

'SWOT' Analysis on Goods and Services Tax (GST) in India

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Abstract:- "One India, One Tax" is expected to become true through the Rajya Sabha endorsing the Constitution (101st Amendment) bill, 2016 on August 3rd 2016. Then there several meetings were conducted to execute the Good and Service Tax (GST) in India but it was postponed due to some political reasons competing stakeholder interests. Many states have opposed for the execution of Goods and Services Tax (GST). Then they were convinced and assured by the central government to pay compensation and additional percentage of revenue to meet the expenses for the respective state government. GST was presumed to get into effect on 1st April - 2017, but it was also deferred due to some clarification needs in the online portal for registration and filing of GST. The Goods and Services Tax (GST) have finally been came into force on 1st July, 2017 after a long process and struggle. It is a comprehensive tax scheme which integrate all indirect taxes imposed by the state government and central government and united financial system, into a single nationwide market. The fundamental objective of GST progress is to incorporate all indirect taxes in India, like Service tax, VAT, Sales Tax, Octroi duty, Excise duty, Customs duty and so on, by implementing "One India, One Tax" system to avoid the cascading effect on various taxes. GST based taxation structure enhanced clarity in the taxation scheme, raised the Gross Domestic Product (GDP) rate from 1% to 6.1%, and reduced tax evasion and fraudulence. Hence, this article emphasized the existing taxation system, importance of GST, impact of GST on the Indian economy, Strength, Weakness Opportunities, and Threats of GST execution in India.

Keywords:- Stakeholder, Corporate Bodies, GST, Cascading Effect, GST Execution.

I. INTRODUCTION

The word "tax" have originated from Latin word "taxare" which means "assess". Taxation is the most significant factor of the financial structure of each and every nation. Taxes are imposed upon individuals and corporate bodies that are compulsorily paid to the state and or central government. Taxes are regarded as contributions made by the individuals and corporate bodies for the growth and development of country.

Taxes are enforced contributions that are exacted in accordance with legal authority; they are not voluntary payments or donations. It is a tax that the government imposes under several names, including toll, tribute, duty, custom, excise, subsidy, aid, and supply. Government alone has the authority to impose taxes. It is crucially important that the taxation system is designed in a way that prevents market distortions and economic failures of any kind. The tax rules are fiercely competitive, allowing for incredibly efficient and successful revenue collection. Tax is the main source of revenue for the government to meet various expenses for the development of the country. "One India, one Tax" was the dream of India's Honorable Ex. Prime Minister Mr. Atal Bihari Vajpayee. Several meetings were conducted to execute the GST in India but it was interrupted due to some political reasons competing stakeholder interests. Many states have opposed to execute the Goods and Services Tax (GST). Then certain amendments were made to the GST Bill like, Compensation to states for revenue loss on account of GST execution for five years, Scrapping of 1% additional Tax on interstate supply of goods, Redesigning of frame work for distribution of CGST and IGST that will be collected by the Centre amongst Central and States, etc. After the legitimate modification, Central Government introduced the GST Bill in 2017 in Parliament. On April 4, 2017 the bill received assent of Prime Minister of India but it was delayed due to some clarification needs in the online portal for registration and filing of GST. After a long process and struggle, the Goods and Services Tax (GST) came into power on 1st July, 2017.

II. EXISTING TAXATION SYSTEM IN INDIA

In terms of efficiency and equality, tax policies directly affect the economies of all nations and are essential to their success. An effective taxation strategy takes into account the whole income distribution while also generating tax income for the central and state governments in a way that can boost the economy overall and the nation's citizen safety, public services, infrastructure, defense, and exports. The entirety of the indirect taxation system is governed by Indian constitutional laws. The Central and the respective State Governments have the power to collect indirect taxes in accordance with Seventh Schedule of Article 246, which is based on the trade of products and services. Each producer has a different tax structure depending on the place of sale or the

size of exports and imports. Based on origin, indirect taxation-based collection schemes are designed to apply and collect the tax in the event that any taxable movement takes place.

➤ *Objectives of the Study*

The primary objectives the present study are as follows:

- To highlight the importance of Goods and Services Tax (GST) in India.
- To understand the Strength, Weakness, Opportunities and Threats of GST execution in India.

➤ *Scope of the Study*

The Good and Services Tax (GST) is very advantageous for the key sectors of the Indian economy because it brings uniformity to tax rates and eliminates many inadequacies in the Indian Taxation System relating to Indirect Tax Assessment. This article presents a thorough understanding of how the GST was implemented across the nation.

III. IMPORTANCE OF GST TAXATION SYSTEM

With bigger interfaces between the existing taxes and GST schemes, beside with the hazards of cascading effects and accidental non-taxation schemes, GST surmounted a number of progress-related challenges. The GST laid a solid framework for revenue collection at the beginning of value addition. Each taxable person contributes to the administration, collection, and payment of the tax pertaining to its border. As a result, GST travels through the supply chain to the final consumer's taxable supply. The GST reforms play very important function in the flow of goods and services from one to another.

GST rules fairly detailed to determine time and place of supply. It is parting with MRP based taxation and widening of input tax credits to taxpayers. Refund of input tax credit balances in case of inverted tax structure is a step in right direction. The process of GST registration and filing at ease through online portal. It increase the possibilities for FDI in India. Strict execution of GST provides Direct Tax Revenue. It helps to improve the national GDP growth.

➤ *Types of GST*

SGST, CGST, IGST and UTGST are the various types of GST implemented in India.

- CGST is Goods and Services Tax imposed by the Centre.
- SGST is Goods and Services Tax imposed by the States.
- Dual GST is Goods and Services Tax imposed by both Centre and States concomitantly.
- IGST is Goods and Services Tax imposed when the goods and services has interstate movement, between the state and Union Territory across the nation
- UTGST is GST to be imposed by the Union Territory.

All the existing taxes are ceased since the GST take place. There is now only one tax, and it is a national tax that is entirely controlled by the central government. One tax applies

to both goods and services under the GST, which is a crystal clear tax policy which improved the revenue collections. Additionally, it creates a transparent tax structure and gets rid of corruption and tax evasion. GST makes the system highly apparent and offers leniency in tax laws because it is a form of tax which favorable to businesses but it suppose to cover all the products (including petroleum products) and services under GST regime for the welfare of public.

➤ *Rate of GST in India*

The current GST rates executed in India are 5%, 12%, 18%, and 28%. These rates apply to a variety of goods and services. The GST Council decides the various GST rate slabs. Since the introduction of the Goods and Services Tax (GST), the GST rates for a variety of products have been altered numerous times. It provide bigger tax pay raise to the government and manufacturing segment face enormous development with decline in tax rate. Numerous Unorganized sectors acquire benefited cost advantage equivalent to the tax rate executed by GST. As a result, lots of industries like, hardware, paint, electronic items, etc., are now subject to taxes. With GST everything must be carefully planned out to ensure an ordered taxation rate. Petroleum products, consumable alcohol and electricity are not taxed under GST rates.

➤ *GST Registration*

A person who supply goods or providing services or both and his aggregate turnover exceeds the threshold limits have to register under GST. Nevertheless, However certain category of persons like, Intra and Interstate suppliers, casual taxable persons, Non Resident Taxable Persons, Persons taxable under the reverse charge basis, under reverse charge, Input service Providers, persons required to deduct TDS and collect TCS under GST are required to compulsorily be registered. Over 13.8 million GST taxpayers have registered at this time. In India, there were around 12.38 million people who paid GST taxes that year.

➤ *Threshold Limits*

The existing threshold limits for sale of products or services was Rs. 20,00,000 (aggregate turnover) for normal category states and Rs. 10,00,000 (aggregate turnover) for special category states in India. On considering the demands raised by MSMEs, the GST Council increased the GST registration threshold limits from Rs. 20,00,000 to Rs. 40,00,000 for normal category states and from Rs.10 lakh to Rs.20 lakh for special category states and there is no alteration for service providers in this regard. If an individual's total aggregate turnover reaches Rs. 10 lakh by providing services in a state under the special category or Rs. 20 lakh in a state under the standard category, they must register. At the 32nd GST Council meeting, which took place on January 10, 2019, these amendments were suggested.

➤ *Threshold Limits to Composition Scheme*

As of April 1st, 2019, the yearly turnover requirement for the composition scheme was lifted up to Rs. 1.5 crore. At the beginning on April 1, 2019, the individuals who have registered for the system are required to pay their taxes on a quarterly basis and file annual returns. For North Eastern states and Uttarakhand, the cap stands at Rs. 75 lakh. Additionally, eateries that don't provide alcoholic beverages are subject to the limit. Service providers now have access to the composition plan, which introduces a set tax rate of 6% with 3% CGST and 3% SGST. This system is open to self-governing service providers as well as mixed suppliers of goods and services with a prior fiscal year's annual revenue up to Rs. 50,00,000.

➤ *Impact of GST on the Indian Economy*

With a huge struggle, the GST was implemented in India on the first day of July, 2017, has greatly impacted on the total taxation system of the Indian economy. It has updated the tax system, leading to increased fulfilment and formalisation of the economy. It has improved the industrial growth in manufacturing and logistics which in turn, the national GDP ratio and also control inflation have improved to some extent. Nevertheless, the reform mainly be beneficial to the manufacturing industry, but some challenges for the service sector industry. The Indian economy grew by 6.1% year over year in 2023, above the market expectations of 5% and outpacing the upwardly revised 4.5% in 2022. The main forces behind the expansion during a loosening of input cost restraints were manufacturing, exports of services, and private consumption. Moreover, services have grown to be a substantial engine, accounting for more than half of GDP.

Table - 1. India's GDP Growth Rate after GST Execution

Year	GDP Growth (%)	Annual Change
2022	7.00%	-2.05%
2021	9.05%	14.88%
2020	-5.83%	-9.70%
2019	3.87%	-2.58%
2018	6.45%	-0.34%
2017	6.80%	-1.46%

Source: Compiled from

<https://www.macrotrends.net/countries/IND/india/gdp-growth-rate>

The above table - 1 shows that India's GDP growth rate after GST execution from 2017 to 2022 such as India GDP growth rate for 2022 was 7.00% with an annual change of 2.05% decline from 2021, for 2021 it was 9.05%, with a change of 14.88% increase from 2020, for 2020 it was 5.83% with a change of 9.7% decline from 2019, for 2019 was 3.87% with a change of 2.58% decline from 2018.

➤ *Strength and Opportunities of GST Implementation in India*

The registration and filing of GST in online portal reduces the time and paper work for the tax payers. Government gets major source of revenue from GST to meet the expenses for the development of infrastructure, welfare, education, health industries, investments, etc. Using paperless e-resources by the private concerns and government for filing of GST. Opportunities are there for the GDP growth and development in Indian economy. GST promises a lot for transparency in great improvements towards collections of revenues. GST facilitate the Input Tax Credit to the Tax payers. It replaced the existing tax system and procedure. It facilitates the e-waybill when goods are moved from one place to another. It make easy for the taxation authorities to verify the filed documents. It eradicate the cascading effect on tax. There is an effectiveness in cost reduction for domestic industries. Import of needless goods would be reduced which in turn India's payments to other countries be reduced. Due to the encouragement on exports, India will get more FOREX which will helps to make the payment of imports. The cost reduction on consumer goods may lead to increase in savings, household income, investment, and purchasing power.

➤ *Weakness and Threats of GST Implementation in India*

Since the GST is still developing, tax modification concerning the finalization of tax rates, the application of new tax, or even the elimination earlier rates, might rarely take place during GST Council meetings. As GST meetings continue and a great deal job still has to be done, the majority of the data provided in the study was speculatively investigative in nature. As a result, the research's final conclusions may perhaps fluctuate depend on how other people see it. The GST Act is frequently changed, which causes uncertainty among the taxpayers. The exclusion of fossil fuels and energy is having a domino effect and negatively affecting indigenous industries' competitiveness in the global market. Due to the rate arbitrage, the exclusion of alcohol from the GST could encourage smuggling. The GST may be regressive in nature if there isn't a carefully examined and compiled negative list of essential products. The price of the finished products slightly high due to GST implementation which affects the poor people. There won't be an opportunity to reduce the rate of GST in future due to the revenue requirements for government. The free flow of commodities throughout the nation has been successfully facilitated by GST. As taxes differed from state to state, city to city, and even municipal bodies, check points in the past operated as bottlenecks that not only required lengthy wait times, but also served as hotbeds for corruption. GST might have increased compliance costs for small firms and contributed to short-term inflation. It might have caused the supply chain to break down and possibly decreased exports.

IV. CONCLUSION

In 1960, France became the first nation to enact GST. India developed and recommended the GST idea a few years ago, but on July 1, 2017, the government of India successfully brought it into effect under the proficient control of Honorable Prime Minister Shri Narendra Modi. As a result, Honorable Ex. Prime Minister Shri Atal Bihari Vajpayee's dream was realized with an introduction of the GST in India is powerfully supported by new administration due to many advantages like, progress tax collections, speed up economic growth of India, and abolish all tax barriers between the Central and State Governments transparently. The Indian economy grew by 6.1% year over year in 2023, above the market expectations of 5% and outpacing the upwardly revised 4.5% in 2022.

SCOPE FOR FUTURE RESEARCH

Following the adoption of the GST, a new need for a technical based infrastructure like GSTNET has emerged for the successful monitoring of the taxing system. Additionally, the GST Council should have monthly meetings to discuss changes in tax reflections. Researchers may examine these topics in upcoming study.

- Impact of Goods and Services Tax (GST) in Corporate Sector.
- Perception of GST Payers at different perspectives.
- Critical Analysis on GST with reference to industrial Sector.

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