

# Performance of Goods and Services Tax system in India in recent years

Satyajit Mallick<sup>1</sup>, Rashmi Tanwar<sup>2</sup>

<sup>1</sup>P.h.D Scholar, Central University of Haryana

<sup>2</sup>Assistant Professor, Central University of Haryana

## Abstract

In 21st century we pay various taxes including direct and indirect taxes, which are felt as burden on us for which corruption are increasing in every field. So, to reduce from these various taxation system and control increasing corruption, GST was implemented India in 1<sup>st</sup> July 2017. GST is an indirect tax that merged multiple taxes into a single tax system that will be levied on manufacture, sale and consumption of goods and services. Indian GST followed three GST model like -Central GST, State GST and IGST (Integrated Goods and Services Tax). This paper is designed specifically to provide an in-depth knowledge of GST and comparison of Indian GST taxation system rates with other countries, and also presented in-depth coverage regarding its advantages and disadvantages towards the economy for GST implementation in a developing country like India. The present paper has an attempt to find out the compound annual growth rate (CAGR) and average annual growth rate (AAGR) of total GST collection India during FY 2017-18 to FY 2022-23.

**Keywords:** GST, India, Economy, Taxation, CGST, SGST

## Introduction

Tax is the major source of revenue to government in India. Taxes are levied as per the laws prescribed in constitution of India. It is levied by central and state government and also by local bodies. Any nation's economic growth is intimately correlated with its taxation system. A country's economy will grow when its tax system makes doing business simple and eliminates the possibility of tax evasion. Direct taxes and indirect taxes are the two categories into which taxes in India are divided. Direct taxes are those that are paid to the taxing body directly by the person or organization. They arise from profits and income. Indirect taxes are those that are not paid to the taxing authority directly by the person or company. In contrast to taxes on income and profits, they are imposed on products and services. Corporation tax, income tax, estate duty, interest tax, wealth tax, gift tax, land revenue, agricultural tax, hotel receipts tax, expenditure tax, general sales tax, entertainment tax, vehicle tax, entertainment tax on goods and passengers, taxes and duties on electricity, and taxes on the purchase of sugarcane are examples of direct taxes. Indirect taxes include customs, union excise duties, service tax, state excise duty, stamp and registration fees, and state excise duty. Taxation is a vital and vital source for the growth and development of an economy. The goals of a nation's tax policy should align with those of its overall economic strategy. Whether it is a direct tax or an indirect tax, taxes make up a significant portion of a government's revenue. Any nation's public finances must be developed into an exceptional strength, and this requires a sound tax system. This is the

reason why different tax reforms are being implemented in various nations during the current globalization period.

### Objectives of the Research

- To study the Goods and Services Tax structure in India.
- To understand how GST work in India.
- To furnish the information for future research on GST based taxation system.

### Review of literature

Dr.Sunitha and Dr. P. Sathish Chandra (2015) in their paper “Goods and service tax (GST): As a New path in tax reforms in Indian economy”. Conclude that the Government of India is not satisfied with the present tax system because it has some short comings. K. Sindhura studied (2018) Tax reform “Goods and Service Tax (GST) and its Impact on common man” .In his paper he conclude that GST has both positive and negative impact on common man. Nabendu Basak (2017)” studied Impacts of progressive tax reform in India: Goods and Service tax (GST) - An Approach”. He explained in his paper that although GST fuels inflation in short run, but in a long run stakeholders will be benefitted. He also said in his paper that this tax system will establish the opportunity of corruption free and transparent Indian Revenue Services. Dr.Rabinarayan Samantara (2021) studied Tax reforms in India: A critical Analysis. In his paper author attempted to examine the critical analysis of various tax reforms in India. According to author there is an ample scope for augmenting revenue generation from certain direct taxes including agricultural income tax and land revenue as well as from indirect taxes such a stamp and registration fees, entertainment tax, tax on vehicles, etc. K Sindhura (2018) in his paper on Tax reform Goods and Service Tax (GST) and its impact on common man. He suggested that the challenges posed after the roll out of the reform should be attended by the Government. The reform should not be looked with political view. From the perspective of common man as of now it has both positive and negative aspects.

### Materials and Method

The present study is based on secondary data. Data was compiled from the various reports published by Department of Revenue Ministry of Finance Government of India. Literature review has prepared through available studies, articles and journals.

### Period of Study

The study covered a period of 6 years from August 2017-18 to March 2022-23.

### Analytical tools

In order to estimate the year on year basic growth rate of GST collection following formula has been used

$$\text{(Compound Annual Growth Rate) CAGR} = \left( \frac{EV}{BV} \right)^{\frac{1}{n}} - 1$$

Where,

EV=Ending Value

BV=Beginning Value

N=Number of periods

To find out Average Annual Growth Rate for our study, we have used following formula

$$AAGR = \frac{GRA + GRB + \dots + GRn}{N}$$

Where,

GRA=Growth rate in period A

GRB=Growth rate in period B

GRn=Growth rate in period n

N=Number of years

**What is GST?**

A single indirect tax on all products and services, known as the Commodities and Service Tax (GST), has taken the place of the different indirect taxes that were formerly levied on a variety of goods and services. France was the first nation to adopt GST in their tax system in 1954, and afterwards the idea of GST spread abroad. More than 160 nations currently use the GST idea as part of their taxation structure. In India, the 122nd Constitution Amendment (GST) Bill, 2014, which was introduced by the central government in December 2014, was approved on August 3 in the Rajaya Sabha and August 8 in the Lok Sabha. The GST was finally implemented by the Indian government on 1 July 2017, and Assam was the first Indian state to pass the GST Bill on 12 August.

**GST Taxation system contains different types of taxes such as-**

Commercial taxes include Central Excise Duty, Value Added Tax (VAT), Central Sales Tax (CST), Food Tax, Octroy, Entry Tax, Entertainment Tax, Luxury Tax, Purchase Tax, Advertisement Tax, Service Tax, and Taxes on Lotteries, Betting, and Gambling, among others.

Figure-1  
**Indirect Tax Structure in India**

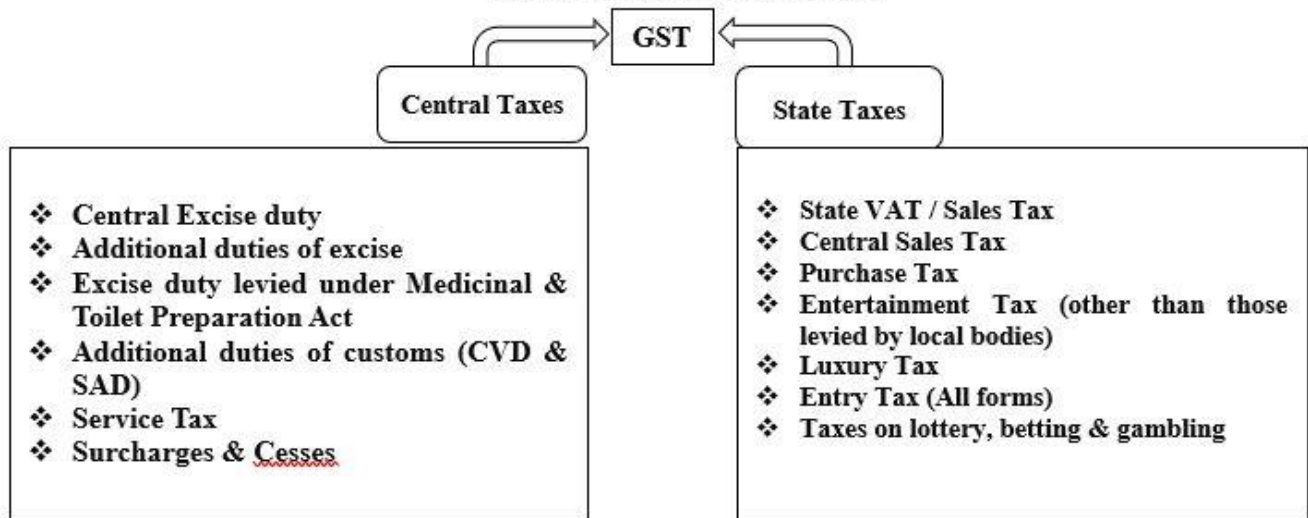
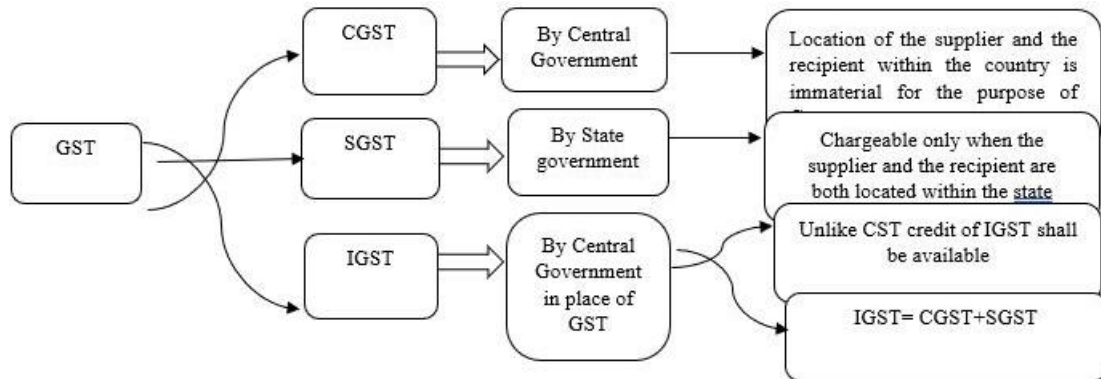


Figure-2

**Applicability and Mechanism of Goods and Service Tax**



**GST structure work in India**

From the above figure, we can see GST comprises of 3 taxes- CGST, SGST and IGST. Now we are going to more details about, how GST structure work in India.

**Intra-state sale**

*Existing taxation system*

Intra-state sale under existing taxation system comprises of VAT + Service Tax/Central Excise.

*Under GST taxation*

Intra-state sale under GST taxation system comprise of CGST + SGST.

**Inter-state sale**

*Existing taxation system*

The taxation system for inter-state sale under existing taxation system comprises of Central Sales Tax+ Service Tax/Excise.

*Under GST taxation*

The taxation system for inter-state sale under GST taxation system would comprise of IGST.

**With an example we can understand:-**

An individual consumer in the state of Haryana purchased a bike from a motorbike dealer for Rs. 80,000. Here, the GST rate is 18%, 9% CGST, and 9% SGST. The dealer will receive around 14,400 rupees, of which 7,200 would be given to the Haryana government and the remaining 7,200 to the Central government.

If he later sold the same thing to a merchant in Odisha for Rs. 80,000. The dealer would receive roughly Rs. 14,400 as IGST and the GST rate would be 18%. The IGST would be sent directly to the Center. He would no longer be required to pay both the SGST and CGST.

**Table-1 GST Rates in Various Countries of the World**

Name of Countries	GST %
Netherlands	21%
United Kingdom	20%
France	20%
Germany	19%
India	5%, 12%, 18% and 28%
Russia	18%
China	17%
Pakistan	17%
Mexico	16%
New Zealand	15%
Australia, Brazil, Indonesia, Korea	10%
Japan, Switzerland	8%
Thailand, Singapore	7%
Malaysia	6%
Canada, Jersey	5%

Source: [www.gstindia.com](http://www.gstindia.com)

From the above table, we can see that every country has a fixed GST rate, but in case of India the GST rate depends upon the goods and commodity or the GST rate dependence on that particular goods and commodity. For this reason, there are 4 types of GST prevailing in India starts from 5% GST to highest 28% GST.

**Goods and Services Tax (GST) – Current Scenario in India:**

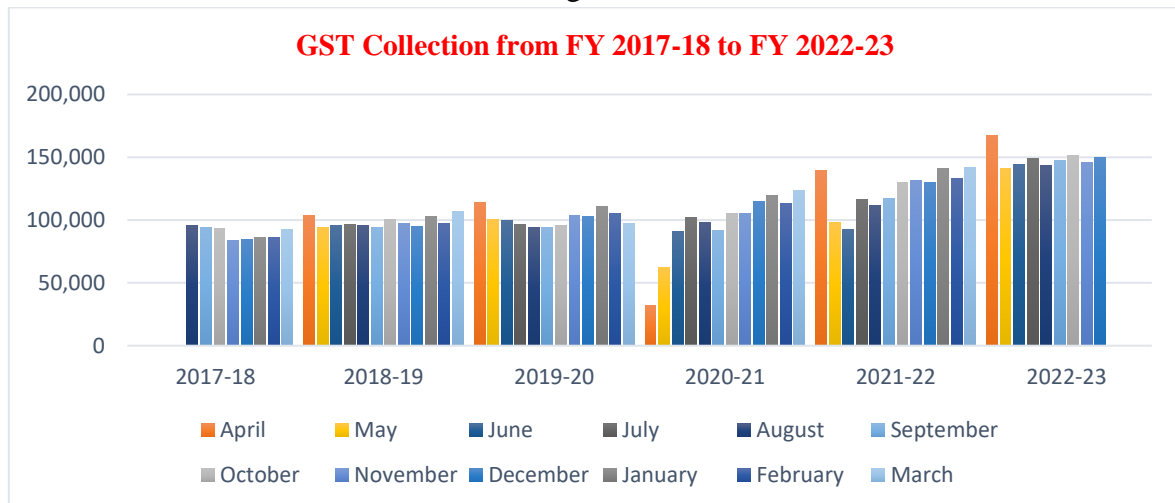
**Table-2 Monthly Total GST Collection of India from financial year 2017-18 to 2022-23**

Month	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>April</b>	-	103,459 crore	113,865 crore	32,294 crore	139,708 crore	167,540 crore
<b>May</b>	-	94,016 crore	100,289 crore	62,009 crore	97,821 crore	140,885 crore
<b>June</b>	-	95,610 crore	99,938 crore	90,917 crore	92,800 crore	144,616 crore
<b>July</b>	-	96,483 crore	96,483 crore	102,083 crore	116,393 crore	148,995 crore
<b>August</b>	95,633 Crore	95,633 crore	93,960 crore	98,203 crore	112,020 crore	143,612 crore

<b>September</b>	94,064 Crore	94,064 crore	94,442 crore	91,917 crore	117,010 crore	147,686 crore
<b>October</b>	93,333 Crore	100,710 crore	95,380 crore	105,155 crore	130,127 crore	151,718 crore
<b>November</b>	83,780 crore	97,637 crore	103,491 crore	104,963 crore	131,526 crore	145,867 crore
<b>December</b>	84,314 crore	94,726 crore	103,184 crore	115,174 crore	129,780 crore	149,507 crore
<b>January</b>	85,825 crore	102,503 crore	110,818 crore	119,875 crore	140,986 crore	1,55,922 crore
<b>February</b>	85,962 crore	97,247 crore	105,366 crore	113,143 crore	133,026 crore	1,49,577 crore

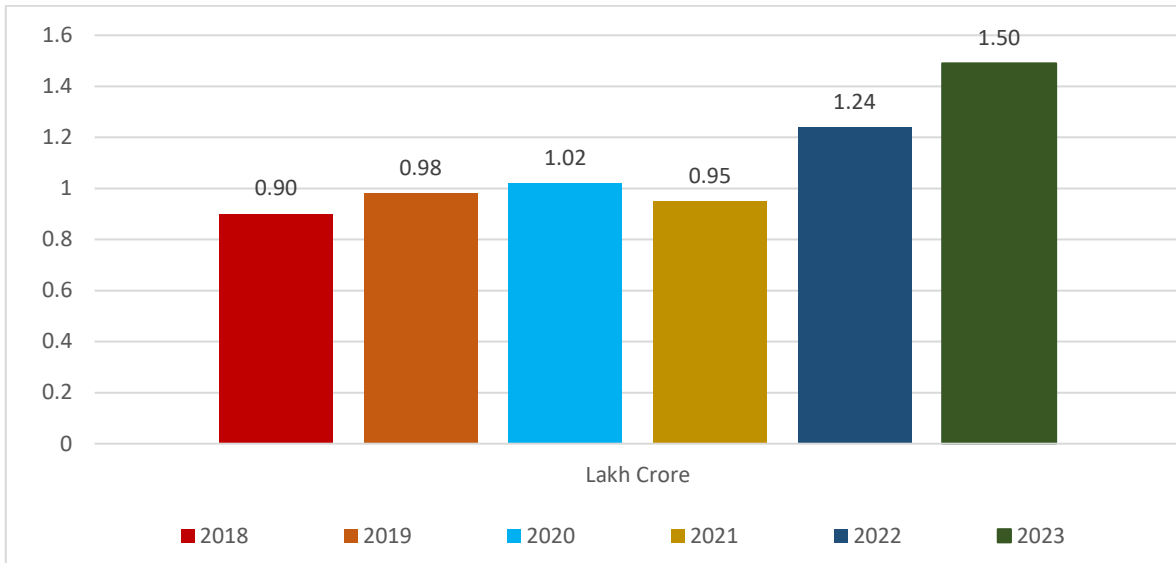
Source: Goods and Services Tax Council Government of India

Figure-3



Figures shows Month wise and Year wise GST Collections from financial year 2017-18 to financial year 2020-21. Due to Covid-19 GST collection for financial year 2020-21 in comparison to financial year 2019-20 was low.

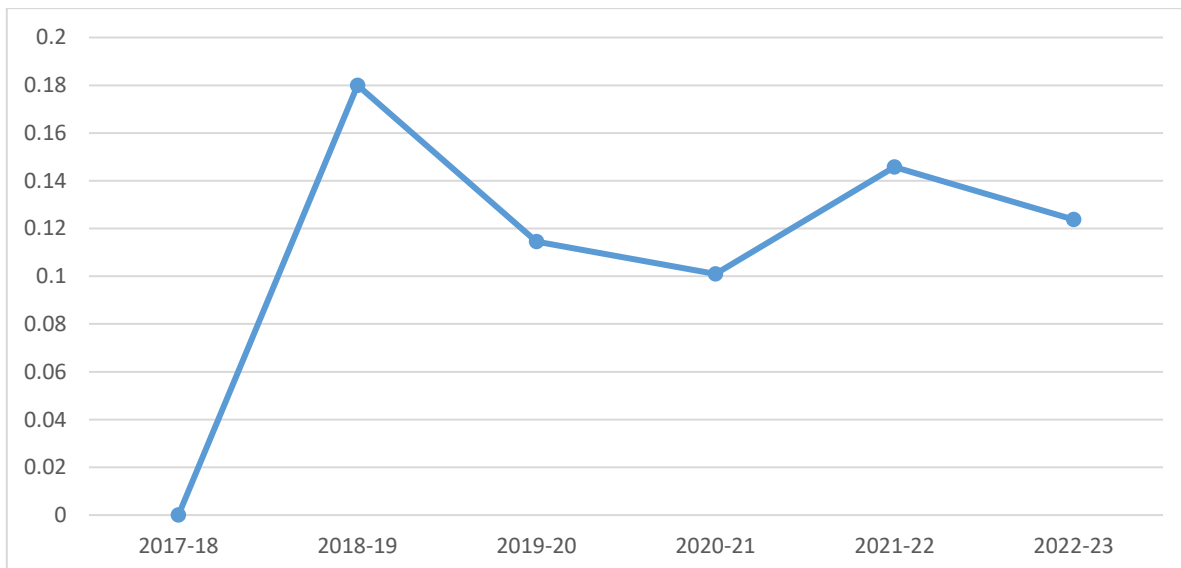
**Figure-4**  
Average yearly gross GST collection from FY 2017-18 to FY2022-23



Source: Goods and Services Tax Council Government of India

In the above bar diagram, we can see average monthly gross GST collection in lakh crore from Financial year 2017-18 to 2022-23 financial year. The average annual growth rate of total GST collection from financial year 2017-18 to 2022-23 financial year is 13.30%.

**Figure-5**  
Annual Growth rate of Total GST collection in India



From figure-5 we can see that for financial year 2018-19 the growth rate of GST was 18%. The GST growth rate decreased to 11.45% for financial year 2019-20, again it decreased to 2020-21 financial year due to impact of COVID-19 in India. For financial year 2021-22 growth rate increased to 14.58% compare to 10.10% in previous financial year. Once again growth rate decreased to 12.38% in 2022-23 financial year.

### Benefits of GST

- It will support standard operating processes for taxpayer registration, tax refunds, uniform tax return forms, a common tax base, and a standard method of classifying goods and services.
- Harmonization of policies, practices, and tax rates between the federal government and states as well as between states.
- By eliminating rate arbitrage between neighboring States and that between intra- and inter-state sales, similar uniform SGST and IGST rates will lessen the incentive for evasion.
- As input Tax Credit will be available for both goods and services at every point of supply, it will reduce cascading of taxes.
- Automated and simplified processes for many different tasks, including registration, returns, refunds, tax payments, etc.

### Conclusion

The importance of the GST's introduction is evidenced by the multiple advantages it offers India's taxation system. It is a significant step forward in India's effort to modernize its indirect taxation structure. Our analysis indicates that between FY 2017–18 and FY 2022–23, GST collection in India is anticipated to grow at an average annual rate of 13.30%. Along with the COVID-19 pandemic's effects, the continuous growth in GST collection may also be linked to higher tax compliance, which was made possible by a number of tax administration and policy reforms the government put in place over the past few years.

### References

1. Khan, R., & Khan, S. (2022). Reform of Indirect Taxes in India through the Plexus of Goods and Services Tax (GST); A post-COVID 19 Fiscal Stimulus. *International Journal of Multidisciplinary: Applied Business and Education Research*, 3(6), 1011–1016. <https://doi.org/10.11594/ijmaber.03.06.06>
2. Nayyar, A., & Singh, I. (2018). A Comprehensive Analysis of Goods and Services Tax (GST) in India. *Indian Journal of Finance*, 12(2), 57. <https://doi.org/10.17010/ijf/2018/v12i2/121377>
3. Ghimire, S. (2020). Implications of Tax Reforms in Indirect Tax Collections of the Government of India during the Last Two Decades (2000-2020). *International Journal of Engineering and Management Research*, 10(03), 18–30. <https://doi.org/10.31033/ijemr.10.3.4>
4. Gore, S. D. V. (2014). An Analysis of Capital Formation in Indian Agriculture and ITS Implications for More Inclusive Growth of Indian Economy. *Journal of Poverty*.
5. Bhuyan, A. K., & Nayak, R. (2011). GST A New Tax Reforms in India- Implementing Towards Sustainable Development of the Economy. *Interscience Management Review*, 15–22. <https://doi.org/10.47893/IMR.2011.1074>
6. Saravanan Venkadasalam, Implementation of Goods and Service Tax (GST): An Analysis on ASEAN States using Least Squares Dummy Variable Model (LSDVM) International Conference on Economics, Education and Humanities (ICEEH'14) Dec. 10-11, 2014 Bali (Indonesia), Pg No. 7-9
7. Nakhchian, A., Gorji, N., Shayesteh, T., & Sheibany, E. 2013, Value Added Tax and Its Relationship with Management Information Technology. *Interdisciplinary Journal of Contemporary Research in Business*, 4(9), 402–410,



8. Akitoby, B. et al. (2019). Studies in tax revenue mobilization in low-income countries. *IMF Working Paper*, 104. Available at: <https://www.imf.org/en/Publications/WP/Issues/2019/05/14/Case-Studies-in-Tax-Revenue-Mobilization-in-Low-Income-Countries-46719>.
9. Akitoby, B. (2018). Raising revenue: Five country cases illustrate how best to improve tax collection. *Finance & Development*, 55(1), 18-21.