

Application of Good and Service Tax in West Bengal

Sudarsana Sarkar

Assistant Professor, Department of Economics, Prasanta Chandra Mahalanobis Mahavidyalaya,
Bonhooghly, Kolkata-700108

Abstract:

The introduction of the Goods and Service Tax (GST) in India on 1st July 2017 marked a historic reform in the indirect tax system replacing multiple state and central levies with unified tax structure. In West Bengal, GST has had a significant impact on the state's economy, trade and revenue system. The application of GST simplified the tax process by subsuming Value Added Tax (VAT), Central Sales Tax (CST), Octroi, and other local taxes thereby reducing cascading effects on goods and services. For West Bengal, a state with a diversified economic base consisting of agriculture, small-scale industries, handicrafts, jute, tea and an emerging service sector, GST has played a dual role. On the other hand, it has widened the tax base, improved compliance through digital filing and enhanced transparency in trade. On the other hand, small traders and unorganized sectors faced initial challenges of adaptation, compliance cost and digital literacy barriers. The state's revenue dependency on GST compensation from the Centre also raised fiscal concerns. Despite these challenges, GST has contributed to improved interstate trade, better logistics and integration of West Bengal's economy with the national market. This study examines the overall application, challenges and benefits of GST in West Bengal with a focus on its socio-economic implications.

Keywords: Good and Service Tax(GST), Indirect Tax Reform, Tax Compliance, Digital Filing, Revenue Generation, Small and Medium Enterprises(SMEs), Tax Base Expansion, Interstate Trade, Fiscal policy etc.

Introduction:

The Good and Service Tax(GST) introduced in India on 1st July 2017, represents one of the most significant reforms in the country's indirect taxation system. It was designed to create a uniform tax structure by subsuming multiple indirect taxes such as Value Added Tax (VAT), Central Excise Duty, Service Tax, Central Sales Tax (CST) and various entry and luxury taxes. GST follows the principle of "One Nation, One Tax, One Market" aiming to eliminate the cascading effect of taxes, reduce trade barriers and promote ease of doing business across states. In West Bengal, a state with a diverse economic profile-raging from agriculture and traditional industries like jute and tea to emerging service and IT sectors- the application of GST has had wide-ranging impacts. The Tax reform has streamlined the taxation process encouraged transparency and facilitated interstate trade by removing check-post barriers. It has also digitized the compliance process thereby reducing tax evasion and increasing the tax base.

However, the transition to GST was not without challenges. Small traders, micro and small-scale industries and rural enterprises in West Bengal faced difficulties in adapting to the digital filing system and meeting

compliance requirements. Moreover, the state's dependence on GST compensation from the central government created financial uncertainty during the initial years. Despite these hurdles, GST has provided a more integrated and efficient tax framework contributing to the modernization of the state's economy and fostering greater integration with the national and global market. This Study seeks to analyze the application of GST in West Bengal by highlighting its benefits, challenges and implications on the state's socio-economic development.

Objectives of the Study:

The Study on the application of Goods and Service Tax (GST) in West Bengal has been undertaken with the following objectives:

1. To examine the impact of GST on the economy of West Bengal particularly in relation to trade, industry and services.
2. To analyze the role of GST in revenue generation and its contribution to the state's fiscal stability.
3. To study the benefits of GST application in simplifying taxation, promoting transparency and encouraging interstate trade in West Bengal.
4. To identify the challenges and problems faced by businesses and traders in adapting to GST, especially small & medium enterprises (SMEs) and traditional sectors.
5. To evaluate the effect of GST on consumers and pricing patterns of essential and non-essential goods in the state.
6. To assess the level of digital adoption and compliance among businesses in West Bengal under the GST regime and to suggest policy measures and recommendations for improving the effectiveness of GST in West Bengal.

Methodology of the Study:

The present study on the application of Goods and Service Tax (GST) in West Bengal is based on both secondary data and analytical review methods. The methodology is designed to evaluate the implementation, impact, challenges and prospects of GST in the state.

1. Research Design:

The study is descriptive and analytical in nature and its aims to describe the structure, application and outcomes of GST in West Bengal and analyze its socio-economic implications.

2. Data Sources: Secondary Data:

- Government publications, reports from the Ministry of Finance, GST Council and West Bengal Finance Department.
- Articles and research papers from journals, magazines and economic reviews.
- Statistical data from sources such as RBI, Economic Surveys and reports of the Comptroller and Auditor General (CAG).
- News article, online databases and GST portal updates.

Primary Insights:

Informal interactions with local traders, SMEs and tax practitioners in West Bengal and case studies of specific sectors such as jute, tea and handicrafts.

3. Tools and Techniques of Analysis:

- Comparative analysis of revenue trends before and after GST implementation in West Bengal and sectoral analysis of industries (agriculture, jute, tea, SMEs, services).

- Trend analysis using statistical data to assess growth or decline in revenue collection and SWOT analysis (Strengths, Weaknesses, Opportunities, Treats) of GST implementation in the state.

4. Scope of Study:

The study covers the period before and after July 2017 to capture the transition from the VAT regime to GST and geographical scope is limited to West Bengal but references to national GST trends are included for comparison.

5. Limitations of the Study:

- Reliance on secondary data may limit the accuracy of real-time effects and changing GST rates and rules over time may affect consistency in analysis.
- Limited availability of disaggregated state-wise GST data.

This methodology ensures a comprehensive analysis of GST in West Bengal balancing quantitative data (revenue, trade, sectoral output) with qualitative insights (problems, benefits, challenges).

Application of GST: The Goods and Service Tax (GST) are applied as a comprehensive indirect tax on the supply of goods and services across India. It is designed to simplify the tax system by replacing multiple indirect taxes levied by both the Centre and the States. GST is implemented through a dual model, meaning it is levied by both the Central Government and the State Governments.

Structure of GST application:

1. **Central GST (CGST):** Collected by the Central Government on intra-state supply of goods and services.
2. **State GST (SGST):** collected by the State Government on intra-state supply of goods and services.
3. **Integrated GST (IGST):** Collected by the Central Government on inter-state supply of goods and services, later shared between Centre and States.
4. **Union Territory GST (UTGST):** Applicable in Union Territories without legislatures.

Application of GST in West Bengal:

1. **Tax Base Expansion:** GST subsumed VAT, CST, Entry Tax and Entertainment Tax in West Bengal, thereby widening the tax net.
2. **Digital Filing:** Application is entirely online requiring business and traders in West Bengal to register, file returns and pay taxes digitally.
3. **Ease of Interstate Trade:** Removal of Entry tax/check-posts improved the flow of goods from West Bengal to other states (especially important for jute, tea, textiles and handicrafts).
4. **Impact on Business:** Larger industries benefited from reduced cascading taxes, while small traders face challenges in adapting to compliance norms.
5. **Revenue Mobilization:** GST became a major source of revenue for West Bengal, although the state initially depended on compensation from the Centre to balance revenue loss...

Key Benefits of GST:

1. Simplification of tax system
2. Elimination of cascading effect of multiple taxes.
3. Greater transparency and reduction in tax evasion.
4. Improved logistics and trade efficiency.
5. Integration of West Bengal's economy with the national market.

Utility of GST in West Bengal:

The implementation of Goods and Services Tax has played a vital role in reshaping the fiscal and economic framework of West Bengal. Its utility can be understood in terms of simplification of taxation, revenue mobilization and promotion of trade and economic growth.

- **Simplification of Taxation:**

- GST replaced multiple indirect taxes like VAT, CST, Octroi, Luxury Tax and Entertainment Tax in West Bengal.
- It introduced a uniform system, reducing confusion for business and, making compliance easier.
- Online registration and return filing minimized paperwork and improved transparency.

- **Revenue Generation for the State:**

- GST has emerged as one of the major sources of tax revenue for West Bengal.
- It helped in widening the tax base by bringing more traders and service providers under the tax net.
- Initially, the state relied on compensation from the Centre, but GST gradually stabilized revenue inflows.

- **Promotion of Trade and Industry:**

- Removal of interstate barriers (check posts, entry tax) boosted the free movement of goods which benefitted Bengal's tea, jute, textiles and handicrafts sectors.
- Enhanced competitiveness of small and medium enterprises (SMEs) through input tax credit (ICT).
- l) Encouraged investments by creating a predictable tax regime.

- **Boost to Digital Economy:**

- GST accelerated the process of digitalization in West Bengal by making e-filing and e-payments mandatory.
- Increased digital literacy among small traders and businesses.

- **Transparency and Reduction in Tax Evasion:**

- The online system reduced opportunities for corruption and manual intervention.
- Helped in curbing tax evasion and bringing unorganized sectors into the formal economy.

- **Socio-Economic Impact:**

- Enhanced efficiency in logistics and supply chains across the state.
- Supported growth in service sectors like IT, tourism and hospitality by providing a uniform tax framework.
- Encouraged integration of West Bengal's economy with national and global markets.
- In short, the utility of GST in West Bengal lies in its role as a simplified, transparent and growth-oriented tax system that not only increased state revenue but also promoted trade, digitalization and socio-economic development.

Problems of GST in West Bengal:

While GST has simplified taxation and boosted transparency its implementation in West Bengal has also faced several challenges. These issues have affected traders, small businesses and the state government's revenue system.

1. **Dependence on GST Compensation:** After GST replaced state-level taxes like VAT and Entry Tax, West Bengal faced revenue shortfalls. The state became dependent on compensation grants from the Central Government, leading to fiscal uncertainty whenever payments were delayed. The state became

dependent on compensation grants from the Central Government leading to fiscal uncertainty whenever payments were delayed.

2. Challenges for Small Traders and MSMEs:

- Many small traders and micro enterprises in West Bengal struggled with the transition from traditional tax systems to GST's digital platform.
- Compliance costs return filing requirements and digital literacy issues created difficulties, especially in rural areas.

3. **Initial Technical and Administrative Issues:** Frequent changes in GST rates and rules created confusion among businesses. Technical glitches in the GST portal delayed return filing and refunds impacting working capital for exporters and SMEs in Bengal.

4. **Impact on Traditional Sectors:** Industries like jute, handicrafts and small-scale manufacturing which dominate West Bengal's economy initially suffered due to increased compliance burden. Many unorganized businesses found it hard to adapt leading to reduced competitiveness.

5. **Burden on Consumers:** Certain goods and services experienced higher tax rates under GST compared to the earlier VAT regime, increasing the cost of living for consumers in the state.

6. **Complexity despite 'One Nation One Tax':** Through GST was meant to simplify taxation, multiple slabs (0%, 5%, 12%, 18%, 28%) created confusion for traders and consumers in West Bengal. Differentiation in goods (essential VCs luxury) sometimes led to classification disputes.

7. **Resistance and Political Concerns:** Initially, there was political resistance in West Bengal regarding the adoption of GST as it was seen as reducing state autonomy in taxation. Continuous negotiations with the Centre over revenue sharing created tension.

In short, the main problems of GST in West Bengal include revenue dependency, digital and compliance challenges for small businesses, impact on traditional sectors and administrative complexity.

Problem of price rise of goods and GST in West Bengal:

The introduction of the Goods and Service Tax (GST) in 2017 aimed to simplify India's indirect tax system by merging multiple taxes into a single structure. However, in West Bengal as in many other states, GST initially led to an increase in the prices of several goods and services affecting both consumers and small traders.

1. **Increased Tax Burden on Certain Goods:** Under GST, items that were earlier taxed at lower VAT rates (4% or 5%) came under higher GST slabs such as 12% or 18%. Essential commodities, construction materials and consumer goods like household's items, electrical appliances and furniture witnessed noticeable price hikes. For example, goods previously exempted or taxed at minimal rates under the West Bengal VAT Act faced new GST liabilities leading to higher retail prices.
2. **Input Tax Credit Complications:** While GST allows business to claim input tax credit to reduce cascading taxes, many small traders and unregistered suppliers in West Bengal were unable to benefit from it due to compliance issues. As a result they passed the tax burden onto consumers leading to price inflation at the local market level.
3. **Impact on small and Medium Enterprise (SMEs):** Small manufacturers and retailers in West Bengal particularly in sectors like textiles, jute and handicrafts faced higher operational costs due to GST registration and digital compliance. These additional costs were often reflected in the selling price of goods.

4. **Transportation and Logistics Costs:** Although GST removed interstate check posts, the initial adjustment phase saw increased logistics and documentation costs. Businesses added these costs to product prices, especially for goods transported from other states to West Bengal.
5. **Price Rise in Service-Linked Goods:** Services like transport, hotel stays and small business operations were taxed at higher GST rates (18%) indirectly increasing the price of goods lined to these services. Consumers faced higher expenses in tourism, hospitality and local retail sectors.
6. **Lack of Consumer Awareness and Anti-profiteering Issues:** In the early years of GST, much business in West Bengal did not pass on the benefit of reduced tax rates to consumers. Weak enforcement of anti-profiteering provisions led to instances where prices remained high even after rate reduction by the GST Council.

Solution of the problem of price rise of goods and GST: There have been major reductions in GST rates on goods in India (including for states like West Bengal) in 2025. The GST Council (India) approved a rationalization of GST slabs reducing from four main slabs to primarily 5% and 18% with a special 40% slab for luxury/sin-goods. The changes take effect from 22 September 2025 (except for certain items like pan-masala, gutkha, unmanufactured tobacco where a different schedule applies). According to research (e.g. State Bank of India) the rate changes could reduce inflation by about 65-75 basis points in financial year 2026. There are many examples of goods whose GST rates were decreased by the Central Government.

- Price of processed foods, packaged snacks, nuts, dry fruits are moved from 12% or 18% to 5%.
- Everyday household items (like hair-oil, shampoo, toothpaste) are reduced from 18% to 5%.
- Large consumer durable goods (ACs, TVs, refrigerators, two or four wheeler bike, and computer) are moved from 28% to 18%.

Not all goods had GST decreased, some “sin or luxury items had their rates increased or kept high (e.g. aerated drinks with added sugar, large-engine vehicles). The actual price reduction on shelves depends on whether the tax cut is passed on by manufacturers/retailers-not automatic. For your state like West Bengal, since GST is a pan-India framework these changes apply. But state-specific notifications or sectoral exemptions may further influence how the changes affect local industries or goods.

GST Rate on Goods in 2017-2018: GST in India is structured under multiple tax slabs-0%, 5%, 12%, 18% and 28%-depending on the nature of goods. Some goods also attract additional cess (like luxury or sin goods).

1.0 % (Exempted Goods): There are essential items or basic necessities:

- Fresh fruits and vegetables, milk, eggs, meat fish
- Bread, salt and cereals (rice, wheat, flour)
- Books and educational materials, handloom fabrics

2.5% GST: Mostly essential or mass-consumption goods like tea, edible oils, sugar and packaged food items, footwear (up to Rs 1000 per pair), life saving drugs and medicines, coal, domestic LPG and Kerosene.

3.12% GST: Mid-range consumption and processed goods like processed food and confectionery, computers and mobile phones, fruits juices, butter, cheese, umbrellas, sewing machines, fertilizers and agricultural equipment.

4.18% GST: Standard rate of most goods and services-the most common slab including goods are electrical appliances (refrigerators, washing machines, fans), paints, tiles and building materials, branded

garments and footwear(above Rs 1000),packaged food, sweets and confectionery, stationery items, cosmetics and toiletries

5 28% GST: Luxury and demerit goods like automobiles and motorcycles, air conditioners, refrigerators(large capacity),tobacco products, pan masala,luxury items like perfumes, high-end cosmetics, soft drinks and energy drinks(plus cess)

6. Additional Cess (for certain items): Applied on top 28% GST for goods considered luxury or harmful to health and environment like cigarettes and tobacco up to 290 % cess, pan masala: 60% cess, aerated drinks: 12% cess and motor vehicles (SUVs and luxury cars):15% cess

GST rates are uniform nationwide. So the same rates apply in West Bengal. The West Bengal State GST (SZGST) is half of the total on intra-state transactions (the other half is Central GST or CGST).For inter-state sales, integrated GST is levied instead.

Solution to the Problems of GST in West Bengal:

While GST has modernized the taxation system its application in West Bengal has faced hurdles such as revenue dependence ,compliance challenges and sect oral difficulties. The following solutions can help address these problems and improve the effectiveness of GST in the state:

- **Strengthening State Revenue System:**
 - The state should focus on widening the tax base by bringing more underegistered traders, small businesses and service providers under GST.
 - Improve revenue independence by enhancing local tax administration and reducing over-dependence on central compensation.
- **Capacity Building for Small Traders and MSMEs:**
 - Organize awareness programs, training workshops and digital literacy campaigns for small traders, rural enterprises and handicraft sectors.
 - Provide subsidized assess to accounting software and GST support Centers in districts to reduce compliance burden.
- **Improving Digital Infrastructure:**
 - Expand internet connectivity and digital infrastructure in rural and semi-urban areas of West Bengal to ensure smooth GST filling.
 - Establish GST facilitation centers at blocks and municipality levels to assist small taxpayers.
- **Simplification of Tax Procedures:**
 - Advocate for reduction in GST slabs(from multiple to fewer rates) to minimize confusion among traders.
 - Simplify return filing especially for micro and small businesses by promoting quarterly filing options.
- **Sector-Specific Support:**
 - Provide special policy reliefs or lower GST rates for traditional industries like jute, handicrafts and tea which are vital to West Bengal's economy.
 - Ensure timely refunds for exporters to avoid working capital blockages particularly in the textile and small manufacturing sectors.
- **Enhancing Consumers Protection:**
 - Ensure strict monitoring to prevent business from unfairly increasing prices under the pretext of GST.
 - Educate consumers about GST and how it affects pricing to build awareness and transparency.

- **Strengthening State-Centre Coordination:**

- The West Bengal government should actively collaborate with GST Council to raise state-specific concerns (e.g. compensation delays, rate rationalization). And ensure periodic reviews to assess the impact of GST on the state's economy and recommend reforms.

In Summary, the solutions lie in strengthening digital infrastructure, supporting SMEs, simplifying compliance, protecting traditional industries and ensuring effective Centre-State coordination. This will allow West Bengal to maximize the benefits of GST while reducing its drawbacks.

Government Policy for GST in West Bengal:

The Government of West Bengal in line with the national framework of the Goods and Services Tax (GST) introduced on 1st July 2017, has adopted policies and measures to ensure effective implementation of the new tax regime in the state. Being part of India's dual GST model, West Bengal levies State GST (SGST) on intra state supplies, while also having Central GST (CGST) and integrated GST (IGST) revenues with the Centre.

1. **Adoption and Legislative Framework:** The West Bengal Goods and Service Tax Act, 2017 was passed to enable the state to implement GST. The state government aligned its taxation structure with the recommendations of the GST Council while safeguarding state interests in revenue.
 2. **Revenue and Compensation Policy:** The state initially relied on GST compensation from the Centre to address revenue loss after replacing VAT and entry tax. Policy focus has been on stabilizing state finances by expanding the GST tax base and improving compliance.
 3. **Digital and Administrative Reforms:** The state has promoted digital tax administration through the GSTN (Goods and Service Tax Network) portal. Special initiative was taken to support small traders, MSMEs and rural enterprises with help desks, grievance redressal systems and GST Suvidha Kendras.
 4. **Policy Support for Priority Sectors:** The West Bengal government has sought lower GST rates or exemptions for critical state industries such as jute, handicrafts, tea, textiles and leather to protect employment and competitiveness, Export-oriented industries have been given facilitation support to ensure timely refunds of Input Tax credit (ICT).
 5. **Compliance and Awareness Policy:** The state has organized awareness campaigns training workshops and seminars for traders and tax practitioners. Policies encourage quarterly return filing for small taxpayers to reduce compliance burden.
 6. **Coordination with the Centre:** West Bengal participates actively in GST Council meetings to represent state-specific issues like delayed compensation rate rationalization and sectoral exemptions. The state government has been vocal in demanding timely release of GST dues to safeguard state development projects.
 7. **Consumer Protection Measures:** Policies ensure strict monitoring of anti-profiteering provisions so that businesses do not overcharge consumers under the GST framework. Consumer awareness drives have been undertaken to inform the public about GST's impact on pricing.
- In short, the government policy for GST in West Bengal focuses on ensuring smooth implementation through legislative alignment, revenue stability, digital adoption, and support for key industries, compliance facilitation and Centre-State coordination.

Recommendations in West Bengal:

To maximize the benefits of GST and overcome its challenges the following recommendations are sug-

ested for effective implementation in West Bengal.

1. Strengthen Digital Infrastructure:

- a. Expand internet connectivity in rural and semi-urban areas to ensure smooth GST compliance.
- b. Establish local GST facilitation centers in every district and block to support small taxpayers with filling and queries.

2. Simplify Compliance for Small Traders:

- a. Promote quarterly return filing and composition schemes for micro and small enterprises.
- b. Provide affordable accounting software and mobile apps in local languages (including Bengali) for ease of compliance.

3. Sector-Specific Support:

- a. Advocate for lower GST rates on traditional sectors like jute, handicrafts, tea and leather which are crucial to West Bengal's economy and employment.
- b. Ensure timely refunds for exporters to avoid working capital shortages.

4. Enhance Awareness and Training:

- a. Conduct regular training workshops and awareness campaigns for traders, MSMEs and rural entrepreneurs.
- b. Strengthen collaboration between the state tax department, chambers of commerce and trade associations.

5. Revenue and Fiscal Stability: i) Reduce dependency on Central compensation by widening the tax base within the state.

- a. Improve tax administration efficiency to minimize leakages and strengthen state revenue.

6. Rationalization of GST Rates:

- a. Advocate in the GST Council for simplification of the tax structure, reducing the number of tax slabs to avoid confusion.

7. ii) Ensure uniformity in classification of goods and services to prevent disputes.

8. Consumer Protection and Transparency:

9. i) Enforce anti-profiteering laws strictly to ensure that GST benefits are passed on to consumers.

10. ii) Strengthen consumer's awareness programs about GST and its impact on pricing.

11. Strengthen Centre-State Coordination:

- a. Maintain regular dialogue with the Central Government to ensure timely release of GST compensation.
- b. Represent state-specific industries and socio-economic concerns effectively in GST Council meetings.

In summary, these recommendations emphasize digital strengthening, sectoral relief, compliance simplification, and revenue independence and consumer protection to make GST more effective and inclusive in West Bengal.

Conclusion:

The introduction of the Goods and Service Tax (GST) has been a landmark reform in India's taxation system, aiming to unify the market under the principle of "One Nation, One Tax, and One Market". In West Bengal, GST has played a significant role in simplifying the tax structure, broadening the tax base, improving revenue transparency and facilitating interstate trade. It has also encouraged digitalization and formalization of business, thereby aligning the state's economy with national and global standards. At the same time, the study highlights that the transition to GST has not been without challenges. Small traders, rural enterprises and traditional industries such as jute, tea and handicrafts faced difficulties due to

compliance costs, digital filing requirements and frequent changes in GST rates. Revenue dependence on central compensation also created fiscal strain for the state. Despite these hurdles, GST has gradually stabilized as a key revenue source and a driver of economic integration.

Overall GST in West Bengal has been both a challenge and an opportunity. With appropriate policy interventions such as strengthening digital infrastructure, supporting MSMEs, rationalizing tax slabs and ensuring sector –specific relief-the state can maximize the benefits of GST while minimizing its drawbacks. The study concludes that bGST,through still evolving has laid the foundation for a more transparent ,efficient and growth-oriented tax system that can contribute significantly to West Bengal’s socio-economic development in the long run.

References:

1. Business Standard & the Hindu (2017-2023). Various reports and articles on GST and its impacts on state economics including West Bengal.
2. Comptroller and Auditor General of India (CAG). (2019). *Report on State Finances-Government of West Bengal*, New Delhi.
3. Chattopadhyay, S. (2019). "GST Implementation and Its Challenges in West Bengal." *Indian Journal of Public Finance and Policy*, 15(2), 45-48.
4. Economic Survey of India. (2017-2023). Ministry of Finance, Government of India.
5. Government of India (2017). *The Central Goods and Service Tax Act, 2017*, Ministry of Finance, New Delhi.
6. Government of West Bengal (2017). *The West Bengal Goods and Services Tax Act, 2017*. Finance Department, Kolkata.
7. GST Council (2017-2024). *GST Council Reports and Notifications*. Retrieved from <https://gstcouncil.gov.in>
8. International Monetary Fund (IMF). (2018). *India: Selected Issues-Tax Reforms and GST*. IMF Country Report
9. . Mukherjee, S. (2020). "Impact of GST on State Finances in India: The Case of West Bengal." *National Institute of Public Finance and Policy (NIPEP) Working Paper*.
10. Reserve Bank of India. (2018-2023). *State Finances: A Study of Budgets*, RBI Publications, Mumbai.