption taxation as against the principle of origin-based taxation.
- **Dual GST:** It is a dual GST with the Centre and the States simultaneously levying tax on a common base. The GST to be levied by the Centre is called **Central GST (CGST)** and that to be levied by the States is called **State GST (SGST).**
  - Import of goods or services would be treated as inter-state supplies and would be subject to **Integrated Goods & Services Tax (IGST)** in addition to the applicable customs duties.
- **GST rates to be mutually decided:** CGST, SGST & IGST are levied at rates to be mutually agreed upon by the Centre and the States. The rates are notified on the recommendation of the **GST Council.**
- **Multiple Rates:** GST is levied at four rates viz. **5%, 12%, 18% and 28%.** The schedule or list of items that would fall under these multiple slabs are worked out by the GST council.
  - This is aside from the tax on gold that is kept at 3% and rough precious and semi-precious stones that are placed at a special rate of 0.25% under GST.

- **GST Council:**

- It is **a constitutional body (Article 279A)** for making recommendations to the Union and

State Government on issues related to GST.

- The GST Council is **chaired by the Union Finance Minister** and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.
- It is **considered as a federal body** where both the centre and the states get due representation.

▪ **Reforms brought about by GST:**

- **Creation of a common national market:** By amalgamating a large number of Central and State taxes into a single tax.
- **Mitigation of cascading effect:**
  - The GST that a merchant pays to procure goods or services (i.e. on inputs) can be set off later against the tax applicable on supply of final goods and services. The set off tax is called **input tax credit**.
  - The GST thus avoids cascading effect or tax on tax which increases the tax burden on the end consumer.
- **Reduction in Tax burden:** From the consumers' point of view, the biggest advantage is in terms of reduction in the overall tax burden on goods.
- **Making Indian products more competitive:** Introduction of GST is making Indian products more competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production.

## Way Forward

- The law is **still a 'work-in-progress'** and the process of evolution, in such a complex journey, cannot be eliminated. The Government should **continue to take measures to deliver on its promise of a 'Good & Simple Tax'** in the times to come.

**Source: PIB**

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