# Goods and Services Tax and Regional Economic Transformation in India: A Critical Assessment with Special Reference to Assam

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**Abstract:**
The Goods and Services Tax (GST), introduced in India on 1 July 2017 through the Constitution (One Hundred and First Amendment) Act, 2016, represents one of the most significant indirect tax reforms aimed at establishing a unified national market. By subsuming multiple Central and State indirect taxes into a single tax regime, GST seeks to eliminate the cascading effect of taxation, enhance tax compliance, improve transparency, and promote economic efficiency. This study critically examines the constitutional, legal, and economic framework of GST and evaluates its impact on the Indian economy, with special reference to the State of Assam. The research adopts a doctrinal and qualitative methodology based on the analysis of constitutional provisions, statutes, judicial pronouncements, government reports, and scholarly literature. It examines the evolution of India's indirect tax system, the rationale behind the implementation of GST, and its implications for businesses, consumers, revenue administration, and cooperative federalism. The study further analyses the opportunities and challenges experienced in Assam, particularly in relation to trade, revenue generation, industrial development, and the implementation of GST in a geographically sensitive and economically diverse region. The research concludes that while GST has significantly simplified the indirect taxation structure and strengthened fiscal integration, certain challenges relating to compliance, technological infrastructure, and state revenue concerns continue to require policy attention for ensuring the long-term effectiveness of the tax regime.

**Keywords:** Goods and Services Tax (GST), Indirect Taxation, Indian Economy, Assam, Fiscal Federalism, Constitutional Law, Tax Reforms, Economic Development.

## 1.1 INTRODUCTION

The introduction of the Goods and Services Tax (GST) in India on 1 July 2017 marked a fundamental transformation in the country's indirect taxation framework. Introduced through the Constitution (One Hundred and First Amendment) Act, 2016, GST sought to replace a fragmented system of Central and State indirect taxes with a coordinated destination-based tax structure. The reform was intended not merely to rationalise taxation but also to reduce the cascading effect of taxes, facilitate the creation of a common national market, improve tax compliance, enhance transparency and strengthen the efficiency of tax administration. The constitutional architecture of GST also represented a significant reconfiguration of fiscal relations between the Union and the States. Your existing dissertation appropriately identifies the elimination of cascading, simplification of tax administration and development of a common national market as central objectives of the reform.

The significance of GST, however, extends beyond the restructuring of indirect taxation. Over the years following its implementation, GST has become an important component of India's fiscal architecture and a significant instrument of revenue mobilisation. Consequently, assessment of GST cannot be confined to whether it replaced multiple indirect taxes with a unified framework. Its effectiveness must also be examined in terms of revenue performance, tax compliance, formalisation of economic activity, administrative efficiency, business costs, fiscal federalism and its wider implications for economic development.

The post-GST experience also demonstrates that the reform has not been uniform across regions. Differences in economic structure, geographical conditions, levels of industrialisation, market size and administrative capacity influence the manner in which States experience and respond to GST. This regional dimension is particularly significant in the case of Assam and the wider North-Eastern region. Your existing research recognises that the North-Eastern States historically faced limitations in generating their own tax revenues because of factors including relatively low levels of economic activity, geographical constraints and dependence on transfers from the Union Government.

Assam therefore provides an important regional context for examining the effectiveness of GST. The State was also the **first State to ratify the Constitution (122nd Amendment) Bill**, unanimously approving it in the Assam Legislative Assembly on 12 August 2016. The State's experience consequently provides an important basis for examining whether the objectives associated with GST have translated into improvements in revenue mobilisation, compliance and fiscal administration at the regional level.

Recent audit evidence makes such an assessment particularly relevant. The Comptroller and Auditor General of India (CAG), in its **Report No. 5 of 2025 on State Revenues, Government of Assam**, covering the period ended March 2024, identified compliance issues concerning taxpayers supplying works contract and construction services under GST.

The same report records approximately **2.29 lakh GST registrations in Assam as of March 2024**, indicating the substantial expansion of the GST taxpayer base in the State. Further, the CAG's 2023–24 State Finances report records GST-related tax-evasion cases and outstanding GST refund claims, indicating that increased digitalisation and tax administration have not eliminated compliance and enforcement challenges.

These developments demonstrate why the impact of GST requires a **critical rather than purely normative assessment**. An increase in tax collections or taxpayer registrations may indicate improved revenue mobilisation and formalisation, but such indicators alone cannot establish that GST has generated proportional economic transformation. The effectiveness of the regime must instead be assessed by considering both its achievements and its continuing structural limitations.

## 1.2 MEANING OF GOODS AND SERVICES TAX

The genesis of the introduction of GST in the country was laid down in the historic Budget Speech of 28th February 2006, wherein the then Finance Minister laid down 1st April, 2010 as the date for the introduction of GST in the country. Thereafter, there has been a constant endeavour for the introduction of the GST in the country whose culmination has been the introduction of the Constitution (122nd Amendment) Bill in December, 2014.[1]

[1] https://gstcouncil.gov.in/about-us(last visited on November 23,2022 at 3:45 PM)

The idea of moving towards GST was first mooted by the then Union Finance Minister in his Budget speech for 2006-07. Initially, it was proposed that GST would be introduced from 1st April 2010.The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on the GST in November, 2009. This spelt out features of the proposed GST and has formed the basis for discussion between the Centre and the States so far.

GST is a consumption tax, based on the credit invoice method where only the value addition at each stage is taxed, with seamless flow of credit along the supply chain. It subsumed in its ambit a large number of consumption taxes that previously existed in India, administered separately by the Centre and the States, resulting in a greatly rationalized taxation structure. The umbrella system of GST inter alia integrated the tax administrations of the Federal and State Governments, making it a single interface for the taxpayers, eliminating the cascading effect of taxes thereby making the country's exports more competitive in the global market and finally removing once and for all the age-old system of check posts for inter-state movement of goods.[2]

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumers point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST as studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy. The government proposes to introduce GST with effect from 1st July 2017.[3]

Besides altering the industrial landscape of the country, GST is also a never-heard-before experiment in fiscal federalism. Cutting across ideologies, politicians, policy makers and tax administrators negotiated, bargained and arrived at decisions – all in the interest of greater common good. The legislations that made up GST were put in public domain for feedback multiple times at each stage, empowering all the stakeholders to deliberate on what kind of future they wanted to help design, in the truest spirit of democracy.[4]

Primarily, GST is a tax levied on the supply of goods and services. In case of an inter-state supply, it is called integrated tax, levied by the Federal Government, administered jointly by the Centre and the States and later apportioned between them. In the case of an intra-state supply, it is levied in two components – the federal tax, levied by the Federal Government and the state tax/union territory tax, levied by the respective administrations.[5]

[2] Blockchain.gov.in/assests/docs/Concept_Note_GST_Chain (last visited on December 9, 2022 at 11:14 AM)
[3] Gstcouncil.gov.in/brief-history-gst(last visited on October 15,2022 at 11:02 AM)
[4] Gst.council.gov.in/sites/default/files/gstsaga (last visited on December 9, 2022 at 11:29 AM)
[5] Taxguru.in/goods and service-tax/gstsaga-story-extraordinary-nationalambition (last visited on December 9, 2022 at 11:39 AM)

The structure of indirect taxes in India (as existing upto 30-06-2017) was based on three lists in Seventh Schedule to Constitution of India, which came into effect on 26-1-1950. These lists are mostly based on Government Act of India Act, 1935.[6]

World has moved towards common Goods and Services Tax (GST) long ago. However, so far as India is concerned, GST is the tax for 21st century. Finally India has moved into GST on 1-07-2017. It is one way-street now there can be no going back. We have to face challenges of GST. There is no other way.[7]

A common refrain in the popular discussions is what the need for the introduction of GST is. To answer that question, it is important to understand the present indirect tax structure in our country. Presently the Central Government levies tax on manufacture (Central Excise duty), provision of services (Service Tax), interstate sale of goods (CST levied by the Centre but collected and appropriated by the States) and the State Governments levy tax on retail sales (VAT), entry of goods in the State (Entry Tax), Luxury Tax, Purchase Tax, etc. It is clearly visible that there are multiplicities of taxes which are being levied on the same supply chain. There is cascading of taxes, as taxes levied by the Central Government are not available as setoff against the taxes being levied by the State governments. Even certain taxes levied by State Governments are not allowed as set off for payment of other taxes being levied by them. Further, a variety of VAT laws in the country with disparate tax rates and dissimilar tax practices, divides the country into separate economic spheres. Besides that, the large number of taxes creates high compliance cost for the taxpayers in the form of number of returns, payments etc.

All the taxes mentioned earlier are proposed to be subsumed in a single tax called the Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level. So basically any tax that is presently being levied by the Central or State Government on the supply of goods or services is going to be converted into GST.

GST is proposed to be a dual levy where the Central Government will levy and collect Central GST (CGST) and the State will levy and collect State GST (SGST) on intra-state supply of goods or services. The Centre will also levy and collect Integrated GST (IGST) on inter-state supply of goods or services. Thus GST is a unifier that is going to integrate various taxes being levied by the Centre and the State at present and provide a platform for forging an economic union of the country.

This tax reform will lead to creation of a single national market, common tax base and common tax laws for the Centre and States. Another very significant feature of GST will be that input tax credit will be available at every stage of supply for the tax paid at the earlier stage of supply. This feature would mitigate cascading or double taxation in a major way. This tax reform will be supported by extensive use of Information Technology [through Goods and Services Tax Network (GSTN)], which will lead to greater transparency in tax burden, accountability of the tax administrations of the Centre and the States and also improve compliance levels at reduced cost of compliance for taxpayers. Studies indicate that introduction of GST would instantly spur economic growth and can potentially lead to additional GDP growth in the range of 1% to 2%.[8]

Chanakya's words summarize the whole GST process – 'even if something is very difficult to be achieved, one can obtain it with penance and hard work'. If we take into consideration the 29 states, the 7 Union Territories, the 7 taxes of the Centre and the 8 taxes of the states, and several different taxes for different

[6] V.S.Datey, GST Ready Reckoner 1 (Taxmann Publications [P.] Ltd., Haryana,18th Edition,2022)
[7] *Supra*
[8] gstcouncil.gov.in/about-us(last visited on November 27,2022 at 1:15 PM)

commodities, the number of taxes sum up to a figure of 500! Today all those taxes will be shred off to have ONE NATION, ONE TAX right from Ganganagar to Itanagar and from Leh to Lakshadweep.[9]
GST could not have come at a more opportune time for India. The nation is at that critical stage of its evolution where we are poised to take off to the next level of socio-economic development and need that catalytic jump that will propel us there. What makes the implementation of GST from 2017 particularly noteworthy is how it sits at the culmination of a plethora of local and global developments, much of it deliberately and strategically planned. It is by now well-known that one of the intended benefits of GST is the formalisation of a major chunk of the informal economy. This transition from an informal channel to a formal setup would have caused much hardship to the large number of people employed. GST has also made payment through electronic means mandatory, taking forward the Government's campaign for cashless payment, which is an integral part of the Digital India program.[10]

**1.3 IMPORTANCE OF GST**

GST is beneficial not only for the business and industry but also for the government and consumers. GST is largely technology driven. The interface of the taxpayer with the tax authorities is through the common portal (GSTN).[11] Here, we bring the ten benefits of Goods and Service Tax (GST).[12]

1. Easy Compliance-A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all taxpayer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
2. Uniformity of tax rates and structure - GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
3. Removal of Cascading - A system of seamless tax credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce the hidden costs of doing business.
4. Improved Competitiveness - Reduction in transaction costs of doing business would eventually lead to improved competitiveness for the trade and industry. World Bank believes that the implementation of the Goods and Service Tax (GST), combined with the dismantling of inter-state check-posts, is the most crucial reform that could improve the competitiveness of India's manufacturing sector.
5. Gain to Manufactures and exporters -The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give a boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing compliance costs
6. Simple and easy to administer- Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

[9] Narendra Modi, Prime Minister of India, dedicating GST to the nation- 1st July 2017; Central Hall, Parliament of India available at gst.council.gov.in/sites/default/files/The-GST-Saga.pdf(last visited on November 23, 2022 at 12:02 PM)
[10] gst.council.gov.in/sites/default/files/The-GST-Saga.pdf(last visited on November 23, 2022 at 12:05 PM)
[11] Cbic.gov.in/resources//htdocs-cbec/gst51_GST_fyler_chapter45(Last visited on October 22,2022 at 5:40PM)
[12] Clearias.com/10-benefits-goods-and-services-tax-gst/(Last visited on October 22,2022 at 5:45PM)

7. Better Controls on Leakage-GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.
8. Higher Revenue Efficiency - GST is expected to decrease the cost of collection of tax revenues of the Government, and will, therefore, lead to higher revenue efficiency.
9. Single and Transparent tax proportionate to the value of goods and services - Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today is laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
10. Relief in the overall Tax Burden- Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. Because of efficiency gains and the prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

As per the taxation system of India, the Constitution of India has allowed the government to charge taxes to the people of the country based on their income bracket. The tax system allows ordinary taxpayers to plan their taxes and save money wherever possible. However, there are several cascading effects of taxes in India. Further, the tax collected from the country's citizens is used to create revenue for public works projects and enhance the country's economic standing. If a person decides to put money into a tax-saving instrument, they may be eligible for a tax break.[13]

To explain the impact of cascading taxes, let us consider an example. Suppose A sells goods to B after charging the sales tax and then B, in turn, sells those goods to C after charging the sales tax. In this scenario, while B was computing its sales tax liability, it must have also included the sales tax paid on the previous purchase, and that is how it becomes the case of 'tax on tax' also referred to as 'taxes on taxes' which arises the need for GST to do away with the phenomenon.[14]

By removing the shortcomings of the supply chain owing to the multi-layered policies, GST has established a transparent and corruption-free tax administration. It is not only investor-friendly or business-friendly but also consumer-friendly to a great extent. Therefore, business owners, entrepreneurs, manufacturers, traders, and citizens must understand that GST is without any doubt the need of the hour and make a point of the fact that any hindrance to its enactment or compliance is unjustified and not in the national interest.[15]

So, now that we have defined GST, let us talk about why it will play such a significant role in transforming the current tax structure, and therefore, the economy. Currently, the Indian tax structure is divided into two – Direct and Indirect Taxes. Direct Taxes are levies where the liability cannot be passed on to someone else. An example of this is Income Tax where you earn the income and you alone are liable to pay the tax on it.

In the case of Indirect Taxes, the liability of the tax can be passed on to someone else. This means that when the shopkeeper must pay VAT on his sale, he can pass on the liability to the customer. So, in effect,

[13] Unacademy.com/content/railwayexam/study-material/general awareness/mention-the-impact-of-GST (Last visited on October 27,2022 at 5:09 PM)
[14] Kashishworld.com/blog/overview-and-importance-of GST (Last visited on October 27, 2022 at 5:15 PM)
[15] ID

the customer pays the price of the item as well as the VAT on it so the shopkeeper can deposit the VAT to the government. This means that the customer must pay not just the price of the product, but he also pays the tax liability, and therefore, he has a higher outlay when he buys an item.[16]

This happens because the shopkeeper has paid a tax when he bought the item from the wholesaler. To recover that amount, as well as to make up for the VAT he must pay to the government, he passes the liability to the customer who has to pay the additional amount. There is currently no other way for the shopkeeper to recover whatever he pays from his own pocket during transactions and therefore, he has no choice but to pass on the liability to the custom.

Goods and Services Tax will address this issue after it is implemented. It has a system of Input Tax Credit which will allow sellers to claim the tax already paid, so that the final liability on the end consumer is decreased.[17]

## 1.4 STATEMENT OF THE PROBLEM

In the Pre GST era, the Centre could tax goods up to the production or manufacturing stage, while States collected taxes on sales or distribution of goods. Services could be taxed only by Central Government. However, GST provided provision to both Centre and States to tax the entire supply chain in goods as well as services, from production to distribution. A centralised system for filling returns and uploading invoices also meant reduction in tax evasion.[18]

Even though this eliminated the need for businesses to remember, keep track and pay for each separate taxes, the regime has its own challenges for taxpayers as: The website of GST crashed multiple times, making it difficult for taxpayers to file return on time. In addition the complex structure of compliances made it even more challenging for business owners. Small Businesses and the micro small and medium enterprises suffered the most at transitioning to the new system proved to be an expensive affair. From adoption of computer systems for filing returns, to hiring a Chartered Accountant (CA) to understand the procedure involved and file returns, which led to a surge in expenses. Over the past years the government has been proactively issuing circulars and notifications to clear doubts regarding taxation under GST and ensure ease of doing business but are the business owners are aware and can opt for such changes so frequently. The recent surge in GST collections is said to be a good sign of economy recovery as well as of the country’s tax performance. However, India gross domestic product (GDP) was rising at a steady pace until FY2017, when it was at 8.26 per cent. From that year onwards, economic growth started to fall the comparison shows that rise in GST collections are not that significant. It is to be noted here that fall in GDP was not only due to implementation of GST, but also caused by yet another surprise move by the Centre, called demonetisation in 2016. As a result with 2 back-to-back reforms announced with the GDP growth fell to as low as 3.74 per cent by FY 20. The next year were marred by the Covid pandemic. GST collections were at their record low and so was India’s GDP. However, with gradual resumption of economic activities, the pace of growth gained stream and now India is poised to emerge as the fastest growing major economy.[19]

## 1.5 LITERATURE REVIEW

Ankit Todi in his book, “*Assam Goods and Service Tax Act and Rules*” (2017) has discussed and analysed about significant re-structure has been made in the field of Indirect Taxes in India where the author analyse

[16] Quora.com/importance-of-GST(Last visited on October 29,2022 at 1:16PM)
[17] *Supra* Note 25
[18] Timesofindia/gst-evovled(last visited on November 15,2022 at 11:10 PM)
[19] ID

multiple indirect taxes at the Centre and the States level has been subsumed with the introduction of Goods and Services Tax. With the consequences of the Centre and the States in India, Goods and Services Tax is implemented both by the Centre and the States on a common taxable base, tag lined as 'One Nation One Tax'. This called for amendments in The Constitution of India to enable the Centre to levy tax on goods beyond the manufacturing stage and also to empower the State to levy tax on services. In order to implement the Goods and Services Tax in the State of Assam, the Government passed the Assam Goods and Service Act 2017, and the Assam Goods and Service Tax Rules, 2017 along with various notifications. All endeavours have been made by the author for giving notes on Constitutional Amendment, Objects and Reasons towards introduction of Goods and Services Tax, provision of the Act and notifications along with relevant case laws at appropriate places. As the suggestions and recommendation made by the author relates under the present study of Constitutional Amendments hence it is found to be appropriate to review the present book.

V.S.Datey in his book, "*GST Ready Rockner*" (2022) summarized law stated in this book is as amended by the Finance Act, 2022. The author gave an overview on GST, Constitutional Background of GST, Powers of GST Officers, First Appeal and Revision in GST, Appeal before Appellate Tribunal, Appeal before High Court and Supreme Court, Concessions to small enterprises in GST and many other factors related to GST. However the problem associated with the administration of taxes discussed in the books are still found to be still prevalent. The author has emphasised on GST a one way street now there can be no going back. World has moved towards GST long ago. It is rightly said that India is like an elephant. It take time to start, but once started, it is very difficult to stop it. The author has focus on changes in GST law proposed to be made in Finance Act, 2022. Nirmala Sitharaman, Minister of Finance, Government of India, presented Budget 2022-23 on 1-2-2022. Finance Bill 2022 was also presented. Finance Bill 2022, was passed by Parliament and became Finance Act, 2022 on 30-03-2022 after receiving the assent of President. As the suggestions and recommendation made by the author has been benefited on the present study on administration of taxes on GST and helps in procedure of Post GST administration procedure.

Pranab Sikdar, et.al, in his book, "*GST Law and Guidance*" (2017) focused on GST compliance which are based on GST Network where tax payer is required to have familiarity with basic GST law. The author gave a wide description on GST Law as a onus on tax payer to be knowledgeable about his right and also of his liability. The failure in procedural compliance will lead to tax dispute and invocation of penal provision by the tax administration. Credit mechanism at each stage of value addition in supply chain of goods and services require clear understanding of the GST Law. More intricate issues are inter-state and intra-state credit mechanism of CGST, SGST and IGST tax paid on inward supply of goods and services and utilisation of its credit on output supply. Error and misconception is understanding the law may lead to litigation. The GST LAW AND GUIDANCE aims to decode the GST Law and present layman guidance for in-depth understanding of GST Law and its rules and procedure. A simplified analysis has been provided for better understanding of the technical language applied in the Sections and Rules to cover broader aspect of legislation.

CA (Dr.) Mahesh Gour, et.al, in his study, "*Indirect Tax Laws*" (2022) has critically examined about the Pre GST Structure and Post GST Structure Scheme. After the roll out of GST in India with effect from 1$^{st}$ July, 2017 there have been many changes in the GST Laws. The present book emphasize on application of GST and Indirect laws. The Part I of the book has been divided into 24 chapters which are based on the provisions of CGST Act 2017 and IGST Act 2017 as amended upto 31$^{st}$ October 2021. The author focused on the meaning of the word tax as a mandatory financial charge or some other type of levy imposed upon a taxpayer by the Government in order to fund various public expenditure. It may be noted that the tax is a mandatory payment because a failure to pay or evasion of or resistance of taxation, is punishable by law. The author have made a detailed discussion on major defects in the structure of Indirect Taxes prior to GST which gave a help to understand the PRE GST Structure Scheme. The author has designed to explore the impact, benefits and challenges of GST after its implementation and to make difference between indirect tax system before GST implementation and after its implementation. The author found that GST is implemented to simplify the Indian indirect tax system and GST will positively affects the common man in various ways by abolishing many taxes. And study concluded that GST plays very important role for country growth and development.

Sweety Deswal in the paper, "*GST: A Revolutionary Step Towards Tax Reforms in India*" has analysed GST stands for Goods and Service tax came into effect on 1st July 2017. GST is an indirect tax which has subsumed almost all the indirect taxes imposed by central and state government in India into a unified tax. Implementation of GST is a game changing reform in the Indian taxation system. This paper highlighted the concept of GST and its advantages after its implementation. The results are analysed with the help of secondary data. The study found that GST will improve tax collection and it will make better the economic growth. But there is also need for systematic research for its successful execution and implementation.

The paper discussed pre GST Scheme as in India there were two types of taxes imposed by the government i.e. direct tax and Indirect tax. Direct tax means the tax that is paid by the by the taxpayer to government directly such as income tax, wealth tax and corporation tax. Indirect tax is levied on goods and services rather than on income or profits. Indirect tax means the tax that is not directly paid to government but is collected by the intermediaries like retailers from final consumers of goods and services. Hence consumers bear the ultimate burden of indirect tax. The indirect taxation system of India was multilayered as the taxes were levied by the central and state government at various stages of supply chain such as octroi, excise duty, central sales tax and value added tax.

Despite various initiatives and changes made by government the then taxation system was complicated and cumbersome. So, to make it scientific, modern but simplified Dr. Vijay Kelkar chairman of 13th finance commission has suggested the implementation of GST in India.

Aakansha Uppal in the paper, "*GST-Awareness and Perception of Small Business Persons (SBPS)*" emphasised as recently India witnessed a change in its indirect tax regime. There was much of chaos in the country as people did not have much knowledge and understanding for this new system, i.e. GOODS AND SERVICE TAX (GST). The Small business persons (SBP) were the most effected segment in terms of the changes to be done because of GST.

In this paper an attempt has been made to observe the awareness and perceptions about GST among SBPs. Also how far government is successful to get acquainted SBPs about GST. Particularly we are focussing on SBPs perception about the new the tax system (e.g. Transparency, burden on SBP's), and its administration. The results shows that initially there was low level awareness but as the time progressed the level of awareness also increased among the SBPs about GST not all SBPs perceived the GST system as being reasonably simple or easy to understand.

However, it was observed that most of the SBPs were making efforts to get acquainted with the new tax regime since starting only, i.e. when GST bill was passed Many SBPs also specified that they depend on accounting software for keeping a proper record of their GST transactions. Though the GST was considered as simple, but there are some compliance cost which give a burden to SBPs.

The paper focus on the two important problems in Indian tax system is Cascading effect and evasion of taxes which can be reduced when GST comes into effect. In their study they concluded that GST is simple and transparent tax system which will help to generate the employment opportunities and increase the problem of cascading effect of earlier tax regime and its removal through GST can be understood.

Dr. Kalpana Nebhinani in the paper "*GST Implementation Model – What Businessmen need to do?*" discussed about GST is a major reform to bring uniformity in the tax system. The reset of GST need simplicity of GST compliance system to prepare the business ready and organized with the change of GST, a road map is the need of the hour for all businessmen to effectively implement GST.

As the present scenario is showing changes in business world after GST law, so the present paper is an attempt in this direction to present a model which may suits to Indian business community to implement GST law. Some gap has been observed between awareness level of businessmen and proper implementation of GST. This made the concept of GST implementation model to be specifically addressed in an integrated manner covering associated parameters.

Businessmen and GST are receiving increasing attention now a day, after enactment of new GST law. Moreover there is a need of model which may suggest business community to get by GST. In today's circumstances the notion of GST is very imperative one. Moreover now GST is key consideration issue for business world. After setting this background, a model has been prepared to comprehensively cover the issues related with GST specifically for businessmen.

This paper may provide some guidelines and steps to be taken to effectively implement the new taxation system. The paper helps in to convert Goods and Service Tax in the Goods and Simple Tax. Starkly, the simplicity of the GST compliance system comes out when we compare GST with old taxation system. GST is just a short term uncertainty. Especially this change will lead a better Indian Economy.

Kankipati Ajay Kumar in the paper "*A Journey of Goods and Services Tax (GST) and Structural Impact of GST on the Growth of GDP in India*" evaluate as In Developing countries like India, the taxation system is very crucial role in the development of revenues of the country. But India tax system is difficult to understand and in fact for calculation too in case of both direct tax as well as indirect tax. In order to overcome the problems of the government of India tries to simply the direct tax as well as indirect tax, the government made the proposal of introducing GST (Goods and Services Tax) instead of all indirect taxes and DTC (Direct Tax Code) instead of direct tax.

But fortunately GST won the first place in the purview of implementation. The government of India is committed to replace all the indirect taxes levied on the services and goods by state and central government in the month of April 2017. This paper made an attempt to explain the level of impact of this GST (goods and services tax) on the growth of the economy, and benefits for the business and government and for the consumers.

Implementation of GST has been regarded as one of the bravest decision taken by the present government for reforms in the taxation system in India and for the same reason, July 1 is celebrated as Financial Independence Day in India. The transition to GST has not been definitely so easy for the Government as well as the people in general. Much research and practical initiatives are required to be taken. Confusion and complexities are expected and will occur.

The country is keenly looking for the roll-out of GST from April 2017, as the government focuses on creating one single tax & market for all in India. GST in India will make the country industry friendly by implementing one type of tax and that will attract more investments from foreign investors also. Also, implementation of dual model of GST will result in generating more employment opportunities. Therefore, it is very important that the government makes efforts to make the GST applicable all over the country with clear law and industry friendly so that the industry, consumers and the economy benefits as a whole. Gaurav Goswami in the paper "Goods and Services Tax [GST] – A Discussion from Federal Perspective" emphasised on GST as implemented in India has been regarded as a drastic reform in the taxation system. The new system has created a common platform where both the Central and State Government can participate in the decision making on indirect taxation. Creation of the GST Council under the new legislation has also provided a new dimension to the federal fiscal relationship.

Under this new arena, the functioning of the authorities or agencies of both the governments, inter-state trade and commerce, revenue rates etc. all are showing new trends including emergence of critical issues involving it. This paper made an attempt to critically analyse the various factors arising out of the implementation of the GST legislations which are affecting the federal bonding of the Centre and the States and also to forward some suggestions to curb the friction.

Goods and Services Tax (GST) as introduced in India has been intended to bring about a new phase in the tax regime prevalent in the country. After demonetisation, the introduction of the Goods and Services Tax is an endeavour to bring about changes in the tax structure, economic base as well as in the federal structure of the country with special regard to the power of the Centre and the States in relation to Indirect Taxation. Indeed, introduction of the e Goods and Services Tax is referred as a "Game changer" and "Reform of the Century'".

The paper concluded as GST is conceived as a single tax across the nation where both the Centre and the States participate, there is urgent requirement of cross empowerment of both the agencies. One of the key issues that arose is the centre-state relations on division of administrative and adjudication powers. Still, from the citizens of India there is a great expectation that GST would fulfil its aspirations and will enhance cooperative federalism in the country.

Anil Kumar Bhuyan in the paper "*GST A New Tax Reforms in India – Implementing towards sustainable development of the Economy*" evaluate developing economy like India necessities sufficient resources to finance the developmental activities that are comprehensively and achieves all levels of the society. Presently, the tax structure of Our country is very complex. To overcome these complexities of our taxation system, the government constantly changing the taxation system to rationalize tax administration and generate more revenues for social protection, infrastructure, and several other activities. That's the main reason, the government to implement or move towards the GST is an indicator of our evolved taxation system. After passing of the 101st Constitutional Amendment (GST) Act, the highly-anticipated tax products GST appears to be an actuality in 2017. To ensure a smooth transition, government and all related nodal agencies like Goods and Services Tax Council, GSTN etc., have been regularly making a decision to resolve the problems encountered being at different levels.

To simplify the difficulties faced by indirect taxation system and create a common taxation system throughout the nation and decreasing the barriers between states, the dual structure Goods and Service Tax (GST) was passed by parliament. In 6th May 2015 at Lok Sabha and 12th May 2015 at Rajya Sabha passes constitutional amendment bill for GST and in 3rd August 2016 Rajya Sabha passes the constitutional GST bill by a two-thirds majority after more than a year. Now the government of India is committed to replacing the existing indirect taxation system levied on goods and service by both state and centre and implemented by GST. It was formally launched by the President of India and Prime Minister of India at a formal function in the Central Hall of Parliament on 1st July 2017.

GST will cover all the aspects of the existing indirect tax system like excise duties, customs duties, Local Body Tax (Entry Tax/ Octroi), services tax, Sales tax/VAT etc. to reduce their tax burden and help the government in the uniformity, efficiency, and transparency of the taxation system in India and removal of cascading effect of taxation. This system has a uniform rate of tax for all the states. This paper is designed specifically to provide an in-depth knowledge of GST and what challenges the economy faces in implementing the GST at this time in a very practical and streamlined manner.

Dr. (Smt.) Rajeshwari M. Shettar in the study "*Impact of Goods and Services Tax on the Indian Economy*" has discussed on the fundamental objective of Goods and Service Tax is to make uniform the scattered indirect tax system in India and avoid the cascading effect in taxation. The impact going to make by GST will be a transformation in the entire tax system in India. GST becomes a reality today. GST helps in building new India through one nation, one tax and one market.

GST - A Boon for households. India is going to experience the major change in the collection of tax after implementing GST. A comprehensive dual Goods and Service Tax has replaced the complex multiple indirect tax structure from 1st July, 2017. The research paper highlights on the economic consequences of GST and its impact on the Indian economy. The study found that, the GST system is basically restructured to simplify current critical indirect tax system in India. The study also found that, a well designed GST is an attractive method to get liberate of deformation of the existing process of multiple taxes and reduce the compliance burden.

In this research paper an attempt has been made to throw light on how GST would help in reducing the existing complexity of taxes in India as it subsumes VAT, Excise Duty, Service tax and Sales tax. The study found that, the implementation of GST had played an important role in the growth of Indian economy. A uniform and rational taxation system in India would lead to lesser disruptions in the market economy and more efficient distribution of resources within the industry in the near future. The study also found that, GST will lead to an increase in GDP and exports of the country, enhancing economic welfare and returns to the factors of production i.e. land, labour and capital.

Sarika Chaturvedi in the study "*Issues and Challenges of GST*" has focused as India is a federal country where Indirect Tax is levied by Federal and State Government. Value Added Tax is levied by State Governments. Every State has authority to decide the Tax rate and to control the Tax system as per their convenient. The Taxation power has been well defined in Indian Constitution. The Constitution (122 nd Amendment) Bill that seeks to usher in a Goods and Services Tax (GST) regime in the country will finally be taken up for discussion in Parliament.

Finance Minister Arun Jaitley has been affirming that India will implement GST from 1$^{st}$ April 2016. It can be looked as simplification of Taxes in country and avoiding unnecessary complexities. India is a federal country which has various Tax regimes and structure, where Tax is levied by both Governments. After the implementation of GST all the Indirect Taxes will be subsumed under an umbrella, it will be a milestone in the history of Indirect Tax reform. In this paper, an attempt has been made to examine the main issues of GST. This paper has also focused on the need and impact of GST in Indian economy and what challenges are arise for India.

The GST System is basically structured to simplify current Indirect Tax system in India. A well designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation also government has promised that GST will reduce the compliance burden at present there will be no distinction between imported and Indian goods & they would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT etc., will be finished because there will be one tax system i.e. GST, that will reduce compliance present burden. GST will face many challenges after its implementation and will result to give many benefits. In overall through this study we conclude that GST plays a dynamic role in the growth and development of our country. All challenges in way of GST implementation as discussed in paper.

Dr. Jignesh Trivedi in his study "*GST Impact on Common Man*" has discussed in brief about the impact of GST after its implementation on common man and also which are the things government need to improve in current GST system to satisfying common men's needs and requirement.

The paper highlight as before 1st July 2017, we paid a mixture of Direct and Indirect Taxes, which are left as burden on us and due to these taxes the corruption is increasing. So to overcome from all these taxation system the Central Government has decided to make one tax system i.e. Goods and Services Tax [GST]. It is one of the most critical tax reforms in India which has been long awaited decision.

It is a comprehensive tax system that will subsume all indirect taxes of State and Central Governments and whole economy into seamless nation in national market. It is expected to remove the burden of existing indirect tax system and play an important role in growth of India.

The paper concluded as GST includes all Indirect taxes which will help in growth of economy and proves to be more beneficial than the existing tax system. GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. GST is now accepted all over the world and countries ae using it for sales tax system.

## 1.6 OBJECTIVE OF PRESENT STUDY

The study has four principal objectives:

1. To critically examine the constitutional and institutional transformation introduced by GST in India.
2. To analyse post-GST trends in revenue mobilisation and tax compliance.
3. To assess the fiscal and regional economic implications of GST for Assam.
4. To identify the continuing structural and administrative challenges associated with GST and suggest appropriate policy measures.

## 1.7 RESEARCH GAP

Existing literature on GST in India has examined several dimensions of the reform, including its constitutional basis, tax administration, compliance, revenue mobilisation, economic growth and business implications. Your dissertation's literature review similarly identifies studies dealing with GST's effects on taxation, businesses, consumers, compliance and economic development. However, much of the existing literature examines GST either from an **India-wide perspective** or through a particular dimension such as taxation or compliance.

There remains scope for a more integrated assessment that connects **GST's constitutional and fiscal structure with measurable regional revenue and compliance outcomes**, particularly in the context of Assam. The existing Assam-focused material in your dissertation provides a useful starting point through its analysis of monthly GST revenue collections and the broader North-Eastern experience.

However, the earlier data and analysis require updating and deeper interpretation for a contemporary journal article.

The present study therefore seeks to address this gap by examining GST as both a **national fiscal reform and a regional economic phenomenon**, using Assam as a focused case study. It combines doctrinal analysis of the constitutional and legal framework with an examination of secondary fiscal and revenue data to assess whether the objectives of GST have translated into meaningful fiscal and economic outcomes.

## 1.8 RESEARCH QUESTIONS

The study addresses the following questions:

1. To what extent has GST transformed India's indirect taxation and fiscal architecture?
2. What has been the impact of GST on revenue mobilisation and tax compliance in the post-GST period?
3. How has the implementation of GST affected the fiscal and regional economic dynamics of Assam?
4. What constitutional, administrative and structural challenges continue to influence the effectiveness of GST in India and Assam?

## 1.9 RESEARCH METHODOLOGY

The study adopts a **doctrinal and quantitative secondary-data-based research design**. The doctrinal component examines constitutional provisions, GST legislation, judicial decisions, government reports and relevant academic literature. The quantitative component analyses secondary data relating to GST revenue, taxpayer registration and selected indicators of tax administration and compliance.

The Assam analysis will particularly examine GST revenue trends during the post-implementation period and, where comparable data are available, contrast them with the pre-GST tax environment. Government publications, GST Council materials, CAG reports, State Government documents and other authoritative secondary sources constitute the principal sources of empirical information.

This approach is preferable to describing the article merely as a “qualitative doctrinal study,” because your existing dissertation already contains numerical Assam revenue data.

The methodology should therefore accurately reflect **both the legal analysis and the empirical examination of fiscal data**.

## 1.10 CONTRIBUTION OF THE STUDY

The principal contribution of this study lies in connecting the **constitutional, fiscal and economic dimensions of GST with a regional assessment of Assam**. Rather than treating GST solely as a tax-reform measure, the study evaluates it as an instrument of fiscal integration and economic transformation while recognising the differences between national aggregate outcomes and regional realities.

The study argues that the effectiveness of GST should be evaluated through a combination of **revenue mobilisation, compliance, fiscal capacity, administrative efficiency and regional economic conditions**, rather than through aggregate GST collections alone. Assam provides a significant case for this assessment because of its distinctive geographical, economic and fiscal characteristics.

## 2.1 HISTORICAL BACKGROUND

GST is not a new phenomenon. It was first implemented in France in 1954, and since then many countries have implemented this unified taxation system to become part of a global whole. Now that India is adopting this new tax regime, let us look back at the how and when of the Goods and Services Tax and its history in the nation.[20]

France was the world’s first country to implement GST Law in the year 1954. Since then, 159 other countries have adopted the GST Law in some form or other. In many countries, VAT is the substitute for GST, but unlike the Indian VAT system, these countries have a single VAT tax which fulfils the same purpose as GST.[21]

The fifteenth day of September in 2016 saw a new chapter in the history of India’s Centre-State relations, with the formation of the GST Council, courtesy the Constitution (101st) Amendment Act, 2016. The

[20] www.books.google.co.in (last visited on October 26, 2022 at 6:45 am)
[21] Supra

Council was formed after close to one and a half decades of deliberation. The Council, represented by all the 29 States and 2 Union Territories with legislature, is the first Centre-State body vested with full decision making powers and whose control over the fiscal health of the country is immediate. Decisions in the Council are taken by a majority of not less than three-fourths of the members present and voting.
The Centre has a weightage of one-third of the total votes cast, while the States, taken together, have a weightage of two-thirds of the total votes cast, thus ensuring that every decision of the Council has to happen with the consent of both the Centre and the States. However, the unique feature of the GST roll-out is that the Union Finance Minister as Chairperson, GST Council, ensured that no decision was put to vote and instead, every decision of the Council was arrived at by consensus.[22]
Even contentious decisions were subject to discussions, however lengthy, but eventually, everyone was taken on board, in the true spirit of cooperative federalism. Every meeting of the Council is an exercise in federal policy-making. In the 10 months that the Council has been in existence, there have been 18 meetings, averaging a remarkable 2 meetings per month! The meetings have not been restricted to New Delhi alone and have also been held at locations like Udaipur, Rajasthan and Srinagar, Jammu & Kashmir, thereby symbolizing how the States too are equal partners in this journey
In 1999 during a meeting between Prime Minister Atal Bihari Vajpayee and his economic advisory panel, consisting three former RBI governors IG Patel, Bimal Jalan and C Rangarajan proposed and gave a go-ahead to a single common "Goods and Services Tax (GST)". Finance Minister of West Bengal, Asim Dasgupta was appointed as head of the committee to design a GST model by then Prime Minister Vajpayee.[23]
The back-end technology and logistics for GST (later came to be known as the GST Network or GSTN, in 2015) was appointed and tasked with the Ravi Dasgupta committee. A task force is formed under Vijay Kelkar by the NDA Government in 2003.[24]
The Indian model of GST is unique in the sense that it is one of few countries in the world that have implemented a dual structure (other examples being Canada and Brazil), thereby ensuring that both the Centre and the States have an equal stake in the case of intra-State supplies of goods or services. Another notable aspect about the Indian GST model is the invoice-matching system that has been implemented. An estimated three billion invoices are expected to be matched on a monthly basis to ensure seamless flow of credit among the taxpayers.
The Kelkar Task Force on the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 suggested a comprehensive GST based on the Value Added Tax principle. The proposal to introduce a National-level GST was first mooted in the Budget Speech in the year 2006. The responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC). Based on inputs from the Government of India and the States, the EC released its First Discussion Paper on Goods and Services Tax in November 2009.[25]
The making of the GST law was indeed a mammoth exercise and over a period of one year, around 40 officers worked very closely under the leadership of a team of 10 senior officers to make this law a reality. A law committee was constituted for the same in 2009 to work on the Constitutional Amendment and to prepare a discussion paper on GST. The Empowered Committee had been working on the design of GST

[22] http://Cleartax.in (last visited on October 26, 2022 at 7:00 am)
[23] Indianexpress.com (last visited on October 29,2022 4:58pm)
[24] Thehindubusinessline.com/gsts-17year-timeline/article974384.ece (last visited on October 9,2022 1:03pm)
[25] gst.council.gov.in/sites/default/files/The-GST-Saga.pdf(last visited on October 23, 2022 at 12:05 PM)

for almost a decade and the first committee then had three subcommittees which started working on Revenue Neutral Rate (RNR), threshold, dual control, exemptions, taxation of inter-state supplies and determination of place of supply. In 2012, an IT (Information Technology) Committee was also constituted.

The Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011. However, the issue of payment of compensation to the States for loss of revenue remained an important bone of contention between the Centre and the States, and in the face of resistance in the Parliament, the Constitution (115th Amendment) Bill was referred to the Standing Committee on Finance for examination. Deliberations between the Centre and the States on the Constitutional Amendment Bill continued in the Empowered Committee till the dissolution of the 15th Lok Sabha in May 2014, however no consensus could be formed around the contentious issues of compensation, treatment of petroleum products and subsuming of entry tax. The amendment bill lapsed with the dissolution of the 15th Lok Sabha.[26]

The IGST model adopted was one out of twelve models examined in detail by the Centre and the States. Between 2003 and 2006, much deliberation on taxation of services and vesting of powers to the States to collect tax on services had taken place. This actually led to the 72nd Constitutional Amendment vide which entry 92C (Taxes on services) of the Seventh Schedule of the Constitution of India was inserted. Work slowed down from 2011 to 2014. In 2014, it gained momentum.

In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government. Trust deficit plagued all dialogues between the Centre and the States on GST. States had apprehensions about surrendering their taxation jurisdiction, treatment of petroleum products, subsuming of taxes such as entry tax and purchase tax and getting adequate compensation for any loss of revenue for five years. The Union Finance Minister met with the Chairman of the Empowered Committee and Finance Ministers of States on 3rd July 2014 and 11th December 2014.[27]

He further met the Chairman of the Empowered Committee and Finance Ministers of Gujarat, Haryana, Punjab, Tamil Nadu and Karnataka on 15th December 2014. All the pending contentious matters were resolved in these two meetings, wherein it was decided that a provision would be inserted in the Constitution Amendment Bill itself for payment of compensation to the States for the first five years post implementation of GST and that the GST Council would recommend the date on which GST would be made applicable on petroleum products. In terms of this broad consensus, the Government sought the approval of the Cabinet to introduce the revised Constitution (122nd Amendment) Bill in the Parliament. The Constitution (122nd Amendment) Bill, 2014, was thus introduced in the Lok Sabha on 19th December 2014.[28]

In the meanwhile, to bridge the trust deficit, the Union Finance Minister also obtained the approval of the Cabinet for paying compensation to the States for loss of revenue caused to them on account of reduction in the rate of CST from 4% to 2%, for the years 2010-11, 2011-12 and 2012-13, over a three-year period beginning 2014-15. This had been a long-standing demand of the States and non-payment of this compensation amount in the past years had adversely affected the deliberations between the Centre and the States.[29]

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[26] id
[27] *Supra* Note 10
[28] Prsindia.org/billtrack/theconstituion-122nd-amendment-gst-bill-2014(Last visited on October 5, 2022 at 2:36 PM)
[29] Prof. K N Rashinkar, GST and its Impact on Indian Economy, Volume 6, Issue 4 December 2018 available on ijcrt.org/papers/IJCRT1133348..pdf (Last visited on October 26, 10:55PM)

The drafting of the law began in 2014. Three subcommittees were again constituted to work on different aspects of law, i.e., rates, exemption, supply, registration, dispute resolution, IGST, ITC (Input Tax Credit), settlement etc., and designing of detailed business processes including those of registration, return, refund, payment and IGST settlement. By September 2016 the subcommittees gave a report on major areas including forms and returns.

The Constitution (122nd Amendment) Bill was passed by the Lok Sabha on 6th May 2015, and was sent to Rajya Sabha for consideration. In Rajya Sabha, the Bill was sent to a Select Committee for examination on 12th May 2015. The Select Committee submitted its report on 22nd July 2015. Thereafter, the Bill was passed by both Houses of the Parliament on 8th August 2016. After ratification by 50% of the States, the Constitution (101st Amendment) Act, 2016 was assented to by the President on 8th September 2016. After the passing of this first and biggest hurdle, the process for bringing this historic reform acquired significant momentum.[30]

To look into the proposed GST laws a 21- member select committee was formed. On 29th of March, 2017 the Lok Sabha passed the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), The Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill) after GST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill). These Bills were enacted as Acts on 12th of April, 2017 after the Rajya Sabha passed these Bills on 6th of April, 2017.Thereafter State Goods and Services Tax Bills have been passed by the respective State Legislatures. Goods and Services Tax launched all over India after the enactment of various GST laws with effect from 1st of July, 2017. On 7th of July Jammu and Kashmir state legislature passed its GST Act, which ensured that the whole of the nation is brought under an umbrella of unified taxation system. On purchase of securities there is no imposition of GST, Securities Transaction Tax (STT) continues to govern the purchase of securities.[31]

As per the provisions of Article 368 of the Constitution of India, as required under Clause (2) of the said Article, the Act was passed in accordance and has been ratified by more than half of the State Legislatures. Assam became the first State to ratify the bill, unanimously approved by the Assam Legislative Assembly on 12th of August 2016.[32]

On midnight of 1st July, 2017 the GST was launched by the President of India, and the Government of India. The Convention of both the Upper house and Lower house at the Central Hall of the Parliament, marked as a historic midnight (30 June – 1 July) session which launched the Goods and Services Tax. This session was boycotted by the opposition due to the predicted problems to be faced by the middle and lower class Indians due to this new tax regime. Other than declaration of India's Independence on 15th of August, and the silver and golden jubilees of that occasion, it is one of the few midnight sessions that have been held by the Parliament. GST rates have been modified multiple times after its launch. The latest modification was being on 22nd of December, 2019 where GST rates were revised on 28 goods and 53 services by a panel of federal and state finance ministers.[33]

Goods and Services Tax (GST), a single entity replaced State Value Added Tax (VAT), Central Excise Tax, Services Tax, Central Sales Tax, etc. At the State level Value Added Tax (VAT) was the main source across all States in India. With the Introduction of Goods and Services Tax (GST), the Value Added Tax

[30] *Supra* Note 14
[31] Indiatoday.in(Last visited on October 26, 10:58 PM)
[32] Id
[33] *Supra* Note 16

(VAT) would be replaced by the State GST or SGST and simply converted into SGST departments from State VAT Departments. Likewise, the central tax for the goods and services which was known as Central Excise Tax are now replaced with Central GST or CGST.[34]

Finally, on completion of the final rounds of vetting by the Department of Legal Affairs and the Legislative Department of the Union Ministry of Law, the GST laws – CGST, SGST, IGST, UTGST and Compensation were passed by the respective legislatures of the Centre and States between April to July 2017.

After the passage of various GST laws at the Central and State levels, on 1st July 2017, Goods and Services Tax was Launched all over India. Jammu and Kashmir legislature was the last state to pass its GST act on 7th July, 2017, thus the entire country of India came under 1 unified Indirect Taxation system; thus closing the chapter of long winded journey of GST in India.

Another standout feature of GST is that the Government was more proactive and receptive to change than the industry. Be it the number of times the laws and rules were put out in the public domain, the plethora of stakeholder consultations that the bureaucrats had with members of various sectors, or the press releases and updates via various social media outlets, often quashing unsubstantiated and mischievous rumours, the Government has indeed set a new template for proactiveness and reform. These distinguishing factors indeed make the Indian GST model unique compared to the rest of the world.

GST law is implemented in our Country with effect from 01.07.2017. It is now five years have been completed since the introduction of this new law. In these five years we have seen many ups and downs in this law. Rather it would not be incorrect to say that this law is now more popularly known as ‘Business Reform’ instead of a ‘Tax Reform’. This law has changed the mind-set of the taxpayers. Persons who hesitated in the earlier regime to file returns timely are now giving first priority to the GST compliance only. Now, they have become very much serious and concerned in tax compliance. This experience is completely different from the previous tax regime. Today filing of tax returns on the due dates of 11th and 20th of each month is the topmost priority for the tax payers. The main reason for such change is the fear of paying late fee and non-appearance of input on the portal of the buyer.

GST has changed the behavioural aspect and transformed the thought process of the people. Taxpayers have now moved towards the digital era and making their transactions through computer only. This has also somewhere strengthened the dream of “Digital India’ visualised by our Hon’ble Prime Minister. GST has also given a major boost to the ‘Make in India’ initiative of the Government of India by making the goods and services produced in India competitive in the national and international market.[35]

India had a very complex tax system in place. The need for reform in taxation rose way back in the 1980’s and the idea of exploring GST rose in 1990’s. The below points give the sense of chronology on the long winding road that was taken before implementing GST in India.

1. Former Finance Minister VP Singh introduced the measures to modify the indirect tax regime in India, in 1986.
2. Hence the Rajiv Gandhi Government introduced the Modified Value Added Tax (MODVAT).
3. The Succeeding Government under Prime Minister Narashimha Rao and Finance Minister Manmohan Singh initiated steps towards Value Added Tax (VAT).

[34] Fresherlive.com (Last visited on October 26, 11:05PM)
[35] Taxguru.in/goodsandservices/journey_gst_analysis (last visited on December 9, 2022 at 7:02 PM)

4. In 1999,the next Government of India under Prime Minister Atal Bihari Vajpayee proposed Goods and Services Tax (GST) after due deliberations were conducted with his economic advisory panel consisting of former Reserve Bank of India (RBI) governors C Rangarajan, Bimal Jalan, and I.G.Patel.
5. To design a GST model for a complex nation like India, former Prime Minister Atal Bihari Vajpayee set up a committee headed by former Finance Minister of West Bengal, Asim Dasgupta.
6. The committee headed by Asim Dasputa was also given the mandate to explore the logistics and necessary technology required for the smooth functioning of GST. The back end technology which was being explored is now known by the name GST Network or GSTN.
7. In 2002, once again the Government of India headed by Former Prime Minister of India Atal Bihari Vajpayee formed a task force under the chairmanship of Vijay Kelkar with a mandate to come out with reforms in Indian taxation system.[36]
8. Three years later in 2005, the committee headed by Vijay Kelkar recommended introducing the Goods and Services Tax (GST).
9. In 2006, the former Finance Minister of United Progressive Alliance (UPA) Government, P. Chidambaram continued the work on GST and proposed a tentative timeline of April 2010, for the rollout of GST.[37]
10. Constitution Amendment Bills Introduced 115th Constitution Amendment Bill Introduced in Lok Sabha in 2010. Constitution (115th Amendment) Bill introduced on 22nd March, 2011 and same was referred to Parliamentary Standing Committee on Finance for discussion.[38]
11. In 2011, former Finance Minister of West Bengal, Asim Dasgupta resigned as the head of GST committee, he was appointed as the head of GST Committee in Vajpayee Government.
12. In 2014, after the formation of Government led by Prime Minister Narendra Modi, Former Finance Minister Arun Jaitley introduced the GST bill in the Parliament.
13. In 2015, the former Finance Minister set the deadline of April 2017, to introduce Goods and Services Tax (GST).
14. 122nd Amendment Bill was Introduced and passed in Lok Sabha on 6th May, 2015.
15. In May 2016, to pave the way for GST, Lok Sabha passed the Constitution Amendment Bill. However, there was criticism from the Opposition, hence the GST bill was sent back for review to the select committee of Rajya Sabha.
16. After the go ahead from the Select Committee of Rajya Sabha the GST Amendment bill was passed in August 2016.
17. After the passage of the GST amendment bill, over the duration of 2 weeks to 3 weeks, 18 states ratified the Constitution Amendment Bill.
18. Finally former President of India, Pranab Mukherjee gave his assent to the bill.
19. To work on the GST laws, a 21 member Select Committee was formed to analyse and give its proposals and recommendations.
20. The Central Goods and Services Tax Bill (CGST), the Integrated Goods and Services Tax Bill (IGST), Union Territory Goods and Services Tax Bill (UTGST), Goods and Services Tax Compensation Bill

[36] Old.amu.ac.in/empp/studym/100020385.pdf (last visited on November 25,2022 at 10:42 am)
[37] Supra
[38] Cacknowledge.com/historical background-gst/History-of GST (Last visited on November 25,2022 at 10:45 am)

was passed on 29th March, 2017 in the Lok Sabha. These bills were passed in the Lok Sabha after it was approved by the GST Council.[39]

21. The above-mentioned bills were passed in the Rajya Sabha on April 6, 2017 and they became an act 6 days later, on April 12, 2017.Further the State Goods and Services Tax Bill was by respective State Legislatures.

**2.1.1. HISTORICAL EVOLUTION OF INDIRECT TAXATION IN POST-INDEPENDENCE INDIA TILL GST:**

In post-Independence period, central excise duty was levied on a few commodities which were in the nature of raw materials and intermediate inputs, and consumer goods were outside the net by and large. The first set of reform was suggested by the Taxation Enquiry Commission (1953-54) under the chairmanship of Dr. John Matthai. The Commission recommended that sales tax should be used specifically by the States as a source of revenue with Union governments' intervention allowed generally only in case of inter-State sales. It also recommended levy of a tax on inter-State sales subject to a ceiling of 1%, which the States would administer and also retain the revenue. [40]

The power to levy tax on sale and purchase of goods in the course of inter-State trade and commerce was assigned to the Union by the Constitution (Sixth Amendment) Act, 1956. By mid-1970s, central excise duty was extended to most manufactured goods. Central excise duty was levied on unit, called specific duty, and on value, called ad valorem duty. The number of rates was too many with no offsetting of taxes paid on inputs leading to significant cascading and classification disputes.

The Indirect Taxation Enquiry Committee constituted in 1976 under Shri L K Jha recommended, inter alia, converting specific rates into ad valorem rates, rate consolidation and input tax credit mechanism of value added tax at manufacturing level (MANVAT). In 1986, the recommendation of the Jha Committee on moving on to value added tax in manufacturing was partially implemented. This was called modified value added tax (MODVAT). In principle, duty was payable on value addition but in the beginning it was limited to select inputs and manufactured goods only with one-to-one correlation between input and manufactured goods for eligibility to take input tax credit. The comprehensive coverage of MODVAT was achieved by 1996-97.

The next wave of reform in indirect tax sphere came with the New Economic Policy of 1991. The Tax Reforms Committee under the chairmanship of Prof. Raja J Chelliah was appointed in 1991. This Committee recommended broadening of the tax base by taxing services and pruning exemptions, consolidation and lowering of rates, extension of MODVAT on all inputs including capital goods. It suggested that reform of tax structure must have to be accompanied by a reform of tax administration, if complete benefits were to be derived from the tax reforms. Many of the recommendations of the Chelliah Committee were implemented. In 1999-2000, tax rates were merged in three rates, with additional rates on a few luxury goods. In 2000-01, three rates were merged into one rate called Central Value Added Tax (CENVAT). A few commodities were subjected to special excise duty.

Taxation of services by the Union was introduced in 1994 bringing in its ambit only three services, namely general insurance, telecommunication and stock broking. Gradually, more and more services were brought into the fold. Over the next decade, more and more services were brought under the tax net. In 1994, tax rate on three services was 5% which gradually increased and in 2017 it was 15% (including cess). Before 2012, services were taxed under a 'positive list' approach. This approach was prone to 'tax avoidance'. In

[39] Byjus.com/history_of_gst (last visited on October 22, 2022 at 12:00 PM)
[40] Cbic.gov.in/resouces//htdocs-cbec/gst/GST-CONCEPT (last visited on October 23, 2022 at 1:30 PM)

2012 budget, negative list approach was adopted where 17 services were out of taxation net and all other services were subject to tax. In 2004, the input tax credit scheme for CENVAT and Service Tax was merged to permit cross utilization of credits across these taxes.

Before state level VAT was introduced by States in the first half of the first decade of this century, sales tax was levied in States since independence. Sales tax was plagued by some serious flaws. It was levied by States in an uncoordinated manner the consequences of which were different rates of sales tax on different commodities in different States. Rates of sales tax were more than ten in some States and these varied for the same commodity in different States. Inter-state sales were subjected to levy of Central Sales Tax. As this tax was appropriated by the exporting State credit was not allowed by the dealer in the importing State. This resulted into exportation of tax from richer to poorer states and also cascading of taxes. Interestingly, States had power of taxation over services from the very beginning. States levied tax on advertisements, luxuries, entertainments, amusements, betting and gambling.

A report, titled "Reform of Domestic Trade Taxes in India", on reforming indirect taxes, especially State sales tax, by National Institute of Public Finance and Policy under the leadership of Dr. Amaresh Bagchi, was prepared in 1994. This Report prepared the ground for implementation of VAT in States. Some of the key recommendations were; replacing sales tax by VAT by moving over to a multistage system of taxation; allowing input tax credits for all inputs, including on machinery and equipment; harmonization and rationalization of tax rates across States with two or three rates within specified bands; pruning of exemptions and concessions except for a basic threshold limit and items like unprocessed food; zero rating of exports, inter-State sales and consignment transfers to registered dealers; taxing inter-State sales to non-registered persons as local sales; modernization of tax administration, computerization of operations and simplification of forms and procedures.

The first preliminary discussion on transition from sales tax regime to VAT regime took place in a meeting of Chief Ministers convened by the Union Finance Minister in 1995. A standing Committee of State Finance Ministers was constituted, as a result of meeting of the Union Finance Ministers and Chief Ministers in November, 1999, to deliberate on the design of VAT which was later made the Empowered Committee of State Finance Ministers (EC). Haryana was the first State to implement VAT, in 2003. In 2005, VAT was implemented in most of the states. Uttar Pradesh was the last State to implement VAT, from 1st January, 2008.[41]

## 2.2 GOODS AND SERVICES TAX AND ITS ADVANTAGE

The acronym good and simple tax for GST stands its worth when one looks at the number of different taxes and cesses which got subsumed into it. Seven federal and eight state taxes saw their dusk with the dawn of GST. While these subsumed taxes got a lot of coverage and attention, the great number of surcharges and cesses which have been abolished escaped the eye. In addition to the indirect taxes, GST will have an impact on the enforcement of the Black Money Act, Benami Transactions (Prohibitions) Act and several other laws.[42]

Under GST, the cascading effect of Federal and State level taxes will be considerably reduced. Consequently, as new supplies flow into the market, there would be reduction in embedded taxes on inputs resulting in cost savings on intermediate inputs. This should reflect in higher profits and higher direct tax revenues. GST is a paradigm shift from physical control to account-based control at transactional levels.

[41] ID

[42] Gst.council.gov.in/sites/default/files/thegstsaga (last visited on October 30,2022 at 11:47 am)

Most taxpayers would now be required to file comprehensive monthly returns of their supplies and purchases of intermediate goods and services. The cumulative effect would be to restrict the scope for yearend manipulation of sales and purchases.

To this extent, there should be a positive impact on profit disclosures. Exchange of data between the GST administration and the Direct Tax Administration would also enable the Direct Tax Administration to undertake real-time verification for better monitoring of tax collection. As is well known, GST is a destination based consumption tax; the Income Tax is also designed as a consumption based direct tax. The introduction of GST is also expected to trigger a shift from the unorganized sector to the organized sector. This shift should benefit direct tax collection too. GST is expected to provide an impetus to economic growth. Higher economic growth should translate to higher direct tax revenues. Internationally, introduction of GST has indeed resulted in higher direct tax collections.[43]

The Government of India has made linking of PAN (Permanent Account Number – a unique identity for payment of direct taxes) with Aadhaar (a unique identification number issued by the Indian government to every individual resident of India) mandatory. The GSTIN (a unique identification number issued by the GST Network for taxpayers under the GST Law) is also linked to the PAN and the PAN is mandatory for any import or export activity. Thereby, GST, for the first time, brings about a direct handshake between the direct and indirect taxes (including Customs Duty).

Goods & Services Tax is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition. To understand this, we need to understand the concepts under this definition. Let us start with the term ‘Multi-stage’. Now, there are multiple steps an item goes through from manufacture or production to the final sale. Buying of raw materials is the first stage. The second stage is production or manufacture. Then, there is the warehousing of materials. Next, comes the sale of the product to the retailer. And in the final stage, the retailer sells you – the end consumer – the product, completing its life cycle.[44]

So, if we had to look at a pictorial description of the various stages, it would look like:[45]

Let us assume that a manufacturer wants to make a shirt. For this he must buy yarn. This gets turned into a shirt after manufacture. So, the value of the yarn is increased when it gets woven into a shirt. Then, the manufacturer sells it to the warehousing agent who attaches labels and tags to each shirt. That is another addition of value after which the warehouse sells it to the retailer who packages each shirt separately and invests in marketing of the shirt thus increasing its value.

GST will be levied on these value additions – the monetary worth added at each stage to achieve the final sale to the end customer. There is one more term we need to talk about in the definition – Destination-Based. Goods and Services Tax will be levied on all transactions happening during the entire manufacturing chain. Earlier, when a product was manufactured, the centre would levy an Excise Duty on the manufacture, and then the state will add a VAT tax when the item is sold to the next stage in the cycle. Then there would be a VAT at the next point of sale.

So, earlier the pattern of tax levy was like this: Now, Goods and Services Tax will be levied at every point of sale. Assume that the entire manufacture process is happening in Rajasthan and the final point of sale is in Karnataka. Since Goods & Services Tax is levied at the point of consumption, so the state of Rajasthan will get revenue in the manufacturing and warehousing stages, but lose out on the revenue when the

[43] ID
[44] Cleartax.in/gst_laws_taxs_and_services (last visited on October 26, 2022 at 5:11 am)
[45] Supra

product moves out Rajasthan and reaches the end consumer in Karnataka. This means that Karnataka will earn that revenue on the final sale, because it is a destination-based tax and this revenue will be collected at the final point of sale/destination which is Karnataka.
So, now that we have defined GST, let us talk about why it will play such a significant role in transforming the current tax structure, and therefore, the economy. Currently, the Indian tax structure is divided into two – Direct and Indirect Taxes. Direct Taxes are levies where the liability cannot be passed on to someone else. An example of this is Income Tax where you earn the income and you alone are liable to pay the tax on it.[46]
In the case of Indirect Taxes, the liability of the tax can be passed on to someone else. This means that when the shopkeeper must pay VAT on his sale, he can pass on the liability to the customer. So, in effect, the customer pays the price of the item as well as the VAT on it so the shopkeeper can deposit the VAT to the government. This means that the customer must pay not just the price of the product, but he also pays the tax liability, and therefore, he has a higher outlay when he buys an item.
This happens because the shopkeeper has paid a tax when he bought the item from the wholesaler. To recover that amount, as well as to make up for the VAT he must pay to the government, he passes the liability to the customer who has to pay the additional amount. There is currently no other way for the shopkeeper to recover whatever he pays from his own pocket during transactions and therefore, he has no choice but to pass on the liability to the customer.
Goods and Services Tax will address this issue after it is implemented. It has a system of Input Tax Credit which will allow sellers to claim the tax already paid, so that the final liability on the end consumer is decreased.
GST Work- A nationwide tax reform cannot function without strict guidelines and provisions. The GST Council has devised a fool proof method of implementing this new tax regime by dividing it into three categories. Wondering how they work? Let our experts explain this to you in detail. [47]
When Goods and Services Tax is implemented, there will be 3 kinds of applicable Goods and Services Taxes:
CGST: where the revenue will be collected by the central government
SGST: where the revenue will be collected by the state governments for intra-state sales
IGST: where the revenue will be collected by the central government for inter-state sales
In most cases, the tax structure under the new regime will be as follows:
Transaction - Sale within the state
New Regime - CGST + SGST
Old Regime - VAT + Central Excise/Service tax
Comments - Revenue will now be shared between the Centre and the State
Transaction - Sale to another State
New Regime - IGST
Old Regime - Central Sales Tax + Excise/Service Tax
Transaction - There will only be one type of tax (central) now in case of inter-state sales.
Example - A dealer in Maharashtra sold goods to a consumer in Maharashtra worth Rs. 10,000. The Goods and Services Tax rate is 18% comprising CGST rate of 9% and SGST rate of 9%. In such cases the dealer

[46] Bankbazaar.com/tax/gst.html(last visited on November 22, 2022 at 5:10 pm)
[47] Masterindia.co/blog/brief_history-gst (last visited on November 28, 2022 at 5:12 am)

collects Rs. 1800 and of this amount, Rs. 900 will go to the central government and Rs. 900 will go to the Maharashtra government. [48]

Now, let us assume the dealer in Maharashtra had sold goods to a dealer in Gujarat worth Rs. 10,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9%. In such case the dealer has to charge Rs. 1800 as IGST. This IGST will go to the Centre. There will no longer be any need to pay CGST and SGST.

GST help India and common man - The basis of Goods and Services Tax is the seamless flow of Input Tax Credit (ITC) along the entire value addition chain. At every step of the manufacturing process, businesses will have the option to claim the tax already paid in the previous transaction. Understanding this process is crucial for businesses. A detailed explanation here. [49]

To understand this, let us first understand what is Input Tax Credit. It is the credit an individual receives for the tax paid on the inputs used in manufacturing the product. So, if there is a 10% tax that the individual must submit to the government, he can subtract the amount he has paid in taxes at the time of purchase and submit the balance amount to the government.

Let us understand this with a hypothetical numerical example - Say a shirt manufacturer pays Rs. 100 to buy raw materials. If the rate of taxes is set at 10%, and there is no profit or loss involved, then he has to pay Rs. 10 as tax. So, the final cost of the shirt now becomes Rs (100+10=) 110. [50]

At the next stage, the wholesaler buys the shirt from the manufacturer at Rs. 110, and adds labels to it. When he is adding labels, he is adding value. Therefore, his cost increases by say Rs. 40. On top of this, he has to pay a 10% tax, and the final cost therefore becomes Rs. (110+40=) 150 + 10% tax = Rs. 165.

Now, the retailer pays Rs. 165 to buy the shirt from the wholesaler because the tax liability had passed on to him. He has to package the shirt, and when he does that, he is adding value again. This time, let's say his value add is Rs. 30. Now when he sells the shirt, he adds this value (plus the VAT he has to pay the government) to the final cost. So, the cost of the shirt becomes Rs. 214.5 Let us see a breakup for this:

Cost = Rs. 165 + Value add = Rs. 30 + 10% tax = Rs. 195 + Rs. 19.5 = Rs. 214.5

So, the customer pays Rs. 214.5 for a shirt the cost price of which was basically only Rs. 170 (Rs 110 + Rs. 40 + Rs. 30). Along the way the tax liability was passed on at every stage of transaction and the final liability comes to rest with the customer. This is called the Cascading Effect of Taxes where a tax is paid on tax and the value of the item keeps increasing every time this happens.

In the case of Goods and Services Tax, there is a way to claim credit for tax paid in acquiring input. What happens in this case is, the individual who has paid a tax already can claim credit for this tax when he submits his taxes.

In our example, when the wholesaler buys from the manufacturer, he pays a 10% tax on his cost price because the liability has been passed on to him. Then he adds value of Rs. 40 on his cost price of Rs. 100 and this brings up his cost to Rs. 140. Now he has to pay 10% of this price to the government as tax. But he has already paid one tax to the manufacturer. So, this time what he does is, instead of paying Rs (10% of 140=) 14 to the government as tax, he subtracts the amount he has paid already. So, he deducts the Rs. 10 he paid on his purchase from his new liability of Rs. 14, and pays only Rs. 4 to the government. So, the Rs. 10 becomes his input credit.

[48] Cleartax.com/goods_and_services_tax(last visited on November 12, 2022 at 5:01 am)
[49] http.dor.gov.in/sites/default/files/GST_FAQ (last visited on November 12, 2022 at 1:01 pm)
[50] *Supra*

When he pays Rs. 4 to the government, he can pass on its liability to the retailer. So, the retailer pays Rs. (140+14=) 154 to him to buy the shirt. At the next stage, the retailer adds value of Rs. 30 to his cost price and has to pay a 10% tax on it to the government. When he adds value, his price becomes Rs. 170. Now, if he had to pay 10% tax on it, he would pass on the liability to the customer. But he already has input credit because he has paid Rs.14 to the wholesaler as the latter's tax. So, now he reduces Rs. 14 from his tax liability of Rs. (10% of 170=) 17 and has to pay only Rs. 3 to the government. And therefore, he can now sell the shirt for Rs. (140+30+17) 187 to the customer.

In the end, every time an individual was able to claim input tax credit, the sale price for him reduced and the cost price for the person buying his product reduced because of a lower tax liability. The final value of the shirt also therefore reduced from Rs. 214.5 to Rs. 187, thus reducing the tax burden on the final customer. So essentially, Goods & Services Tax is going to have a two-pronged benefit. One, it will reduce the cascading effect of taxes, and second, by allowing input tax credit, it will reduce the burden of taxes and, hopefully, prices.[51]

**Advantages of GST**

**Advantages for the government:**

1. Will help to create a unified common national market for India, giving a boost to foreign investment and "Make in India" campaign;[52]
2. Will mitigate cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;
3. Harmonization of laws, procedures and rates of tax between Centre and States and across States;
4. Improved environment for compliance as all returns are to be filed online, input credits to be verified online, encouraging more paper trail of transactions at each level of supply chain;
5. Similar uniform SGST and IGST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-state sales;
6. Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will lend greater certainty to taxation system;
7. Greater use of IT will reduce human interface between the taxpayer and the tax administration, which will go a long way in reducing corruption;
8. It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth;
9. Ultimately it will help in poverty eradication by generating more employment and more financial resources

**Advantages to Trade and Industry:**

1. Increased ease of doing business; [53]
2. Reduction in multiplicity of taxes that are at present governing our indirect tax system leading to simplification and uniformity;
3. Elimination of double taxation on certain sectors like works contract, software, hospitality sector;

[51] Dor.gov.in_gst_default_goodsand services( last visited on November 18, 2022 at 2:09 am)
[52] Fincash.com/gst/benenfits_of_gst ( last visited on October 11, 2022 at 1:31 pm)
[53] Bankbazzar.com/tax/gst_benefit ( last visited on November 28, 2022 at 2:19 am)

4. Will mitigate cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;
5. Reduction in compliance costs - No multiple record keeping for a variety of taxes - so lesser investment of resources and manpower in maintaining records;
6. More efficient neutralization of taxes especially for exports thereby making our products more competitive in the international market and give boost to Indian Exports;
7. Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;
8. Average tax burden on supply of goods or services is expected to come down which would lead to more consumption, which in turn means more production thereby helping in the growth of the industries manufacturing in India.

**Advantages to Consumers:**

1. It is relatively simple tax system
2. The taxation system is more transparent[54]
3. Final price of goods is expected to be transparent due to seamless flow of input tax credit between the manufacturer, retailer and service supplier;
4. Reduction in prices of commodities and goods in long run due to reduction in cascading impact of taxation;
5. Relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme - purchases from such entities will cost less for the consumers;
6. Poverty eradication by generating more employment and more financial resources.

**Advantages to States:**[55]

1. Expansion of the tax base as they will be able to tax the entire supply chain from manufacturing to retail;
2. Power to tax services, which was hitherto with the Central Government only, will boost revenue and give States access to the fastest growing sector of the economy;
3. GST being destination based consumption tax will favour consuming States;
4. Improve the overall investment climate in the country which will naturally benefit the development in the States;
5. Largely uniform SGST and IGST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-state sales;
6. Improved Compliance levels of the tax payers will contribute greatly in improving the revenue collection of the States.

## 2.3 SALIENT FEATURE AND SIGNIFICANCE OF GOODS AND SERVICES TAX

The features of GST, as culled out from the Constitution (101st Amendment) Act, 2016 are as follows:

1. Subsumation of Indirect Taxes of Centre and States: The Goods and Services Tax would replace a number of Indirect Taxes, presently being levied by the Centre and States.[56]

Central Indirect Taxes to get subsumed under GST:

- Central Excise Duty [Entry 84 of List I]

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[54] Indiafillings.com/learn_advantages_disadvantages (last visited on October 21, 2022 at 1:16 PM)
[55] Bajajfinserve/insights/what_are_the_top_advantage_of_GST_in_India ( last visited on November 18, 2022 at 2:09 am)
[56] Ankit Todi, Assam Goods and Services Tax Act and Rules (Ashok Publishing House Guwahati, First Edition : July 2017)

- Excise of Duty Medical and Toiletries Preparation [Entry 84 of List I]
- Additional Excise Duty [Entry 84 of List I]
- Taxes on Sale or Purchase of Newspaper & on advertisement published therein [Entry 92 of List I]
- Additional Customs Duty, commonly known as CVD [Entry 83 of List I]
- Special Additional Duty of Customs [Entry 83 of List I]
- Service Tax [Entry 97 of List I] and;
- Cesses and surcharge in so far as they relate to supply of goods and services.

State taxes that would be subsumed within the GST are:-

- State Tax/VAT [Entry 54 of List II]
- Central Sates Tax [Entry 92A of List I]
- Purchase Tax [Entry 54 of List II]
- Luxury Tax [Entry 62 of List II]
- Octroi and Entry Tax (All forms) [Entry 52 of List II]
- Entertainment Tax [Entry 62 of List II]
- Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television [Entry 55 of List II]
- Taxes on lotteries, betting and gambling [Entry 62 of List II] and;
- State cesses and surcharges in so far as they relate to supply of goods and services.

State Indirect Taxes cannot be subsumed under GST: However, VAT and State Excise Duty on alcoholic liquor for human consumption, VAT on specified petroleum goods, stamp duty on transfer of immovable property, electricity duty, road and passenger tax, toll tax, property tax, entertainment tax to the extent levied and collected by a Panchayat or Municipality or Regional Council or District Council and specific cesses (other than relatable to supply of goods and services) will not be subsumed under GST.[57]

2. GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation.
3. It is a dual GST with the Centre and the States simultaneously levying tax on a common base. GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States would be called State GST (SGST).[58]
4. An Integrated GST (IGST) would be levied an inter-state supply (including stock transfers) of goods or services. This shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council
5. Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties
6. CGST, SGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States. The rates would be notified on the recommendation of the GST Council. In a recent meeting, the GST Council has decided that GST would be levied at four rates viz. 5%, 12%, 16% and 28%. The schedule or list of items that would fall under each of these slabs has been worked out. In addition to these rates, a cess would be imposed on "demerit" goods to raise resources for providing compensation to States as States may lose revenue owing to the implementation of GST.

[57] ID
[58] Oldmau.ac.in/emp/studym(last visited on November 25, 2022 at 5:34 am)

7. GST would apply on all goods and services except Alcohol for human consumption.
8. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural Gas) would by applicable from a date to be recommended by the GSTC.
9. Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.
10. A common threshold exemption would apply to both CGST and SGST. Tax payers with an annual turnover not exceeding Rs.20 lakh (Rs.10 Lakh for special category States) would be exempt from GST. For small taxpayers with an aggregate turnover in a financial year upto 50 lakhs, a composition scheme is available. Under the scheme a taxpayer shall pay tax as a percentage of his turnover in a State during the year without benefit of Input Tax Credit. This scheme will be optional.
11. The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.
12. Exports would be zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.
13. Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST paid on inputs may be used only for paying SGST. Input Tax Credit (ITC) of CGST cannot be used for payment of SGST and vice versa. In other words, the two streams of Input Tax Credit (ITC) cannot be cross-utilised, except in specified circumstances of inter-state supplies for payment of IGST. The credit would be permitted to be utilised in the following manner:-
    - ITC of CGST allowed for payment of CGST & IGST in that order;
    - ITC of SGST allowed for payment of SGST & IGST in that order;
    - ITC of IGST allowed for payment of IGST, CGST & SGST in that order.
14. Accounts would be settled periodically between the Centre and the States to ensure that the credit of SGST used for payment of IGST is transferred by the Exporting State to the Centre. Similarly, IGST used for payment of SGST would be transferred by the Centre to the Importing State. Further, the SGST portion of IGST collected on B2C supplies would also be transferred by the Centre to the destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers
15. The laws, regulations and procedures for levy and collection of CGST and SGST would be harmonized to the extent possible.

The whole GST system will be backed by a robust IT system. In this regard, Goods and Services Tax Network (GSTN) has been set up by the Government. It will provide front end services and will also develop back end IT modules for States who opted for the same.[59]

In order to implement GST, Constitutional (122nd Amendment) Bill (CAB for short) was introduced in the Parliament and passed by Rajya Sabha on 03rd August, 2016 and Lok Sabha on 08th August, 2016. The CAB was passed by more than 15 states and thereafter Hon'ble President gave assent to "The Constitution (One Hundred and First Amendment) Act, 2016" on 8th of September, 2016. Since then the GST council and been notified bringing into existence the Constitutional body to decide issues relating to GST.[60]

[59] Economictimes/goods_and_services_tax (last visited on November 12, 2022 at 11:09 am)
[60] Textbook.com/questions_gst_amendments_goods_and_service_tax (last visited on November 12, 2022 at 5:11 pm)

On September 16, 2016, Government of India issued notifications bringing into effect all the sections of CAB setting firmly into motion the rolling out of GST. This notification sets out an outer limit of time of one year that is till 15-9-2017 for bringing into effect GST.[61]

All transactions and processes only through electronic mode – Non-intrusive administration

1. PAN Based Registration
2. Registration only if turnover more than Rs. 20 lac
3. Option of Voluntary Registration Deemed Registration in three working days
4. Input Tax Credit available on taxes paid on all procurements (except few specified items)
5. Credit available to recipient only if invoice is matched – Helps fight huge evasion of taxes
6. Set of auto-populated Monthly returns and Annual Return
7. Composition taxpayers to file Quarterly returns
8. Automatic generation of returns
9. GST Practitioners for assisting filing of returns
10. GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance
11. Tax can be deposited by internet banking, NEFT / RTGS, Debit/ credit card and over the counter
12. Concept of TDS for certain specified categories
13. Concept of TCS for E-Commerce Companies
14. Refund to be granted within 60 days
15. Provisional release of 90% refund to exporters within 7 days
16. Interest payable if refund not sanctioned in time
17. Refund to be directly credited to bank accounts
18. Comprehensive transitional provisions for smooth transition of existing tax payers to GST regime
19. Special procedures for job work
20. System of GST Compliance Rating
21. Anti-Profiteering provision

GST is the most important tax revenue for State, as exempted good are coming under taxable goods. It is expected to bring down the incidence of harassment and corruption that trade and industry encounter. This study consist of various sections of society. Through this study we had check awareness among the people regarding GST. GST is anticipated to one of the crucial reforms which will spur the economic growth of our country. When launched, GST will not just make the taxation framework simple but shall also help and increase the compliance, decrease the tax outflow and boost the tax revenue, while making the export market competitive.[62]

In fact, people say that with GST coming into place, the government will be able to set a different roadmap during the upcoming budget session. GST has been a long pending reform which has been in pipeline. This taxation reform hopes to iron out all wrinkles that are present in Indian taxation system. This rich and comprehensive tax policy is forecasted to a significant one, aimed to contribute to the growth of our country India.[63]

This study help us to check to individual impact, economic impact and aggregate impact of Indian Economy

[61] ID
[62] Advanta.io/blog/significance_goods_and_services_tax (last visited on November 12, 2022 at 12:56 pm
[63] Supra

- High GDP: GDP is more comprehensively covered in consumption based taxation regime and thus leads to high GDP growth.
- High Tax to GDP ratio: as tax compliance increases, tax to GDP ratio increases.
- Ease of Doing Business: complexity of taxation regime reduces and this helps in easing business practices.
- Common economic market: There will be no transport delays at state borders. This will contribute to efficiency of businesses.
- Low inflation: due to elimination of Cascading of taxes.

GST is supposed to bring many benefits and advantages to consumers as well as the overall economy in India. The introduction of GST in India means that there will be lots of changes. You will have to frequently submit more data to the government. All this means you will need to have better automate your invoice software as well as GST tax reporting system. There are lots of benefits of using a good business management software in your business.

### 2.3.1. GSTN FEATURES

The Goods and Services Tax Network (or GSTN) is a section 25 company, [Section 8 under Companies Act, 2013] i.e. a non-government, non-profit organization. It has been formed with the sole purpose of providing the IT backbone to Government, pertaining to Goods and Services Tax Law. It manages the entire IT system of the GST portal, which is the mother database for everything GST. This portal will be used by the government to track every financial transaction, and will provide taxpayers with all services - from registration to filing taxes and maintaining all tax details. GSTN helps India fulfil its dream of paperless transactions where the compliances related to GST can be performed digitally with maximum provision of automation. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States.[64]

Salient Features of the GSTN

The following are the main features of GSTN:

1. Ownership: It is partly owned by Central Government (49%) and partly by Private players (51%) which include Banks and Financial Institutions. The 49% holding is divided equally between the Central and State Governments.
2. Grant: The GSTN has also been approved for a non-recurring grant of 315 crores.
3. Authorised Capital: The authorized capital of the GSTN is 10 crore (US$1.6 million).
4. Management: The team at GSTN is led by Mr. Navin Kumar as its Chairman and Mr. Prakash Kumar as its CEO. Mr. Navin Kumar, an Indian Administrative Service servant (1975 batch), has served in many senior positions with the Govt. of Bihar, and the Central Govt.
5. Technology Partner: The contract for developing this vast technological backend was awarded to Infosys in September 2015. Infosys, as technology service provider, has continuously strives to keep it updated and robust.
6. Trusted National Information Utility: The GSTN is a trusted National Information Utility (NIU) providing reliable, efficient and robust IT backbone for the smooth functioning of GST in India. It is capable of handle a large number of confidential data on behalf of the Indian taxpayers. So the information is kept confidential and secure.

[64] CA (Dr.) Mahesh Gour,et.al., Indirect Tax Laws (Taxmann Publication [P.] Ltd., Haryana, First Edition: January 2022)

7. Government Control: The government has complete control over GSTN including on the compensation of the Board, mechanisms of Special Resolution and Shareholders Agreement, and agreement between the GSTN and other State Governments. Since the Central Government holding is much larger than individual private holding, it ensures a complete control by the Government over the governing body of the institution.

**2.3.2 GST COUNCIL & MEETING**

Goods and Services Tax (GST) was urged and provided a go-ahead in 1999 during a meeting between Prime Minister Atal Bihari Vajpayee and his economic advisory panel. Mr Vajpayee set up a committee directed by the finance minister of West Bengal, Asim Dasgupta to develop the GST model.

Upon the same subject Finance Minister P Chidambaram in February 2006 carried on working. It was then lastly executed on 1st July 2017 and is upon the grounds of the indirect tax through the state and centre like VAT, excise duty, etc., the government of India indeed made a GST official to administrative the guidelines of the GST.[65]

GST is governed by the GST council which is a joint forum for the Centre and the States. The council is responsible for modifying, reconciling or procuring any law or regulation related to GST. They make key decisions regarding GST rate changes, filing due dates, tax laws, and deadlines among other significant tax and other related rules for all states. The GST Council conducts GST Council Meetings to take these significant decisions and then make the official announcement of the same. The GST Council is headed by the chairperson who is the union finance minister of the country and is assisted by finance ministers of all states of India. The vice-chairperson of the council is chosen by the State Finance Ministers' who is generally one amongst themselves. The current chairperson of the GST Council is Honourable FM Nirmala Sitharaman.[66]

As per Article 279A (1) of the amended Constitution, the GST Council has to be constituted by the President within 60 days of the commencement of Article 279A. The notification for bringing into force Article 279A with effect from 12th September, 2016 was issued on 10th September, 2016.

As per Article 279A of the amended Constitution, the GST Council which will be a joint forum of the Centre and the States, shall consist of the following members:

1. Union Finance Minister – Chairperson
2. The Union Minister of State, in-charge of Revenue of finance – Member
3. The Minister In-charge of finance or taxation or any other Minister nominated by each State Government – Members In the Union Cabinet meeting held on 12th September 2016, it was also decided to appoint:[67]
4. The Secretary (Revenue) as the Ex-officio Secretary.
5. The Chairperson, Central Board of Excise and Custom (CBEC), as a permanent invitee (non-voting) to all proceedings of the Council.
6. One post of Additional Secretary to the Council in the Secretariat (at the level of Additional Secretary to the Government of India).
7. Four posts of Commissioner in the GST Secretariat (at the level of Joint Secretary to the Government of India).

[65] Blog.saginfotech.com/gst_council_meeting_update (last visited on November 30,2022 at 1:11 am)
[66] Irigst.com/gst_council_meetings (last visited on December 14, 2022 at 11:06 am)
[67] Inidianfillings.com/learn/what_is_gst_council (last visited on December 04, 2022 at 1:06 am)

As per Article 279A (4), the Council will make recommendations to the Union and the States on important issues related to GST, like the goods and services that may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc.

The Union Cabinet under the Chairmanship of Prime Minister Shri Narendra Modi approved setting up of GST Council on 12th September, 2016 and also setting up its Secretariat as per the following details:

a) Creation of the GST Council as per Article 279A of the amended Constitution;

b) Creation of the GST Council Secretariat, with its office at New Delhi;

c) Appointment of the Secretary (Revenue) as the Ex-officio Secretary to the GST Council;

d) Inclusion of the Chairperson, Central Board of Excise and Customs (CBEC), as a permanent invitee (non-voting) to all proceedings of the GST Council;

e) Create one post of Additional Secretary to the GST Council in the GST Council Secretariat (at the level of Additional Secretary to the Government of India), and four posts of Commissioner in the GST Council Secretariat (at the level of Joint Secretary to the Government of India). The Cabinet also decided to provide for adequate funds for meeting the recurring and non-recurring expenses of the GST Council Secretariat, the entire cost for which shall be borne by the Central Government. The GST Council Secretariat shall be manned by officers taken on deputation from both the Central and State Governments.

Following are all the highlights and upgrades that took place in every GST council meeting till date:[68]

47$^{th}$ GST Council Meeting:

→ As per a recent update, the 47th meeting of the GST council ended with the decision on the GST slab rate on the hotel and hospital rooms. The council members have changed and shuffled products and services GST slab rates, also, the rates will be applicable starting from 18th July 2022 as decided by the Government of Ministers (GoM) in the GST council meeting.

46$^{th}$ GST Council Meeting:

→ Only one major decision was taken in the 46th GST Council Meeting. The council decided to retain the status quo on the rate at which Textiles are taxed. So, GST Rate for textiles will remain at 5%.

45$^{th}$ GST Council Meeting:

→ Concessions have been given for COVID related drugs

→ GST Rate changes for multiple goods and services

→ Inverted Duty Structure was implemented for the textile and footwear sector from 1st January 2022.

→ Relaxation in the requirement of filing FORM GST ITC-04

→ Aadhaar authentication of registration to be made mandatory for being eligible for filing refund claim and application for revocation of cancellation of registration.

→ Rule 59(6) of the CGST Rules to be amended with effect from 1st January 2022 to provide that a registered person shall not be allowed to furnish FORM GSTR-1 if he has not furnished the return in FORM GSTR-3B for the preceding month.

44$^{th}$ GST Council Meeting:

→ The GST rates on COVID-19 related equipments has been reduced from 12% to 5%

→ The GST rates on sanitisers and temperature checking instruments have been reduced to 5% from 18%

→ The GST on vaccines will remain at 5%

[68] *Supra*

→ GST on ambulances reduced to 12 %

→ The centre will buy 75 % of the vaccine as announced and will pay its GST. However, 70% of income will be shared with States.

43rd GST Council Meeting:

→ GST Exemption to some COVID-19 supplies till 31st August 2021

→ GoM to be formed to check if further reductions to be given to new items, GoM to submit reports before 8th June

→ Rationalization of Late fee for Small Taxpayers to be applicable to future liabilities

→ Annual Return filing to continue to be optional for Small Taxpayers

→ GST Amnesty Scheme for all Small Taxpayers (MSME). The GST Council is likely to announce an amnesty scheme on late fee in GST return filing to provide a huge relief to small taxpayers- Due to Covid-19 pandemic:-Pending GSTR-3B returns from July-2017 to April 2021. Amnesty scheme could be from 1st June 2021 till 31st August 2021.

42nd GST Council Meeting:

→ GSTR1 and GSTR3B which is to be filed quarterly by the taxpayer whose turnover is less than Rs 5 crores from 1st January 2021, although challan is the medium by which payment is to be made.

→ The assesse whose average turnover of higher than Rs. 5 Crores, HSN code needs to be written at a 6-digit level while HSN code to be mentioned at a 4-digit level for those whose average turnover is less than Rs. 5 Crores executing B2B supplies

→ From 1st January 2021, a refund will be given to those whose bank account validate with PAN and Aadhar. However, the application for refund can be signed via OTP of Aadhar verification.

→ The state Punjab is asking to borrow from the centre they told that collection of tax is enhancing with monthly compensation of Rs 7000 crore but from the source, there is no requirement for the compensation shortfall of more than Rs 60,000 crore.

41st GST Council Meeting:

→ The states will get loans at similar rates if these states will burn with bond yields. Thus it is good to run the process so that all states will get the loan at the same rates.

→ The government agrees that this is not the right time to discuss the tax rates

→ The consideration of 0.5% in the borrowing limit is given by the government beneath the FRBM Act as the second leg of Option 1. States can select to borrow more, as due to COVID-19 injury. The state will borrow less if the state will choose option1.

→ The total compensation for GST for April – July 2020, will be paid is Rs 1.5 lakh crore, it is because there is a rare collection of GST in April and May. The requirement is around 3lakh crore for annual compensation of GST and collection for cess is Rs 65000 crore, creating a difference of Rs2.35 lakh crore.

40th GST Council Meeting:

→ No late fees for taxpayers who have no tax liability but have not filed GST returns for tax-period July 2017 – Jan 2020.

→ For taxpayers having tax liability, maximum late fee for non-filing of GSTR-3B returns for period Jul 2017 – Jan 2020 has been capped to ₹ 500.This will apply to all returns submitted during Jul 1, 2020– Sep 30, 2020.
→ For small taxpayers whose aggregate turnover is up to ₹5 crore, the rate of interest for late furnishing of GST returns for Feb, Mar and April 2020, beyond July 6, 2020, the rate of interest is being reduced from 18% to 9%.
→ Small taxpayers will have to pay no interest for late furnishing of GST returns till July 6, 2020 post that reduced interest @9% will be applicable till September 30, 2020.
→ For small taxpayers whose aggregate turnover is up to ₹ 5 crore are waived off late fees and interest if they file GSTR-3B for months of May, June and July 2020, by September 2020.

39th GST Council Meeting: In a recent 39th GST council meeting, there were major decisions taken:
→ Know your supplier scheme comes into being.
→ Aircraft MRO service GST rates down to 5%.
→ GSTR -1, GSTR-2A & GSTR-3B filing extended till September 2020.
→ GSTR-1 filing dates get changed like, Before 10th for turnover greater than Rs 1.5 cr and Before 13th for turnover lesser than Rs 1.5 cr. GSTR-2A reconciliation now fixed for 14th of every month.

38th GST Council Meeting:
→ Deadline for filing GSTR 9 and GSTR 9C for FY 2017-18 is extended till 31 January 2020.
→ ITC claimed on provisional basis in GSTR 3B decreased to 10% from 20% earlier.
→ Deadline for filing GST Returns extended till 31 Dec 2019.
→ Council rationalised GST rate to eliminate inverted tax structure.
→ Late Fee abandoned on filing GSTR 1 by 10 January 2020. Non-filing after 10 Jan will lead to blocked E-way bill facility.

37th GST Council Meeting:
→ The 37th GST council meeting has brought GST rate on multiple products and services
→ Relaxed taxpayers from the filing of annual returns for MSMEs for FY 2017-18 and FY 2018-19
→ GSTR 9 filing for taxpayers having a turnover up to 2 crores made optionally
→ Extended date to appeal of the appellate authority in the GST appellate
→ There are a lot of amendments and changes brought by the council.

36th GST Council Meeting:
→ GST rates on all the electric vehicles are now 5 per cent down from 12 per cent applicable from 1st August 2019
→ Electric vehicle chargers also reduced to 5 per cent from the earlier 18 per cent rate
→ Electric buses having occupancy capacity of more than 12 people exempted from GST The rates are applicable from 1st August 2019

→ GST form CMP 02 filing due date has been extended from 31.07.2019 to 30.09.2019

→ GST Form CMP 08 self-assessed tax filing due dates for the time period of April 2019 to June 2019 now extended to 31st August

35th GST Council Meeting:
→ GSTR 9 and 9C due date extended by 2 months until 31st August 2019.
→ E-invoicing: In order to curb GST tax evasion, the finance minister approves the proposal of E-invoices.
→ NAA Tenure Extension: The National Anti-Profiteering Authority which was introduced to ensure passage of tax benefits to the consumers was about to finish its tenure in 5 months. As the profiteering complaints are yet to stop, the FM has given a 2 year extension to NAA in the 35th GST council meeting.
→ Other important announcements from the meeting - Approves setting up tribunals in 26 states, GST rate on electric charger cut to 12% from 18%

34th GST Council Meeting:
→ The council decides reduced down rate as 5 per cent on non-affordable and 1 per cent on affordable housing scheme applicable on under construction properties
→ The old rate of 12 per cent on non-affordable and 8 per cent on affordable housing scheme can be chosen till 10th May 2019 in case the builder wants to claim ITC
→ If the builder opts for the newer rate i.e. 5 per cent on non-affordable and 1 per cent on affordable housing scheme, then there will be no ITC provided

33rd GST Council Meeting:
→ The residential property with 90 sq. meters carpet area in metro cities and 60 sq. meters in non-metro cities priced at Rs. 45 lakh or below considered 'affordable' and taxed at 1 percent.
→ Under-construction properties priced over Rs. 45 lakh to be taxed at 5 percent.
→ Input tax credit not allowed in both the cases.
→ The move will come into effect from April 1, 2019.

31st & 32nd GST Council Meeting:
→ Policy Recommendations: There would be a single cash ledger for each tax head. The modalities for implementation would be finalized in consultation with GSTN and the Accounting authorities.
→ The new return filing system shall be introduced on a trial basis from 01.04.2019 and on a mandatory basis from 01.07.2019.
→ The due date for furnishing the annual returns in FORM GSTR-9, FORM GSTR-9A and reconciliation statement in FORM GSTR-9C for the Financial Year 2017 – 2018 shall be further extended till 30.06.2019.
→ The recently held 32th GST council meeting made some amendments in the GST rules: Kerala is permitted to levy calamity cess for 2 years to be used for rehabilitation of states. Revised GST rate of 6 per cent applicable to the composition scheme service provider having turnover up to 50 lakh per annum. Threshold limit increased from INR 20 lakh to INR 40 lakh leaving Kerala & Chhattisgarh on their own. Free billing & cost accounting software in development.

30th GST Council Meeting:

The 30th GST Council Meeting did not see any major changes or announcements. Here are the highlights of the decisions taken.

→ No GST rate change for any product or service

→ No finalization was made on Petrol and Diesel (Whether or not to include them under GST)

→ Proposal of State of Kerala for the imposition of Cess on SGST for rehabilitation and flood-affected works

→ 1% Pan-India tax on commodities was discussed

→ 29th GST Council Meeting Highlights

→ To address the issues related to MSMEs, a group of ministers were made in-charge

→ This group to work in alignment with the law and fitment committee to address the concerns of this sector on GST compliances and procedures related to GST filings.

→ Discussions to Improve outreach of Digital Payments facilities among Indians

28th GST Council Meeting: Scope and process for GST returns

→ There will be one monthly return to be filed by taxpayers, consisting of two sections

→ Details pertaining to outward supplies

→ Details for availing Input Tax Credit (ITC). ITC claim will be based on the invoices uploaded by the supplier.

→ The principles as explained in the previous council meeting related to uploading of invoices by the supplier on a continuous basis and locking of invoices by the receiver for claiming ITC will be implemented.

→ Options for small taxpayers: For making the return filing further easy for small businesses, who form a majority of the registered taxpayers base, the filing frequency, format and methods are relaxed.

→ Taxpayers with revenue below 5 crore will have an option to file on a quarterly basis. The payment of tax, however, would be monthly.

→ Nil returns can be filed through SMS.

→ Sahaj and Sugam, the returns for small taxpayers, will have lesser information from regular returns. The two forms would be catering to taxpayers who have only B2C transactions and the taxpayers who also supply to other registered taxpayers.

26th & 27th GST Council Meeting:

→ GST Council meeting is set to be commenced at Vigyan Bhawan, New Delhi on March 10, 2018

→ The main agenda of discussion: E Way Bill, Simple Return Filing, GSTR 3B Deadline Extension, Composition Scheme

→ E-way Bill made mandatory for consignments having values INR 50,000 or more. As per the update, the value of exempt goods will not be considered while deriving the value of consignment.

→ The twenty seventh meeting held that B2B dealers get to see entire turnover and invoice details

→ Only one return per month provision excluding composition scheme dealers and NIL transactions

→ GSTR 3B and GSTR 1 filing to be continued

→ GSTN entity to be divided in 50-50 percent ratio between the centre and state government

25th GST Council Meeting:

→ Finance Minister India Arun Jaitley says "necessary to build some anti-evasion measures" He considered GST e-way bill one of them

→ GSTR 3B return filing to be continued till further announcement

→ 40 handicrafts tax slab will be decided in the coming few days by the council

→ The tax rate reduction on all the items and services will be applicable from 25th January 2018

→ Arun Jaitley mentioned that 15 states to apply intrastate GST e-way bill on the same date i.e. on 1st February 2018

→ Next meeting through video conferencing in 10 days

→ GST Council holds 35,000 crores for distribution among centre and states as an IGST collection dividend

23rd & 24th GST Council Meeting:

→ The 23rd GST council meeting has done a lot of changes in compliance and procedure related to composition scheme with tax rate change in slab rates under GST along with return filing procedure.

→ In the recent 24th GST council meeting, it was finally decided that the electronic waybill commonly known as e-way bill is now introduced and will be applicable from 1st February 2018 across the nation.

21st & 22nd GST Council Meeting:

→ The 21st meeting was inaugurated in Hyderabad on 9th September 2017. The key changes in GST rates had come into effect for services provided by a local authority and the government authority, the rate reduced from 18% to 12%. For mid-sized cars, big cars and SUVs, the cess increased to 2%, 5%, and 7% respectively. The due dates for filing GSTR-1, GSTR-2, GSTR-3 had been extended to 10th October (for the businesses, turnover crossing Rs. 100 Crore the due date would be 3rd October 2017), 31st October, 10th October respectively. The extension of GSTR-3B placed to December 2017 and registration under composition scheme extended to 30th September.

→ The latest 22nd GST council meeting decided that AC restaurant tax rate revised to 12% from 18%, and yarns, clips, pins would be in 5% slab. Also, it is revealed that the threshold limit for the composition scheme dealers has been increased from 75 lakh to 1 crore. SMEs earning up to Rs 1.5 crore annually will have to file quarterly returns. GST council next meeting will be held on 9th and 10th November 2017 in Guwahati.

17th, 18th, 19th and 20th GST Council Meeting:

→ The seventeenth GST council meeting held on 18th June. In the meeting, officials extended the deadlines for return filing until September and ease the terrific anti-profiteering clause. The e-waybill rules were discussed and postponed for further. The council also modified rates of luxury hotels and lottery tickets run by state authority to be charged at 12% whereas the ticket by a private authority to be charged at 28% GST.

→ The 18th meeting held on 30th June 2017, just a day before the GST roll out. The GST rate on fertilizers was reduced from pre-decided 12% to 5% and the tax rate on exclusive parts of tractors was reduced to 18% from 28%.

→ The 19th meeting took place on 17th July 2017, the first meeting to be held after GST implementation and the council decided to raise the cess on cigarettes to 31% in a certain category.

→ The 20th meeting of GST Council took place on 5th August 2017. The meeting headed by the finance minister decided to kick start Anti profiteering mechanism, the final draft of E way bill presentation, job work decided to tax under 5% GST rate, government given work contract taxed at 12 % GST rate and GST rates for certain services were revised.

13th to 16th GST Council Meeting:

→ In the thirteenth meeting held on 31st March, the rules on registration, return, payment, refund, debit, credit, and invoices got approval.

→ In the 14th meeting held on 18th May, the GST rates on goods and GST compensation cess rate got approval

→ The 15th meeting was held on 3rd June 2017. The major decision of GST roll out on 1 July was unanimously accepted and pending rules including returns and transition provisions approved by the GST Council.

→ On 11th June 2017, the sixteenth meeting took place with a rate revision of 66 items out of 133 and ended with the finalization of accounting rules.

11th & 12th GST Council Meeting:

→ Single GST Registration, Single GST Return.

→ A business entity with an annual turnover of up to Rs. 20 lakhs would not be required to register with GST.A business entity with turnover up to Rs. 50 lakhs can avail the benefit of a composition scheme

→ To provide certainty in tax matters, a provision is made for an Advance Ruling Authority and Appellate mechanism, Transitional Provisions under GST and Tax payment in instalment, Anti-profiteering provision

→ At the meeting held on 4th March 2017, the council had finalized the important CGST and SGST bills. It was declared that hotels with a turnover below 50 lakh would pay the lowest tax of 5%.

→ In the twelfth meeting on 16th March 2017, many key decisions and approval had been taken place. The council had approved the state GST bill & union territory bill and the council fixed 15% cess rate for certain demerit items. In this meeting, the council had given the approval to form a committee to look into the meta permit issues and the five draft laws were sent to cabinet and parliament for acceptance.

6th to 10th GST Council Meeting:

→ In the sixth meeting of GST Council which was held on 11 December, the council had discussed the model GST laws regarding CGST and SGST in detail. The council had pronounced till 99 sections out of 197 sections.

→ The seven meeting of GST Council was held on 22-23 December 2016. The draft model bills on State and centre GST legislation passed and dual control issue was discussed but remained inconclusive.

→ The eighth meeting was scheduled on 3-4 January 2017. States demanded to increase cess on more items to compensate for the revenue loss of 900 billion. Accordingly, GST council had decided that the cess would be levied on a list of items mentioned by GST council and at the end of five years of GST the cess would be added to GST rates to divide it between the Centre and the states.

→ In the ninth meeting held on 16th January 2017. The dual control issues had been resolved and the council decided that 90% of the assesses with turnover below or equal to 1.5 crores would be investigated by the state government and 10% by the central government. In case of assesses with the turnover of more than 1.5 Crore the Centre and the State would scrutinize in 50:50 ratio. Any IGST disputes would be in consideration of the Centre.
→ The tenth meeting took place on 18th February 2017. In which the compensation law was finally approved.

3rd, 4th and 5th GST Council Meeting:
→ The third meeting was held on 17-18-19 October 2016. GST rates and slabs discussion were taken place but the decision could not be made.
→ The fourth meeting of GST council was held on 3-4 November 2016. The four slab rates were decided; which includes 5%, 12%, 18% and 28%. Apart from this, the additional cess above 28% would also be discussed to levy on sin goods and luxury items.
→ The fifth meeting was held on 2-3 December 2016 with no deferred conclusion.

1st & 2nd GST Council Meeting:
→ The very first meeting of GST Council was placed on 22-23 September 2016 with the determination to roll out GST on 1 April 2017. The two-day meeting was accessed by 29 states and 2 union territories and headed by Finance Minister Arun Jaitley. The main focus of the meeting was to decide regulation under composition scheme and charge 1-2% tax which would be less than the GST rates from traders with a gross turnover of up to Rs. 50 lakh. Some of the issues were also discussed regarding the GST rates and threshold limit to pay taxes.
→ The second meeting of GST council is held on 30 September 2016. GST draft rules for registration, rules for payment, returns, invoice, refunds and total six issues had been finalized so far. The states were compensated for loss and a fixed growth rate 14% was decided and all the exempted entities under indirect tax were considered to pay tax in the new GST regime.

Since the introduction of GST, significant achievements have been made during last five years towards government's 'one nation one tax' philosophy. Increased role of technology, common GSTN portal for interaction between the authorities and taxpayers have changed the perspective of indirect taxes. The industry has viewed the transition to GST as a positive move and has appreciated the government's initiative on automating tax compliances. While significant progress has been witnessed to streamline and simplify the GST system, this Council meeting, just before the fifth anniversary of GST in India, has also addressed multiple issues which required government's attention.[69]

| **GST COUNCIL MEETING** | **GST COUNCIL - THE JOURNEY SINCE THE LAUNCH OF GST** |
|---|---|
| 1st GST Council Meeting | Held on 22nd & 23rd September, 2016 in New Delhi. |
| 2nd GST Council Meeting | Held on 30th September, 2016 in New Delhi. |

[69] Economictimes.indiantimes.com/small_biz/gst/key/development_at_the_gst_council (last visited on November 24,2022 at 4:12 am)

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|---|---|
| 3rd GST Council Meeting | Held on 18th & 19th October, 2016 in New Delhi. |
| 4th GST Council Meeting | Held on 3rd & 4th November, 2016 in New Delhi. |
| 5th GST Council Meeting | Held on 2nd & 3rd December, 2016 in New Delhi. |
| 6th GST Council Meeting | Held on 11th December, 2016 in New Delhi. |
| 7th GST Council Meeting | Held on 22nd & 23rd December, 2016 in New Delhi. |
| 8th GST Council Meeting | Held on 3rd & 4th January, 2017 in New Delhi. |
| 9th GST Council Meeting | Held on 16th January, 2017 in New Delhi. |
| 10th GST Council Meeting | Held on 18th February, 2017 at Udaipur, Rajasthan |
| 11th GST Council Meeting | Held on 4th March, 2017 in New Delhi. |
| 12th GST Council Meeting | Held on 16th March, 2017 in New Delhi. |
| 13th GST Council Meeting | Held on 31st March, 2017 in New Delhi. |
| 14th GST Council Meeting | Held on 18th & 19th May, 2017 at Srinagar, Jammu & Kashmir. |
| 15th GST Council Meeting | Held on 3rd June, 2017 in New Delhi. |
| 16th GST Council Meeting | Held on 11th June, 2017 at Vigyan Bhawan in New Delhi. |
| 17th GST Council Meeting | Held on 18th June, 2017 at Vigyan Bhawan in New Delhi. |
| 18th GST Council Meeting | Held on 30th June, 2017 at Vigyan Bhawan in New Delhi. |
| 19th GST Council Meeting | Held on 17th July, 2017 through video conferencing in New Delhi. |
| 20th GST Council Meeting | Held on 5th August, 2017 at Vigyan Bhawan in New Delhi. |
| 21th GST Council Meeting | Held on 9th September, 2017 in Hyderabad. |
| 22nd GST Council Meeting | Held on 6th October, 2017 at Vigyan Bhawan in New Delhi. |
| 23rd GST Council Meeting | Held on 10th November, 2017 at Guwahati, Assam. |
| 24th GST Council Meeting | Held on 16th December, 2017 through Video Conferencing. |
| 25th GST Council Meeting | Held on 18th January, 2018 at Vigyan Bhawan in New Delhi. |
| 26th GST Council Meeting | Held on 10th March, 2018 at Vigyan Bhawan in New Delhi. |
| 27th GST Council Meeting | Held on 4th May, 2018 convened through Video Conferencing. |

| | |
|---|---|
| 28th GST Council Meeting | Held on 21st July, 2018 in New Delhi. |
| 29th GST Council Meeting | Held on 4th August, 2018 in New Delhi. |
| 30th GST Council Meeting | Held on 28th September, 2018 by Video Conferencing. |
| 31st GST Council Meeting | Held on 22nd December, 2018 in New Delhi. |
| 32nd GST Council Meeting | Held on 10th January, 2019 in New Delhi. |
| 33rd GST Council Meeting | Held on 20th February through Video Conferencing & 24th February, 2019 in New Delhi |
| 34th GST Council Meeting | Held on 19th March, 2019 through Video Conferencing. |
| 35th GST Council Meeting | Held on 21st June, 2019 in New Delhi. |
| 36th GST Council Meeting | Held on 27th July, 2019 through Video Conferencing. |
| 37th GST Council Meeting | Held on 20th September, 2019 in Goa. |
| 38th GST Council Meeting | Held on 18th December, 2019 in New Delhi. |
| 39th GST Council Meeting | Held on 14th March, 2020 at Vigyan Bhawan in New Delhi. |
| 40th GST Council Meeting | Held on 12th June, 2020 through Video Conferencing. |
| 41th GST Council Meeting | Held on 27th August, 2020 through Video Conferencing. |
| 42nd GST Council Meeting | Held on 5th & 12th October 2020 through Video Conferencing. |
| 43rd GST Council Meeting | Held on 28th May, 2021 in New Delhi. |
| 44th GST Council Meeting | Held on 12th June, 2021 in New Delhi. |
| 45th GST Council Meeting | Held on 17th September, 2021 at Lucknow, Uttar Pradesh. |
| 46th GST Council Meeting | Held on 31st December, 2021 at Vigyan Bhawan in New Delhi. |
| 47th GST Council Meeting | Held on 28th & 29th June, 2022 in Chandigarh. |

Fig: Key Decisions of GST Council that led to a successful Implementation of GST in India[70]

[70] Gst.council.gov.in_gst_meetings (last visited on December 9, 2022 at 5:09 PM)

GST is a work in progress. The Council has been consistently reviewing the situation and has been continuously recommending the course correction. It kept its hand firmly on the pulse of the Nation, the changing economic landscape such as requirement of Ease of Doing Business, the emerging priorities of government such as Make in India initiative, Aatma Nirbhar Bharat, Digital India, the challenges that arose from time-to-time such as, COVID-19 pandemic and feedback received from various stakeholders as well as the need to strike a balance between the trade facilitation and the requirement of better compliance.

So far, it has met 47 times after the launch of GST to review and recommend any further changes or modifications. Five years down, it has certainly lived up to its billing as the biggest tax reform in the history of independent India. From here on, the journey is likely to get smoother only as the major bumps and roadblocks have already been addressed. One can safely and with confidence conclude that India's indirect tax system is second to none and is truly a system that is in step with the 21st Century.[71]

**2.4 OBJECTIVE AND STRUCTURE OF GOODS AND SERVICES TAX**

GST is vital for the functioning of the Indian economy. The government aims to simplify the entire taxation procedure and bring more businesses under the taxation system. It will help them generate significant revenue from these taxes, which they can use for the developmental activities within the country.[72]

The main objectives of GST are as follows:

I) It helps create a common market in India with a uniform taxation system and curb tax evasion in the country. The laws for GST are far more stringent compared to the erstwhile indirect tax laws. The aim is to have a nationwide surveillance system under GST, making it easier to catch defaulters and tax evaders.

II) It removes the cascading effect of the indirect taxes on a single transaction. It also allows the setting off for prior taxes that are related to the same transactions in the form of the input tax credit. Under GST, the tax is applicable only on the net value added during each stage of the supply chain.

III) The government aims to reduce the need for multiple documentation under the previous taxation system by introducing a consolidated tax like GST. The idea is to help companies with an uncomplicated tax filing procedure that will improve their efficiency and cut down the overall costs associated with business processes.

IV) It helps to subsume most indirect taxes into a single taxation system that reduces the burden of compliance for taxpayers and eases the government's tax administration process. The main aim of this taxation system is to simplify the entire process of paying taxes and simplify compliance. Compared to the erstwhile indirect taxes, almost the whole GST process, including registration, returns filing, refunds and e-way bill generation, has shifted to the online mode.

V) One of the primary objectives of GST is to widen the tax base in India. Most of the erstwhile indirect taxes had their threshold limits for registration based on the turnover of a business. Under GST, there is greater scope for an increase in the number of firms coming under the tax registration net because it includes all transactions related to goods and services in the country.

VI) GST has replaced multiple indirect taxes, which were existing under the previous tax regime. The advantage of having one single tax means every state follows the same rate for a particular product or service. Tax administration is easier with the Central Government deciding the rates and policies.

[71] Gstsaga.com_gst_five_years_of_journey (last visited on November 11, 2022 at 1:09 am)
[72] Byjus.com/commerce/top_5_objectives_of_GST (last visited on December 11, 2022 at 3:00 PM)

Common laws can be introduced, such as e-way bills for goods transport and e-invoicing for transaction reporting. Tax compliance is also better as taxpayers are not bogged down with multiple return forms and deadlines. Overall, it's a unified system of indirect tax compliance.

The objectives of the Goods and Services Tax are listed below to further explain the structure of GST:[73]

I) India had several erstwhile indirect taxes such as service tax, Value Added Tax (VAT), Central Excise, etc., which used to be levied at multiple supply chain stages. Some taxes were governed by the states and some by the Centre. There was no unified and centralised tax on both goods and services. Hence, GST was introduced. Under GST, all the major indirect taxes were subsumed into one. It has greatly reduced the compliance burden on tax.

II) One of the primary objectives of GST was to remove the cascading effect of taxes. Previously, due to different indirect tax laws, taxpayers could not set off the tax credits of one tax against the other. For example, the excise duties paid during manufacture could not be set off against the VAT payable during the sale. This led to a cascading effect of taxes. Under GST, the tax levy is only on the net value added at each stage of the supply chain. This has helped eliminate the cascading effect of taxes and contributed to the seamless flow of input tax credits across both goods and services.

III) GST laws in India are far more stringent compared to any of the erstwhile indirect tax laws. Under GST, taxpayers can claim an input tax credit only on invoices uploaded by their respective suppliers. This way, the chances of claiming input tax credits on fake invoices are minimal. The introduction of e-invoicing has further reinforced this objective. Also, due to GST being a nationwide tax and having a centralised surveillance system, the clampdown on defaulters is quicker and far more efficient. Hence, GST has curbed tax evasion and minimised tax fraud from taking place to a large extent.

IV) GST has helped in widening the tax base in India. Previously, each of the tax laws had a different threshold limit for registration based on turnover. As GST is a consolidated tax levied on both goods and services both, it has increased tax-registered businesses. Besides, the stricter laws surrounding input tax credits have helped bring certain unorganised sectors under the tax net. For example, the construction industry in India.

V) Previously, taxpayers faced a lot of hardships dealing with different tax authorities under each tax law. Besides, while return filing was online, most of the assessment and refund procedures took place offline. Now, GST procedures are carried out almost entirely online. Everything is done with a click of a button, from registration to return filing to refunds to e-way bill generation. It has contributed to the overall ease of doing business in India and simplified taxpayer compliance to a massive extent. The government also plans to introduce a centralised portal soon for all indirect tax compliance such as e-invoicing, e-way bills and GST return filing.

VI) A single indirect tax system reduces the need for multiple documentation for the supply of goods. GST minimises transportation cycle times, improves supply chain and turnaround time, and leads to warehouse consolidation, among other benefits. With the e-way bill system under GST, the removal of interstate checkpoints is most beneficial to the sector in improving transit and destination efficiency. Ultimately, it helps in cutting down the high logistics and warehousing costs.Introducing GST has also led to an increase in consumption and indirect tax revenues. Due to the cascading effect of taxes under the previous regime, the prices of goods in India were higher than in global markets. Even between states, the lower VAT rates in certain states led to an imbalance of purchases in these states. Having uniform GST rates have

[73] Bajajfinserv.com_insights/gst (last visited on November 22, 2022 at 1:01 am)

contributed to overall competitive pricing across India and on the global front. This has hence increased consumption and led to higher revenues, which has been another important objective achieved.

Structure of GST in India-India's tax regimes date back to 1870 when James Wilson first introduced taxation laws. This was done to recover from all the losses suffered by the Britishers in India while tackling and controlling the Sepoy Mutiny of 1857. Since then, India has witnessed a cascade of indirect taxes at various levels. But more recently, in 2017, the Government of India introduced the Goods and Services Tax (GST) to rule down all the taxes and bring them under the aegis of a single integrated tax regime. The motive of this move was to facilitate controlling tax evasion and otherwise smoothen the tax collection process in the country through this structure of GST. [74]

The 4-tier GST Tax Structure- The structure of GST is a 4-tier tax structure in India. The GST tax structure is set up so that all the essential goods, services and a few edibles are encompassed in the lowest level of the GST tax bracket. High valued goods and services and de-valued goods are positioned in the highest level of the GST tax bracket.

The Goods and Services Tax or GST Council has decided upon the four-tier structure of GST to be 0%, 5%, 12%, 18% and 28%, and this would be followed strictly.

An attempt to keep inflation under check can be seen through the step wherein essential goods and items, which are the primary food units, are excluded from the GST regime. Nonetheless, a 5% tax would still be levied upon some common commodities. On the other hand, most standard services would be charged upon a tax rate of 12% and 18% tax slab, whereas the high valued items would be charged with 28% tax. [75]

GST Tier:[76]

India has a 4-tier rate structure of GST or the Goods and Services Tax regime.

Zero Rate (0%)

Within this classification of the GST council structure, it has been decided that a few basic commodities would not be charged at all. Most Consumer Price Index (CPI) units can be placed under this rate tier.

The following items have been placed under the zero rate GST tier structure:

a. Raw vegetables such as potatoes, tomatoes and various protein-based vegetables, etc.
b. Live animals such as poultry, sheep, goats, bird shelled eggs, fish, etc.
c. Unpacked corn, maize, wheat, cereal grains, and soybeans.
d. Various constituents of the human blood and human blood itself.
e. Raw materials such as raw silk, its waste, khadi fabric and yarn, charcoal, handloom fabrics and unprocessed wool.
f. Tools and instruments such as spades, shovels, tools used for agricultural purposes, etc.

Lower Rate (5%)

a. If we look at this rate tier, a 5% tax will be applied on a major part of the common goods and services. This would include the remaining articles under the CPI and large scale consumption products. For example, frozen vegetables, tea, coffee, economy flight tickets, rail tickets, etc.

Standard Rate (12% and 18%)

a. The bulk of goods and services come under the aegis of this rate tier. The Government of India decided to keep two standardised rate slabs of 12% and 18% for this tier to keep inflation under check.

[74] Bankbazaar.com/tax/gst_hsml (last visited on November 28, 2022 at 3:00 pm)
[75] ID
[76] Khatabook.com/blog/structure_of_gst (last visited on November 25,2022 at 12:00 am)

b. The 12% rate slab comprises dairy products, accessories, cellphones, business class air tickets, and movie tickets priced below ₹100.

c. Items charged under the 18% rate slab are pasta, bakery items, cleaning equipment, hairdryers, panels, electronic items etc.

Higher Rate (28%)

This rate slab of 28% sees the inclusion of more than 200 products, which mostly comprise products such as paint, cement, automotive, electronic gadgets, bathing products, soft drinks, etc. However, some items that fall under this slab category are charged with an additional tax by the Indian government.

a. The Goods and Services Tax regime has facilitated the collation of various taxes under a single inverted tax structure. The benefit of this single tax pattern is that every state in India would follow the same GST rate structure for the same products and services. Hence, controlling tax rates becomes subtle for the Central Government and makes deciding rates and policies easy.

b. For many years, India followed a cascade of indirect taxes such as Central Excise, Value Added Tax (VAT), etc., which were applied at various supply chain levels. In addition, taxes were governed by both the states and the Centre. Therefore, instead of a unified and unionised tax structure, GST was introduced.

c. India's Goods and Services Tax laws are quite stricter than the earlier indirect taxes in action. Under the new GST tax regime, the taxpayers can mark out an input tax credit only on bills put up by their respective suppliers. The initiation of e-invoicing has further encouraged this motive. Additionally, as GST is a national level taxing structure, it becomes easier for the government to keep surveillance and catch the defaulters more quickly and efficiently.

d. GST has facilitated enlarging the taxed population in India. Earlier, every single registration had to be enrolled under every tax law with a different ending limit based on the business's overall value. But now, with GST being a single integrated tax system levied both on goods and services, it has led to an increase in businesses registered under tax statutes.

Through the structure of GST, the Government of India has attempted to smoothen the tax collection and distribution processes and bring about the business setups under a formal economic tone.

When businesses are well aware and follow the structure of GST properly, they get to experience the benefits of having a unified tax system and easy input credits. Stakeholders and finance experts welcome GST as a new change as it helps provide an Iapetus to the economy. Hence, the Goods and Services Tax can be seen as quite an effective step to bring about a formal structure in the Indian economy which would help in proper tax appropriation and distribution. [77]

## 2.5 IMPACT OF GOODS AND SERVICES TAX ON ECONOMY

Goods and Service tax was introduced to put an end to multiple taxes like CST, VAT, Service tax, Sales tax, Central sales tax which are levied on different products, starting from the source of manufacturing till it reaches to the end consumer which makes movement of goods and doing business very hard. At present goods and services are taxed differently and also at many levels but after the GST the goods and services will be treated equally and multiple level taxation will be significantly reduce this will eventual lead to less corruption. GST will reduce complexity in taxation and help businesses. Most of the companies don't

[77] Grow.in/p_gst/tax (last visited on November 30, 2022 at 1:09 am)

want to manufacture goods in India because of complexities in the taxes they eventually try to find some shortcuts and this often leads to more corruption.[78]

In India there are multiple indirect taxes which are taxed by different authorities have no mechanism to check unreported income, as tax laws such as Excise, VAT, Service tax etc but however after GST the goods and services will be taxed from the wholesaler to the consumer level even a penny will be tracked. If a wholesaler sold goods to a consumer, it is possible to wipe this purchase off the books in today's tax regime. However, under the GST regime, an itemized trail of transactions shall be available on a real time basis, due to which back dated transactions and entries to avoid taxes will be further restricted.

Usage of PAN card and Aadhar card will be more frequent and will be required to file GST returns, this will help the income tax department to track transactions, which it is unable to do today and further data will be shared between multiple administrative authorities such as RBI, import etc. There can be more data mapping for audit by the revenue authorities. Bringing sectors like real estate and precious metals such as gold sectors within the ambit of GST will help to track tax defaulters in these sectors.

The GST network is designed to capture all transaction details up to invoice level. Hence, one can't escape the inputs or services used in providing the goods or services. The paper documentations are to be eliminated completely. All the returns of the taxpayers shall be filed online in the GST regime. They would also get their refunds, orders etc online. This will reduce the interface between assesses and officers, which would reduce corruption.[79]

The Goods and Service Tax (GST) bill is expected to have wide ranging ramifications for the complicated taxation system in the country. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. However, the reform is likely to benefit the manufacturing sector but may make things difficult for the services sector. Though there are expectations that the GDP growth is likely to go up by 1 to 2 %, the results can only be analysed after the GST implementation. The response is mixed from countries around the world. While the New Zealand economy had a higher GDP growth, it was lower in case of Canada, Australia and Thailand after the GST was implemented. The one per cent tax that has been proposed as a sop to appease the States for compensating their loss of revenue from the inter-state CST is likely to play a spoil sport. It is probable that it may affect the GDP adversely. The Congress is already opposing the 1 per cent tax. The GS Tax rate is expected to be around 17-18% and can be assumed as a tax neutral rate. This tax rate is not likely to give any incremental tax revenue to the government.[80]

The rate will prove beneficial for the manufacturing sector where the tax rate is around 24% at present. The major manufacturing sectors that will benefit the most are FMCG, Auto and Cement. This is because they are currently reeling under 24 to 38 per cent tax. The sector which is going to be adversely affected is the services sector. Already there has been a hike from 12 to 14% from the 1st of June this year. Another 4 per cent increase will break their backs. The uniformity in the taxation rate is fine but it should not result in disparity for the goods and services sectors. Nobody has thought of the implications it will have in the services sector if the government moots a higher GS Tax rate like 20% or 24%. The higher GST rate will definitely boost the tax to GDP ratio, while giving financial muscle to the government for increasing the capital expenditure. This is likely to spur growth in the economy. There is definitely a silver lining to the

[78] Dr. (Smt.) Rajeshwari M. Shettar "Impact of Goods and Services Tax on the Indian Economy" Volume 20 IOSR Journal of Business and Management 45 (2019)

[79] *Supra*

[80] Sarika Chaturvedi "Issues and Challenges of GST" Volume 6 International Journal of Creative Research Thoughts (IJCRT) 581 (2018)

whole exercise. The unorganized sector which enjoys the cost advantage equal to the taxation rate can be brought under the GST bill.

This will bring a lot of unorganized players in the fields like electrical, paints, hardware etc. under the tax net. It is easier said than done. It will take a lot of meticulous planning in the implementation of the GST reform for capturing the unorganized sector under its ambit. For one it will widen the tax reach and secondly it will benefit the organized players who lose out revenue to the unorganized sector at present. There are still a lot of unchartered territories which need to be looked into through parliamentary discussions in the sessions. This will bring sanctity to the taxation system without hurting any of the sectors adversely. To The Individuals and Companies - With the collection of both the central and state taxes proposed to be made at the point of sale , both components will be charged on the manufacturing costs and the individual will benefit from lowered prices in the process which will subsequently lead to increase in consumption thereby profiting companies.[81]

A developing economy like India necessities sufficient resources to finance the developmental activities that are comprehensively and achieves all levels of the society. Presently, the tax structure of Our country is very complex. To overcome these complexities of our taxation system, the government constantly changing the taxation system to rationalize tax administration and generate more revenues for social protection, infrastructure, and several other activities. That's the main reason, the government to implement or move towards the GST is an indicator of our evolved taxation system.

After passing of the 101st Constitutional Amendment (GST) Act, the highly-anticipated tax products GST appears to be an actuality in 2017. To ensure a smooth transition, government and all related nodal agencies like Goods and Services Tax Council, GSTN etc., have been regularly making a decision to resolve the problems encountered being at different levels. To simplify the difficulties faced by indirect taxation system and create a common taxation system throughout the nation and decreasing the barriers between states, the dual structure.[82]

Goods and Service Tax (GST) was passed by parliament. In 6th May 2015 at Lok Sabha and 12th May 2015 at Rajya Sabha passes constitutional amendment bill for GST and in 3rd August 2016 Rajya Sabha passes the constitutional GST bill by a two-thirds majority after more than a year. Now the government of India is committed to replacing the existing indirect taxation system levied on goods and service by both state and center and implemented by GST. It was formally launched by the President of India and Prime Minister of India at a formal function in the Central Hall of Parliament on 1st July 2017.

GST will cover all the aspects of the existing indirect tax system like excise duties, customs duties, Local Body Tax (Entry Tax/Octroi), services tax, Sales tax/VAT etc. to reduce their tax burden and help the government in the uniformity, efficiency, and transparency of the taxation system in India and removal of cascading effect of taxation. This system has a uniform rate of tax for all the states.

GST IMPACT ON THE INDIAN ECONOMY- After a long wait of about 16 years, Indian government finally passed goods and service tax on 1st July, 2017. It’s expected to turn India into one common market. [83]

→ Reduces the tax burden on producers, which will stimulate the producers to produce more. The previous tax structure, pumped with myriad tax clauses, prevents manufacturers from producing to their

[81] ID
[82] Anil Kumar Bhuyan, Ranusaya Nayak “GST A New Tax Reforms in India – Implementing towards sustainable development of the Economy” Volume 4 Interscience Management Review 15 (2011)
[83] ID

optimum capacity and retard growth. GST will take care of this problem by providing tax credit to the manufacturer.

→ There will be more transparency in the system as consumers will have a complete idea of the amount being charged to them as tax.

→ Increases the tax revenue of the government, which improves the economy of the country.

→ Goods and Service Tax will remove the bundled of indirect tax like VAT, CST, Service tax, CAD, SAD and excise.

→ Less tax compliance and a simplified tax policy as compared to the previous tax structure.

→ Removal of cascading effect of taxes i.e. removes double taxes.

→ Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. These results in prices of consumer goods will be likely to come down.

→ Increases the demand and supply of consumer goods.

→ Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check.

→ Different tax barriers like check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehouse costs. A single taxation system will eliminate this roadblock.

→ GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.

→ Removes the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

POSITIVE IMPACT OF GST

The fundamental objective of Goods and Service Tax is to make uniform the scattered indirect tax system in India and avoid the cascading effect in taxation. The impact going to make by GST will be a transformation in the entire tax system in India. GST becomes a reality today. GST helps in building new India through one nation, one tax and one market. GST - A Boon for households. India is going to experience the major change in the collection of tax after implementing GST. A comprehensive dual Goods and Service Tax has replaced the complex multiple indirect tax structure from 1st July, 2017.

The GST will reshape the indirect tax structure by dissolving majority of indirect taxes like excise, sales and services levies prevailing in the country. This will definitely do away with the complex indirect tax structure of the country; hence will improve the ease of doing business in the country. According to the International Monetary Fund (IMF), the adoption of the goods and service tax could help raise India's medium term gross domestics product (GDP) growth to over 8% and create a single national market for enhancing the efficiency of the movement of goods and services.[84]

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. All sectors of economy whether the industry, business including government departments and service sector shall have to bear impact of GST. The goods and service is all set to integrate state economies and boost overall growth. This will create a single, unified Indian market to make the economy stronger. GST is not a new tax but replaces all taxes which were levied at all the previous stages in production and sale process with one tax. Now there is one tax with two components - state and central

[84] ID

components. GST becomes a reality today. GST is building a new India through one nation, one tax and one market. GST will improve the collection of taxes as well as boost the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate. India's historic and bold move towards integrated tax structure is viewed by most economists as an answer to regressive indirect tax slab. It is believed that GST would put India's tax structure at par with more than 140 countries and would be productive for all the sectors.

GST bound the whole nation under a single taxation system. All sectors of economy whether it is big, medium, small units, intermediaries, exporters, importers, professionals, traders and consumers all are impacted by the implementation of GST. Due to its simple compliance now government is receiving more tax payer registration. So, GST leads to more revenue to government. It can be concluded that in long run GST will give more benefits to Indian Economy.

Taxation policy of the government plays an important role in economic development and build up the nation. Good and simple taxation system generate more revenue and support to government expenditure on infrastructure development and public service. The introduction of the GST will be a significant step towards indirect tax reforms in India. GST will have a positive effect on the manufacturing sector, GDP growth, exports, and employment generation and negative impact on basically service sector because of the proposed GST rate is higher than the current service tax rate. However, the implementation of the GST will be too delayed because of the conflict between state and center on issues related to the limitation of fiscal autonomy of states, constitutional amendments. One thing we can say that after the successful implementation of the GST will bring inclusiveness, excellence, innovation, accountability, uniformity, efficiency, and transparency in indirect taxation mechanism in the long run. For that, the ultimate consumer, as well as the business and industry will be benefitted.[85]

In Developing countries like India, the taxation system is very crucial role in the development of revenues of the country. But India tax system is difficult to understand and in fact for calculation too in case of both direct tax as well as indirect tax. In order to overcome the problems of the government of India tries to simply the direct tax as well as indirect tax, the government made the proposal of introducing GST (goods and services tax) instead of all indirect taxes and DTC (direct tax code) instead of direct tax. But fortunately GST won the first place in the purview of implementation.

The country is keenly looking for the roll-out of GST from April 2017, as the government focuses on creating one single tax & market for all in India. GST in India will make the country industry friendly by implementing one type of tax and that will attract more investments from foreign investors also. Also, implementation of dual model of GST will result in generating more employment opportunities. Therefore, it is very important that the government makes efforts to make the GST applicable all over the country with clear law and industry friendly so that the industry, consumers and the economy benefits as a whole.[86]

## 2.6 IMPACT OF GST ON BUSINESSMEN & COMMON MAN

India is a federal country where Indirect Tax is levied by Federal and State Government. Value Added Tax is levied by State Governments. Every State has authority to decide the Tax rate and to control the Tax system as per their convenient. The Taxation power has been well defined in Indian Constitution. The

[85] ID

[86] Kankipati Ajay Kumar "A Journey of Goods and Services Tax (GST) and Structural Impact of GST on the Growth of GDP in India" 3 Advances in Sciences and Humanities 50 (2017)

Constitution (122nd Amendment) Bill that seeks to usher in a Goods and Services Tax (GST) regime in the country will finally be taken up for discussion in Parliament. Finance Minister Arun Jaitley has been affirming that India will implement GST from 1st April 2016. It can be looked as simplification of Taxes in country and avoiding unnecessary complexities. India is a federal country which has various Tax regimes and structure, where Tax is levied by both Governments. After the implementation of GST all the Indirect Taxes will be subsumed under an umbrella, it will be a milestone in the history of Indirect Tax reform.[87]

Businessmen and GST are receiving increasing attention now a day, after enactment of new GST law. Moreover there is a need of model which may suggest business community to get by GST. In today's circumstances the notion of GST is very imperative one. Moreover now GST is key consideration issue for business world. After setting this background, a model has been prepared to comprehensively cover the issues related with GST specifically for businessmen.[88]

India earlier had a dual system of taxation of goods and service which was quite different from the current dual GST system. In India, the concept of GST was envisaged in 2004 by Kelkar Committee. The Kelkar Committee was introduced the dual GST system the committee was convinced that they will be able to tax almost all the goods and services which will improve revenue for the government. GST is a major reform in tax structure in India where there are lots of issue related to transparency is important. In any country the main basis of revenue is the tax and for good economic development, it is essential to have good taxation system.

In 1980, India started its tax system, since independence India has faced many issues because of the complexities of indirect tax system; GST was a great move in Indian economy as some of the complexities as perceived is resolved in present GST structure. As GST has replaced all indirect taxes to come up simplified unique tax. SBP's pay lot of indirect taxes such as VAT, Service tax, sales tax, octroi and luxury tax. The Goods and Services Tax (GST) will be acting as the much needed stimulant for economic growth in India by removing all the indirect taxation. It will also eliminate the cascading effect of taxes. With the implementation of GST it will increase the ease of conducting business within India and also across borders. The implementation of GST is dual in nature i.e. central GST which is levied by the centre and state GST that is levied by the state. When GST is implemented all other indirect taxes are discontinued and now there is only one tax that is GST which is under the strict control of the central government. This system helps in removing tax based thefts and makes the taxation system much more transparent.

Objectives of GST in Business Perspective:

→ To study the awareness and the perception of GST among businessman.

→ To examine the competency of businessmen and the governance level in assisting SBP's to get acquainted with GST.

→ To study the readiness for GST among businessmen.

Positive Impact of GST on the Common Man:

→ GST was introduced as an integrated tax system, which extracts a bundle of indirect taxes such as CST, VAT, service tax, SAD, CAD, excise, etc. [89]

[87] Dr. Jignesh Trivedi "GST Impact on Common Man" 3 International Journal for Innovative Research in Multidisciplinary Field 73 (2017)

[88] Dr. Kalpana Nebhinani "GST Implementation Model - What Businessmen need to do?" 3 International Journal for Innovative Research in Multi-Disciplinary Field 38 (2017)

[89] Blog.sagnifotech.com/gst_impact_on_common_man (last visited on December 16, 2022 at 10:21 am)

→ Introduction of Goods and Services tax eliminated the cascading effect of taxes i.e. tax on tax.

→ GST reduced the burden of taxes from the manufacturing area, thus manufacturing costs will be reduced. Therefore, the prices of consumer goods are also likely to decrease.

→ Because of the lower manufacturing cost some products like cars, FMCG, etc. will be a bit cheaper.

→ This will help reduce the burden on the common man, who will have to spend less money to buy the same goods/ services which were more expensive earlier.

→ Low prices will directly or indirectly increase demand/consumption of goods.

→ Increased demand will ultimately enhance supply. Therefore, this will eventually increase the production of goods.

→ Boost in production, in the long run, will increase job opportunities. However, this can only happen when consumers actually get goods at cheaper costs.

→ This will curb the circulation of black money. It will only be possible when the KACHA or Invalid Bill system, normally followed by traders and shopkeepers will be checked.

→ A unified tax system will reduce corruption which will directly or indirectly affect the common man.

→ Most importantly, experts expect to see a positive impact of GST on the Indian economy in the long run.

Negative Impact of GST on the Common Man[90]

→ Compliance burden: You have to submit GST and file the return on time.

→ Filing GST returns is not as easy as it sounds. You must appoint a tax professional to manage it.

→ The government is taking steps to make return filing easier and to keep it simple. But, even then, it will take time to actually smoothen the entire process from start to end.

→ Large businesses with enough employees can handle the entire process easier. But for small traders/merchants/service providers or individuals who have just started their business or service, it is still complex.

→ At the present time service tax at a 15% rate is being charged on services. Therefore, if GST is introduced at a higher rate, which is going to happen in the near future, the cost of services will increase. GST at 18% will be levied on maximum services and will reach 28% for certain services. Which means all services like telecommunications, banking, airline, etc. will become more expensive.

→ The higher service tax means increased cost of services, it will be added in Common Person's monthly expenses.

→ To bear the cost of additional services, you will have to reset the budget of the common man.

→ Everyone including Businessmen and service providers is still exploring and getting used to new laws. During this time dependence on tax experts and professionals is increasing which results in a bit more business expenses.

→ The real implications of GST can be experienced after a certain period.

→ GST or Goods and Services Tax is a consumption-based tax, Thus for services, the place where the service is provided needs to be determined.

→ For better compliance, proper invoicing and accounting are necessary. However, there are various companies that are developing GST accounting software.

[90] *Supra*

→ If the actual benefits are not passed on to the consumer and the seller increases his profit margin, then the prices of the goods may also increase.
→ The rise in inflation can be observed initially, however, it may also come down gradually.
→ The activities of profiteering will have to be strictly checked so that the end consumer can enjoy the real benefits of GST.
In the 47th GST council meeting, make changes in the GST rate on goods and services made by GoM rationalization. It has been applied to various items such as daily household, kitchen appliances, and transport/services which are directly impacted by a common man's budget. These GST rate changes are recommended by the council. For a middle-class family, the main issues are "Roti, Kapda, and Makaan" [91]
Initially, the country is troubling with the new tax regime due to the four slab rate structure under GST. For the long term, the country will be benefited with the new Goods and Service Tax (GST) Regime. The implementation of GST on 1st July shattered the issues related to the cascading effects of tax and has made a clear and partial way of understanding the personal finances. GST has a wider scope so it will cover a maximum number of the assessee at each stage tax benefit will generate and at the end consumers get the benefit for this.
For the general public, the actual impact of any economy is when the prices of their necessity become affected. For the public in large when prices become low for the day-to-day goods and services that are consumed, the economy is good otherwise if the inflation rate is higher, then the public gets unsatisfied with the changes done by the government. For any government policy, it is important that the satisfaction in public should be there as without satisfaction the policy will not succeed in the same way in which the government planned. Here we are trying to understand the new GST from the current taxation system of India. In the previous tax regime, we pay indirect tax on each and every service which we consume which is already taxed at a different point of time. Sometimes we pay the taxes on tax amount too which is called cascading effect. The result is that the burden of the increased price is afforded by the end consumer only and he doesn't know that how much tax he paid and what is the actual cost of the material. According to the news sources, there is a slight impact on the consumers after the GST got implemented.
Maximum SBPs' admitted that they had wrong perception about GST. The wrong perceptions were spread due to sharing of false information by people who were not competent enough to comment on GST. The training provided to the officers for GST, has not been provided at right time. Availability of government assistance for GST at an early stage would have ensured better acceptability of GST. In many parts, there is no link of internet because of which works are not being completed on time. All this is adding up to the problems of the SBPs'. The government should try to make people know more about GST. The government should communicate with the SBPs' through various online and offline platforms and should have an open talk about GST.[92]

## 2.7 CONSTITUTIONAL PROVISIONS WITH REGARD TO GST AUTHORITIES

India has a three-tier federal structure, comprising the Union Government, the State Governments and the Local Government. The power to levy taxes and duties is distributed among the three tiers of Governments,

[91] Taxguru.in/gst_on_common_man (last visited on December 16, 2022 at 10:20 pm)
[92] ID

in accordance with the provisions of the Indian Constitution. The Constitution of India is the supreme law of India. It consists of a Preamble, 25 parts containing 448 Articles and 12 Schedules.

A preamble is a key to open the mind of the legislature but it cannot be used to control or qualify precise and unambiguous language of the enactment. It is only when there is doubt as to the meaning of a provision that recourse may be had to the preamble to ascertain the reasons for enactment and hence the intention of the Parliament. The court are thus not expected to start with the preamble for constructing a statutory provision nor does the mere fact that a clear and unambiguous statutory provision goes beyond the preamble give rise, by itself, to a doubt on its meaning. Tribhuban Prakash Nayyar V. Union of India, AIR 1970 SC 540.[93]

The role of preamble in interpretation of statutes has been authoritatively stated by House of Lords as "when there is preamble it is generally in its recitals that the mischief to be remedied and the scope of the Act are described. It is therefore clearly permissible to have recourse to it as an aid to construing the enacting provisions. The preamble is not, however, of the same weight as an aid to construction of a section of the Act as are other relevant enacting words to be found elsewhere in the Act or even in related Acts. There may be no exact correspondence between preamble and enactment, and the enactment may go beyond, or it may fall short of the indications that may be gathered from the preamble. Again, the preamble cannot be of much or any assistance in constructing provisions which embody qualifications or expectations from the operation of the general purpose of the Act. It is only when it conveys a clear and definite meaning in comparison with relatively obscure or indefinite enacting words that the preamble may legitimately prevail.[94]

Power to levy and collect taxes whether, direct or indirect emerges from the Constitution of India. In case any tax law, be it an act, rule, notification or order is not in conformity with the Constitution, it is called ultra vires the Constitution and is illegal and void. Thus, a study of the basic provisions of the Constitution is essential for understanding the genesis of the various taxes being imposed in India. The significant provisions of the Constitution relating to taxation are[95]

A. Article 265: Article 265 of the Constitution of India prohibits arbitrary collection of tax. It states that "no tax shall be levied or collected except by authority of law". The term "authority of law" means that tax proposed to be levied must be within the legislative competence of the Legislature imposing the tax.

B. Article 245: Part XI of the Constitution deals with relationship between the Union and States. The power for enacting the laws is conferred on the Parliament and on the Legislature of a State by Article 245 of the Constitution. The said Article provides as under:

a. Subject to the provisions of this Constitution, Parliament may make laws for the whole or any part of the territory of India, and the legislature of a State may make laws for the whole or any part of the State.

b. No law made by the Parliament shall be deemed to be invalid on the ground that it would have extra-territorial operation.

C. Article 246: It gives the respective authority to Union and State Governments for levying tax. Whereas Parliament may make laws for the whole of India or any part of the territory of India, the State Legislature may make laws for whole or part of the State. Article 265 of the Constitution lays down that no tax shall

[93] Ankit Todi, Assam Goods and Services Tax Act and Rules (Ashok Publishing House Guwahati, First Edition : July 2017)
[94] *Supra*
[95] Finactservices.com/constitutional_provision (last visited on December 17, 2022 at 6:10 pm)

be levied or collected except by the authority of law. Schedule VII divides this subject into three categories[96]

1. Union list (only Central Government has power of legislation)
2. State list (only State Government has power of legislation)
3. Concurrent list (both Central and State Government can pass legislation

The Constitution contains the Union List and the State List within which the power to levy separate taxes is given to the Centre and States respectively. GST was to be levied in such a way that both the Centre and the States received the power to levy and collect it. Further, the legislation had to remain consistent across the Centre and the various State/Union Territory Legislatures. To provide for this, an amendment in the Constitution was necessary.

To enable Parliament to formulate by law principles for determining the modalities of levying the Service Tax by the Central Govt. and collection of the proceeds thereof by the Central Govt. and the State, the amendment vide Constitution (92nd amendment) Act, 2003 has been made. Consequently, new article 268 A has been inserted for Service Tax levy by Union Govt., collected and appropriated by the Union Govt., and amendment of seventh schedule to the constitution, in list I-Union list after entry 92B, entry 92C has been inserted for taxes on services as well as in article 270 of the constitution the clause (1) article 268A has been included.

Entries 82 to 91 of List I enumerate the subjects where the Central Government has power to levy taxes. Entries 45 to 63 of List II enumerate the subjects where the State Governments have the power to levy taxes. Parliament has a further power to make any law for any part of India not comprised in a State even if such matter is included in the State List. Income tax is levied by virtue of Entry 82 – Taxes on income other than agricultural income and customs duty vide Entry 83 – Duties of customs including export duties of the Union List. Power to levy Goods and Services Tax (GST) has been conferred by Article 246A of the Constitution which was introduced by the Constitution (101st Amendment) Act, 2016. Before discussing the significant provisions of the Constitution (101st Amendment) Act, 2016, let us first understand why there arose a need for such constitutional amendment.[97]

In a country like India, bringing change is a tough task. It is never easy to accept the changes, let it be in lifestyle, economic reforms, social reforms or tax regime. In a country of 1.3 billion people, the implementation and development of GST reforms will never be a cakewalk. To bring in amendments to existing reforms, lawmakers must keep in mind the related problems and consequences. There is always scope for the development and enhancement of GST laws for its successful implementation and to bring in a unified tax system. This acts as an advantage because there will be easy input credits, reduced compliance, and a single market with the hassle-free movement of goods.[98]

## 2.8 STATEMENT OF OBJECT AND REASONS FOR AMENDMENT UNDER CONSTITUTION OF INDIA

Constitution (101st Amendment) Act, 2016 was introduced to make amendments in the Constitution of India for GST. Since the tax was to be levied on both a central and state basis, it was necessary to introduce

[96] Cbic.gov.in/gst_constitutional (last visited on December 17, 2022 at 6:10 pm)
[97] ID
[98] Blogipleader.in/gst_amendment_act (last visited on December 17, 2022 at 8:33 pm)

constitutional amendments to maintain consistency across the centre and state. Certain articles were amended and altered in order to suit the provisions of GST legislation. The applicability and scope of GST laws were introduced, along with the delineation of powers to make GST laws. The constitution defined the powers and duties of the GST Council of India. The following were the major changes as per the Amendment Act.[99]

In order to suitably implement the GST legislation, this Act resulted in the insertion, deletion and amendment of certain Articles of the Constitution. The following matters were dealt with as a result of these changes:

1. The delineation of powers to levy and make laws with respect to GST
2. The applicability and scope of the GST law
3. The manner of apportionment of revenue from GST among Centre and States
4. The constitution, powers and duties of the GST Council
5. The discontinuation of existing taxes to give way for GST
6. The manner of providing compensation to States for loss of revenue on account of the introduction of GST

Special provisions under Article 246A- Insertion of Article 246A of the Constitution of India gave powers to the State and Union Legislatures, along with Parliament, to make and amend GST laws as imposed by them. Parliament is given a special power over the states to make laws as per inter-state supplies. The IGST Act deals with the inter-state supplies of the country. Petroleum crude, high-speed diesel, motor spirit, natural gas, and aviation turbine fuel were excluded from the article till the time recommended by the GST Council.

This Article was newly inserted to give power to the Parliament and the respective State/Union Legislatures to make laws on GST respectively imposed by each of them. However, the Parliament of India is given the exclusive power to make laws with respect to inter-state supplies. The IGST Act deals with inter-state supplies. Thus, the power to make laws under the IGST Act will rest exclusively with the Parliament. Further, the article excludes the following products from the scope of GST until a date recommended by the GST Council:

→ Petroleum Crude
→ High-Speed Diesel
→ Motor Spirit
→ Natural Gas
→ Aviation Turbine Fuel

Levy and collection of GST under Article 269A- Article 269A of the Constitution of India describes the manner of revenue distribution from inter-state supplies between the centre and state. The GST Council is empowered to frame the rules in this regard. IGST is levied on import transactions. With the help of IGST, taxpayers are enabled to avail of the IGST credit which is paid on imports through the supply chain. This was not possible before the enactment of GST laws.[100]

While Article 246A gives the Parliament the exclusive power to make laws with respect to inter-state supplies, the manner of distribution of revenue from such supplies between the Centre and the State is covered in Article 269A. It allows the GST Council to frame rules in this regard. Import of goods or services will also be called as inter-state supplies. This gives the Central Government the power to levy

[99] Cleartax.in/gst_constitutional_provisions (last visited on December 18, 2022 at 12:50 pm)
[100] ID

IGST on import transactions. Import of goods was subject to Countervailing Duty (CVD) in the earlier scheme of taxation. IGST levy helps a taxpayer to avail the credit of IGST paid on import along the supply chain, which was not possible before.

Distribution of taxes between the Union and states under Article 27- Article 270 majorly deals with the distribution of revenues between the Union and states. After the amendment of this Article, certain new clauses were inserted. Sub-Clause 1(A) and 1(B) were inserted after the amendment. Article 270(1A) says that the tax collected by the Union as per Article 246(A)(1) is to be distributed between the Union and States as prescribed in clause 2 of the said Article. Article 270(1B) was introduced to make sure that a certain amount of tax as mentioned in the Article should also be distributed between the Union and States in the same manner as provided under clause 2.

Powers of GST Council under Article 279A - The powers of the GST Council are given under Article 279A of the Constitution of India. The GST Council comprises a joint forum of the Centre and States formulated by the President of India. The GST Council works for the enactment, procedures, modifications, and procurement of laws related to GST. This Article gives power to the President to constitute a joint forum of the Centre and States called the GST Council. The GST Council is an apex member committee to modify, reconcile or to procure any law or regulation based on the context of Goods and Services Tax in India.

Composition of the GST Council-The Article says that the President shall constitute a GST Council within 60 days from the date of commencement of the Act. The composition of the GST Council is as follows:

1. Chairperson- Union Finance Minister.
2. Member- Union Minister of the State in charge of finance.
3. Members- Ministers nominated by the state government.

Powers and functions performed by the GST Council[101]

The Article further provides with the functions performed by the GST Council. The Council can make recommendations to both the union and the states on the following issues and matters:

1. Taxes, cesses, and surcharges levied by the Union, states and local bodies.
2. Goods and services may be exempt from the GST collection.
3. Model of the GST Laws and the principles governing the place of supply.
4. The threshold limit of turnover for goods and services that may be exempt from the GST regime.
5. The floor rates of GST.
6. Special GST provisions for the states of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.
7. Matters relating to GST as the Council may decide.

Amendment of Article 286-Article 286 restrains the states from making laws for the imposition of any kind of tax, either on the sale or on purchase of goods. After the amendment of this Article, the words 'sale or purchase' were replaced with the word 'supply' and the word 'goods' was replaced by the words ' goods or services or both'. As stated, the states have no authority with respect to the imposition of GST on inter-state supplies of goods and services or both. The same shall be levied by the Union Government under Article 269A as per the Amendment Act. [102]

[101] Cleartax.in/gst_amendment_rules (last visited on December 18, 2022 at 1:09 pm)
[102] ID

This was an existing article which restricted states from passing any law that allowed them to collect tax on sale or purchase of goods either outside the state or in the case of import transactions. It was further amended to restrict the passing of any laws in case of services too. Further, the term ‘supply’ replaces ‘sale or purchase.

Amendment of the existing Article 366 - The definition of ‘Goods and Services Tax (GST), Services and State’ was included in Article 366 by way of an amendment to the Constitution of India. The Goods and Services (Compensation to States) Act, 2017 included a provision to give relief to the states if they face revenue loss due to the enactment of GST. However, it had a validity of only 5 years from enactment.

Article 366 was an existing article amended to include the following definitions:

→ Goods and Services Tax means the tax on supply of goods, services or both. It is important to note that the supply of alcoholic liquor for human consumption is excluded from the purview of GST.

→ Services refer to anything other than goods.

→ State includes Union Territory with legislature.

Compensation to States under GST-This Act also contains a provision to provide for relief to states on account of the revenue loss to the states arising due to the implementation of GST. It has a validity period of five years. The Goods and Services Tax (Compensation to States) Act, 2017 was born as a result.

Amendments to the Sixth Schedule-The Sixth Schedule was amended and certain provisions were inserted for the administration of the tribal areas in the states of Assam, Mizoram, Meghalaya and Tripura. After the amendment of the schedule, the district council is given power to levy and collect taxes. Taxes on professions, trades, callings, and employment were also levied. The schedule also dealt with the administration of taxes with respect to animals, vehicles, and boats.

Seventh Schedule Amendments-The seventh schedule of the Constitution contains three lists. The lists deals with the matters as provided under the heads of Union, state and concurrent.

→ List 1, which is the Union List, contains the matters on which Parliament or the Central government has the exclusive right to make laws.

→ List 2, which is the State List, has the matters pertaining to the state government upon which they have exclusive right to make laws.

→ List 3, which is the Concurrent List, deals with the matters in which the Central and State have the joint power to make laws. It contains the mattes in respect of which both the Central and State Governments have the power to make laws. The relevant entries in this list were adjusted in such a way as to provide for the following:

→ To continue the levy of excise duty by the Centre on manufacture/production of five petroleum products namely: petroleum crude, high-speed diesel, motor spirit, natural gas, and aviation turbine fuel. In addition to the above, excise duty is also levied on tobacco and tobacco products. As a result, tobacco and tobacco products are subject to both excise duty and GST.

→ The power to levy taxes on the five petroleum products was given to the states too.

→ Entertainment tax was abolished except where it is levied by local bodies.

In summary, this spirit of cooperative Federalism being the soul of the GST framework needs constant nurturing and preservation. It is the inherent spirit of just sharing that will hold the key to the concept of co-operative Federalism in the coming times. In the event of any disruptions in this line of harmony, the scope and true intent of the source of power and its inherent limitations under these constitutional provisions will get tested. While all the stakeholders need to undoubtedly rejoice in the successful implementation of the historical changes ushered in the form of GST framework in the past few years but must equally tread carefully for ensuring continued success in dealing with challenges that are likely to arise in future. There are very few legislations which affect an individual so fundamentally as this Amendment has and it is therefore imperative that each stakeholder plays a constructive part in ensuring its continued success.[103]

**2.9 FIRST DISCUSSION ON GOODS AND SERVICES TAX**

1.1 Introduction of the Value Added Tax (VAT) at the Central and the State level has been considered to be a major step – an important breakthrough – in the sphere of indirect tax reforms in India. If the VAT is a major improvement over the pre-existing Central excise duty at the national level and the sales tax system at the State level, then the Goods and Services Tax (GST) will indeed be a further significant improvement – the next logical step – towards a comprehensive indirect tax reforms in the country.

1.2 Keeping this objective in view, an announcement was made by the then Union Finance Minister in the Central Budget (2007-08) to the effect that GST would be introduced with effect from April 1, 2010 and that the Empowered Committee of State Finance Ministers, on his request, would work with the Central Government to prepare a road map for introduction of GST in India. After this announcement, the Empowered Committee of State Finance Ministers decided to set up a Joint Working Group (May 10, 2007), with the then Adviser to the Union Finance Minister and Member-Secretary of the Empowered Committee as its Co-convenors and concerned four Joint Secretaries of the Department of Revenue of Union Finance Ministry and all Finance Secretaries of the States as its members. This Joint Working Group got itself divided into three Sub-Groups and had several rounds of internal discussions as well as interaction with experts and representatives of Chambers of Commerce & Industry. On the basis of these discussions and interaction, the Sub-Groups submitted their reports which were then integrated and consolidated into the report of Joint Working Group (November 19, 2007).

1.3 This report was discussed in detail in the meeting of the Empowered Committee on November 28, 2007, and the States were also requested to communicate their observations on the report in writing. On the basis of these discussions in the Empowered Committee and the written observations, certain modifications were considered necessary and were discussed with the Co-convenors and the representatives of the Department of Revenue of Union Finance Ministry. With the modifications duly made, a final version of the views of Empowered Committee on the model and road map for the GST was prepared (April 30, 2008). These views of Empowered Committee were then sent to the Government of India, and the comments of Government of India were received on December 12, 2008. These comments were duly considered by the Empowered Committee (December 16, 2008), and it was decided that a Committee of Principal Secretaries/Secretaries of Finance/Taxation and Commissioners of Trade Taxes of the States would be set up to consider these comments, and submit their views. These views were submitted and were accepted in principle by the Empowered Committee (January 21, 2009). As a follow-up of this in-principle acceptance, a Working Group consisting of the concerned officials of the State Governments was formed who, in association with senior representatives of Government of India, submitted their recommendations in detail on the structure of GST. An important interaction has also recently taken place between Shri Pranab Mukherjee, the Union Finance Minister and the Empowered Committee (October 19, 2009) on the related issue of compensation for loss of the States on account of phasing out of CST. The Empowered Committee has now taken a detailed view on the recommendations of the Working Group of officials and other related matters. This detailed view is now presented in terms

[103] Mondaq.com/india_tax_authorities_decoding_the_provision_of_GST (last visited on December 17, 2022 at 8:33 pm)

of the First Discussion Paper, along with an Annexure on Frequently Asked Questions and Answers on GST, for discussion with industry, trade, agriculture and people at large. Since the GST at the Centre and States would be a further improvement over the VAT, a brief recalling of the process of introduction of VAT in India is worthwhile.

1.4 Value Added Tax at the Central and the State level - Prior to the introduction of VAT in the Centre and in the States, there was a burden of multiple taxation in the pre-existing Central excise duty and the State sales tax systems. Before any commodity was produced, inputs were first taxed, and then after the commodity got produced with input tax load, output was taxed again. This was causing a burden of multiple taxation (i.e. "tax on tax") with a cascading effect. Moreover, in the sales tax structure, when there was also a system of multi-point sales taxation at subsequent levels of distributive trade, then along with input tax load, burden of sales tax paid on purchase at each level was also added, thus aggravating the cascading effect further.

1.5 When VAT is introduced in place of Central excise duty, a set-off is given, i.e., a deduction is made from the overall tax burden for input tax. In the case of VAT in place of sales tax system, a set-off is given from tax burden not only for input tax paid but also for tax paid on previous purchases. With VAT, the problem of "tax on tax" and related burden of cascading effect is thus removed. Furthermore, since the benefit of set-off can be obtained only if tax is duly paid on inputs (in the case of Central VAT), and on both inputs and on previous purchases (in the case of State VAT), there is a built-in check in the VAT structure on tax compliance in the Centre as well as in the States, with expected results in terms of improvement in transparency and reduction in tax evasion. For these beneficial effects, VAT has now been introduced in more than 150 countries, including several federal countries. In Asia, it has now been introduced in almost all the countries.

1.6 In India, VAT was introduced at the Central level for a selected number of commodities in terms of MODVAT with effect from March 1, 1986, and in a step-by-step manner for all commodities in terms of CENVAT in 2002-03. Subsequently, after Constitutional Amendment empowering the Centre to levy taxes on services, these service taxes were also added to CENVAT in 2004-05. Although the growth of tax revenue from the Central excise has not always been specially high, the revenue growth of combined CENVAT and service taxes has been significant.

1.7 Introduction of VAT in the States has been a more challenging exercise in a federal country like India, where each State, in terms of Constitutional provision, is sovereign in levying and collecting State taxes. Before introduction of VAT, in the sales tax regime, apart from the problem of multiple taxation and burden of adverse cascading effect of taxes as already mentioned, there was also no harmony in the rates of sales tax on different commodities among the States. Not only were the rates of sales tax numerous (often more than ten in several States), and different from one another for the same commodity in different States, but there was also an unhealthy competition among the States in terms of sales tax rates – so-called "rate war" – often resulting in, revenue-wise, a counter-productive situation.

1.8 It is in this background that attempts were made by the States to introduce a harmonious VAT in the States, keeping at the same time in mind the issue of sovereignty of the States regarding the State tax matters. The first preliminary discussion on State-level VAT took place in a meeting of Chief Ministers convened by Dr. Manmohan Singh, the then Union Finance Minister in 1995. In this meeting, the basic issues on VAT were discussed in general terms and this was followed up by periodic interactions of State Finance Ministers. Thereafter, in a significant meeting of all the Chief Ministers, convened on November 16, 1999 by Shri Yashwant Sinha, the then Union Finance Minister, two important decisions, among others, were taken. First, before the introduction of State-level VAT, the unhealthy sales tax "rate war" among the States would have to end, and sales tax rates would need to be harmonised by implementing uniform floor rates of sales tax for different categories of commodities with effect from January 1, 2000. Secondly, on the basis of achievement of the first objective, steps would be taken by the States for introduction of State-level VAT after adequate preparation. For implementing these decisions, a Standing Committee of State Finance Ministers was formed which was then made an Empowered Committee of State Finance Ministers.

1.9 Thereafter, the Empowered Committee has met regularly. All the decisions were taken on the basis of consensus. On the strength of these repeated discussions and collective efforts, involving the Ministers and the concerned officials, it was possible within a period of about a year and a half to achieve nearly 98 per cent success in the first objective, namely, harmonisation of sales tax structure through implementation of uniform floor rates of sales tax.

1.10 After reaching this stage, steps were initiated for systematic preparation for introduction of State-level VAT. In order again to avoid any unhealthy competition among the States which may lead to distortions in manufacturing and trade, attempts have been made from the very beginning to harmonise the VAT design in the States, keeping also in view the distinctive features of each State and the need for federal flexibility. This has been done by the States collectively agreeing, through discussions in the Empowered Committee, to certain common points of convergence regarding VAT, and allowing at the same time certain flexibility to accommodate the local characteristics of the States. In the course of these discussions, references to the Tenth Five Year Plan Report of the Advisory Group on Tax Policies & Tax Administration (2001) and the report of Kelkar (Chairman) Task Force were helpful.

1.11 Along with these measures, steps were taken for necessary training, computerization and interaction with trade and industry. While these preparatory steps were taken, the Empowered Committee got a significant support from Shri P. Chidambaram, the then Union Finance Minister, when he responded positively in providing Central financial support to the States in the event of loss of revenue in transitional years of implementation of VAT.

1.12 As a consequence of all these steps, the States started implementing VAT beginning April 1, 2005. After overcoming the initial difficulties, all the States and Union Territories have now implemented VAT. The Empowered Committee has been monitoring closely the process of implementation of State-level VAT, and deviations from the agreed VAT rates has been contained to less than 3 per cent of the total list of commodities. Responses of industry and also of trade have been indeed encouraging. The rate of growth of tax revenue has nearly doubled from the average annual rate of growth in the pre-VAT five year period after the introduction of VAT.

1.13 Despite this success with VAT, there are still certain shortcomings in the structure of VAT both at the Central and at the State level. The shortcoming in CENVAT of the Government of India lies in non-inclusion of several Central taxes in the overall framework of CENVAT, such as additional customs duty, surcharges, etc., and thus keeping the benefits of comprehensive input tax and service tax set-off out of reach for manufacturers/ dealers. Moreover, no step has yet been taken to capture the value-added chain in the distribution trade below the manufacturing level in the existing scheme of CENVAT. The introduction of GST at the Central level will not only include comprehensively more indirect Central taxes and integrate goods and service taxes for the purpose of set-off relief, but may also lead to revenue gain for the Centre through widening of the dealer base by capturing value addition in the distributive trade and increased compliance.

1.14 The GST at the Central and at the State level will thus give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. With the GST being properly formulated by appropriate calibration of rates and adequate compensation where necessary, there may also be revenue/ resource gain for both the Centre and the States, primarily through widening of tax base and possibility of a significant improvement in tax-compliance. In other words, the GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Governments. The GST may, indeed, lead to the possibility of collectively positive-sum game. [104]

**3.1 REASON FOR IMPOSITION OF GST**

The Constitution (One Hundred and Twenty-second Amendment) Bill, 2014 was introduced in the Lok Sabha by Finance Minister Arun Jaitley on 19 December 2014. The Bill was passed by the House on 6 May 2015[105] receiving 352 votes for and 37 against. All 37 votes came from members of the AIADMK. The Indian National Congress party opposed the Bill and boycotted the voting and its members leaves the House before voting began. Although the BJD and the CPI (M) had previously opposed the Bill but they cast votes in favour.

The Government attempted to move the Bill for consideration in the Rajya Sabha on 11 May 2015, however, members of the Opposition repeatedly stalled the proceedings of the House[106]

In order to appease the Opposition's demand for further scrutiny of the Bill, Arun Jaitley moved a motion to refer the Bill to a Select Committee. The 21 member Committee is expected to give its report by the end of the Monsoon session.[107]

Tax in India on the 10th of November, 2009 with the objective of generating a debate and obtaining inputs from all stakeholders, a dual GST module for the country has been proposed by the EC. This dual GST model has been accepted by the Centre. Under this model GST have two components viz, the Central GST to be levied and collected by the Centre and the State GST to be levied and collected by the respective States. Central Excise duty, Additional excise duty, Service Tax and additional duty of customs, State VAT, entertainment tax, taxes on lotteries, betting and gambling and entry tax would be subsumed within GST. In order to take the GST related work further, a Joint Working Group consisting of officers from Central as well as State governments was constituted.

This was further trifurcated into three Sub- Working Groups to work separately on draft legislations required for GST, process and forms to be followed in GST regime and IT infrastructure development needed for smooth functioning of proposed GST. In addition, an Empowered Group for development of IT Systems required for Goods and Services Tax regime has been set up under the chairmanship of Dr.

[104] Asim Kumar Dasgupta, "First Discussion Paper on Goods and Services Tax in India" The Empowered Committee of State Finance Ministers, November 10, 2009 New Delhi

[105] rsindia_org/billtrack_the_constitution_122nd_amendment_gst_bill-2014-3305 (last visited on December 18, 2022 at 8:46 pm)

[106] Indianexpress.com_article/india/others/no_gst_bill_in_rajya_sabha_as_opposition_targets_nitin_gadkhari (last visited on December 18, 2022 at 8:46 pm)

[107] http/firstpost_business_after_opnn_gst_bill_referred_to_rajya_sabha_select_committiee_2240492 (last visited on December 18, 2022 at 8:46 pm)

Nandan Nilekani, a draft of the Constitutional Amendment Bill has been prepared and has been sent to the EC for obtaining views of the States. The Goods and Service Tax Bill, officially known as "The Constitution (122nd Amendment) Bill, 2014", would be a Value added Tax to be implemented in India, from April 2016. It is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and State governments. It is aimed at being comprehensive for most goods and services.[108]

A more appropriate reform in India would be to impose a comprehensive state GST like European Union. That would require the Centre to withdraw from the field of VAT. The power to levy VAT rests only with the states[109]
This scheme will avoid duplication by taxing authorities. Since state GST is a comprehensive VAT, including all goods and services3 its rate will be adjusted. The Congress party is insists that rate would not be more than 18% while ruling government is of view that rate should be 20-22%. The Centre would be compensated this loss arising giving up collecting VAT by authorizing the levy of sumptuary excises on a few select commodities. A comprehensive VAT with the consumption base, tax credit method and the destination principle to determine VAT on international and inter-state flows can be an ideal commodity tax structure for India.[110]
The average indirect tax incidence on goods made and sold in India is one of the highest in the world and varies from 30% to 40% of their value. It is less so in relation to services but, again, the indirect tax incidence is significant. The Constitution of India envisages the governance of the country as a federal structure, comprising the Union Government at the Centre and the State governments in the different Indian states. Under the Constitution, the Central Government is empowered to impose taxes in the form of excise duties on the production or manufacture of goods, as well as taxes on the provision of services. The Central Government can also authorize and regulate the imposition of taxes on inter-state sales and purchases of goods, although such taxes may be levied and collected by the states. The states themselves are empowered to impose taxes on intra-state transactions concerning the sales and purchases of goods. The states are also authorized to impose certain other local taxes such as entry tax etc. Finally, local authorities and municipalities can also impose local taxes. In addition to all of the above, the Central Government is also empowered to impose customs duties on the importation of goods into the country. Presently some of the taxes are imposed by the Central government and State governments are as follows:

→ Customs Duty- Customs duties or import duties are levied by the Central Government of India under the Customs Act, 1962 and the Customs Tariff Act, 1975. These duties are imposed on goods imported into India.
→ Central Value Added Tax-A tax on the manufacture or production of goods in India, imposed by the Central Government. CENVAT has replaced the excise duty regime.
→ Service Tax - A tax on identified services rendered by persons defined in the Finance Act, imposed by the Central Government.

[108] Gstseva/com/gst_history_pdf (last visited on December 11, 2022 at 9:45pm)
[109] http//wwwmayin_org/ajayshah_a_bagchipoddar2007_pdf (last visited on December 13, 2022 at 9:45pm)
[110] http//economictimes.indiatimes_economy_demand_for_dual_gst/articleshow/3044793 (last visited on December 11, 2022 at 1:45pm)

→ Central Sales Tax-A tax on the inter-state sales and purchases of goods, imposed by the originating state.

→ States Sales Tax/Value Added Tax-A tax on the intra-state sales and purchases of goods, imposed by the states. Till 2007, VAT has been introduced in most of the States and Union Territories. However, from January 01, 2008, the Government of Uttar Pradesh has also made VAT effective in the State.

→ Entry Tax-A tax on entry of goods into the state, imposed by the states. In addition, local levies, could be imposed by municipal or local authorities. The success of Value Added Tax is said to be the biggest tax success story of the 20th Century. The concept of VAT is a fiscal innovation that began tentatively with sales tax reform of 1954-55 and spread quickly to cover 160 countries within just about 60 years

### 3.1.1 Sales Tax Regime

Under the scheme of the Indian Constitution, taxation on sale within the state is a state subject under the Seventh Schedule. It had been a widely held notion since ages that the best form of taxation for the intermediate-level governments is a sales tax. Indeed, in developing countries in which direct taxes do not play a major role, it is hard to see what other major revenue sources such governments could utilize. Thus even in India traditionally, it was seen that taxes on sales remained the most potent source of revenue for the State governments. But it was soon realized that the model of sales tax that India was following was problematic. This problem became more apparent in wake of the economic reforms India undertook since 1991.[111]

Problems: Some of the major problems with the sales tax regime were –

→ The main criticism of the sales tax structure was the problem of double taxation of commodities and multiplicity of taxes, resulting in a cascading tax burden.

→ The sales tax structure was also considered unfair to the consumers as they had to generally pay much higher prices as a result of the high prices of products due to the cascading effect. This rendered the Indian economy uncompetitive and burdensome.

→ Another problem of the state specific tax systems with Central Sales Tax is that, in its present form result in the formation of small ‘protected’ markets for each state.

→ Another disadvantage of the system was that in some cases, sales tax give rise to an unhealthy competition among states by giving tax incentives to new industries. Thus, when a State gave a tax incentive, others had to follow suit or be prepared to lose ground.

→ Tax wars started attracting more revenue to the states. Often, goods from one state were sent to another on stock transfer basis and brought back to the same state as inter-state sale. This caused substantial loss of revenue.

### 3.1.2 Vat Regime

To remove these deficiencies, India sought to look for ways to reform its sales tax structure. Thus in 1995, the Central Government initiated discussions with all the State Governments about the possibilities of reforming the current sales tax regime. After a lot of persuasion by the Central Government, all states

[111] ID

agreed to introduce State level VAT in 1999. A High Power Committee consisting of senior representatives of all 29 states was constituted and after much deliberation, it was announced that all States have agreed to introduce VAT w.e.f. 01.04.2005. Although only 20 states introduced VAT on the said date, as of 1st January 2008 all 29 states in India have introduced VAT and Uttar Pradesh was the last state to introduce VAT.

VAT is working in more than 160 countries of the world. Keeping in view the importance of VAT and its worldwide acceptance, India too decided to adopt and implement the VAT throughout the country. In India, VAT was first introduced at the Central level for a number of selected commodities in terms of MODVAT with effect from March 1, 1986, and in a step-by-step manner for all commodities in terms of CENVAT in 2002-03. At the state level VAT was introduced in 2005 and Haryana was the first state to adopt and implement the VAT. After overcoming the initial difficulties, all the States and Union Territories have now implemented VAT. Initially most of the states were opposing the adoption and implementation of VAT because of certain economic and political reasons. Actually the introduction of VAT at the State level has been a more challenging exercise in a federal country like India, where each State in terms of Constitutional provision, is self sufficient in levying and collecting State taxes.[112]

Before introduction of VAT, in the sales tax regime there was no harmony in the rates of sales tax on different commodities among the States. Not only were the rates of sales tax numerous, but different from one another for the same commodity in different States. There was also an unhealthy competition among the States in terms of sales tax rates -so-called “rate war” – often resulting in, revenue-wise, a counter-productive situation. In the last few years, reforming the central tax system has received considerable focus. Several reports have comprehensively examined the tax system and made important recommendations to reform. While there are differences relating to some of the specific recommendations as compared to the Tax Reforms Committee, there is broad agreement on the direction and thrust of reforms and on the emphasis placed on the reform of tax administration.

Since the GST at the Centre and States would be a further improvement over the VAT, a brief review of the process of introduction of VAT in India is noteworthy. There was a burden of multiple taxation in the pre-existing Central excise duty and the State sales tax systems. Inputs were first taxed, and then after the production of finished commodity which already includes input and output was taxed again. This has been causing burden of multiple taxation with cascading effects. Moreover, in the sales tax structure, when there was also a system of multi-point sales taxation at subsequent levels of distributive trade, then along with input tax load, burden of sales tax paid on purchase at each level was also added, thus aggravating the cascading effect further. This was done away with the introduction of VAT in the Centre and the States. In case of VAT, a deduction is made from the overall tax burden for input tax. This set off relieves from a substantial amount tax burden not only for input tax paid but also for tax paid on previous purchases. Thus, with VAT, the problem of multiple tax and related burden of cascading effect gets removed. Furthermore, since the benefit of setoff can he obtained only if tax is duly paid on inputs, and on both inputs and on previous purchases there is a built-in check in the VAT structure on tax compliance in the Centre as well as in the States, with expected results in terms of improvement in transparency and reduction in tax evasion.

[112] ID

In India, VAT was introduced at the Central level for a selected number of commodities in terms of MODVAT on March 1, 1986, and gradually all commodities were included by 2002-03. Introduction of VAT in the States have been a more challenging exercise in the country, where each State is free in levying and collecting State taxes. Before introduction of VAT, in the sales tax regime, there was no harmony in the rates of sales tax on different commodities among the States. Not only were the rates of sales tax numerous, and different from one another for the same commodity in different States, but there was also an unhealthy competition among the States in terms of sales tax rates. Attempts were made by the States to introduce a harmonious VAT in the States, keeping at the same time in mind the issue of freedom of the States regarding the State tax matters. The rate of growth of tax revenue has nearly doubled from the average annual rate of growth in the pre-VAT five year period after the introduction of VAT. Thus, the replacement of the state sales taxes by the Value Added Tax in 2005 marked a significant step forward in the reform of domestic trade taxes in India, It addressed the distortions and complexities associated with the levy of tax at the first point of sale under the erstwhile system and resulted in a major simplification of the rate structure and broadening of the tax base.[113]

Over the last two decades, slowly and steadily, India has made significant progress in consolidating the indirect tax regime with various progressive fiscal measure such as:

a. Introduction of input credit in the Cenvat (Excise) law in 1986,
b. Rationalization and progressive reduction of Cenvat and customs duty structure,
c. Introduction of input tax credit mechanism inter-se goods and services i.e. Cenvat Duty and Service Tax,
d. Introduction of uniform VAT on sale of goods at state level.

### 3.1.3 GST REGIME

In India the GST will have two components one is levied by the Centre, Central Goods and Service Tax and other is levied by the States i.e. State Goods and Service Tax. Many Taxes have been subsumed under goods and Service Tax. In case of intra-state transactions the seller has to collect both CGST and SGST from the purchaser and amount of CGST has to be deposit in the account of Central Government and the amount of SGST has to be deposit in the account of State Government. Actually prior to the introduction of VAT at the central and state level there was a burden of multiple-taxation. Before any commodity was produce inputs were first taxed and then the commodity got produced with input tax load, output was taxed again. This was causing a burden of multiple taxation i.e. tax on tax with cascading effect. But with the introduction of VAT and now GST a set off was allowed i.e. the deduction can be made from the overall tax burden for input tax.

The wave of tax reforms across the world began in the mid 1980s and speeded up in the 1990s due to a number of factors. In many developing countries, tax policy was directed to correct fiscal imbalances. In others, the transition from centralized planning to market required wide ranging tax reforms to replace public enterprise profits with taxes as the principal source of revenue. An important reason, however, was internationalization of economic activities. The sharp reduction in tariffs accompanying globalization required that an appropriate source of revenue to replace this had to be found. On the other, globalization emphasized the need to minimize both efficiency and compliance costs of the tax system.

[113] ID

Over the years, tax policy in the country has evolved in response to the development strategy and its changes. In the initial years, the tax policy was directed to increase the level of savings, transfer available savings for investment as envisaged by plan strategy and the need to ensure a fair distribution of incomes, to correct inequalities created by the co-existence of private and public sector and the existence of other instruments of planning such as licensing system, exchange control, administered price determination.

The indirect tax reform process in India is now understood to have, as its principle aim, the introduction of a uniform goods and services tax across the country. The Finance Minister of India, Mr. P. Chidambaram stated: "It is my sense that there is a large consensus that the country should move towards a national level goods and services tax that should be shared between the centre and the states. I propose that we set April 1, 2010 as the date for introducing GST. World over, goods and services attract the same rate of tax. That is the foundation of a GST. People must get used to the idea of a GST."[114]

The introduction of GST at the Central level will not only include comprehensively more indirect Central taxes and integrate goods and service taxes for the purpose of set-off relief, but may also lead to revenue gain for the Centre through widening of the tax base by capturing value addition in the distributive trade and increased compliance. In the GST, both the cascading effects of CENVAT and Service Tax are removed with set-off, and a continuous chain of set-off from the original producer's point and service provider's point up to the retailer's level is established which reduces the burden of all cascading effects. This is the essence of GST, and this is why GST is not simply VAT plus service tax but an improvement over the previous system of VAT and disjointed service tax.

However, for this GST to be introduced at the State level, it is essential that the States should be given the power of levy of taxation of all services. This power of levy of service taxes has so long been only with the Centre. A Constitutional Amendment will be made for giving this power also to the States. Moreover, with the introduction of GST, burden of Central Sales Tax will also be removed. The GST at the State-level is, therefore, justified for

→ Additional power of levy of taxation of services for the States,

→ System of comprehensive set-off relief, including set-off for cascading burden of CENVAT and Service Taxes,

→ Subsuming of several taxes in the GST and

→ Removal of burden of CST. Because of the removal of cascading effect, the burden of tax under GST on goods will, in general, fall.

The GST at the Central and at the State level will thus give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, inclusion of several taxes in the GST and phasing out of CST. With the GST being properly formulated by appropriate rates and adequate compensation where necessary, there may also be revenue or resource gain for both the Centre and the States, primarily through widening of tax base and possibility of a significant improvement in tax-compliance. In other words, the GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Governments. The GST may, indeed, lead to the possibility of collectively positive sum game.

Keeping this significance of GST in view, an announcement was made in the Union Budget to the effect that GST would be introduced from April 1, 2013. After this announcement, the Empowered Committee

[114] Indiabudget.nic.in/ub_2006-07_speech_gst (last visited on October 22, 2022 at 1:09 pm)

submitted a report on a model and road map for GST. The Empowered Committee also took steps to phase out CST on the understanding with the Centre that, since phasing out of CST would result in a loss of revenue to the States on a permanent basis; an appropriate mechanism to compensate the States for such loss would be worked out. The rate of CST has already been reduced to 2% and will be phased out with effect from the date of introduction of GST. On the basis of such GST structure which, with necessary financial support to the States, should adequately compensate for the loss of the State on a permanent basis.
The Government has introduced Constitutional Amendment Bill for Goods and Services Tax in Lok Sabha. The Government intends to introduce GST from April 1, 2016. “No state will loose a rupee. It will be a win-win situation for all”, the Finance Minister Arun Jaitley said while introducing the bill in Lok Sabha though the Bill was passed in Lok Sabha but in Rajya Sabha though Bill is introduce but no discussion took place and in the meantime Rajya Sabha is adjourned on 13.08.2015. The government again trying to make a consensus among the political parties to pass the Bill pending in Rajya Sabha but the Congress introduces three amendment but rate of GST should not be more than 18%. The Bill needs to be approved by a two-third majority of both the house but the Bill is still pending in Rajya Sabha. The government makes an attempt to pass it in winter session November-2015 to December-2015. Again government is trying to remove the dead lock in the Budget Session i.e. February 29 and ward. Let us hope for the best.

3.1.4. Constitutional Hurdles

The Constitution does not provide for any concurrent taxation powers to the Centre as well as the States. This required the Constitution to be amended for conferring simultaneous power on Parliament as well as the State Legislatures, including every Union Territory with Legislature to make laws for levying goods and services tax on every transaction of supply of goods or services or both. The proposed Central and State GST will be levied on all transactions involving supply of goods and services except those that are exempt or kept out of the purview of the goods and services tax. Once the new tax system comes into place, there will be three indirect taxes apart from the customs duty but only on imported goods.[115]
→ There will be a Central GST, which will subsume Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty or Countervailing Duty, Special Additional Duty of Customs Central Surcharges and Cesses.
→ Then there will be State GST. This will subsume State VAT or Sales Tax, Entertainment tax, Luxury Tax, Taxes on lottery, betting and gambling, Entry tax, tax on advertisements, State Cesses and Surcharges.
→ The third one will be Integrated GST on inter-State transactions of goods and services.
The new Bill also has provision of compensation for initial years on account of revenue loss due to introduction of GST. Finance Minister Arun Jaitley has already promised to pay 11,000 crore as compensation due to phasing out of Central Sales Tax. It is clear that the Government of India is keen to accelerate the progress towards the National GST. As a corollary, states will be granted more powers to tax and the interstate CST will be phased out, possibly replaced with an import VAT on inter-state sales, upon the introduction of the National GST. The clear implication for businesses is that they now need to

[115] Gst.council.gov/constitutional_laws (last visited on November 21, 2022 at 1:12 am)

analyse their business models and their supply chains, from procurement to production through distribution, to ensure that the impact arising from this taxation reform process is adequately factored in so that their models or supply chains continue to be indirect tax optimized.
However, some states are still opposing GST due to certain economic and political reasons. These are often vocalised by states which has a poor consumption base and who stand to loose on origin-based taxation of resources which is presently receive based on sale to other states. It cannot be denied there will be some loosers immediately upon the implementation of the GST and shifting from origin base to destination base. It is therefore, imperative that the centre should come forward with a broad assurance for the provision of compensation for loosing states as suggested by the empowered committee.
GST is similar to VAT and can be termed as National Level VAT on goods, with one difference, in GST not only goods but services are also included and rate of tax on both goods as well on services will be the same. Most countries have a unified GST system i.e. a single rate of tax applicable throughout the country. However, in many federal countries like Brazil and Canada a dual GST system is working where GST is levied by both Central and State governments. Almost all countries of the Europe have also adopted a dual GST system. Adoption of GST is one of the pre-condition for a country who wants to join the European Union. As far India is concerned we are going to adopt a dual GST system because of the federal nature of our constitution in which the power has been divided between the centre and states. Thus in India under the dual GST system both centre and states will have the power to levy taxes on the sale of goods and services.[116]

### 3.1.5 Administrative Authorities

It seems that the administrative liabilities regarding the CGST will be on Central Government authorities while in case of SGST will be on the respective State government authorities. The taxpayers would need to submit periodical returns in common format as far as possible to both central and state GST authorities. GST will be equally applicable to the service providers too. Unlike the transactions from the Sales Tax regime to the VAT, where only business dealings in goods were affected but in case of GST, as the name suggested both goods and services providers would be effected. Thus even the pure service providers need to plan for the transaction to the GST. India is one of the fastest emerging countries in the service sector and thus trade in services can be improved by rationalisation of taxes.
The history of taxation dates back to time immemorial and it is not a recent development by any account. A thorough research on the history of taxation system shows that taxes were levied on either on the sale or purchase of merchandise or livestock. Further, .the history of taxation suggests that the process of levying and the manner of tax collection were unorganized. But all leaders and head or country collected taxes to run its authority. In other words taxes on income, sale, purchase and properties were collected to run the ruling Government machineries. Further, these taxes were collected to meet their military and civil expenditure and also to meet the common needs of the subjects like maintenance of roads, drainage system, Government buildings, administration of justice and other functions of the region.
Today Indian tax machinery is very much based on that laid down foundation. Although, there were no homogeneous tax rate structures but it depended on the production capacity and commodity of that particular country. Moreover, the tax rates and quantum varied according to the annual production. These

[116] id

taxes were collected in cash or in kind and it entirely depend on the type of commodity or service on which it was levied. For example, there was a very common practice of selling food crops and cash crops to government machineries against no money. The history of taxation suggests these were done to store government buffer stocks to meet emergencies.

Taxes were levied on all classes of citizens, like actors, dancers, singers and even dancing girls. Taxes were paid in the form of gold-coins, cattles, grains, raw-materials and even by rendering personal services Encouraged by the successful implementation of VAT, the Government of India now decided to launch GST which would replace a number of indirect taxes presently being levied by Centre and State governments and is intended to remove cascading effects of taxes and would provide a common national market for goods and services.

The proposed central and state GST would be levied on all transactions involving supply of goods and services except those that are exempt or kept out of the purview of the GST. If GST is to be a success, there should be uniformity of approach across all states as well as strong disincentives for noncompliance with agreed framework. "The government is projecting legislation as the panacea for all evils plaguing our economy. While the GST may reduce some bureaucratic hurdles in India, it is a myth to suggest that the GST would immediately translate into 1.5% to 2% GDP growth.

However, it must be recollected that the GST legislation has been pending for nearly a decade now. The Empowered Committee of State Finance Minister, chaired by the then West Bengal left front Finance Minister, submitted its proposals on the GST. This should have formed the core of the legislation before Parliament. For six years, it was the BJP State government that had not accepted the GST. Prominent among them was Gujarat and its then Chief Minister Narendra Modi. This government has neither informed Parliament nor the country it has consultations with the State governments, if any, on this issue to be resolved regarding federalism. The VAT had already curtailed the autonomous right of the State governments to levy state tax. Now, the GST removes all rights of the State governments to raise revenue from the people. Unless all issues connected with GST i.e. rights of the states to raise revenues to implement their proprieties, are resolved, the required GST constitutional amendment may not materials. Addressing the officer trainees of the Indian Revenue Services, Jaitly said there is virtually a consensus for GST among political parties and everybody supports it. Parliamentary obstructionism has prevented it from happening in the last two sessions. The GST is stuck in Rajya Sabha where main opposition congress wants three changes. Congress stalled the passage of the Constitution Amendment in last two sessions, derailing governments plan to rollout GST from April 1, 2016, by Congress Party. "The GST is already delayed. Ideally it should have come much earlier" Jaitly said, adding that the tax regime will render India into one big market, make tax evasion difficult, ensure seamless movement of goods and services and push up GDP. Arun Jaitley said the NDA government after coming to power built broad consensus among the states and following that brought the Constitution Amendment Bill again in Parliament. He further said. "I continue to discuss with the states and with all political groups, so that we can ensure its safe passage in the Upper House. The idea of GST was born in the earlier part of last decade. Though people have been discussing this issue the 1990s, radical idea of this kinds take time before a consensus can develop. If Constitution Amendment Bill is passed in Parliament there are three more legislations i.e. central GST, State GST and Integrated GST which are required to be passed." Whether the NDA government will get the success to pass the Bill in Rajya Sabha, is a mooted question. The Tug of war is going on between ruling party and opposition if solved them it will provide smooth path for the implementation of GST. Them we can say that India provide a tax regime which is almost similar to the tax regime of the rest of the world. Naturally it will improve the International cost competitiveness of native goods and services and will remove several roadblocks in the existing taxation system in India.

### 3.2 GST RATES IN INDIA

GST rates refer to the percentage rates of tax imposed on the sale of goods or services under the CGST, SGST and IGST Acts. A business registered under the GST law must issue invoices with GST amounts charged on the value of supply. The GST rates in CGST and SGST (For intra-state transactions) are approximately the same. Whereas, the GST rate in the case of IGST (For inter-state transactions) is approximately the sum total of CGST and SGST rate.
Indirect taxes, in general, are considered regressive as they do not differentiate between the richer and poorer sections of the society. However, an element of progressivity has been added in GST through multiple rate slabs with higher incidence on the products consumed by the affluent section of the society and lower rate of tax on mass consumption items. During the one year of implementation of GST, rates have been revised on the lower side multiple times, to lower the burden on taxpayers. The number of items on which 28% GST rate is applicable was reduced from initial 228 to 28.
GST rates list is crucial for every Indian business and consumer to know. When the GST Council revises GST rates, it hits respective industries, trade bodies and end consumers, impacting the economy. Everyone tends to evaluate their position as a result of this change. The primary GST slabs for any regular taxpayers are presently pegged at 0% (nil-rated), 5%, 12%, 18% & 28%. There are a few lesser-used GST rates such as 3% and 0.25%.The GST rate on gold jewellery and gold biscuits or in any semi-manufactured form is 3% (IGST or both CGST and SGST 1.5% each) under HSN Chapter 71.[117]
3% or 0.25% may be charged for certain supplies such as gold, diamond and precious stones. Also, the composition taxable persons must pay GST at lower or nominal rates such as 1.5% or 5% or 6% on their turnover. GST need not be paid on certain items that are exempted from GST. Exempted products include nil-rated, Non-GST and exempted by notification. There is a concept of TDS and TCS under GST as well, whose rates are 2% and 1% respectively.[118]
These are the total GST rate of IGST for interstate supply or the addition of both CGST and SGST for intrastate supply. The GST rates shall be multiplied by the assessable value of the supply to arrive at the GST amounts in a tax invoice.

Some product description has been mentioned in the year 2022 where GST Rates are mentioned below[119]

| 5% | 12% | 18% | 28% |
|---|---|---|---|
| Spices | Cakes | Washing machine | Personal aircraft |
| Frozen Vegetables | Drip irrigation system | Vacuum cleaner | Sunscreen |
| Rusk | Photographs | Pasta | Tobacco |

117 Cleartax.in/gst/rates (last visited on December 11, 2022 at 1:01 pm)
118 Readermaster.com_2022/gst_rate_list-new(last visited on December 12, 2022 at 11:09 PM)
119 Pdffille.com_2022/gst/rates/list (last visited on December 12, 2022 at 11:09 PM)

| | | | |
|---|---|---|---|
| Fish fillet | Pack water bottle of 20 L | Tyres | Hair clippers |
| Pizza bread | Butter | Biscuits | Bidis |
| Sabudana | Mechanical sprayers | Vanity case | Weighing machine |
| Tea | Ghee | Pastries | Waffles plus wafer which are coated with chocolate |
| Baby milk food | Almonds | Soups | Wallpaper |
| Plain chapatti & khakhra | Pouches, purses and handbags | Preserved vegetables | ATM Vending Machine |
| Floor covering | Fruits | Camera | Yachts |
| Fertilizers | Art ware of iron | Curry paste | Motorcycles |
| Footwear under Rs. 1000 | Boiled sugar confectionary | Instant food mixes | Ceramic tiles |
| Apparels under Rs. 1000 | Packaged coconut water | Shampoo | Dishwasher |
| Real zari | Pickle | Printers | Aerated water |
| Agarbatti | Mirrors framed with ornaments | Mixed condiments | Pan Masala |
| Edible oils | Nuts | Computers | Consumer durables such as AC & Fridge |
| Skimmed milk | Bamboo wood building | Mixed seasonings | |
| Medicines | Chutney | CCTV | |
| Paper waste | Jam | Hair dryers | |
| Revenue stamps | Bhujiya | Electric transformer | |
| Stent | Notebook | Tissues | |
| Ethanol | Frozen meat | Steel products | |
| Mehndi paste | Animal fat sausage | Electrical transformer | |
| Insulin | Packaged dry fruit | Stationery items | |
| A scrap of glass | Ladles | Paint | |
| Velvet fabric | Forks | Sheets | |
| Plastic waste | Mobile | Kajal pencil sticks | |
| Post stamps | Tooth powder | Pumps | |

| | | | |
|---|---|---|---|
| Stamp postmarks | Non AC Restaurants | Sanitaryware | |
| Tarmaid kernel powder | State run lotteries | Binoculars | |
| Plastic waste | Work contracts | Varnishes | |
| Coir mates | Tongs | Speakers | |
| Matting | Fish knives | Water heaters | |
| Braille watches | Jelly | Fans | |
| Sliced mango | Brass kerosene pressure stove | Google | |
| Domestic LPG | Fertilizer- grade phosphoric acid | Safety glass | |
| Sugar | Playing cards | Circuits | |
| Packed panner | Carom board | Optical fiber | |
| Coal | Chessboard | Hair shavers | |
| Raisin | Skimmers | Windows | |
| Domestic LPG | Spoons | Fridge | |
| Roasted coffee beans | Manmade yarns | Door | |
| PDS Kerosene | Sewing thread of manmade staple fibers | Compressors | |
| Cashew Nuts | Murabba | Multi-functional printers | |
| Fabric | Biodiesel and select bio pesticides | Telescope | |
| Mishti/ Mithai (Indian Sweets) | Ludo | Modelling paste for children | |
| | Exercise books | Branded garments | |
| | Preparation of vegetable | Musical instruments and their parts | |
| | Computers | Razor and razor blades | |
| | | Light fitting | |
| | | Some parts of pumps | |
| | | Glassware | |
| | | TV | |
| | | Aluminium foil furniture | |
| | | Paddling pools | |
| | | Head gear | |
| | | Mayonnaise | |

| | | | |
|---|---|---|---|
| | | Steel products | |
| | | Electrical boards, panels and wires | |
| | | Juice mixer | |
| | | Power banks with Lithium-ion batteries, videogames, and carriage accessories for the disabled, and small sport-related items. | |
| | | Salad dressings | |
| | | Footwear priced above Rs. 500 | |
| | | Washing powder | |
| | | Toiletries, Poster Colours | |
| | | Large and Medium Cars (Second Hand) SUVs | |
| | | Swimming Pools and Padding Pools | |
| | | Woven and Non-Woven Bags | |

Understanding the taxability also involves knowing whether the item is exempt or not under GST. Due to the scope of taxable supplies being widened under GST, exemptions under GST have clearly been defined. Not just knowing the exemption list, but also understanding the implication of an item being exempt is important as certain conditions are attached to it like reversing the ITC. Also, what can be nil-rated today may become charged a higher tax rate in the future. Hence, clearly demarking the various terms such as Nil Rated, Exempt, Zero-rated and Non-GST supplies under GST is important.[120]

Nil Rated- This type of supply attracts a GST of 0%. Input tax credit cannot be claimed on such supplies. Some items which are nil rated include grains, salt, jaggery, etc.

Exempted - This supply includes items which are used for everyday purposes. Since they are basic essentials, they do not attract any GST at all. You will not be able to claim any ITC on such supplies. Some examples include bread, fresh fruits, milk, curd, etc.

Zero-Rated - Supplies made overseas and to Special Economic Zones (SEZs) or SEZ Developers come under the zero-rated supplies. This supply attracts a GST of 0%. For such supplies, ITC can be claimed.

Non-GST - Supplies which don't come under the scope of the GST are termed as Non-GST supplies. However, these supplies can attract taxes other than the GST as per the jurisdiction of the state or the country. Some examples of such supplies include petrol, alcohol, etc.[121]

| Particulars | Zero-Rated Supplies | Nil Rated | Non-GST Supply | Exempt Supply |
|---|---|---|---|---|
| Meaning | Supply which is meant for Export or to Special | Supply which attracts 0% GST rate. | Supply which is outside the purview of GST Act. | Supply which attracts nil rate of tax or which are |

[120] ID
[121] Zoho_books_gst/difference/net/exempt( last visited on December 15, 2022 at 1:12 pm)

| | | | | |
|---|---|---|---|---|
| | Economic Zone developer or a Special Economic Zone unit. | | | specifically exempt from GST through government notification and includes non-taxable supply. |
| GST Applicability | (i) Supply good or services without payment of GST using LOU and claim a refund of unutilised GST.<br>(ii) Supply good or services by paying IGST and claim a refund of such IGST paid. | GST is not applicable on supply. | GST is not applicable on supply. | GST is not applicable on supply. |
| Input Tax Credit Availability | Input tax credit can be claimed. | No input tax credit is available. | No input tax credit is available. | No input tax credit is available. |
| Cover under GST Ambit | Yes | Yes | No | Yes (for nil rated and exempt supply)<br>No (for non-taxable supply) |

### 3.3 PROBLEM OF TAX AVOIDANCE AND EVASION

While tax evasion requires the use of illegal methods to avoid paying proper taxes, tax avoidance uses legal means to lower the obligations of a taxpayer[122]. There are many methods that people use to evade paying taxes in India that range from false tax return and smuggling to fake documents and bribery. The penalties for this are high, from 100% to 300% of the tax for undisclosed income.

Tax evasion is illegal action in which a individual or company to avoid paying tax liability. It involves hiding or false income, without proof of inflating deductions, not reporting cash transaction etc. Tax evasion is serious offense comes under criminal charges and substantial penalties.

Rooting for taxes is never an easy thing because most people question that concept of giving away part of their earning to a government but the fact is that taxes are an important source of income for the government. This is the money that is invested in various development projects that are meant to improve the company's situation. But the country has been facing a massive problem with tax evasion. People who

[122] Investopedia/terms/tax_evasion (last visited on December 16, 2022 at 12:45 pm)

should be paying taxes have found ways not to pay them and, as a result, it may be said that the income of the country has been suffering. So let's take a look at what are the ways in which people are avoiding taxes and what are the penalties for it.

There are two aspects of not paying taxes when they are due. The first is tax avoidance and the other tax evasion. The difference between the two is that tax avoidance is basically finding a loophole that exempts you from paying taxes and is not strictly illegal, while evasion is not paying the taxes when they are actually due, which is absolutely illegal. These are some of the ways in which people may avoid/evade taxes.

1. Failing to pay the due: This is the simplest way in which someone may evade taxes. They simply won't pay it to the government, not even when the dues are called for. A person engaged in this sort of tax evasion won't, willingly or unwillingly, pay the tax before or after the due date.
2. Smuggling: When certain goods move from one location to another, across international or state borders, a tax or charge may be payable in order to move the goods. However, some individuals may move these goods in surreptitious ways in order to avoid paying those taxes that evading the tax altogether.
3. Submitting false tax returns: In some cases, when an individual files taxes, they may submit false or incorrect information in order to either lessen the tax that they are supposed to pay or not pay it at all. This is also tax evasion since the complete information is not provided and they may actually be paying less than what they should.
4. Inaccurate financial statements: The taxes that are payable by an individual or an organisation may be decided on the financial dealing that have taken place during the assessment year. If false financial documents or accounts books are submitted, ones that show incomes less than what was actually earned, the tax may come down.
5. Using fake documents to claim exemption: The government may have provided certain exemptions and privileges to certain strata or members of society in order to ensure they have a bit more financial freedom to progress. In some cases, members who actually don't qualify for such privileges will get documents created to support their claim of being a part of that group thus claiming exemptions where they are not suited.
6. Not reporting income: It could be said that this is one of the most common methods of tax evasion. In this case, individual just won't report any income that they receive during a financial year. Not having reported any income, they don't pay any tax thus successfully evading tax all together. The simplest example of this would be a landlord who has kept tenants but has not informed the authorities that he has rented the house and is actually receiving an income from it.
7. Bribery: There may be a situation where there a certain amount due in taxes which the individual may not be willing to pay. In such a case he or she may actually offer a bribe to officials to not make them pay the tax and to make it 'disappear'.
8. Storing wealth outside the country: We have all heard tales of Swiss bank accounts. Offshore accounts are accounts maintained outside the country and information about the dealing in these accounts is not disclosed to the income tax department thereby evading any and all taxes due on that wealth.
9. There are various penalties that the income tax department can impose on anyone who is found guilty of evading or avoiding taxes. These penalties can also apply to companies that either fail to report and pay their own taxes or fail to deduct taxes at source when they are supposed to[123]

[123] Bankbazzar_gst_tax/evasion (last visited on December 16, 2022 at 1:08 pm)

a) Collecting 100% to 300% of the tax when income is not disclosed.
b) In case of a failure to pay the tax due, the assessing officer may impose a penalty amount but it cannot exceed the amount due in taxes.
c) If an individual fails to file tax statements within the time allotted then a penalty of Rs. 200 per day may be charged for every day that the statements are not filed.
d) In case someone has concealed details of their income or any fringe benefits that are taxable, the penalty can range from 100% to 300% of the tax amount due.
e) In case a person or a company fails to maintain their accounts properly as directed by section 44AA, a penalty of Rs. 25,000 may be levied.
f) If a company fails to get itself audited or fails to provide a report of said audit, then a penalty of Rs. 1.5 lakhs or 0.5% of the sales turnover, whichever is less, may be charged.
g) If a report from an accountant is not provided as directed then a fine of Rs. 1 lakh may be levied.
h) In case an organisation fails to deduct tax where it is supposed to while making payments then the penalty could be payment of the tax due.
i) These are just some of the penalties that can be levied by the Income Tax department and, in some cases, it can be a hefty sum to pay, so best thing to do is to ensure that all taxes are paid when they are due.

Evasion of tax by many people somewhere put an excessive load on tax payers who honestly pay taxes every time, due to this they are encouraged to dodge taxes after this kind of biasness. Evasion and avoidance of tax is also harmful for the security of nation in some way because due to it whole lead is provided to those people who try to dodge tax and dishonestly make illegal money and also lead the enemies in downsizing growth of nation. There are so many social evils which takes place on small accounts but at end give rise to evasion only. E.g. taking bribe, forging documents etc.

Evasion of tax has been one of the largest issues in our country. Due to it the rate of generation of illegal gains has increased over a period and this is why our country faced so many problems regard to the poverty, the scams and many more socio- economic issues.[124]

Major Impacts which are laid down by this tax evasion or avoidance:

I. Less payment of tax: This is the first and foremost impact which is laid down by tax evasion. This is somehow predictable to us that whoever do tax evasion will not pay the full tax and due to this act government gets unable to fulfil the fund requirement for growth and development and this is one of the reasons that GDP falls down.
II. Increase in Corruption activities: We can say that corruption or deceit is a reason and impact for evasion of tax, in view of the fact, because of corrupt intentions and to form more money people do evasion, and by seeing any other person doing tax evasion people get encouraged to do this and they practice such kind of activities just in greed of more money making they generate this kind of illegal money.
III. Increment of insufficiency: Because of evasion of tax the illicit business gets more urge and that is why the individuals get deprived from the essentials for their expansion and evolution. Due to this rich people just save the money and enjoy to the fullest but the situations of poor people get more worse.
IV. Funding in alternatives: Almost all the evaders of tax try to fund in their illegal gains into the alternatives, one of which is gold jewellery and by doing this they just secure their wealth and this money

[124] Legalservices/legalarticle/article_tax_evasion_and_its_impact_on_national_economy (last visited on December 18, 2022 at 1:12 pm)

can be get back by just converting the jewellery in actual money. If we try to calculate this it will definitely increase the conditions of our nation economically.

V. Transmission of illegal gains: Many of the tax dodgers afford this kind of approach and by this they just move their illegal money generated by tax evasion in India, to the safest place i.e. Foreign funds, they hire the agents who make this transmission possible and just save these kind of tax evaders, and one of the main weapon of doing this is changing invoicing process of exports and imports.

VI. Trouble on other Tax payers: By all this tax evasion and avoidance done by such evaders there is no other way remains for government but to increase the further tax rates, and due to this the honest tax payers suffer a lot and poverty increases by all these activities.

Actions taken by Indian Government to stop these activities: Many measures have been taken from a long time in order to stop these kinds of activities by reforming the tax laws in our country. By all these measures government has tried to lower the black money generation and he corruption which is the ultimate goal of tax evaders.[125]

a) Tax rate deductions is a great step taken by Indian government in order to stop activities leading to tax evasion but somehow this does not do more effect and does not generate more revenue as the tax evasion happens in every estimate of incomes and tax rates.

b) Tax amnesties are also a good way to check the activities leading in tax evasion because by this the people who did tax evasion come forward and reveal each and every act of them due to which they hide the money, and also give the estimate of money which they concealed and in lieu of this they get less punishments, but somehow this leads to a bad impact on people who honestly pay their taxes because then for those people it seems to be easy to do tax evasion and afterwards on disclosing that they won't get any punishments which encourage the other people to do so.

c) Other measures like advance tax payments, TDS, obligation to provide PAN and GIR on the transactions are some small measures but have big role in keeping check on such activities of tax evasion.

d) Survey by income tax authorities is also a good action towards it.

e) Payment of taxes by E- means is a good way to collect tax from people as it is a simple procedure of collecting taxes without any complexity in it.

f) Levying penalties on tax evaders and prosecuting them for the evasion done by them under various provisions of Income tax act is also a good measure to keep check. And also the officer of income tax have power to summon the persons on whom they have doubt that he must have done something wrong in regard to this and then they can search his property in order to find the black money concealed by him and then have power to seize such property of the person on finding some suspected black money.

R.K Garg vs. Union of India 1981 133 ITR 239:

In the present case the question upon the measure taken by government i.e. disclosure of having possession of black money, was challenged. In this case the contention was raised that this measure is taken only to avoid the crime related to tax evasion which are becoming the white collar crimes and this is not to encourage such kind of activities because this will help only to get back all the money which has been taken over and hide by the people.

This was just an initiative to disclose all that money which has been taken wrongfully by the criminals through tax evasion. This was later considered as a helpful measure because it ultimately helps in stopping

[125] ID

such kind of things as the Indian govt. does not have complete set of effective rules that is why it is to be considered a good method.

Mc Dowell & Co. Ltd. vs. Commercial Tax Officer (1985) 154 ITR 148 and Union of India vs. Azadi Bachao Andolan (2004) 263 ITR 706[126]
In both of these cases the question of territoriality on tax laws of India arose and these both were in contrary to each other because the ratios given in there were totally different. The Supreme Court held that India doesn't have any jurisdiction over the matters of tax evasion in these cases because the question of territoriality is there and since the tax evasion has taken place outside the territory of India then the tax authorities of India can't exercise their jurisdiction in the present case.
Similarly, in Birla and Star controversy cases the question on tax planning was raised and Supreme Court gave its verdict that arranging of such commercial affairs in order to avoid taxes and distribution of taxes in such order is not at all prohibited. Because they ultimately help in removing such crimes.
We can now say that at present our country really need a better law system and better rules and regulations in order to curb such kind of crimes, which are done by such people whom we think are very innocent and are not really supposed to be do so. As we have also discussed about the so many ways through which tax evasion takes place, these are the ways through which more and more people try to evade taxes and these are so rigid that government is not able to stop them completely.
Tax related crimes are like some dangerous disease which slowly eat up the whole economy of the country and are not easily stopped through less effective laws made by government. Similarly, there is an important role of the citizens because if they are aware of these crimes and they respect the laws and government than it can easily be stopped and demolished. It is a curse which gives growth to black money generation. As we know it is not really possible to stop such kind of crimes completely in short period but they can be made less in number by just making the government system more efficient and making more bodies which ultimately reach to such aim of curbing Tax evasion and crimes related to tax.

### 3.4 DUAL GST PRE & POST STRUCTURE

PRE GST STRUCTURE - Indirect tax revenue is one of the major sources of revenue of the States in India and significant in respect of the total tax revenues collected by States. During the year 2002-2003 to 2015-2016 the share of indirect tax revenue for the State Governments in India ranged from 87.47% to 89.59% of the total tax revenues collected by the States. Table No. 1.1 below shows the Direct and Indirect Tax Revenues of the State Governments in India from 2002-2003 to 2016-2017.
Annexure: 1.1 Direct and Indirect Tax Revenues of State Governments in India

| **Year** | **States** | | | **(₹ Crore)** |
|---|---|---|---|---|
| | **Direct Tax Revenue** | **Indirect Tax Revenue** | **Total Tax Revenue** | **Percentage of Indirect Tax revenue to the Total Tax Revenue** |
| **1** | **2** | **3** | **4** | **=(4/3)*100** |

[126] Indiankanoon_tax_avoidance_tax_evasion (last visited on December 19, 2022 at 5:09 pm)

| | | | | |
|---|---|---|---|---|
| 2002-03 | 172.17 | 1201.35 | 1373.52 | 87.47 |
| 2003-04 | 202.13 | 1351.38 | 1553.51 | 86.99 |
| 2004-05 | 239.81 | 1580.01 | 1819.82 | 86.82 |
| 2005-06 | 301.79 | 1817.68 | 2119.47 | 85.76 |
| 2006-07 | 388.29 | 2136.82 | 2525.11 | 84.62 |
| 2007-08 | 434.46 | 2427.03 | 2861.49 | 84.82 |
| 2008-09 | 441.32 | 2786.73 | 3228.05 | 86.33 |
| 2009-10 | 473.87 | 3158.56 | 3632.43 | 86.95 |
| 2010-11 | 627.25 | 3981.70 | 4608.95 | 86.39 |
| 2011-12 | 772.99 | 4802.74 | 5575.73 | 86.14 |
| 2012-13 | 925.68 | 5619.66 | 6545.34 | 85.86 |
| 2013-14 | 882.31 | 6242.31 | 7124.62 | 87.62 |
| 2014-15 | 1076.96 | 6716.09 | 7793.05 | 86.18 |
| 2015-16 | 881.76 | 7589.67 | 8471.43 | 89.59 |
| 2016-17 | 1099.14 | 7964.09 | 9063.25 | 87.87 |

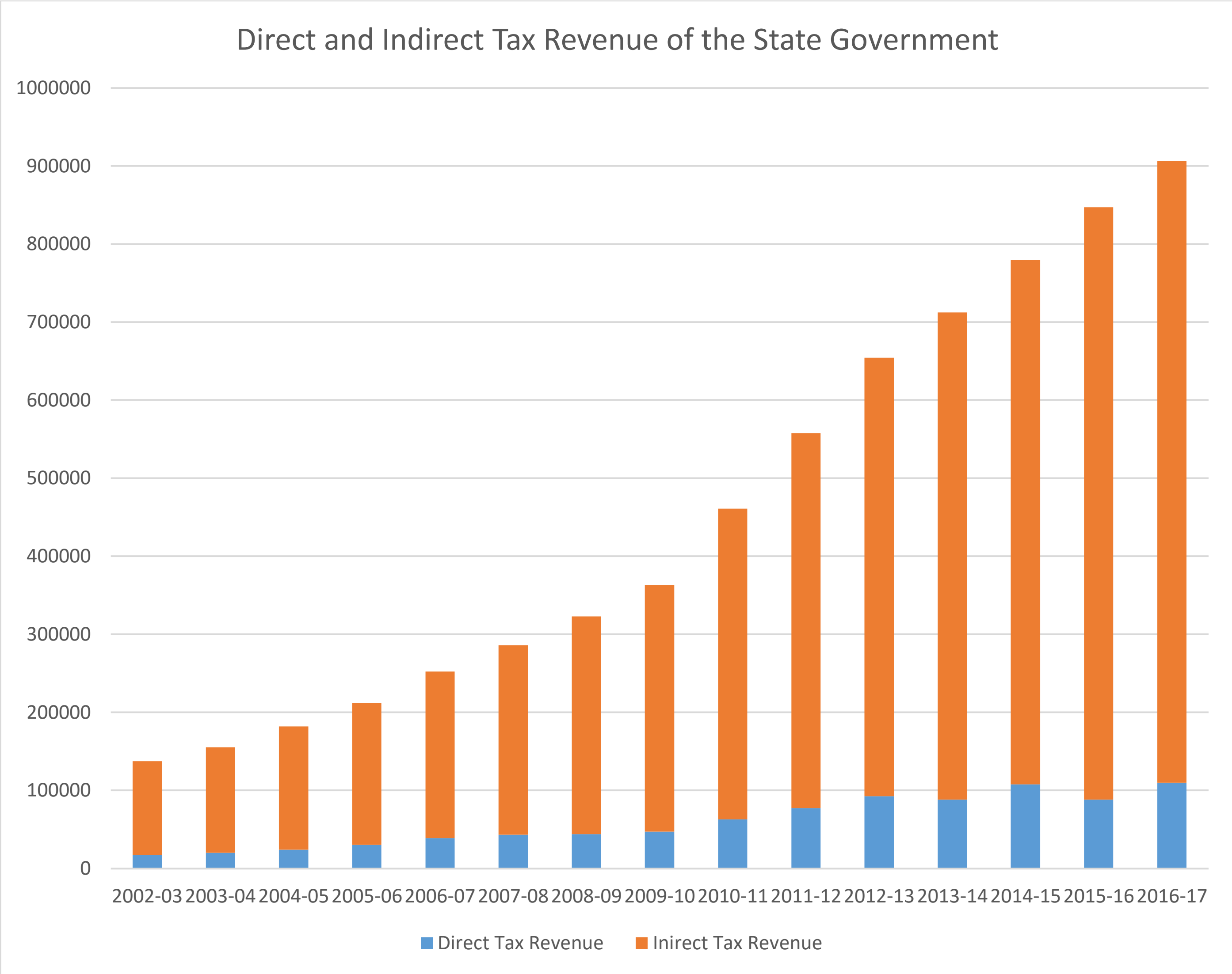
**Source:** Handbook of Statistics on Indian Economy, Reserve Bank of India.[127]

The indirect tax although remains as major sources of revenue for every State in India for quite some time and contributing substantial revenue to the State exchequer, yet the problem associated with its smooth administration are also numerous. State Governments from time to time are giving efforts to sort out problems in order to make tax administration system smooth, efficient and full proof. However, in reality it has not been possible to achieve much, as a result of which the expected revenue from this important source always suffers and continuously remains a challenge for the State.

This also calls for formulation of policies based on needs and requirement that arises from time to time depending upon the situation and peculiar mindset of the tax payers in today's complex world. In order to control the department and to have the fair knowledge of taxing statue which is complex in nature for interpretation requires sufficient time and have fair knowledge on the subject and sometime require considerable long time to understand the taxing statue to be implemented. However, the problem attached to tax administration and tax compliance seems to have been a continuous process.

[127] https;//www.rbi.org.in/scripts/Annual Publication.aspx ( Last visited on November 27, 2022 at 8:41 PM)

Diagram No.1.1- Status of Direct and Indirect Tax Revenue of the State Government in India from 2002-2003 to 2016-2017.




Source: Figure taken from Table No.1.1

Annexure: 1.2 Direct and Indirect Tax Revenues of Central Governments in India

| **Year** | **Central** | | | **(₹ Crore)** |
|---|---|---|---|---|
| | **Direct Tax Revenue** | **Indirect Tax Revenue** | **Total Tax Revenue** | **Percentage of Indirect Tax revenue to the Total Tax Revenue** |
| **1** | **2** | **3** | **4** | **=(4/3)*100** |
| 2002-03 | 830.85 | 1315.81 | 2146.66 | 61.30 |

| | | | | |
|---|---|---|---|---|
| 2003-04 | 1050.90 | 1476.58 | 2527.48 | 58.42 |
| 2004-05 | 1328.47 | 1705.46 | 3033.93 | 56.21 |
| 2005-06 | 1652.49 | 1993.98 | 3646.47 | 54.68 |
| 2006-07 | 2302.49 | 2412.63 | 4715.12 | 51.17 |
| 2007-08 | 3122.43 | 2791.04 | 5913.47 | 47.20 |
| 2008-09 | 3338.54 | 2696.45 | 6034.99 | 44.68 |
| 2009-10 | 3774.87 | 2438.81 | 6213.68 | 39.25 |
| 2010-11 | 4459.94 | 3431.78 | 7891.72 | 43.49 |
| 2011-12 | 4939.47 | 3912.32 | 8851.78 | 44.20 |
| 2012-13 | 5586.58 | 4747.67 | 10334.25 | 45.94 |
| 2013-14 | 6385.42 | 4955.41 | 11340.83 | 43.70 |
| 2014-15 | 6957.44 | 5456.80 | 12414.24 | 43.96 |
| 2015-16 | 7419.45 | 7080.13 | 14499.58 | 48.83 |
| 2016-17 | 8497.13 | 8661.09 | 17158.22 | 50.48 |

**Source:** Handbook of Statistics on Indian Economy, Reserve Bank of India.[128]

In the Pre GST era, the Centre could tax goods up to the production or manufacturing stage, while States collected taxes on sales or distribution of goods. Services could be taxed only by Central Government. However, GST provided provision to both Centre and States to tax the entire supply chain in goods as well as services, from production to distribution. A centralised system for filling returns and uploading invoices also meant reduction in tax evasion.[129]

[128] ID

[129] Timesofindia/gst-evovled(last visited on November 15,2022 at 11:10 PM)

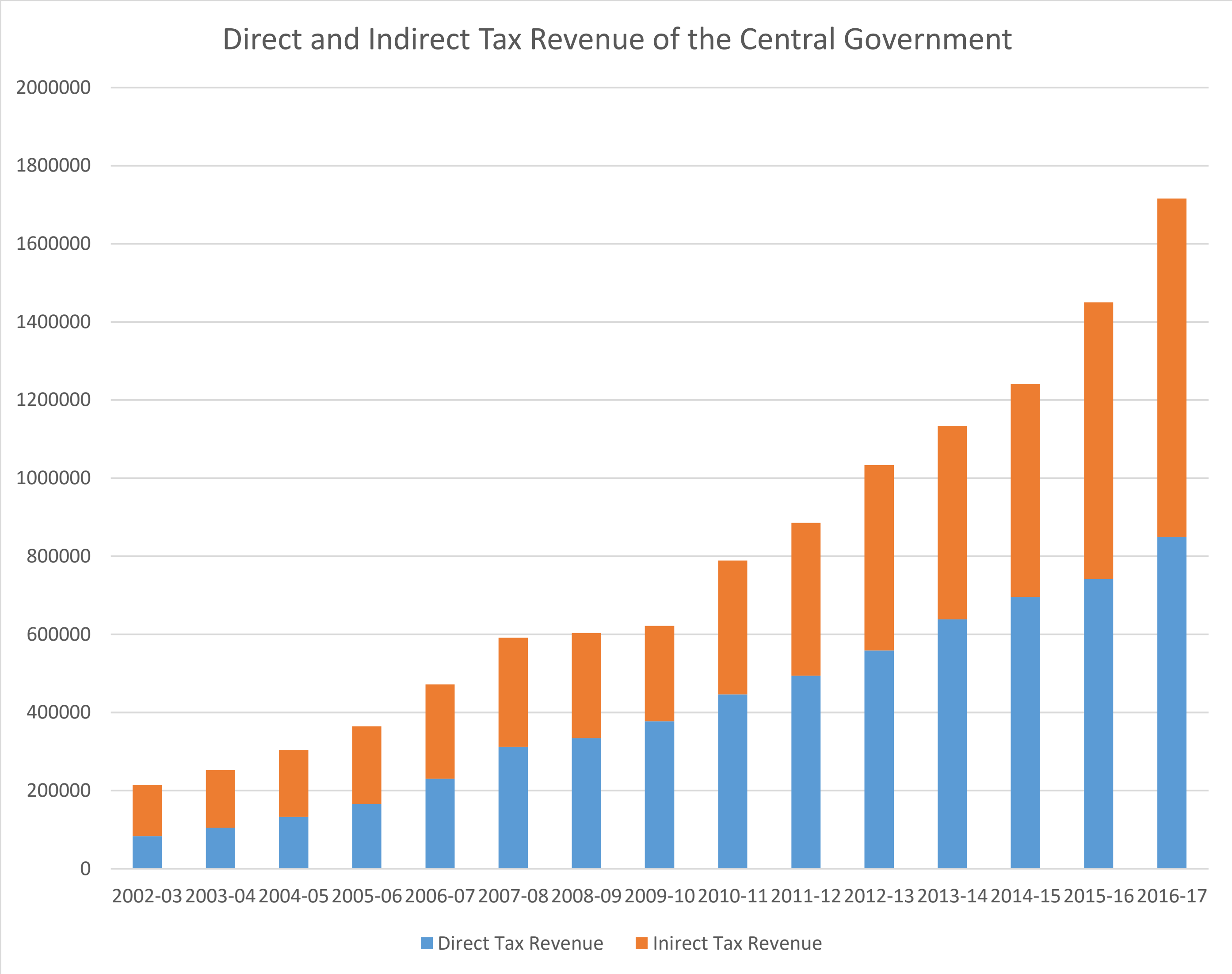



Diagram No.1.2- Status of Direct and Indirect Tax Revenue of the Central Government in India from 2002-2003 to 2016-2017.

The dual GST model has been a replacement for the overly complicated tax structure that existed before. So, the biggest beneficiaries of the new system have been the merchants and businesses who had to track, record, collect and file multitudes of taxes every month. Another area of improvement, which was also a goal of the new GST Model, was the rate of final goods and services to the consumer. The Dual GST model aims to eliminate the cascading effect of indirect taxation on the final goods and services. Thus, if the benefits of lower taxes pass on to the consumers, they should experience lower prices.

Since dual GST means both State and Central Governments can impose and collect taxes, there is a possibility of dispute. The GST Council is expected to draw the guidelines for resolving such disputes. Ultimately, the dual GST model should benefit the taxpayers and consumers the most. It is simpler to follow and provides easier tax filing methods, which small business owners can easily manage.[130]

POST GST STRUCTURE – On July1, 2017, the Centre had rolled out a major reform in the indirect taxation system in India in the form of Goods and Services Tax. Five Years later, the tax regime is said to

[130] Canarahsbc_life/what_is_dual_gst_in_India (last visited on December 22, 2022 at 6:56 pm)

have played a key role in defining India's Economic Structure and empowering business by subsuming 17 taxes and 13 cesses into a One Nation, One Tax Structure.[131]

GST Collections from FY 2017-18 to FY 2021-22 and table shows Decline in GST collection for FY 2020-21 in comparison to FY 2019-20. The slowdown in economic activities decline mainly attributable to Lockdown Due to Covid-19.[132]

The Goods and Services Tax (GST) was introduced on 1st of July, 2017. In the press release dated 29th August, 2017, it was reported that the total revenue of GST paid under different heads for the month of July, 2017 (upto 29th August) was Rs. 92,283 crore. Out of the total GST collection of Rs. 92,283 crore, the total CGST revenue was Rs. 14,894 crore, SGST revenue was Rs.22,722 crore, IGST revenue was Rs.47,469 crore (of which IGST from imports was Rs.20,964 crore) and Compensation Cess was Rs.7,198 crore (of which Rs.599 crore is Compensation Cess from imports). Many assesses have been filing the returns for July 2017 belatedly and till 31st August, 2017 and the total GST paid for July is Rs. 94,063 crore.[133]

During 2017-18, total revenue collected under GST in the period between August 2017 and March 2018 has been Rs. 7.19 lakh crore. This includes Rs. 1.19 lakh crore of CGST, Rs. 1.72 lakh crore of SGST, Rs. 3.66 lakh crore of IGST (including Rs. 1.73 lakh crore on imports) and Rs. 62,021 crore of cess (including Rs. 5702 crore on imports). For this eight months, the average monthly collection has been Rs. 89,885 crore. The SGST collection during the year, including the settlement of IGST has been Rs. 2.91 lakh crore and the total compensation released to the States for a period of eight months during the last financial year was Rs. 41,147 crore to ensure that the revenue of the States is protected at the level of 14% over the base year tax collection in 2015-16. The revenue gap of each State is coming down over last eight months. The average revenue gap of all states for last year is around 17%.[134]

The GST revenue collection for the month of September 2022 was Rs. 1,47,686 crores of which CGST was Rs. 25,271 crores, SGST was Rs. 31,813 crores, IGST was Rs. 80,464 crores (inclusive of Rs. 41,215 crores which were collected on import of goods) and cess was Rs. 10,137 crores (inclusive of Rs. 856 crores which were collected on import of goods).[135] The gross GST revenue collected in the month of October 2022 is ₹ 1,51,718 crore of which CGST is ₹ 26,039 crore, SGST is ₹ 33,396 crore, IGST is ₹ 81,778 crore (including ₹ 37,297 crore collected on import of goods) and Cess is ₹ 10,505 crore (including ₹ 825 crore collected on import of goods), which is second highest till date.[136]

In the Post-GST era:

In a bid to solve the issues under the previous tax structure, GST benefited India in the following ways:

A. Increase in Revenue- According to experts, GST strengthens the economy and will raise India's GDP in future. GST has succeeded in expanding the taxable base by standardizing the obligation level. In the long run, tax compliance will be easier. An online tax system means more efficiency and accountability. This leads to fewer opportunities to get away with tax fraud.

[131] TimesofIndia/india-business/in-10-charts-how-gst-has-evolved-in-last-5-years/articleshow/92659930(last visited on November 27, 2022 at 9:39 PM)
[132] Tax guru.in/goods-and-services-tax/collection.html (last visited on November 27, 2022 at 9:49 PM)
[133] Cbic-gst.gov.in/press-release-dt-26-09-2017-on-gst-figure.pdf (last visited on November 27, 2022 at 9:53 PM)
[134] Pib.gov.in/press releasepage.aspx (last visited on November 27, 2022 at 9:55 PM)
[135] Cleartax.in/s/gst/collection (last visited on November 27, 2022 at 9:55 PM)
[136] *Supra*

B. Simplifying Tax Filing for businesses - Business owners realized that the shift to the new GST system takes time, money, and management. The procedure of submitting GST returns will become simpler in the long run. All major indirect taxes are now unified. Thus, separate departments dedicated to maintaining vast tax documents are no longer required. As a start-up, one will no longer need to register for certain taxes such as VAT and Service Tax.

C. Making Certain Items More Affordable-As a private taxpayer, one will notice that the price of certain items has decreased. This includes the reduction in the tax on private cars by around 5-6 percent. With a 5 percent levy, air transport and economy class travel became somewhat cheaper. The cost of eating out has remained stable. It depends on the type of establishment though. Whether the place has air conditioning, sells alcohol, and if it has a revenue of less than Rs.50 lakh per year are important factors. Unprocessed grains such as rice and wheat, unprocessed milk, vegetables, fish, meat, and unbranded flours are exempted from GST.
The dual GST model refers to a concept where both the Centre and states simultaneously levy taxes on the supply of goods and services while the administration is run separately. After looking at Old Tax Vs GST, we discover that the implementation of GST on products and services has made a significant improvement to the current tax structure. Regular taxpayers and businesses across the country have benefitted from the changes. However, there are still certain areas that need to be considered and improved under GST in future.[137]

### 3.5 REVENUE COLLECTION FROM DIRECT & INDIRECT TAXES

In its Annual Financial Statement -- also called Union Budget -- the Central government provides details of how much money it expects to garner from various sources and how it intends to spend the funds. India earns about 80% of its total revenue through taxes. While taxation is the primary source of income for the government, it also earns a recurring income, which is called non-tax revenue. This comes from dividends and profits of public sector enterprises, interest, fines, regulatory charges and user charges for publicly provided goods and services.[138]
Direct taxes include income tax and corporation tax. Income tax is imposed on individuals and businesses other than companies. It is paid on the income earned during a particular financial year. Corporation tax is the money paid by companies on the profits made by them in a given financial year. Direct tax also included inheritance tax and wealth tax, which were abolished in India in 1985 and 2015 respectively. On the other hand, indirect taxes are levied by the government on goods and services, and not on the income, profit or revenue of an individual.
An indirect tax is collected from the consumer by an intermediary, such as manufacturer, trader or service provider. The intermediary files a tax return and forwards the tax proceeds to the government with the tax return. The consumer bears the final economic burden of the tax by paying more for the product. In indirect taxation, the obligation of tax payment varies from one consumer to another, as these taxes are levied by the government on goods and services — not on the income, profit or revenue of an individual. These taxes can be shifted from one taxpayer to another. This is unlike direct taxes, which are borne by the person on whom the tax is levied.

[137] Khatabook/blog/differences_between_gst_and_previous_tax_structure (last visited on December 23, 2022 at 1:01 am)
[138] Business.standard/podcast_finance_direct_and_indirect_taxes (last visited on December 25, 2022 at 3:09 pm)

India introduced Goods and Services Tax on July 1, 2017. It replaced several indirect taxes such as the excise duty, VAT, services tax, etc. It is not paid directly by a person to the government but collected by an intermediary such as manufacturer, trader or service provider and passed on to the government. The consumer bears the final economic burden of the tax. Indirect tax includes GST, central excise duty and customs. Central excise duty is an indirect tax levied on goods made in the country.
In Financial Year 2021, India's direct tax collection stood at Rs 9.45 lakh crore while the indirect tax collection was at Rs 10.71 lakh crore. Direct taxes in India are overseen by the Central Board of Direct Taxes (CBDT) and indirect taxes by the Central Board of Indirect Tax and Customs. Direct taxes are considered more equitable. In most developed countries, the share of direct taxes in the total taxes collection is far more than the indirect taxes.

According to the latest data, the OECD average for direct tax collection in 2018 was 67.3% of the total tax collection. While for India, it was 38.3% for Financial Year 2019. Direct taxes are imposed on those individuals who can afford it. It is linked to the tax payer's income level. Higher the income, the higher is the income tax liability. While high indirect taxes are considered regressive. They are paid by everyone at the same rate, irrespective of their income or financial status. A poor man pays the same amount of tax on soap as the rich man.
The shares of direct taxes and indirect taxes also indicate how the government has managed its public finance. In 1991, for instance, the share of direct taxes in GDP was about 2% and that of indirect taxes in GDP was over 8%. In 2007-08, just before the global financial crisis, the shares had changed to 6% of GDP each for direct and indirect taxes. In 2020-21, direct taxes had a share of 4.7% of GDP, while indirect taxes' share in GDP was about 5.4%. Low direct tax and low corporate tax suggest that the tax burden is shifting towards the poor.
Types of Direct and Indirect Taxes in India[139]

I. Major Types of Direct taxes are as follows:

a) Wealth tax: The tax levied on an individual's assets based on their value in a financial year is known as wealth tax. This tax is levied on HUFs, individuals, or companies.

b) Corporation tax: This type of tax is levied on companies and businesses based on their income in a financial year. The taxation rate depends on whether the enterprise is in India or abroad.

c) Income tax: This tax is levied on individuals on their annual income in a financial year.

d) Capital Gains tax: The tax levied on profit earned from property sale are considered under this category of taxes.

II. Major Types of Indirect taxes are as follows:

a) Service tax: This type of tax is paid to the government by all the service providers.

b) Sales tax: This type of tax is levied by the government on movable goods.

c) Value added tax: This is levied on products which are added at each stage from manufacturing till distribution.

d) Excise Duty: The tax collected from manufacturers by the government is called as excise duty tax.

Central Direct and indirect taxes are vital to carry adequate revenue to the state for meeting the increasing public expenditure. Both taxes are essential to promote economic growth, fill employment and economic stability. Direct and indirect taxes should side by side and balance each other. However in developing

[139] Bankbazaar/tax/difference-direct-indirect-taxes (last visited on December 25, 2022 at 12:30 am)

countries, direct taxation has limited scope and hence indirect taxation plays a more significant role. A well oriented system of taxation requires combination of direct & indirect taxes in different proportions.

Annexure 2.1 Composition of Total Direct and Indirect Taxes Revenue from Central & State Governments

| **Year** | **Total Direct Tax both Centre & State Revenue (₹ Crore) (i)** | **Total Indirect Tax both Centre & State Revenue (₹ Crore) (ii)** | **Total Combined Tax both Centre & State Collection (₹ Crore) (i+ii)** |
|---|---|---|---|
| 1999-2000 | 70,937 | 2,00,607 | 2,71,544 |
| 2000-2001 | 81,163 | 2,19,809 | 3,00,972 |
| 2001-2002 | 84,876 | 2,24,071 | 3,08,947 |
| 2002-2003 | 1,00,302 | 2,51,716 | 3,52,018 |
| 2003-2004 | 1,25,303 | 2,82,796 | 4,08,099 |
| 2004-2005 | 1,56,828 | 3,28,547 | 4,85,375 |
| 2005-2006 | 1,95,428 | 3,81,166 | 5,76,594 |
| 2006-2007 | 2,69,078 | 4,54,945 | 7,24,023 |
| 2007-2008 | 3,55,689 | 5,21,807 | 8,77,496 |
| 2008-2009 | 3,77,986 | 5,48,318 | 9,26,304 |
| 2009-2010 | 4,24,874 | 5,59,737 | 9,84,611 |
| 2010-2011 | 5,08,719 | 7,41,348 | 12,50,067 |
| 2011-2012 | 5,71,246 | 8,71,505 | 14,42,752 |
| 2012-2013 | 6,51,227 | 10,36,732 | 16,87,959 |
| 2013-2014 | 7,26,773 | 11,19,772 | 18,46,545 |
| 2014-2015 | 8,03,440 | 12,17,289 | 20,20,728 |
| 2015-2016 | 8,30,121 | 14,66,981 | 22,97,101 |

| | | | |
|---|---|---|---|
| 2016-2017 | 9,59,627 | 16,62,518 | 26,22,145 |

Source: Handbook of Statistics on Indian Economy, Reserve Bank of India.[140]

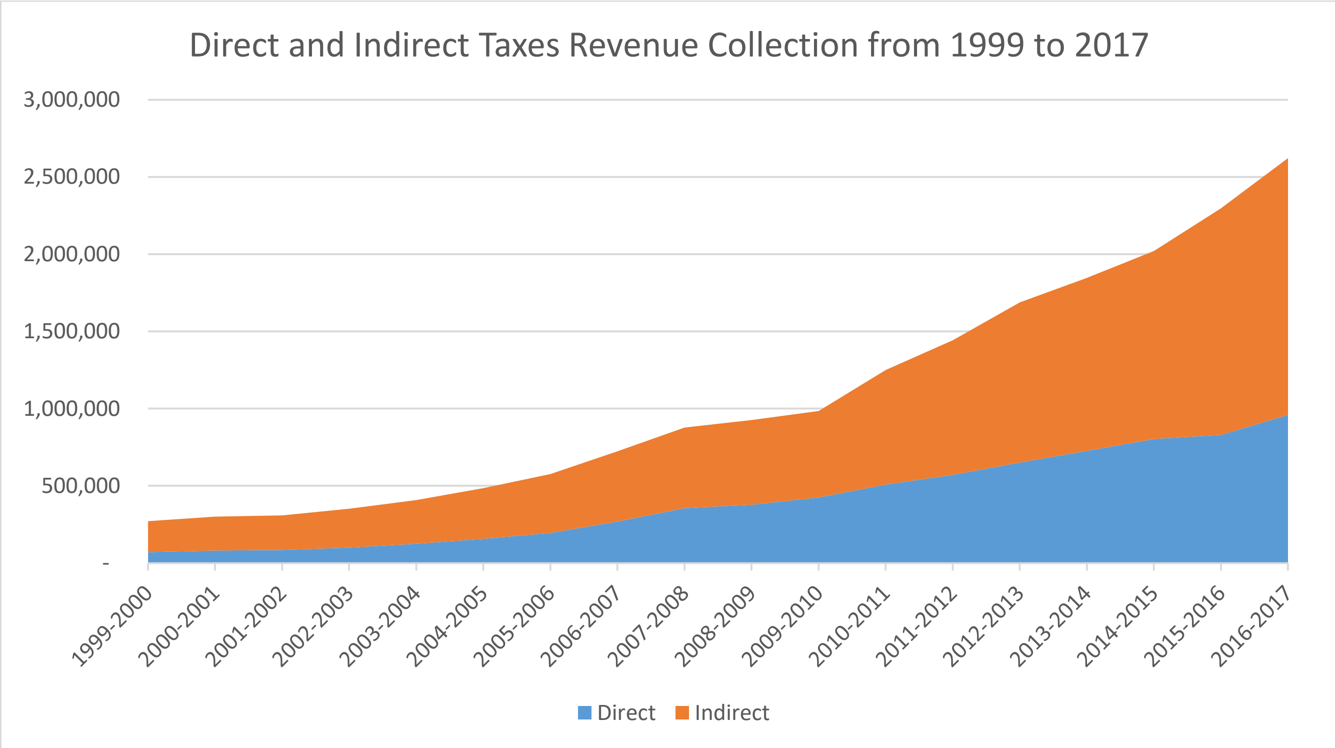



Diagram No.2.1- Status of Total Direct and Indirect Tax Revenue of the Central & State Government in India from 1999-2000 to 2016-2017.

One of the essential characteristics of our tax rising policy is 'the ability to pay'. Indirect taxes are to be borne by the consumers of goods and services irrespective of their financial ability. On the other hand the direct taxes are lesser burden than the indirect taxes to the common people as they are payable on income or profits rather than on goods or services. The indirect tax is also called regressive tax as the demand for products and services decreases proportionately as the amount of taxes increases. Excessive reliance on indirect taxes increases the rich and poor disparity. Direct taxes facilitate in more equitable distribution of income and wealth. Sometimes indirect taxes can facilitate equitable distribution by levying them on luxuries and exempting them on necessaries.

Both direct and indirect taxes are alternative methods of achieving any particular redistribution of income and wealth. The other main aspect of taxation is 'proper administration'. The administrative cost of collecting direct taxes is more than that of indirect taxes. Indirect taxes are simple and its cost of collection is stable over a period. From point of view of efficiency and productivity, indirect taxes are better. Indirect taxes are wrapped up in prices and hence they cannot be easily evaded. They are more productive as their cost of collection is the least. However, improper administration of direct taxes leads to tax avoidance and tax evasion which is a loss to the exchequer and widens the gap between rich and poor

Both direct and indirect taxes are important for our country as they are linked with the overall economy. Both are collected by the central and respective state governments according to the type of tax levied and

[140] ID

are important for the government as well as growth perspective of the country. However taxing of both direct and indirect is indispensable in modern public finance. In countries like India having people with varied economic backgrounds, the Government should more focus on direct taxes rather than indirect taxes by ensuring proper administration of direct taxes to eradicate tax avoidance and tax evasion. It concluded that the contribution of central direct tax to total central tax revenue has increased year by year whereas central indirect tax contribution has decreased. Taxation system playing important role in the growth of economic and progressive growth are possible due to both type of taxes.

## 3.6 REVENUE COLLECTION FROM GOODS AND SRVICES TAX

Taxes are termed as an obligatory contribution made by individuals or corporations falling under the tax slab, to the Government of India. From local to national, taxes are applicable on all levels in India and are considered to be one of the major sources of income for the Government. The government levies taxes on the citizens of the country to produce income for business projects, enhance the country's economy, and lift the standard of living of the nationals. The government's authority to levy tax in our country is drawn from the Constitution of India that deals out the supremacy to levy taxes to the State as well as Central governments. All the taxes levied within the country require being backed by an escorting law passed by the State Legislature or the Parliament.[141]

GST has undeniably transformed India into one unified marketplace. All goods and services are on the same tax platform and are subjected to the same tax rates throughout the country. It has been quite a revolutionary journey for the government, trade and industry as well as consumers in accepting and adapting to the reforms or changes introduced in such a short span of time. While the key focus has been primarily on rationalising rates, simplifying procedures and curbing tax evasion, technology has played a significantly important role in establishing the world's biggest online tax system.

Some of the changes:

1. Growing Taxpayers-GST is a pro-people reform. Hence, the taxpayer and the consumer is at its very centre. Various administrative and policy-based interventions have resulted in higher compliance by the taxpayers. The success of this initiative can be gauged from the simple fact that the total number of registered taxpayers has increased manifold within a short span of five years since GST was launched in 2017. There has been a consistent increase in number of new taxpayers during last five years that is a testimony to the benefits associated with the GST for the entities registered under GST.

2. Return Filing-The GST law had prescribed returns and forms and broadly every taxpayer is required to upload their 'sales return' notified as Form GSTR -1 based on which a monthly return in the Form GSTR-3B is also required to be filed containing details of outward supplies, details of Input Tax Credit (ITC) availed on the input supplies and the tax payments. To enhance the taxpayers experience in return filing various technological and procedural initiatives have been taken during the last five years. Some of the initiatives includes REAP, rationalisation of late fees, Amnesty scheme, etc. details of which are discussed in Chapter 6. Such initiatives have shown positive results by way of improved return filing as can be seen from the charts below. Return filing percentage for both GSTR-1 and GSTR-3B is now more

[141] Policybazaar/tax (last visited on December 28, 2022 at 4:33 pm)

than 90% which earlier used to be much less. It may also be seen that a good number of taxpayers are filing their returns even after the last date of filing.

3. Increasing E-Way Bill - With a view to remove trade barriers from the State borders and making India one Market, e-Way bill system was introduced for the inter-State movement from 01st April, 2018 for the entire country and from 16th June, 2018 for intra-State movement in a staggered manner in different States. The introduction of e-Way (electronic way) bill is a monumental shift from the earlier “Departmental Policing Model” to a “Self-Declaration Model”. Subsequent to introduction of e-Way bill system, border check-posts have been removed by various State authorities that has provided a common market and hassle-free movement of goods throughout the country, thus realising the goal of “One Nation, One Market”. It has been reported that resultantly, average distance travelled by a vehicle/ truck, per day, has considerably increased. It may be seen from the charts below that there has been consistent increase in number of taxpayers registered for generating e-Way bills as also in the number of e-Way bills generated both for inter-State and intra-State movement. Till 26th June, 2022 around 278.88 crore e-Way bills have been generated since its introduction in April, 2018.

4. Growing E-Invoices- e-Invoicing was introduced for taxpayers with aggregate annual turnover of more than Rs. 500 crore from October, 2020 for B2B transactions and for export invoices, The said turnover limit has been reduced over a period of time and presently the taxpayers having aggregate annual turnover of more than Rs. 20 crore are required to generate e-Invoice w.e.f. 01st April, 2022. E-Invoicing is a rapidly expanding technology which helps taxpayers in backward integration and automation of tax relevant processes. It also helps tax authorities in combating the menace of tax evasion. This help in seamless flow of credit and invoice matching as envisaged in the GST regime. Further, it helps in real-time updation of data on the GSTN system and thereby, drastically reducing the time taken in filing the returns. The number of e-Invoices generated per month has progressively increased from 595 lakh in October, 2020 to an all-time high of 1260 lakh in April, 2022. Around 42 lakh e-Invoices were generated per day on the portal in the month of April, 2022. A total of 16,932 lakh invoices have been generated so far at a daily average of 27.84 lakh e-Invoices. B2B, Export and SEZ invoices issued by these taxpayers are now reported at Invoice Registration Portal (IRP) every month and 64-digit unique Invoice Reference Numbers (IRN) are issued on real time basis. In addition, the QR Code is also generated for verification of the authenticity of such Invoices.

5. Growing Revenue- The average monthly GST revenue had shown a positive trend with an amount of Rs. 82,294 crore, Rs. 98,114 crore, Rs. 1,01,843 crore, Rs. 94,733 crore, Rs. 1,23,747 crore and Rs. 1,55,000 crore for the FY 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 (up to May, 2022) respectively. Average GST revenue of the Centre and the State has crossed the Rs. 1 lakh crore mark consistently starting October, 2020. Further, from October, 2020 onwards, the GST revenue has exceeded Rs. 1.3 lakh crore (except in December, 2021 when it was marginally less than Rs. 1.3 lakh crore). GST revenue collection for April, 2022 was the highest ever at Rs. 1.68 lakh crore. Below two charts indicate the increase in average monthly revenue as well as the increase in total annual revenue since introduction of GST.

6. Decreasing Incidence of Grievances - The decreasing incidences of grievances with respect to return filing which led to higher taxpayer satisfaction. The digitalisation and auto-population facilities enabled return filing a stress-free experience for the taxpayers. Number of tickets (Grievances) raised per 10,000 returns filed has drastically reduced from 06 in August, 2017 to 02 in April, 2022.

The GST Act was envisaged to harness the power of technology to make the process of tax filing more citizen friendly so that the level of unintentional non-compliance and intentional tax evasion can be curbed efficiently at the same time. While corrective measures were taken to ensure facilitation, initiatives were also taken to design, build and monitor the infrastructure to ensure effective enforcement of the Act across the country.

Initially, there were a lot of apprehensions from taxpayers and tax officials alike about GST being a digital tax. For the taxpayer, it meant a complete reorientation of business processes from the manual or paper mode to digital mode. For the tax officials, it meant a total overhaul of the statutory functions and the manner in which a tax administration is run.

In the initial phase, the focus was to ensure that the transition is as smooth for the taxpayer as feasible. A number of technological solutions were introduced along with enabling changes in the law, rules and procedures towards this end. This opened avenues for unscrupulous elements to play foul by misusing the facilities offered to an honest taxpayer.

In the next phase, the same has been rectified by relying on cutting edge technologies such as big data and advanced analytics to enable the tax administration to take better enforcement decisions based on better targeting. This was tempered with the need to ensure that the honest taxpayer is not inconvenienced in any manner. Rather better targeting was devised as a strategy to identify the fraudulent entities and take suitable enforcement action to complement the ongoing efforts to facilitate an honest taxpayer.[142]

Annexure: 3.1 Revenue Collection of Goods & Services Tax from 2017 to 2022[143]
(Rs. Crore)

| **Month Wise Data** | **Financial Year (2017-2018)** | **Financial Year (2018-2019)** | **Financial Year (2019-2020)** | **Financial Year (2020-2021)** | **Financial Year (2021-2022)** | **Financial Year (2022-2023)** |
|---|---|---|---|---|---|---|
| April | - | 1,03,459 | 1,13,865 | 32,294 | 1,39,708 | 1,67,540 |
| May | - | 94,016 | 1,00,289 | 62,009 | 97,821 | 1,40,885 |
| June | - | 95,610 | 99,938 | 90,917 | 92,800 | 1,44,616 |
| July | - | 21,572 | 96,483 | 1,02,083 | 1,16,393 | 1,48,995 |

[142] ID
[143] Gstcouncil_revenue_goods_and_services_tax_India_revenue_statistics_montly_collection (last visited on November 29, 2022 at 6:55 pm)

| | | | | | | |
|---|---|---|---|---|---|---|
| August | 95,663 | 95,663 | 93,960 | 98,203 | 1,12,020 | 1,43,612 |
| September | 94,064 | 94,064 | 94,442 | 91,917 | 1,17,010 | 1,47,686 |
| October | 93,333 | 1,00,710 | 95,380 | 1,05,155 | 1,30,127 | 1,51,718 |
| November | 83,780 | 97,637 | 1,03,491 | 1,04,963 | 1,31,526 | - |
| December | 84,314 | 94,726 | 1,03,184 | 1,15,174 | 1,29,780 | - |
| January | 89,825 | 1,02,503 | 1,10,818 | 1,19,875 | 1,40,986 | - |
| February | 85,962 | 97,247 | 1,05,366 | 1,13,143 | 1,33,026 | - |
| March | 92,167 | 1,06,577 | 97,597 | 1,23,902 | 1,42,095 | - |

Source: Monthly National Revenue Collection of Goods and Services Tax[144]

[144] Gst.council/revenue (last visited on November 29, 2022 at 1:09 pm)

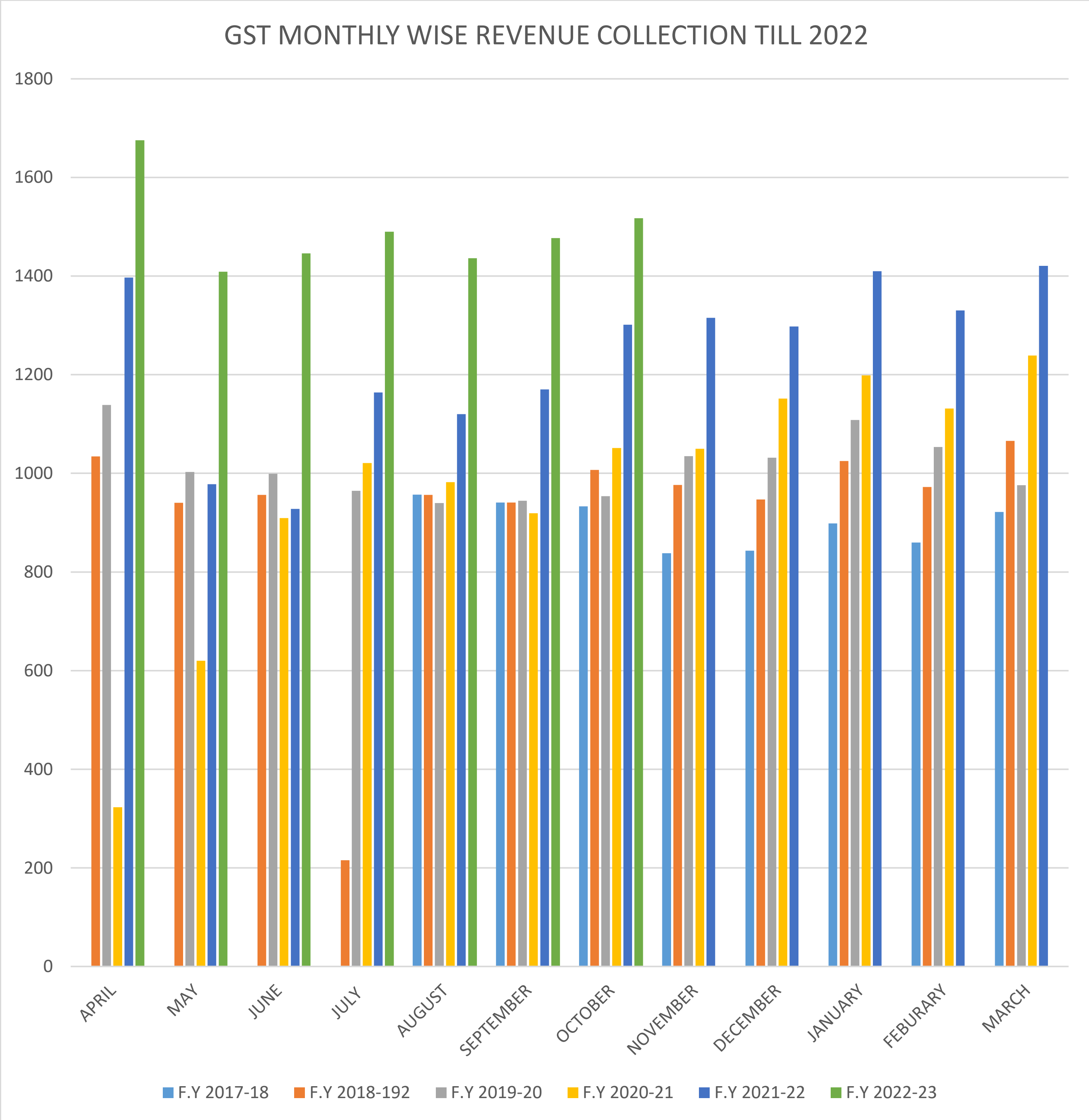



Diagram No. 3.1: GST Total Revenue Monthly Wise Collection of India from the Financial Year 2017-18 to 2022-23

Beyond the hype and hoopla both in favour and against the GST, one has to see the numbers to make a sound judgement. There are two reasons for it: firstly, the success of any taxation system or any economic notion, for that matter, needs to be measured in terms of numbers; secondly, numbers don't lie. If the State or the government is the mechanism that binds a geographical area along with the people dwelling on it into a nation, it is the revenue that allows the government to function and sustain. The strength or success of any taxation system needs to be measured in terms of its ability to garner resources for the country. Seen in this light, the introduction of GST was a bold reform. Despite the challenges posed by the Covid

pandemic, revenues from GST have shown unprecedented buoyancy touching a record high of Rs. 1.68 lakh crore in April this year. The average monthly collections from GST have also increased considerably from Rs. 0.95 lakh crore in 2020-21 to Rs. 1.24 lakh crore in 2021-22. Since collections are consistently rising for several months now, it is a fair conclusion that the trend will continue.
More than being a digital tax, GST has transformed the entire landscape of how business is transacted in the country. Increase in return filing percentage, gaining popularity of initiatives like e-Way bill, e-Invoice, drastic fall in the number of tickets raised on the GSTN platform are strong indicators, that this reform has taken roots leading to a multifold increase in taxpayer base within a short-span of five years.

### 3.7 GOODS AND SERVICES TAX NORTHEAST PERSPECTIVE

The NE states comprise of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. With the exception of Assam, the remaining states have many similar characteristics. They are basically small states sharing international boundaries; they are geographically mountainous in character; and they are relatively poor states. Because of these reasons, they have not been able to garner large tax revenues on their own and depend on central transfers to finance a large part of their expenditures. They have all been included in the list of 'special category states' which were given development funds on 90:10 grants-to-loans ratio by the erstwhile Planning Commission of India. In their non-plan revenue accounts, they used to have perennial deficits, and as a result they received the so-called gap-filling grants recommended by the Finance Commission of India. With higher devolution they are expected to get more centrally-sponsored schemes, which are often given to states on a matching basis.[145]
The tax ratios of these states have remained low for a long time. On the other hand, many big states in the country had tax ratios at around 8% of their state incomes. Low own tax ratio could be due to several factors like low per capita income, higher contribution of the agricultural sector to state income, constraints on production-distribution activities, and small population. State taxes being a state subject, the states' effort in tax collection also cannot be neglected.
Another important point for the low tax collections is the implementation of prohibition. Some state governments have imposed prohibition due to strong pressure from civil society or religious organisations. The second reason for low tax effort could be larger central transfers. The Finance Commission estimates the gaps in the revenue account of each state in the country for the ensuing five years, and these are filled by the 'gap-filling grants'. The basic logic is that states should not suffer from lack of funds, and all the NE states have been receiving these grants. However, this transfer creates a soft budget constraint on spending, resulting in less urgency for states to collect more taxes.
Another reason for the lower tax ratio has been the high contribution of public services in the state income. Many of the NE states depend on central transfers and these funds are channelled in providing healthcare, education, administration, development of infrastructure facilities, etc. As many of the states are very small with very little production-distribution activity, in part due to proximity to international borders and poor security situation, the government is the most important source of organised employment. For example, in a relatively large state like Assam, the expenditure on public administration is 6.32% of the state income; it is over 10% for the other

[145] Taxguru/goods_and_services_tax/northeast-region-states (last visited on December 30, 2022 at 8:04 pm)

NE states, with Nagaland going over 18%. A large expenditure on public administration adds to the state income but does not yield much tax revenue to the state governments directly as compared to other services. Government employees do pay the tax on profession, trade, callings and employment, but it has been capped at a maximum of Rs. 2500 per person per year, while Arunachal Pradesh does not levy it. Opinions have been expressed for raising the upper limit for employees exempted from paying income tax in the region.

Another important point for the increase in tax compliance may be due to the self-policing mechanism associated with the method of calculating GST. A value-added tax has two methods of collecting tax in practice, one is the subtraction method while the other is the tax credit system. In the latter, which is in practice in the country, a person has to pay tax on the full value of the good at any stage of transactions, but a refund will be given later on of any tax paid in earlier transactions (making it a tax on value added). This makes the system inherently tax-compliant, as refunds will not be available in case of tax evasion. Further, payment of taxes can be easily checked as every transaction has been done online.[146]

Annexure: 4.1 Goods and Services Tax State Wise Monthly Revenues Collection in Assam[147]

| **Month** | **Assam State Collection** | | | **(₹ Crore)** |
|---|---|---|---|---|
| | **2019-20 GST Revenue** | **2020-21 GST Revenue** | **2021-22 GST Revenue** | **2022-23 GST Revenue** |
| **1** | **2** | **3** | **4** | **5** |
| April | NA | NA | 1151 | 1313 |
| May | NA | NA | 770 | 1062 |
| June | 798 | 966 | 662 | 972 |
| July | 795 | 723 | 882 | 1040 |
| August | 768 | 709 | 959 | 1055 |

[146] ID
[147] Gstcouncil.gov.in/goods_and_services_tax_India_Revenue_Statistics_monthly_national_revenuecollection(Last visited on November 28 at 6:55 PM)

| | | | | |
|---|---|---|---|---|
| September | 848 | 912 | 968 | 1157 |
| October | 888 | 1017 | 1425 | 1244 |
| November | 968 | 946 | 992 | - |
| December | 991 | 984 | 1015 | - |
| January | 820 | NA | NA | - |
| February | 924 | 946 | 1008 | - |
| March | 932 | 1005 | 1115 | - |

Source: State Wise Monthly Revenue Collection – Assam

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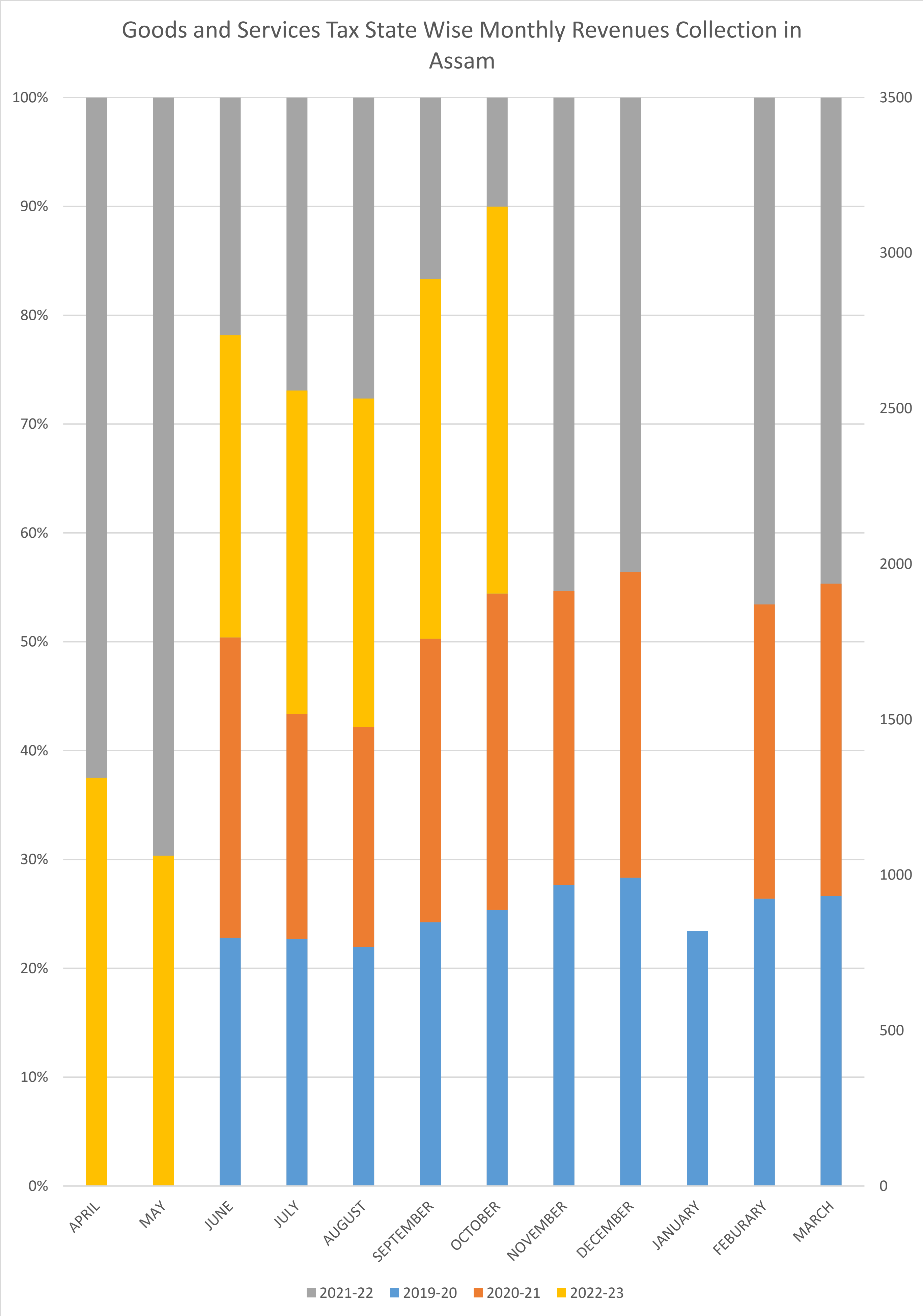

Diagram 4.1 Monthly Wise Revenue Collection of GST from implementation to till date

The north eastern (NE) states have largely benefitted from the introduction of the goods and services tax (GST) in the country. Arunachal Pradesh witnessed the highest increase in tax collections in the country, while the performance of Manipur, Mizoram and Nagaland was well above the national average. This can be attributed to three distinct reasons. First, with the shift from origin-based levy to destination-based taxation in inter-state sales of goods and services, these states collected much more revenues as they are predominantly consuming states. Second, GST being a value added tax has an inbuilt mechanism for higher tax compliance. All the NE states have witnessed higher revenues from SGST, a component of GST representing taxes collected within the state. Third, the central and the state governments have also encouraged tax payments indirectly by disseminating information on the new tax system. With economic growth picking up in the NE states, GST is likely to register a strong revenue performance in the future and help in much-needed resource mobilisation for the development of the region.[148]

GST has been rightly called 'One nation, One tax' not only from the point of streamlining the tax system but also from the point of revenue generation as well. The tax ratio of the NE states has increased, so much so that they are no longer low tax effort states. This transformation can be credited to three factors. The phasing out of the central sales tax resulting in the transfer of tax proceeds from the state of origin to the consuming state. Tax collections for states have also seen a phenomenal increase, with a state like Arunachal Pradesh witnessing a jump in own tax collections by over 100%.

This has also been due to the tax design which results in higher tax compliance. The effort of the governments, both central and states, in disseminating information about the tax cannot be neglected. It created more awareness about the new tax. There are factors like prohibition, low production base, large central transfers, etc. which have reduced tax ratio of the NE states. But there are possible ways of increasing tax revenues, such as greater effort on the part of the government to increase tax compliance and raising the tax limit for taxes on profession, trade, callings and employment. Ultimately, the long-term means is faster economic growth and reduction in the inequality of income distribution. These measures will widen the tax base and improve tax collections in the future. The NE states lack industrialisation and the governments should give special focus on infrastructural development for the purpose. The 'Look East Policy' initiated by the central government has opened a number of opportunities on this front.[149]

GST Council in its meeting on 23.09.2016 set the GST threshold exemption at Rs. 20 Lakh for all states other than North East States, where lower threshold is prevailing in the prevailing VAT Regime, GST threshold would be Rs. 10 lakh. It has been considered by the GST Council that a threshold of gross annual turnover of Rs. 10 Lakh both for goods and services for all the North Eastern States be adopted with adequate compensation for the states in North East Region, where lower threshold is prevailed in the VAT regime.

Threshold exemption is built into a tax regime to keep small trader out of tax net. This has three fold objective:

a) It is difficult to administer small traders
b) Cost of administering of such traders is very high in comparison to the tax paid by them
c) The compliance cost and compliance effort would be saved for such small traders.
d) Small traders get relative advantage

[148] Researchgate/publications/GST_unclock_stong_revevnue_NE_States (last visited on December 30, 2022 at 12:01 pm)
[149] Taxguru/goods_and_services_tax/northeast-region-states-benefit-gst (last visited on December 30, 2022 at 2:01 pm)

North Eastern states, that have very limited industrial activity, deserves a lower threshold limit for GST as compared to mainstream India. The low threshold limit for GST will bring more goods producers and services providers under the tax net resulting in wider tax base in North Eastern States.
A wider base will help keep the rate lower and make it more efficient. Apprehension that small units will be hurt by a low exemption limit of rupees ten lakhs is unjustified because those units can claim credit for taxes on inputs or otherwise opt for composition scheme of tax payment in which tax incidence will be lower and maintenance of records will be simpler.
Lower threshold limit will also protect the interest of petty traders. Moreover small manufacturer or trader would not be included in the dual control mechanism as agreed by the Union Finance Minister. Only states would be involved in working with taxpayers like small traders and shop keepers. Demand for threshold limit below rupees ten lakh is not desirable because administrative cost of collecting tax will be higher than the tax expected to be collected.[150]

## 4.1 ADMINISTRATIVE STRUCTURE

A paradigm shift will take place in the tax structure Post-GST regime with the introduction of dual GST (CGST & SGST) by the Centre and the States. Fundamentally, the tax administration of both the Centre and the State will have one "value" based on which the assessments under their respective statutes will take place. One unified tax return will enter the streams of both the Central and State tax authorities. The litigation is inherent to the fiscal laws, which mainly arises due to gaps between the legislative intent, letter of the law as well as the methods of its implementation. The globalization of world economy has been bringing about dynamic changes to the taxation laws and the existing accounting standards have not been able to keep pace with the changes in the laws. Under the present tax regime, sizeable revenue gets locked up in various legal fora and the tax payer suffers from lack of clarity on tax matters for many years. Trade and industry is looking towards GST as a panacea to their woes and expect it to be a tax regime which is seamless and hassle –free across the country with broad uniformity across tax rates and interpretations, procedure, exemptions etc. Considering that GST is touted as the watershed event, the requirement to put in place dispute resolution mechanisms need not be overemphasized.
As a consequence, the dimension of the potential disputes between the Supplier and the Department (both Centre and the States) which is likely to undergo a sea change is an area which needs to be focused upon before the roll-out of GST. The dual GST model by design should have uniformity on fundamental issues such as chargeability, definition of taxable event, valuation and classification provisions. At the same time,

[150] Pranab Sikdar,et.al.,GST Law and Guidance (Tax Consul Publication, Kolkata, First Edition : June 2017) Pg No. 256

being overoptimistic about the implementation of GST in a smooth manner without taking due care to put in place suitable dispute resolution mechanism is not advisable. While larger issues of the GST rates and sharing between the Centre and State are to be looked after by the GST Council, the proposals in the public domain do not seem to contain proposals on the legal and dispute resolution mechanism at the functional level. Absence of such mechanisms and lack of adequate research before-hand to identify potential areas of dispute in the tax administration under GST, especially with a multiplicity of statutes and authorities has a scope for avoidable litigation and lock-up of tax revenues.

Under the present regime, despite many attempts to streamline the procedures of assessment and collection of indirect taxes, there has been plethora of disputes. Sizeable revenue gets locked up in legal fora, trade suffers from lack of clarity on tax matters for many years and the end-result is significant wastage of time and money for both tax authorities as well as the industry. Considering that GST is touted as the watershed event which will change the way in which tax administration is carried out in the country, the need to put in place dispute resolution mechanisms need not be underscored. Consequently, there is need to draw from the experience of the present litigation redressal mechanisms and to find ways to reduce the scope of disputes in post-GST regime.

Fundamentally, under the GST scheme, for the first time, tax administration of both the Centre and the State will have one "value" based on which the assessments under their respective statutes will take place. It is also perceived that there will be one return which will enter the streams of both the Central and State tax authorities. However, diverse will be the interpretations and proceedings on matters of classification and valuation not just between the Central tax authorities and the State tax authorities within one State but also between States. Evidence of this is already available in the form of lack of uniformity in interpretations, procedures etc. among States after years of introduction of VAT. Disputes will also arise in the manner other tax administration measures such as audit, enforcement, and scrutiny will take place. Having convergence in the dispute resolution machinery such as the appellate tribunals, legal provisions for appeal in judicial fora will all have a telling effect on the way GST functions.

Disputes in the absence of Harmonization of State GST Act with Central Statute: Since under the GST regime, both the CGST and SGST, shall be levied on the same value, fundamental congruence of State GST laws with Central Laws is needed in areas of classification, valuation and input credit. In the absence of harmonized definition of the taxable event, the tendency of different State administrations to levy and collect the tax at their end, by skirting the principle of accrual of GST at destination, cannot be ruled out. Similarly and specifically on the provision of Services, divergent interpretations on the definition of "Place of Supply" are likely to arise in the absence of Harmonised Tax statutes.

Disputes on account of Assessment and Scrutiny: Since under the GST scheme, tax administration of both the Centre and the State will have one "value" based on which the assessments under their respective statutes will take place and the supplier may be required to file single unified return which will enter the streams of both the Central and State tax authorities, divergent interpretations and proceedings on matters of classification and valuation not just between the Central tax authorities and the State tax authorities within one State but also between different States is distinct possibility. E.g. when either of the tax authorities accepts the value or classification, while the other tax administration may have reservations about such acceptance. In such a situation, the Supplier shall be forced into litigation owing to lack of coordination between the Central tax administration and the State administration.

Disputes on account of multiple Audit: With GST proposed to be a dual levy with the tax administration both by the Central tax authorities as well as the State authorities, apprehension among the trade on being subject to a multiplicity of checks and scrutiny is not misplaced. Audit is one such area. Central Tax administration has continued with "scrutiny-assessment" and audit of almost all assesses, VAT laws require audit of the records by an independent Chartered Accountant, much on the lines of Income Tax. Lack of a unified system of audit and the possibility of diverse interpretations would only result in high administrative and compliance costs.

Disputes on account of different Dispute Resolution mechanisms: India has adopted a unique model of GST taking into consideration local conditions, political compulsions of a federal set-up and the contours of the tax base. Despite a high degree of convergence between the Central and State tax administrations in certain critical areas such as assessment and classification practices, audit protocol, the disputes are likely to arise. Any dispute arising on account of valuation, classification and input credit shall encompass both realms of CGST and SGST. At present, different States are adopting different structures for adjudication of the notices and the appellate remedies. The adjudicating powers vested with various authorities on adjudication of tax disputes varies between various States and Centre.

"Too many cooks spoil the broth" perhaps this would have been in the thoughts of Group on Implementation of GST while analysing the organizational structure for GST. This group is a committee constituted by the Government that has been framed to analyse all the aspects which will be affected by implementation of GST. The Group has given their report on 12.07.2010. Some of the recommendation of the group are;

The organizational structure under the GST regime should be on functional basis rather than on territorial jurisdiction basis. The present organizational structure is based on territorial jurisdiction and one office i.e. 'Range' handles all the different functions pertaining to units falling under their jurisdiction. Thus, one office handles the various functions of Registration, Audit, Refund, Adjudication, Recovery, Taxpayer services etc. But under GST, the Group has recommended functional division of work. It is proposed that different divisions of an office should handle different functions of registration, audit, refund, adjudication, recovery, taxpayer services etc. This has been done to encourage specialization as well as better organizational structure. [151]

It has been proposed that the new structure would be having-

i. GST Commissionerates having a functional or combination of functional and territorial jurisdiction
ii. Separate Commissionerates for Audit and exclusive Audit and Anti-evasion Commissionerates have been proposed
iii. Separate Commissionerates for Anti-evasion
iv. Other Recommendations.
v. Number of Commissionerates in GST.

GST Commissionerates - The Group has recommended three types of GST Commissionerates to be set up. This has been done keeping in mind the fact that taxpayers within a State and amongst the States are not uniformly located. Also, some assessees have more than one premises in a State. It has also been considered that now CBEC will be administering manufacturers, types of dealers, service providers and inter-State dealers. Thus, it has been provided that a uniform organizational structure for the entire country would not work and different types of organizational structure is required depending upon dispersal/diversity of assessees in an area. The Group has recommended following types of Commissionerates which will have a clearly defined geographical jurisdiction:

[151] Taxguru/goods_services_tax_administration_in_gst_moving_upstair_and_downstairs (last visited on December 25, 2022 at 5:09 pm)

A. One-tier functional Commissionerate
B. Two-tier functional Commissionerate
C. Three-tier territorial Commissionerate

One-Tier functional Commissionerate: The following are the characteristics of one Tier functional commissionerate:

a) It is proposed for cities having large concentration of assessees.
b) It will be formed on functional basis.
c) It will comprise of different divisions wherein specific functions like registration, processing of returns, refund, adjudication, administration, Audit Appeal, Recovery of arrears etc. will be performed.
d) Each division may further have sub-divisions. This type of Commissionerate will promote specialization and improve efficiency. It would also avoid movement of files from Range to Division and from Division to Commissionerate Headquarters as is being done presently. Duplicity of work will also be minimized.

Two-Tier functional Commissionerate - It has following characteristics:

a) It is proposed for cities where taxpayers are spread over a relatively large area, i.e. within 50-100 kms form the Commissionerate Headquarter.
b) Under this type of Commissionerate, there will be territorial Divisions.
c) The divisions will work on functional basis. It means each division will perform specific function like registration, processing of returns, refund, adjudication, administration, appeal, recovery of arrears etc.

Three-tier territorial Commissionerate - The characteristics are as follows:

a) It is proposed where the assessees are spread over a large area like in present Central Excise Commissionerates of Belgaum, Meerut-II, Guwahati, etc.
b) This is designed on the present structure of Commissionerates with Divisions and Ranges based upon the territorial jurisdictions.

Combination of One-tier, Two-tier and Three-tier Commissionerates The Group also proposed that the Commissionerates can also organized based upon combination of more than one type i.e. A Commissionerate has three Divisions in the city and two divisions outside the city. For the three divisions in the city, one-tier form can be adopted and for the other two divisions, two-tier organization can be followed. There may be cases where an assessee is having more than one premises which fall under the jurisdiction of other Commissionerates within the same State.

In such cases, it is proposed that assessee should be given the choice to register under any of the Commissionerates within the State. For this it has been proposed that all the Commissionerates located within a State should have concurrent jurisdiction over the entire State. Thus, one Commissionerate will have the legal backing to conduct checks, verifications, and audit and anti-evasion functions of an assessee in the entire State.[152]

Administrative Authorities their Power under GST Act, 2016

I) Classes of Officers

A. Under GST Act

(I) There shall be the following classes of officers under the Central Goods and Services Tax Act, namely;

a) Principal Chief Commissioners of CGST or Principal Directors General of CGST,
b) Chief Commissioners of CGST or Directors General of CGST,

[152] Taxmanagementindia/visitor_details_aricles (last visited on December 30, 2022 at 1:02 pm)

c) Principal Commissioners of CGST or Principal Additional Directors General of CGST,
d) Commissioners of CGST or Additional Directors General of CGST,
e) Commissioner of CGST (Appeals),
f) Additional Commissioners of CGST or Additional Directors of CGST,
g) Joint Commissioners of CGST or Joint Directors of CGST,
h) Deputy Commissioners of CGST or Deputy Directors of CGST,
i) Assistant Commissioners of CGST or Assistant Directors of CGST, and
j) Such other class of officers as may be appointed for the purposes of this Act.

(II) Says that there shall be the following classes of officers and persons under the State Goods and Services Tax Act namely.

a) Commissioner of SGST,
b) Special Commissioners of SGST,
c) Additional Commissioners of SGST,
d) Joint Commissioners of SGST,
e) Deputy Commissioners of SGST,
f) Assistant Commissioners of SGST, and
g) Such other class of officers and persons as may be appointed for the purposes of this Act.

The Commissioner shall have jurisdiction over the whole of the State. All other officers shall have jurisdiction over the whole of the State or over such areas as the Commissioner may, by notification, specify

Appointment of officers:

A. Central Act - Section 5(1) of the Act says that the Board may appoint such persons as it may think fit to be officers under the Central Goods and Services Tax Act[153] and subsection (2) of Section 6 says that without prejudice to the provisions of sub-section (1), the Board may authorize a Principal Chief Commissioner/Chief Commissioner of Central Goods and Services Tax or a Principal Commissioner/Commissioner of Central Goods and Services Tax or an Additional/Joint or Deputy/Assistant Commissioner of Central Goods and Service Tax to appoint officers of Central Goods and Services Tax below the rank of Assistant Commissioner of Central Goods and Services Tax.

B. Powers of Officers Section 6(1) of the Act says that subject to such conditions and limitations as the Board may impose, an officer of the Central Goods and Services Tax may exercise the powers and discharge the duties conferred or imposed on him under this Act while subsection (2) of section 6 says, an officer of Central Goods and Services Tax may exercise the powers and discharge the duties conferred or imposed under this Act on any other officer of Central Goods and Services Tax who is subordinate to him and subsection (3) of section 6 says that notwithstanding anything contained in this section, a Commissioner (Appeals) shall not exercise the powers and discharge the duties conferred or imposed on an officer of Central Goods and Services Tax other than those specified in of this Act.

C. Levy and Collection of Tax - Levy of Tax - Section 7 of the CGST or SGST2 on all intra-State supplies of goods and/or services at the rate specified in the Schedule be levied and collected in such manner as may be prescribed under the rules, the tax shall be paid by every taxable person3 in accordance with the

[153] Cbic/gov/resources_htdocs/gst/cgst_act (last visited on December 31, 2022 at 3:01 am)

provisions of this Act and the Central or State Government may, by notification, specify categories of supply of services the tax on which is payable on reverse charge basis and all the provisions of this Act shall apply mutatis mutandis for collection of such tax. Section 8(1) of the Act the Central or a State Government may, subject to such conditions and restrictions as may be prescribed, permit a registered taxable person, whose turnover in a financial year does not exceed fifty lacs of rupees, to pay, in lieu of the tax payable by him, an amount calculated at such rate, not less than one percent, of the turnover during the year. But no such permission shall be granted to a taxable person who effects any Inter State supplies of goods and or Services or to a person who is liable to pay tax under sub-section (3) of section 7 of Act.
Subsection (2) of Section 8 says that a taxable person to whom the provisions of subsection (1) apply shall not charge any tax on supplies made by him nor shall he be entitled to any credit of input tax and subsection (3) says that if the officer has reasons to believe that a taxable person was not eligible to pay tax under sub-section (1), such person shall, in addition to any tax that may be payable by him under other provisions of this Act, be liable to a penalty equivalent to the amount of tax payable. But no penalty shall be imposed without affording a reasonable opportunity of being heard to the person concerned. Subsection (4) of Section 8 makes it clear that the Central or a State Government may, subject to such conditions, restrictions and limitations as may be prescribed in this behalf, permit a registered taxable person engaged in providing a specified category of taxable service to pay, in lieu of the tax payable by him, an amount calculated at such rate.[154]

D. Taxable Person - Taxable person Section 9(1) of the Act says that taxable Person means a person who carries on any business at any place in India or State of and who is registered or required to be registered under Schedule III of this Act for payment of tax.[155]
Person exempt while section 9(2) of the Act says that the Central or a State Government may, by notification, specify the category of persons who may be exempted from obtaining registration under this Act. Authorities as taxable person Section 9(3) of the Act opined that the Central or State Government or any local authority shall be regarded as a taxable person in respect of activities or transactions in which they are engaged as public authorities other than the activities or transactions which may be exempted.
Not taxable person By Section 9(4) of the Act a person who provides services as an employee to his employer in the course of, or in relation to his employment, or by any other legal ties creating the relationship of employer and employee as regards working conditions or remunerations and employer’s liability, shall not be considered as a taxable person.
The Power to Grant Exemption: Power of Central or State government - The power to grant exemption from tax is under Section 10 of the Act. Section 10(1) of the Act says that if the Central or a State Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, exempt generally either absolutely or subject to such conditions as may be specified in the notification, goods and/or services from the whole or any part of the tax leviable thereon. The explanation added to section 10(1) says that where an exemption under sub-section (1) in respect of any goods and/or services from the whole of the tax leviable thereon has been granted absolutely, the taxable person providing such goods and/or services shall not pay the tax on such goods and/or services.
Time limit Section 10(2) makes it clear that if the Central or a State Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by special order

[154] ID
[155] Cleartax/taxable-person (last visited on January 1, 2023 at 1:00 pm)

in each case, exempt from payment of tax and Section 10(3) says that the Central or a State Government may, if it considers necessary or expedient so to do for the purpose of clarifying the scope or applicability of any of provisions may issue notification. Every notification issued under sub-section (1) or sub-section (3) and every order issued under sub-section (2) shall come into force on the date of its issue by the Central or a State Government for publication in the Official Gazette and be made available in the official website of the department of the Central or a State Government.

Inspection, Search, Seizure and Arrest- Power of Inspection, Search and Seizure under Section 68 of Act deals with a very wide power of administrative authorities. It says where the CGST/SGST officer, not below the rank of Joint Commissioner, has reasons to believe that:[156]

i. Authorisation by whom - a taxable person has suppressed any transaction relating to supply of goods and/or services or the stock of goods in hand, or has claimed input tax credit in excess of his entitlement under the Act or has indulged in contravention of any of the provisions of this Act or rules made there under to evade tax under this Act; or any person engaged in the business of transporting goods or an owner or operator of a warehouse or a go down or any other place in keeping goods which have escaped payment of tax or has kept his accounts or goods in such a manner as is likely to cause evasion of tax payable under this Act, He may authorize in writing any other officer of CGST/SGST to inspect any places of business of the taxable person or the persons engaged in the business of transporting goods or the owner or the operator of warehouse or godown or any other place.

Subsection (2) says that where the CGST/SGST officer, not below the rank of Joint Commissioner, either pursuant to an inspection carried out under sub-section (1) or otherwise, has reasons to believe that any goods liable to confiscation or any documents or books or things, which in his opinion shall be useful for or relevant to any proceedings under this Act, are secreted in any place, he may authorize in writing any other CGST/SGST officer to search and seize or may himself search and seize such goods, documents or books or things: Provided that the goods, documents or books or things so seized shall be retained by such officer only for so long as may be necessary for their examination and for any inquiry or proceeding under this Act.

Power of authorized officers - Brake open Subsection (3) says that the officer authorized under sub-section (2) shall have the power to seal or break open the door of any premises or to break open any almirah, box, receptacle in which any goods, accounts, registers or documents of the person are suspected to be concealed, where access to such premises, almirah, box or receptacle is denied. Copy of document Subsection (4) says that the person from whose custody any documents are seized under sub-section (2) shall be entitled to make copies thereof or take extracts there from in the presence of an officer of CGST/SGST.[157]

Return the goods where any goods are seized under sub-section (2) and no notice in respect thereof is given within sixty days of the seizure of the goods, the goods shall be returned to the person from whose possession they were seized. Provided that the period of sixty days may, on sufficient cause being shown, be extended by the competent authority for a further period not exceeding sixty days at a time subject to a maximum of six months.

Nature of goods - The Central or a State Government may, having regard to the perishable or hazardous nature of any goods, depreciation in the value of the goods with the passage of time, constraints of storage space for the goods or any other relevant considerations, by notification, specify the goods or class of

[156] id
[157] id

goods which shall, as soon as may be after its seizure under sub-section (1), be disposed of by the proper officer in such manner as the Central or a State Government may determine.
Inventory where any goods, being goods specified under sub-section (5), have been seized by a proper officer under sub-section (2), he shall prepare an inventory of such goods in the manner as may be prescribed in this behalf. The provisions of the Code of Criminal Procedure, 1973 (Act 2 of 1974), relating to search and seizure, shall, so far as may be, apply to search and seizure under this section subject to the modification that sub-section (5) of section 165 of the said Code shall have effect as if for the word "Magistrate", wherever it occurs, the words Principal Commissioner/Commissioner of CGST/Commissioner of SGST were substituted.
Power to arrest- If the Commissioner of CGST or the Commissioner of SGST has reason to believe that any person has committed an offence punishable under clause (i) or (ii) of subsection (1) or under sub-section (2) of section 63, he may, by order, authorize any CGST/SGST officer to arrest such person. Where a person is arrested for any cognizable offence, every officer authorized to arrest a person shall inform such person of the grounds of arrest and produce him before a magistrate within twenty four hours.
In the case of a non-cognizable and bailable offence, the Deputy Commissioner or the Assistant Commissioner of CGST/SGST, as the case may be, shall, for the purpose of releasing an arrested person on bail or otherwise, have the same powers and be subject to the same provisions as an officer-in-charge of a police station has, and is subject to, under section 436 of the Code of Criminal Procedure, 1973 and all arrests made under this section shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973 relating to arrest.
Power to Summon Persons to give Evidence and Produce Documents in Inquiries under this Act Section 70 of the Act deals with power to Summon Person subsection (1) of Section 70 says that any (CGST/SGST officer), duly authorized by the competent authority in this behalf, shall have power to summon any person whose attendance he considers necessary either to give evidence or to produce a document or any other thing in any inquiry which such officer is making for any of the purposes of this Act. A summons to produce documents or other things may be for the production of certain specified documents or things or for the production of all documents or things of a certain description in the possession or under the control of the person summoned.[158]
All persons so summoned shall be bound to attend, either in person or by an authorized agent, as such officer may direct; and all persons so summoned shall be bound to state the truth upon any subject respecting which they are examined or make statements and produce such documents and other things as may be required. Provided that the exemptions under Sections 132 and 133 of the Code of Civil Procedure, 1908 (5 of 1908) shall be applicable to requisitions for attendance under his section1 and every such inquiry as aforesaid shall be deemed to be a "judicial proceeding" within the meaning of section 193 and section 228 of the Indian Penal Code, 1860 (45 of 1860).
Section 71 of the Act deals with access to business premises. Any CGST/SGST officer authorized by the (Additional/Joint Commissioner of CGST or SGST) shall have access to any business premises to inspect books of account, documents, computers, computer programs, computer software (whether installed in a computer or otherwise) and such other things as he may require and which may be available at such premises, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue. Every person in charge of premises referred to in sub-section (1) shall,

[158] Supra

on demand, make available to the officer authorized under sub-section (1) or the audit party deputed by the Additional/Joint Commissioner of CGST or SGST or the Comptroller and Auditor General of India or a cost accountant or chartered accountant nominated under section 55 of the Act, as the case may be:

i. the records as prepared or maintained by the registered taxable person and declared to the CGST/SGST officer as may be prescribed;
ii. trial balance or its equivalent;
iii. Statements of annual financial accounts, duly audited, wherever required;
iv. cost audit report, if any, under section 148 of the Companies Act, 2013 (18 of 2013);
v. the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961); and
vi. any other relevant record, for the scrutiny of the officer or audit party or the cost accountant or chartered accountant, as the case may be, within a reasonable time, not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the cost accountant or chartered accountant, as the case may be.

Officers required to Assist CGST/SGST officers Under section 72 the authorized offices are entitled to requires to the officer of police, customs etc. Section 72(1) says that all officers of Police, Customs and those of State/Central Government engaged in collection of goods and services tax and all officers of State/Central Government engaged in the collection of land revenue, and all village officers are hereby empowered and required to assist the CGST/SGST Officers in the execution of this Act. The (Board/Commissioner of SGST) may, by notification, empower and require any other class of officers to assist the CGST/SGST Officers in the execution of this Act.

CASES: Tvl. Suguna Cutpiece Center v. The Appellate Deputy Commissioner (ST) (GST) (Madras High Court) W.P. Nos. 25048, 25877 and 14508 of 2021

There are some of the petitioner had filed an appeal beyond the period of limitation either for filling application for revocation of cancellation, while some of them had directly filed a writ petition against the order cancelling the registration. While some of them filed appeal beyond the statutory period of limitation, there was further delay in filing the writ petition. However, considering the overall facts and circumstances of the case, it was held that no useful purpose will be served by keeping those petitioners out of the GST regime, as such assessee would still continue to do business and supply goods/services. By not bringing them back to the GST fold/regime, would not further the interest of the revenue.

High Court permitted the petitioner to file returns for the period prior to the cancellation of registration, if such returns have not already been filed, together with tax defaulted and late fee, within a period of sixty days. Such payment of tax/interest/penalty/ fine/fee etc. shall not be allowed to be made or adjusted from and out of any Input Tax Credit which may be lying unutilized. On payment of tax, interest, penalty, and late fee, if any, and uploading of returns, the petitioner is at liberty to file the application for revocation of cancellation of registration within a period of 7 days along with the petition for condonation of delay.

Tvl. Marimuthu Venkateshwaran versus The Commissioner W.P. (MD) No.25865 of 2022

Petition filed under Article 226 of the Constitution of India praying for issuance of Writ of Certiorarified Mandamus. This Writ Petition has been filed challenging the order of cancellation of the Registration Certificate on the premise that the Petitioner has failed to file Goods and Services Tax monthly returns. Consequently, the Registration Certificate was cancelled with effect from 02.02.2022 in view of Section 29 of the Central Goods and Services Tax Act, 2017.

Wherein the assessee was allowed to file the returns for the period subsequent to the cancellation of the registration by declaring the correct value of supplies and allowed payment of GST.

### 4.2 FIRST APPEAL AND REVISION IN GST

First Appeals to First Appellate Authority Section 82(1) says that any person aggrieved by any decision or order passed under this Act by an adjudicating authority may appeal to the First Appellate Authority i.e. Commissioner (Appeal)[159]

Section 82(2) says that the Commissioner of GST may, of his own motion, call for and examine the record of any proceeding in which an adjudicating authority has passed any decision or order under this Act, for the purpose of satisfying himself as to the legality or propriety of the said decision or order and may, by order, direct any GST Officer subordinate to him to apply to the first appellate authority for the determination of such points arising out of the said decision or order as may be specified by the Commissioner of GST in his order.

By section 82(3) where, in pursuance of an order under sub-section (2), the authorized officer makes an application to the first appellate authority, such application shall be dealt with by the first appellate authority as if it were an appeal made against the decision or order of the GST Officer and the provisions of this Act relating to appeals shall, so far as may be, apply to such application and by subsection (4) of section 82 every appeal under this section shall be filed within three months from the date on which the decision or order sought to be appealed against is communicated to the Commissioner of GST, or, as the case may be, the other party preferring the appeal. Provided that the first appellate authority may, if he is satisfied that the appellant was prevented by sufficient cause from presenting the appeal within the aforesaid period of three months, allow it to be presented within a further period of one month.

By subsection (5) of section 82 every appeal shall be in the prescribed form and shall be verified in the prescribed manner. But by subsection (6) of section 82 no appeal shall be filed under sub-section (1) unless the appellant has deposited an amount of ten percent of the amount in dispute in pursuance of the decision or order sought to be appealed against. Explanation for the purposes of this sub-section, the expression "amount in dispute" shall include –

i. Amount determined under section i.e. the section relating to demands.
ii. Amount of erroneous or irregular input tax credit
iii. Amount payable under rule of the GST Credit Rules 2010.
iv. Amount of penalty imposed.

Provided that nothing in this sub-section shall affect the right of the departmental authorities to apply to the first appellate authority for ordering a higher amount of pre-deposit in a case which is considered by the Commissioner of GST to be a "serious case". Explanation says that for the purpose of this proviso, the expression "serious case" shall mean a case involving a disputed tax liability of not less than Rupees Twenty Five Crores and where the Commissioner of GST is of the opinion for reasons to be recorded in writing that the department has a very good case against the taxpayer.[160]

Subsection (7) says that the First Appellate Authority shall give an opportunity to the appellant to be heard, if he so desires and by subsection (8) of section 82 the First Appellate Authority may, if sufficient cause is shown at any stage of hearing of an appeal, grant time, from time to time, to the parties or any of them and adjourn the hearing of the appeal for reasons to be recorded in writing. Provided that no such adjournment shall be granted more than three times to a party during hearing of the appeal.

[159] Cbic/gov/resources//htdocs-cbec_gst_flyer_chapter (last visited on January 1, 2023 at 1:09 pm)
[160] ID

By section 42(9) the First Appellate Authority may, at the hearing of an appeal, allow an appellant to go into any ground of appeal not specified in the grounds of appeal, if the First Appellate Authority is satisfied that the omission of that ground from the grounds of appeal was not willful or unreasonable.
By section 42(10) the First Appellate Authority shall, after making such further inquiry as may be necessary, pass such order, as he thinks just and proper, confirming, modifying or annulling the decision or order appealed against, or may for reasons to be recorded refer the case back to the adjudicating authority with such directions as the First Appellate Authority may think fit, for a fresh adjudication or decision, as the case may be, after taking additional evidence, if necessary.
Provided that an order enhancing any penalty or fine in lieu of confiscation or confiscating goods of greater value or reducing the amount of refund shall not be passed unless the appellant has been given a reasonable opportunity of showing cause against the proposed order. Provide further that where the First Appellate Authority is of the opinion that any tax has not been levied or paid or has been short-levied or short-paid or erroneously refunded, no order requiring the appellant to pay such tax shall be passed unless the appellant is given notice within the time limit specified in section1 to show cause against the proposed order.
By section 42(11) the order of the First Appellate Authority disposing of the appeal shall be in writing and shall state the points for determination, the decision thereon and the reasons for the decision and subsection (12) of section 42 the First Appellate Authority shall, where it is possible to do so, hear and decide every appeal within a period of one year from the date on which it is filed.
Subsection (13) says that on disposal of the appeal, the First Appellate Authority shall communicate the order passed by him to the appellant and to the adjudicating authority and by section 42(14) a copy of the order passed by the First Appellate Authority shall also be sent to the jurisdictional Commissioner of CGST (or the authority designated by him in this behalf) and the jurisdictional Commissioner of SGST or the authority designated by him in this behalf.
CASES: Vinod Kumar v. Commissioner Uttarakhand State GST and others (Special Appeal No.123 of 2022)
In the present case, the appellant was a professional mason who was given a GST registration number after he submitted an application for GST registration. The Uttarakhand Act required the appellant to file his return every six months, but he did not do so for a continuous period of six months. As a consequence, his registration was cancelled. He appealed, but his appeal was denied by the First Appellate Authority on the ground of being late. After that, the Court received a writ petition from the appellant, which was likewise dismissed as unmaintainable by the single judge bench because Section 107 of the Uttarakhand Goods and Services Tax Act, 2017, provided the appellant with an additional and effective remedy. The appellant appealed against the decision of the single judge bench. The appellant contended that the High Court can exercise its jurisdiction under Article 226 of The Indian Constitution even in situations where there were effective and alternative remedies.
The court emphasised that a notification posted on the website was insufficient and that a personal notice had to be delivered before the registration could be cancelled. As a result, the Court can assert its authority under Article 226 of the Constitution and the Commissioner’s order can be challenged in a writ jurisdiction.
The court noted how tight the law passed by Parliament is in regards to appeals. The First Appellate Authority is not given unlimited authority by the legislation to prolong the limitation period longer than a month after the statutory limitation expires. As a result, the appellant experiences hardship and is without

recourse. In such situations, the party in question may starve as a result of being denied a means of subsistence by the cancellation of GST registration.

The decision of the single judge bench was quashed by the Court. The Court also observed that due to the cancellation of his GST Registration number, the appellant was denied of his right to livelihood. He had no other legal recourse. Given that the right to livelihood is derived from the right to life, which is protected by Article 21 of the Indian Constitution, cancellation of GST registration would be a violation of Article 21. Accordingly, it was held by the Uttarakhand High Court that the writ petition is maintainable and that the right to livelihood is affected by the cancellation of the GST registration.

In the case of Cheema Local Carrier & Construction v. Assistant Commissioner SGST W.P. (T) No. 51 of 2021

It has been contended that before cancellation of the registration certificate under Section 29 of the CGST Act, the ingredients of Rule 21 of the CGST Rules, which mandate the ground of cancellation of registration must exits; whereas in this case the omnibus show cause notice was issued wherein no particulars were shown as to which contravention has been made. Furthermore, it is stated that the blocking of the bank account was made on 17.02.2021 under Section 83 of the CGST Act and reply having been filed on 23.02.2021 thereafter no hearing was given as per Rule 159(5) of the CGST Rules, which mandate that when the objection is filed to the account against attachment, the Commissioner after affording an opportunity of being heard may release the said property/ account. Whereas in this case, no hearing was given which resulted into closure of the business. He further submits that the input tax credit ledger was also blocked without following the procedure as provided under the law. Therefore, he submits that blocking of the bank account and cancellation of registration may be stayed so that the petitioner at least may start his business.

### 4.3 APPEAL BEFORE APPELLATE TRIBUNAL

Constitution of the National Appellate Tribunal Section 43(1) says that the Central Government shall on the recommendation of the GST Council constitute a National Goods and Services Tax Appellate Tribunal i.e. appellate tribunal.[161]

Section 43(2) says that the Appellate Tribunal shall be headed by a National President. Section 43(3) says that the Appellate Tribunal shall have one branch at every place where a High Court has a Bench, which shall be called as the State GST Tribunal.

By section 43 (4) and (5) every State GST Tribunal will be headed by a State President and every State GST Tribunal shall consist of as any Members Judicial and Technical as may be prescribed, to exercise the powers and discharge the functions conferred on the Appellate Tribunal by this Act.

Subsection (6) of section 43 says that the qualifications, eligibility conditions and the manner of selection and appointment of the National President, the State Presidents, and the Members shall be as may be prescribed. By subsection (7) of section 43 the powers and functions of the National President and the State Presidents shall be as may be prescribed and as per the provision of section 43(8) on ceasing to hold office, the National President, the State Presidents or other Members of the Appellate Tribunal shall not be entitled to appear, act or plead before the Appellate Tribunal.

[161] Mondaq/india/sales-taxes-vat-gst/constitution_of_the_gst_appelate_tribunal (last visited on January 1, 2023 at 1:09 pm)

By section 84(1) any person aggrieved by an order passed by the first appellate authority under sub-section (10) of section 82 may appeal to the Appellate Tribunal against such order.
By section 84(2) the Appellate Tribunal may, in its discretion, refuse to admit any such appeal where the tax involved or the difference in tax involved or the amount of fine or penalty determined by such order, does not exceed two lakh rupees.
By section 84(3) the Board or the corresponding body in the states may by order constitute such Committees as may be necessary for the purposes of filing appeals against the orders of the first Appellate Authority. Every such Committee shall consist of two designated officers of GST.
By section 84(4) the Committee of designated officers of GST may, if it is of the opinion that an order passed by the first Appellate Authority under sub-section (10) of section 82, is not legal or proper, direct any GST Officer authorized by it in this behalf to apply to the Appellate Tribunal for the determination of such points arising out of the order passed by the first Appellate Authority as may be specified by the Committee in its order. Provided that where the Committee of designated officers of GST differs in its opinion, it shall be deemed that the Committee has formed the opinion that the order under review is not legal or proper.
By section 84(5) where in pursuance of an order under sub-section (4) the authorized officer makes an application to the Appellate Tribunal, such application shall be dealt with by the Appellate Tribunal as if it were an appeal made against the order of the first Appellate Authority and the provisions of this Act shall, so far as may be, apply to such application, as they apply in relation to appeals filed under sub-section (1).
Section 84(6) says that every appeal under this section shall be filed within three months from the date on which the order sought to be appealed against is communicated to the Commissioner of GST, or, as the case may be, the other party preferring the appeal.
By section 84(7) on receipt of notice that an appeal has been preferred under this section, the party against whom the appeal has been preferred may, notwithstanding that he may not have appealed against such order or any part thereof, file, within forty-five days of the receipt of the notice, a memorandum of cross-objections, verified in the prescribed manner, against any part of the order appealed against and such memorandum shall be disposed of by the Appellate Tribunal as if it were an appeal presented within the time specified in sub-section (6) section 82.
By section 84(8) the Appellate Tribunal may admit an appeal or permit the filing of a memorandum of cross-objections after the expiry of the period referred to in subsection (6) or sub-section (7) respectively, if it is satisfied that there was sufficient cause for not presenting it within that period.
By section 84(9) an appeal to the Appellate Tribunal shall be in the prescribed form and shall be verified in the prescribed manner and shall be accompanied by a prescribed fee. Provided that no such fee shall be payable in the case of an appeal referred to in subsection (5) or a memorandum of cross-objections referred to in sub-section (7).
By section 84(10) no appeal shall be filed under sub-section (1) of section (10) unless the appellant has deposited an amount of ten percent of the amount in dispute in pursuance of the decision or order sought to be appealed against in addition to the amounts deposited under sub-section (6) of section 82.
Explanation for the purposes of this sub-section, the expression "amount in dispute" shall include –

i. Amount determined under section i.e. the section relating to demands.
ii. Amount of erroneous or irregular input tax credit.
iii. Amount payable under rule of the GST Credit Rules 2010.

iv. Amount of penalty imposed.

Provided that nothing in this sub-section shall affect the right of the departmental authorities to apply to the appellate tribunal for ordering a higher amount of pre deposit in a case which is considered by the Committee of designated officers of GST to be a "serious case". Explanation: For the purpose of this proviso, the expression "serious case" shall mean a case involving a disputed tax liability of not less than Rupees Twenty Five Crores and where the Committee of designated officers of GST is of the opinion for reasons to be recorded in writing that the department has a very good case against the taxpayer. Clause (b) says that the provisions of clause (a) shall also apply mutatis mutandis to cross objections filed under sub-section (7). [162]

Every application made before the Appellate Tribunal –

a) in an appeal for rectification of mistake or for any other purpose; or

b) for restoration of an appeal or an application, shall be accompanied by a prescribed fee Provided that no such fee shall be payable in the case of an application filed by or on behalf of the Commissioner of GST under this sub-section.

Orders of Tribunal By section 85(1) the Appellate Tribunal may, after giving the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or annulling the decision or order appealed against or may refer the case back to the First Appellate Authority, who passed the decision or order appealed against, or to the original adjudicating authority, with such directions as the Appellate Tribunal may think fit, for a fresh adjudication or decision, as the case may be, after taking additional evidence, if necessary.

By section 85(2) the Appellate Tribunal may, if sufficient cause is shown, at any stage of hearing of an appeal, grant time, from time to time, to the parties or any of them and adjourn the hearing of the appeal for reasons to be recorded in writing. Provided that no such adjournment shall be granted more than three times to a party during hearing of the appeal.

By section (3) the Appellate Tribunal may amend any order passed by it under subsection (1) so as to rectify any mistake apparent from the record, if such mistake is brought to its notice by the Commissioner of GST or the other party to the appeal within a period of three months from the date of the order. Provided that no amendment which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the other party, shall be made under this sub-section, unless the Appellate Tribunal has given notice to him of its intention to do so and has allowed him a reasonable opportunity of being heard.

Section 85(4) says that the Appellate Tribunal shall, where it is possible to do so, hear and decide every appeal within a period of one year from the date on which it is filed.

By section 85(5) the Appellate Tribunal shall send a copy of every order passed under this section to the First Appellate Authority against whose order the appeal was filed, the appellant or where the appeal was filed by the Department, then the respondent, the jurisdictional Commissioner of CGST and the jurisdictional Commissioner of SGST and by section 85(6) save as provided in section 89 or section 90, orders passed by the Appellate Tribunal on an appeal shall be final.

Procedure of Appellate Tribunal - The Procedure of Appellate Tribunal is given in section 86. Section 86(1) says the powers and functions of the Appellate Tribunal may be exercised and discharged by

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Benches constituted by the National President or the State Presidents from amongst the members thereof and by section 86(2).
Subject to the provisions contained in sub-section (3), a Bench shall consist of one Member Judicial, one Member Technical - CGST and one Member Technical SGST.
By section 86(3) the National President or a State President, or any other member of the Appellate Tribunal authorized in this behalf by the National President or a State President, may, sitting singly, dispose of any case which has been allotted to the Bench of which he is a member, where in any disputed case, the tax involved or the difference in tax involved or the amount of fine or penalty involved, does not exceed fifty lakh rupees.
By section 86(4) if the members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority, if there is a majority, but if the members are equally divided, they shall state the point or points on which they differ and make a reference to the National President or the State President who shall either hear the point or points himself or refer the case for hearing on such point or points by one or more of the other members of the Appellate Tribunal and such point or points shall be decided according to the opinion of the majority of these members of the Appellate Tribunal who have heard the case, including those who first heard it.
By section 86(5) subject to the provisions of this Act, the Appellate Tribunal shall have power to regulate its own procedure and the procedure of the Benches thereof in all matters arising out of the exercise of its powers or of the discharge of its functions, including the places at which the Benches shall hold their sittings.
As per section 86(6) the Appellate Tribunal shall, for the purposes of discharging its functions, have the same powers as are vested in a court under the Code of Civil Procedure, 1908, when trying a suit in respect of the following matters, namely: (a) discovery and inspection; (b) enforcing the attendance of any person and examining him on oath; (c) compelling the production of books of account and other documents; and (d) Issuing commissions.
As per section 86(7) Any proceeding before the Appellate Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 and for the purpose of section 196 of the Indian Penal Code, and the Appellate Tribunal shall be deemed to be a Civil Court for all the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973.
CASES: Prakash Purohit (RANU SINGH) Vs Commissioner, Central Goods and Service Tax & Others. W.P. No. 16269/2022
Ordered for considering and deciding the appeal of the assessee against cancellation of registration in accordance with law, which was earlier dismissed as time-barred. While passing the order, it was observed that in absence of GST registration the assessee would not be able to continue its business and thus would be deprived of his livelihood.
The petitioner filed the writ petition before the Hon'ble High Court challenging the order dated 28.09.2022, whereby his appeal against cancellation of registration was dismissed on the ground of being time-barred.
Facts of the Case:
1. The petitioner is a dealer under GST Act. The registration of the petitioner was cancelled by the competent authority vide order dated 11.04.2022.
2. That appeal against the cancellation of registration can be filed within three months which can be extended by a further period of 30 days. The petitioner against the said order of cancellation of registration

dated 11.04.2022, filed the e-appeal on 27.09.2022 but could not submit the hard-copy, which resulted in dismissal of the appeal as time-barred vide order dated 28.09.2022.
The Hon'ble High Court after considering the submissions made and facts of the case, found that it cannot be denied that in absence of GST registration, the petitioner would not be able to continue his business and thus, would be deprived of livelihood which amounts to violation of right to life and liability as enshrined in Article 21 of the Constitution of India.
The Hon'ble High Court with the above discussions, set aside the impugned order dated 28.09.2022, giving liberty to the petitioner to file the appeal against the cancellation of GST registration before the competent authority. Upon such appeal being filed, the same shall be considered and decided on all aspects in accordance with law excluding the bar of limitation in preferring the appeal by the petitioner.

### 4.4 APPEAL BEFORE HIGH COURT AND SUPREME COURT

Appeal to the High Court- Section 89 of the Act deals with appeal to High Court section 89(1) says the Commissioner of GST or the other party aggrieved by any order passed by the Appellate Tribunal under section 84 may file an appeal to the High Court and the High Court may admit such appeal if it is satisfied that the case involves a substantial question of law.[163]
By section 89(2) notwithstanding the provisions of sub section (1), no appeal shall lie to High Court against an order passed by the appellate tribunal under section 85 if such order relates, among other things, to: (i) a matter where two or more states, or a state and centre, have a difference of views regarding the treatment of a transaction(s) being intra-State or inter-State; or (ii) a matter where two or more states, or a state and centre, have a difference of views regarding place of supply.
By section 89(3) an appeal under sub-section (1) shall be - (a) filed within one hundred and eighty days from the date on which the order appealed against is received by the Commissioner of GST or the other party; (b) accompanied by a prescribed fee; (c) in the form of a memorandum of appeal precisely stating therein the substantial question of law involved.
By section 89(4) the High Court may admit an appeal after the expiry of the period of one hundred and eighty days referred to in clause (a) of sub-section (3), if it is satisfied that there was sufficient cause for not filing the same within that period.
By section 89(5) where the High Court is satisfied that a substantial question of law is involved in any case, it shall formulate that question and by subsection (6) of section 89 the appeal shall be heard only on the question so formulated, and the respondents shall, at the hearing of the appeal, be allowed to argue that the case does not involve such question. Provided that nothing in sub-section (6) shall be deemed to take away or abridge the power of the Court to hear, for reasons to be recorded, the appeal on any other substantial question of law not formulated by it, if it is satisfied that the case involves such question.
By section 89(7) the High Court shall decide the question of law so formulated and deliver such judgment thereon containing the grounds on which such decision is founded and may award such cost as it deems fit.
As per section 89(8) the High Court may determine any issue which - (a) has not been determined by the Appellate Tribunal; or (b) has been wrongly determined by the Appellate Tribunal, by reason of a decision on such question of law as is referred to in sub-section (1) or subsection (6).

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By section 89(9) when an appeal has been filed before the High Court, it shall be heard by a bench of not less than two Judges of the High Court, and shall be decided in accordance with the opinion of such Judges or of the majority, if any, of such Judges.

As per section 89(10) where there is no such majority, the Judges shall state the point of law upon which they differ and the case shall, then, be heard upon that point only, by one or more of the other Judges of the High Court and such point shall be decided according to the opinion of the majority of the Judges who have heard the case including those who first heard it.

By section 89(11) where the High Court delivers a judgment in an appeal filed before it under this section, effect shall be given to such judgment by either side on the basis of a certified copy of the judgment and by subsection 12 of section 89 which says save as otherwise provided in this Act, the provisions of the Code of Civil Procedure, 1908 relating to appeals to the High Court shall, as far as may be, apply in the case of appeals under this section.

CASE LAW: The Court in the case Bright Star Plastic Industries v. Additional Commissioner [2021 TIOL 1965 HC ORISSA GST] noted that the appellate order also only proceeded on the basis that this was a preventive measure and failed to discuss the explanation offered by the assessee. Allowing the petition, the High Court observed that to attribute fraud to the purchasing dealer, the Department needs to satisfy a high threshold of showing that the purchaser indulged in the transactions with the full knowledge that the selling dealer was non-existent.

Subhash Kumar Singh V.S State of Assam and Anr. 2021 (8) HC 1018

This is an application, filed under Section 439 of the Cr.P.C. seeking bail of the accused-petitioner, namely, Sri Subhash Kumar Singh, in connection with BI (E.O.) Assam Tax P.E. No. 03(03)/2021, registered under Section 132(1) (i) of Assam GST Act, 2017.

It has been, prima facie, found that the evasion of tax was more than Rs. 5 crores which necessitated the arrest of the Petitioner in compliance of the provision of Section 132 (1) (i) of the Assam GST Act, 2017. Hence, the argument put forth by the learned counsel for the Petitioner that the arrest of the Petitioner is illegal and arbitrary is devoid of any merit. This Court has also taken note of the fact, as appears from the materials in the case record, that the Petitioner evaded tax worth more than Rs. 5 crores and the investigating agency has collected materials to show that the Petitioner is the originator of the fake invoices, etc and direct documentary evidence is there in the record about the active involvement of the Petitioner in tax evasion. The investigation of the case is still continuing in order to ascertain the location of the godown and to examine other related witnesses and also for calculation of interest in view of the revised notification (the notification is specifically referred to in para 34) regarding rate of interest which keeps varying from time to time. Moreover, if the Petitioner is enlarged on bail at this stage, he is more than likely to hamper the investigation and/or tamper evidence which may likely to compromise with the entire investigation.

In case of Valerius Industries v. Union of India, reported in 2019 (30) G.S.T.L. (Guj.)

The High Court has observed that any opinion of the authority in this regard for attachment of the like nature there has to be some relevance in order to establish if an official examination as to the sufficiency of the ground on which the authority may act in forming its opinion which follows the provisional attachment of the bank account and cancellation of registration. The existence of relevant material would be pre-conditional to the formation of opinion.

Considering the aforesaid situation, if the reply is not filed, the attachment order of the bank account and cancellation of registration do not show that what grounds were existing to pass such order. Since the business of the petitioner stands closed for attachment of the bank account and cancellation of registration, strict compliance is required as per the Act and Rules.

Appeal to the Supreme Court - By section 90(1) an appeal shall lie to the Supreme Court from any judgment or order passed by the High Court in an appeal made under section 89, in any case which, on its own motion or on an oral application made by or on behalf of the party aggrieved, immediately after passing of the judgment or order, the High Court certifies to be a fit one for appeal to the Supreme Court.[164]
By section 90(2) an appeal shall lie to the Supreme Court from any order passed by the Appellate Tribunal under section 85 where such order is of the nature referred to in sub section (2) of section 89. (a) Hearing before Supreme Court
By section 91(1) the provisions of the Code of Civil Procedure, 1908 relating to appeals to the Supreme Court shall, so far as may be, apply in the case of appeals under section 90 as they apply in the case of appeals from decrees of a High Court: Provided that nothing in this sub-section shall be deemed to affect the provisions of section 92. By subsection (2) the costs of the appeal shall be in the discretion of the Supreme Court. By subsection (3) where the judgment of the High Court is varied or reversed in the appeal, effect shall be given to the order of the Supreme Court in the manner provided in section 89 in the case of a judgment of the High Court.
Sums due to be paid notwithstanding appeal etc. Section 92 says that notwithstanding that an appeal has been preferred to the High Court or the Supreme Court, sums due to the Government as a result of an order passed by the Appellate Tribunal under sub-section (1) of section 85 or an order passed by the High Court under section 89, as the case may be, shall be payable in accordance with the order so passed. Exclusion of time taken for copy.
Section 93 says in computing the period of limitation prescribed for an appeal or application under this Chapter, the day on which the order complained of was served, and if the party preferring the appeal or making the application was not furnished with a copy of the order when the notice of the order was served upon him, the time requisite for obtaining a copy of such order, shall be excluded.
Appeal not to be filed in certain cases. By section 94(1) an appeal cannot be filed where the Board or the State Government may, from time to time, issue orders or instructions or directions fixing such monetary limits, as it may deem fit, for the purposes of regulating the filing of appeal or application by the GST officer under the provisions of this Chapter.
While subsection (2) says where, in pursuance of the orders or instructions or directions, issued under subsection (1), the GST officer has not filed an appeal or application against any decision or order passed under the provisions of this Act, it shall not preclude such GST officer from filing appeal or application in any other case involving the same or similar issues or questions of law.
As per subsection (3) notwithstanding the fact that no appeal or application has been filed by the GST Officer pursuant to the orders or instructions or directions issued under sub-section (1), no person, being a party in appeal or application shall contend that the GST officer has acquiesced in the decision on the disputed issue by not filing an appeal or application. By subsection (4) the Appellate Tribunal or Court hearing such appeal or application shall have regard to the circumstances under which appeal or

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application was not filed by the GST Officer in pursuance of the orders or instructions or directions issued under sub-section (1). Non Appealable decisions and orders. Section 95 says notwithstanding anything to the contrary in any provisions of this Act, no appeal shall lie against any decision taken or order passed by a GST officer if such decision taken or order passed relates to any one or more of the following matters:- (a) An order of the Commissioner or other competent authority for transfer of proceeding from one officer to another officer; (b) An order pertaining to the seizure or retention of books of account, register and other documents; or (c) An order sanctioning prosecution under the Act.

As per section 96 in computing the period of limitation prescribed for an appeal or application under the Act, the day on which the order complained of was served, and if the party preferring the appeal or making the application was not furnished with a copy of the order when the notice of the order was served upon him, the time requisite for obtaining a copy of such order shall be excluded.

Procedure on receipt of application1 Section 102(1) says on receipt of an application, the Authority shall cause a copy thereof to be forwarded to the officers as may be prescribed and, if necessary, call upon him to furnish the relevant records. Provided that where any records have been called for by the Authority in any case, such records shall, as soon as possible, be returned to the said prescribed officers. By subsection (2) the Authority may, after examining the application and the records called for and after hearing the applicant or authorized representative of the applicant as well as the authorized representative of the prescribed officers, by order, either admit or reject the application.

Provided that the Authority shall not admit the application where the question raised in the application is:

a) already pending in the applicant's case before any Appellate authority, the Appellate Tribunal or any Court;

b) the same as in a matter already decided by the Appellate Tribunal or any Court;

c) the same as in a matter already pending in any proceedings in the applicant's case under any of the provision of the Act;

d) the same as in a matter in the applicant's case already decided by the adjudicating authority or assessing authority, whichever is applicable.

Provide further that no application shall be rejected under this sub-section unless an opportunity has been given to the applicant of being heard: Provided also that where the application is rejected, reasons for such rejection shall be given in the order. While subsection (3) say a copy of every order made under sub-section (2) shall be sent to the applicant and to the prescribed officers.

As per subsection (4) where an application is admitted under sub-section (2), the Authority shall, after examining such further material as may be placed before it by the applicant or obtained by the Authority and after providing an opportunity of being heard to the applicant or authorized representative of the applicant as well as to the authorized representative of the prescribed officers, pronounce its advance ruling on the question specified in the application.

By subsection (5) where the members of the Authority differ on any question on which the advance ruling is sought, they shall state the point of difference which shall be referred to another member of the Authority and the final decision shall be as per the majority. By subsection (6) the Authority shall pronounce its advance ruling in writing within ninety days of the receipt of application.

By subsection (7) a copy of the advance ruling pronounced by the Authority, duly signed by the Members and certified in the prescribed manner shall be sent to the applicant and to the prescribed officers, as soon as may be, after such pronouncement.

Applicability of advance ruling - Section 103(1) says that the advance ruling pronounced by the Authority under this chapter shall be binding only

a) On the applicant who had sought it in respect of any matter referred to in subsection (2) of Section 101 of the application for advance ruling;

b) On the jurisdictional tax authorities in respect of the applicant. By subsection (2) the advance ruling referred to in sub-section (1) shall be binding as aforesaid unless there is a change in law or facts on the basis of which the advance ruling has been pronounced.

Advance ruling to be void in certain circumstances: Section (1) say where the Authority finds that advance ruling pronounced by it under sub-section 4 or 5 of section 102 has been obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, it may, by order, declare such ruling to be void ab-initio and thereupon all the provisions of the Act shall apply after excluding the period beginning with the date of such advance ruling and ending with the date of order under this sub-section to the applicant as if such advance ruling had never been made. Provided that no order shall be passed under this sub-section unless an opportunity has been given to the applicant of being heard. By subsection (2) a copy of the order made under sub-section (1) shall be sent to the applicant and the prescribed officers.

Powers of Authority - By section 104(1) the Authority shall, for the purpose of exercising its powers regarding discovery and inspection, enforcing the attendance of any person and examining him on oath, issuing commissions and compelling production of books of account and other records, have all the powers of a civil court under the Code of Civil Procedure, 1908.

By section 104(2) the Authority shall be deemed to be a civil court for the purposes of section 195, but not for the purposes of Chapter XXVI of the Code of Criminal Procedure, 1974 and every proceeding before the Authority shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purpose of section 196, of the Indian Penal Code.

Procedure of Authority - By section 106 the Authority shall, subject to the provisions of this Chapter, have power to regulate its own procedure in all matters arising out of the exercise of its powers under the Act.

CASES: TAHURA ENTERPRISE V.S. UNION OF INDIA Civil App No. 3422 of 2022

Court heard the learned counsel appearing for the parties and having gone through the materials on record, the only question that falls for our consideration is that whether the writ-applicants are entitled to seek any relief as prayed for.

Indisputably, the cancellation of registration was on the ground of non-filing of returns by the writ-applicants. The impugned order cancelling the registration came to be passed on 10.07.2019. The writ-applicants preferred an application before the appellate authority for revocation of cancellation of registration, but such application was not entertained on the ground that the same was time barred.

Court takes notice of the fact that the Central Board of Indirect Taxes and Customs extended the time limit for filing application for revocation of cancellation of registration and the limitation for all the orders passed on or before 12.06.2020 was to effectively commence from 31.08.2020. As the application filed by the writ- applicants for revocation of cancellation of registration was looked into by a quasi-judicial authority, the order of the Supreme Court extending the period of limitation in view of the Covid-19 Pandemic would apply and in such circumstances, the limitation in accordance with the order passed by the Central Board of Indirect Taxes and Customs could be said to have been extended.

Indisputably, the application requesting for restoration of registration was filed in July 2021 i.e. during the period when the order of the Supreme Court extending the limitation was in operation. More importantly the writ-applicants have paid the requisite amount towards tax on the basis of self-assessed liability on

06.09.2021. Since the registration of certificate of the writ- applicants came to be cancelled solely on the ground of non-filing of the returns, which was on account of non-payment of tax and the writ-applicants now having paid such outstanding tax, the registration certificate of the writ-applicants should be ordered to be restored so that they are able to continue with their business.

The impugned order dated 10.07.2019 cancelling the registration certificate is hereby quashed and set aside. The respondents are directed to forthwith restore the registration certificate of the writ-applicants under the provisions of the G.S.T. Act.

Along with case of Syed Jafar Abbas v. Commercial Tax Officer R/Special Civil App No. 14423 of 2020 HC observed that the Impugned order of cancelling the registration was not only bereft of any details but was also passed without issuing the show cause notice in Form GST REG-17.

Order cancelling GST registration cannot be passed without issuing Show Cause Notice and providing opportunity of being heard to the taxpayer.

### 4.5 AMENDED ARTICLES OF CONSTITUTION OF INDIA

Can Non-Restoration of GST Registration be considered a violation of the 'Right to Livelihood' [Article 21 – Constitution of India] Can rejection of Appeal for restoration of registration violation of the "Right to carry on Business" [Article 19(1) (g) – Constitution][165]

Durga Raman Patnaik vs Additional Commissioner of GST (Appeals) W.P. (C) No. 7728/2022

In the event the GST Registration number is not restored, the petitioner would not be in a position to raise a bill, it would affect his right. It would affect his right to livelihood (Article 21 of the Constitution of India) as also right to carry on business [Article 19(1)(g)].Every Registered Person deserves a chance to revive their registration so that they can proceed to regularize the defaults. GST authorities may impose penalties with the gravity of lapses committed by these petitioners by issuing notice.

Article 21 & Article 19(1)(g) of the Constitution of India are sacrosanct No useful purpose will be served by keeping these petitioners out of the bounds of GST regime other than to allow further leakage of the revenue and to isolate these petitioners from the mainstream. Restoring these registrations would not cause any harm to the department but on the other hand, it would be beneficial for the state to earn revenue. The GSTAT is still non-functional and any appeal against Appeal Orders can't be filed in GST Appellate mechanism.

Hon'ble Supreme Court in Suo-Motu Writ Petition (C) No.1/2020 (In re: Contagion of Covid-19 virus in prisons). In the said order, the Hon'ble Court, inter alia, emphasized the need to strictly control and limit the authorities from arresting accused in contravention of the guidelines laid down in Arnesh Kumar v. State of Bihar (2014) 8 SCC 273 during the pandemic so that the prisons can be decongested.

The Hon'ble Apex Court in Arnesh Kumar (supra) inter alia embargoed the police officers from arresting an accused unnecessarily without complying with the provisions embodied in Section 41 and Section 41(A) of the Cr.P.C. in cases where the offence is punishable with imprisonment for a term which may be less than 7 years or which may extend up to 7 years. The Hon'ble Apex Court also directed the learned Magistrates not to authorize detention casually and mechanically without recording his satisfaction on the forwarding report furnished by the police officer. In the order dated 07-05-2021, the Hon'ble Apex Court further directed the High Powered Committees constituted by the State Governments/Union Territories to consider releasing prisoners by adopting the guidelines followed by them last year, at the earliest.

[165] Taxguru/goods-and-services-act/non_restoration_gst_registration_considered_violation_right (last visited on January 2, 2022 at 1:11 am)

Make My Trip (India) Pvt. Ltd. -Vs- Union of India & Ors. (2016) SCC Online Delhi 4951.
In the said case, while examining the powers of Directorate General of Central Excise Intelligence of arrest, investigation and assessment of service tax under the provisions of the Finance Act, 1994 which is pari materia with the provisions of 'AGST Act' held that without determination of service tax and penalty by following due process of law, arrest should not be made. The decision of the Hon'ble Delhi High Court was later affirmed by the Hon'ble Apex Court in Union of India & Ors. -Vs-Make My Trip (India) Pvt. Ltd. (2019) 11 SCC 765.
The Patna High Court in this case Brajesh Enterprises v. State of Bihar [2021 VIL 709 PAT] stated that the competent authority should have condoned the delay considering the facts and circumstances and onset of pandemic. Restoration of the petitioner's registration was directed.
In this case, order for cancellation of registration was issued without referring to the contents of the show cause notice issued and the response thereto. Further, the order was non-speaking and the reason for cancellation of registration was not mentioned. The writ petition was filed for restoration of registration. The petitioner could not file the returns on time due to the reasons beyond petitioner's reach. However, the petitioner filed the returns after some delay with late fee for relevant period and also discharged the tax liability.
The Hon'ble Supreme Court, in the case of S. Jagan Mohan Reddy -vs- Central Bureau of Investigation, reported in (2013) 7 SCC 439, held as follows:
Economic offences constitute a class apart and need to be visited with a different approach in the matter of bail. The economic offence having deep rooted conspiracies and involving huge loss of public funds needs to be viewed seriously and considered as grave offences affecting the economy of the country as a whole and thereby posing serious threat to the financial health of the country.
Amit Kumar v. Union of India 2021 (8) HC 1101
The Gauhati High court refused to grant Bail to an accused of wrongfully claiming Input Tax Credit (ITC). This is an application, filed under Section 439 of the Cr.P.C. seeking bail of the accused-petitioner, namely, Shri Amit Kumar, in connection with GST Case No. CGST/DGGI/GST/1928/2021, under Section 132 of Central Goods and Service Act, 2017.
The Court has taken note of the fact that the investigation of the case, involves a huge number of documents to be examined at different levels and at different places necessitating reasonably sufficient time to the Investigating Agency.

**4.6 A ROAD MAP FOR AN ACCEPTABLE GST FRAMEWORK**
There are fundamentally two broad policy approaches available for the implementation of the GST – the incremental approach and the transformational approach.
Incremental approach - The incremental approach is what is presently being considered by the centre. The proposed hybrid GST which excludes the specified goods, as well as important sectors like the railways and real estate may do little to make our industry more competitive and catalyst the economy. It does not put in place a mechanism to ensure compliance of the states with the GST framework and thus does not deter the competitive "race to the bottom" indulged in by some states.
The transformational approach recognises the paradigm shift which will be brought by the GST and seeks to enfold into it all taxes and levies while maintaining revenue neutrality. It seeks to amend the Constitution only on broad terms while leaving the nitty-gritty to the GST council. It will allow for the

inclusion of the railways and the real estate sector into the GST making it truly comprehensive and 'flawless'.

It will penalise wayward states for non-compliance and put India truly on the road to a national market. Unfortunately we seem to be displaying our path dependence by opting to go in for an incremental approach, despite the fact that this may not be a good idea insofar as implementation of GST is concerned, it is necessary that all stakeholders accept and recognise that the destination – a flawless GST is not negotiable but the path to such a GST could be as non-disruptive as possible.

For this it is suggested that the following steps be taken in addition to the steps outlined above to be taken by the centre.

a) The Bill is amended to allow for a broader definition of GST in respect of the taxes to be subsumed while leaving the final details of the GST to the determination of the council,

b) The Bill should enable the GST tax base to be broadened as and when consensus is achieved between stakeholders without recourse to another constitutional amendment. Special emphasis should be placed on possibility of including the real estate sector and the railways in the tax base,

c) Petroleum crude, high speed diesel, motor spirit, ATF, natural gas, alcohol for human consumption and tobacco may be included in the GST tax base. To maintain revenue neutrality, they could also be subject to an additional levy against which input tax credit need not be provided.

d) The Bill should adequately empower the GST council so that its recommendations have finality and are enforceable, and

e) The proposed amendments permitting local bodies to levy entry tax and entertainment tax should be reviewed. The preferred form of GST for India alluded to by the Finance Minister; Mr. P. Chidambaram cannot he a single National VAT. It has to be a 'Dual VAT' consisting of a Central GST and a State GST. Both should be imposed on a comprehensive base covering goods as well as services. While the design of the CGST can be relatively straight forward, SGST will require a delicate balance between the fiscal autonomy of the states and the need for harmonization across the Twenty Nine states and union territories so that the common market of India can flourish without any tax hindrance.

Harmony in procedures and administrative systems should pose no problem as they do not impinge on the states autonomy in any significant way, nor should harmonization of the tax base. In fact, the dual VAT in Canada works on a practically harmonized base.1 In the European Union too, the VAT base of member countries follows a standard pattern as laid down in the Sixth Directive of the European Commission.

It is the harmony in rates that raises questions about the state's fiscal autonomy. For the power to fix the rate is central to any tax power and so any limitation in this regard cannot but whittle down the tax power in question. In a federal setup, the state governments should observe two basic rules in exercising their tax powers: one, no state should export its taxes to other states, and two, there should be no unfair tax competition.

The former requires that the state tax be levied on the basis of the 'Destination Principle' and the latter that there be a floor below which no state can go in fixing its tax rates. To start with, ideally the GST, whether of the Centre or of the states, should be levied at a single rate on all goods and services. The single rate can be supplemented by an additional tax on certain products such as motor fuels, tobacco and alcohol. Multiple rates, often justified for basic necessities which are desired to be cheap in the interests of the poor, lead to classification, disputes and increase the costs of compliance and administration. Also, they are an inefficient means of helping the poor as the benefit of lower rates accrues to all, regardless of their income status. The Centre and the states should adhere to a common classification of commodities eligible for the lower rate. While inter-state uniformity in rates is highly desirable to minimize tax-induced shifts in trade, flexibility could be provided to the states to levy the SGST at different rates as long as they adhere to the fixed categories of goods, i.e., all commodities in a given category are taxed at the same rate. States should also agree not to go below specified 'Floor Rates' for the two categories.

For example, passenger transportation could be taxable in the state where the journey begins or ends, or on the basis of distance travelled in a state. Once the agreement is reached, the rules can be made to work on the lines as followed the EU and the Canadian role model. Harmonization of rules and procedures should be simpler to achieve as inter-state variation serves little social or economic policy objective. The areas for full harmonization should include taxpayer registration system, taxpayer identification numbers, tax forms, tax reporting periods and procedures, invoice requirements, cross-border trade information system and IT system

This would result in significant savings in the costs of implementing GST by avoiding duplication of effort in each state as well as in recurring compliance costs. It should also permit sharing of information among governments which is essential for effective monitoring of cross border transactions. Harmonization should extend to tax legislation as well. Interstate variation in the wording and structure of tax provisions is often an unnecessary source of confusion.

A common GST law would facilitate common approach in the interpretation of the tax laws and rulings, e.g., about classification of goods and services, determination of taxable consideration and definition of export and import. Therefore, the most suitable GST for India would be the Dual GST, a combination of Centre and State GSTs, each levied at a single rate on a comprehensive base consisting of both goods and services.

While the Centre and the States would have the autonomy to set their tax rates subject to a floor, there would have to be full harmonization of the tax base, laws and administrative procedures. A major overhaul of our institutional and administrative infrastructure would be required to enable implementation of such reforms.

The Constitution of India would need to be amended to empower the Centre and the states to levy the GST. Currently, the Centre is precluded from taxation of purchase or sale of goods, which is an exclusive preserve of the states. In turn, the states are precluded from the taxation of services. This division of taxation powers is archaic. The distinction between goods and services is becoming increasingly blurred as goods get digitized, bundled with services and delivered through internet on 'as needed' basis. Both levels of government should have concurrent powers to tax all the sales, whether of goods or services. The powers would extend to taxation of land and buildings, as modern value-added taxes draw no distinction between consumption of real property and that of other goods and services.

To prevent extraterritorial application, state taxation would be limited to transactions within the state. Many of the specific entries in the Constitution would become redundant with this concurrent taxation power. An expert panel should be formed to draft the suitable enabling provisions for the concurrent taxation powers and to recommend consequential modifications to the Constitution.

The constitutional powers would be exercised within the framework of a National Harmonization Agreement, which would bind the Centre and the States to a common tax base, laws and administrative procedures. An important part of this agreement would be delegation of responsibility for the design of harmonization elements and modifications thereof to an institution, which could be the Centre, or a newly created Centre-State body funded by and accountable to both levels of government.

This body would be responsible for only the design and policy aspects of GST administration. Actual operations and delivery would be the responsibility of each government in their respective jurisdictions. The harmonization agreement would be supplemented by two additional agreements: an agreement on ‘place-of-supply’ rules and a ‘Centre-state tax collection’ agreement. The place-of-supply rules will define the origin and destination of inter-state goods and services e.g., telecommunication, transportation and Pan-India advisory services and which states will have the right to tax them.

These rules are essential in order to avoid gaps and duplication in the taxation of cross-border supplies. The rules for defining the place of origin or destination of inter-state supplies of goods are already well developed in the Central Sales Tax Act and could be readily adopted for the GST. Parallel rules would need to be developed for services. The place-of-supply rules would need to be supplemented with a new mechanism for reporting and monitoring of inter-state transactions and for collection of tax on them.

The ‘Trade Information Exchange System’ already developed for the Empowered Committee, can be a valuable tool for the monitoring of such transactions. A ‘Centre State Tax Collection Agreement’ would also be needed, should the Centre decide to delegate or outsource the collection of all or part of the Central GST to the states.

A critical component of the new infrastructure for the implementation of GST would be a mechanism for the enforcement of the various agreements. The current approach of voluntary cooperation and consensus being followed by the Empowered Committee of the State Finance Ministers has not been effective. States have deviated from the agreed rate structure with impunity. This has to be brought to an end by way of curbing such tendencies on part of the states. Using the system of grants from the Centre to arm-twist the States to fall in line would not be desirable.

Besides, there is no legal authority for the Centre to use grants to compel the States to abide by agreements arrived at among themselves such as to harmonize their rates and not to indulge in harmful tax competition or competitive subsidization that is negative taxation of industries set up in their jurisdiction. No doubt the courts are there to see that the Constitution is duly respected by all.

However, our courts have no authority to enforce agreements voluntarily reached by the States either with the Centre or among themselves. In the European Union, all matters relating to violation of Community treaties and directives are decided by the European Court of Justice by virtue of an express mandate. That is not the case in India. Fortunately, our Constitution makers, while mandating the free flow of “trade, commerce and intercourse” in the Indian Union also provided for the creation of an institution to oversee the enforcement of that mandate.

This Article should be invoked to create a new authority, with quasi-judicial powers, to monitor and enforce compliance with the mandate of Article 301 and inter-governmental agreements for the GST. Creation of a similar body was strongly recommended by the Sarkaria Commission on Centre-State relations.

Unfortunately, the recommendation did not find favour with the Inter-State Council. It deserves to be reconsidered in the context of the proposed GST regime and the smooth operation of India’s common market. Moving towards GST provides a great opportunity to simplify the system of taxation in the country provided the base is truly comprehensive and tax is levied at a low rate on goods and services under a common legislation.

While measures such as finalising policy matters, amending the Constitution and rolling out regulations are important, these are only starting points for businesses to structure or re-examine their supply chains, system of accounting and invoicing and the entire framework of meeting ongoing compliance

requirements. Since GST in India is at its nascent stage and not implemented yet it is too early to predict its success or failure. It is for us to see whether GST stands the golden test of time. The formulation of clear 'place of supply' rules to avoid ambiguity in tax administration is necessary.
The Government has introduced Constitutional Amendment Bill for Goods and Services Tax in Lok Sabha and it was passed by Rajya Sabha. The Government intends to introduce GST from April 1, 2016, "No state will loose a rupee. It will be a win-win situation for all," the Finance Minister Arun Jaitley said while introducing the Bill in Lok Sabha. Though it is passed by Lok Sabha, the matter is still pending in Rajya Sabha. In the present winter session of Parliament the Bill is still pending in Rajya Sabha and tug of war is going on between ruling party and Congress party. Let us hope that good sense will prevail and it will be passed in Rajya Sabha too. It is well known that when UPA government was at Centre, the idea of GST was vehemently opposed by state government particularly by Gujarat.
National interest should not be a matter dispute and no rigidity on the part of government and congress whatever is better for the Indian economy it should be adopted. The Bill needs to be approved by a two-third majority of the house. After this, it needs to be endorsed by at least half of the State Assemblies. Then the Centre will introduce separate legislation for GST. States too will be required to bring in legislations.
The Constitution does not provide for any concurrent taxation powers to the Centre as well as the States. This required the Constitution to be amended for conferring simultaneous power on Parliament as well as the State Legislatures, including every Union Territory with Legislature to make laws for levying goods and services tax on every transaction of supply of goods or services or both. The new regime would replace a number of indirect taxes currently being levied by the Central and State Governments and is intended to remove cascading of taxes and provide a common national market for goods and services.

The Prime Minister in his Independence Day speech on 15th August 2021, talked about the 25 years remaining before India's 100 years of Independence (2047). He described this period as the 'Amrit Kaal' for taking the country to new heights by the hundredth anniversary of independence. Similarly, for the GST, the next 5 years are really the 'Amrit Kaal' which can be used to transform what is a good tax reform into a great one. This requires a number of policy reform measures which have been described in detail in this book. To pick up a few on rate rationalization, phasing out of a majority of exemptions and bringing them under 5 percent tax bracket, shifting to three-tier rate structure and raising the slab for demerit goods post abolition of compensation cess can help restore revenue neutrality rate of GST. The opportunity for a rate rationalization should be used to support the Product Linked Incentive (PLI) scheme by lowering the taxes in a large number of sectors which have been identified by the Government as sectors where the country should strive for self-sufficiency. Similarly, the GST rate rationalization should also look at greening the GST by lowering the rates of GST on a number of items which can help to reduce our carbon emissions. This would be fitting in the light of the global climate conference held in Glasgow, Scotland, in November 2021.
On dispute resolution front, unless pragmatic steps are taken to reduce disputes, the ensuing deluge of litigation will breed massive uncertainty for businesses and choke the already burdened judicial infrastructure for the foreseeable future. Disputes can be avoided through legislative changes and clarifications, some of which have been highlighted earlier. Creation of Technical Secretariat to issue uniform binding instructions for adjudication, capacity building through new mechanisms like private ruling and mediation, deferral of revenue appeals, expeditious constitution of appellate tribunals, alternate

dispute resolution mechanism, faceless eco-system for adjudications and appeals are few suggestions to help Indian GST create a world-class dispute resolution system. Decriminalizing offences by recasting the offence related provisions will facilitate smooth business operations. One achievement of GST is the creation of a GST technology platform in the form of GSTN. Enormous amount of data has been generated in the GSTN, which requires utilization for policy formulation. A decision had been taken to open up this data to researchers all over the country.

This is a national imperative and we have to get more players in to mine this information. The economic survey of the past has demonstrated how data can be effectively used to generate important policy reforms. The GST reform was made possible by institutional reform like the creation of the GST Council. It first began with the creation of the Empowered committee of the State Finance Ministers by Mr. Yashwant Sinha in 2001, which really delivered both the State VAT reform and the GST. We need to build on this by creating a GST Secretariat in the states which can bring senior state and central officers together with representatives of trade and industry in a meaningful way to discuss and deliberate on non-policy issues. This will not only enrich the fiscal policy debate but strengthen the levers of cooperative federalism — one of the directive principals of state policy enshrined in our constitution. From taxpayers' rights perspective, formally introducing Taxpayers' Charter, as has been done under Income tax, will go a long way in enhancing fair and impartial tax system. Making next level digitalization a part of business processes like registration, returns, payments, ITC, and refunds, and completely eliminating manual reporting could become a key factor in improving ease of doing business ranking. The Prime Minister, while addressing the joint session of parliament on the midnight of 30th June / 1st July 2017, described the GST as a good and simple tax. The reforms suggested in this book would help to enhance both the good and the simple feature of this transformational tax.

The GST Act was envisaged to harness the power of technology to make the process of tax filing more citizen friendly so that the level of unintentional non-compliance and intentional tax evasion can be curbed efficiently at the same time. While corrective measures were taken to ensure facilitation, initiatives were also taken to design, build and monitor the infrastructure to ensure effective enforcement of the Act across the country.

Initially, there were a lot of apprehensions from taxpayers and tax officials alike about GST being a digital tax. For the taxpayer, it meant a complete reorientation of business processes from the manual or paper mode to digital mode. For the tax officials, it meant a total overhaul of the statutory functions and the manner in which a tax administration is run.

In the initial phase, the focus was to ensure that the transition is as smooth for the taxpayer as feasible. A number of technological solutions were introduced along with enabling changes in the law, rules and procedures towards this end. This opened avenues for unscrupulous elements to play foul by misusing the facilities offered to an honest taxpayer.

In the next phase, the same has been rectified by relying on cutting edge technologies such as big data and advanced analytics to enable the tax administration to take better enforcement decisions based on better targeting. This was tempered with the need to ensure that the honest taxpayer is not inconvenienced in any manner. Rather better targeting was devised as a strategy to identify the fraudulent entities and take suitable enforcement action to complement the ongoing efforts to facilitate an honest taxpayer.

There is no two view that GST is the need of the hour. Most of the States on globe have adopted it. Presently the Bill is pending in Rajya Sabha, there should not be hurry to pass the Bill. It is not a matter of one or two days. There should be a fruitful discussions before arriving at a certain and definite conclusion which suits the Indian economy. In our country the goods are taxable since long but the same cannot be said for services. Till 1994 there was no tax as tax on services and this tax was introduced by the then Finance Minister Dr. Manmohan Singh. The logic behind the tax was, "if goods are taxable why not services?" There is no separate Service Tax Act and Service tax department in India and taxes on services in our country are governed by some of the provisions of Finance Act and Service Tax Rules 1994 and the department concerned is Central Excise Department.

When GST will be introduced it will replace the most of the indirect taxes. Till date the centre has the monopoly power to tax services and state have the power to tax the sale of goods. Now States will have to surrender their power to tax the goods and share the Central service tax and certainly this will be a very tough bargaining for them. The states are demanding that they should be given power to tax the services also but in GST they will actually loose their power to tax even the goods. The tax will be collected at the central level and then it will be shared by the states. The GST it is expected that will curtail the power of states to tax the goods and this curtailment will affect their economy and autonomy and that's why many states were previously not in favour of GST but matter will seems to be set as rest. This therefore might be a major hurdle in the way of Central government while introducing the GST.

The Constitution $122^{nd}$ Amendment Bill was introduced in Rajya Sabha but not passed. There is a high hope that it may passed during Budget Session of 2016-17 assessment year, but still no hope that it will be passed. The implementation of a single GST would be the ultimate finale of the fiscal reform process in the indirect tax front which India has embarked on years before. The introduction of the GST in India is both an opportunity and a threat for businesses and companies, need to manage the process of transition so that they realize the opportunities and minimize the threats. The introduction of GST would put the Indian indirect tax regime on an even level with the other developed nations and is expected to accelerate India's journey to the orbit of economic super powers of the world economy in near future. The preferred form of GST for India cannot be a single National VAT.

It has to be a 'Dual VAT' consisting of a Central GST and a State GST. Both should be imposed on a comprehensive base covering goods as well as services. While the design of the CGST can be relatively straight forward, SGST will require a delicate balance between the fiscal autonomy of the states and the need for harmonization across the states and union territories so that the common market of India can flourish without any tax hindrance. Harmony in procedures and administrative systems should pose no problem as they do not impinge on the state autonomy in any significant way; nor should harmonization of the tax base. In fact, the dual VAT in Canada works on a practically harmonized base. In the European Union too, the VAT base of member countries follows a standard pattern as laid down in the Sixth Directive of the European Commission.

It is the harmony in rates that raises questions about the states fiscal autonomy. The power to fix the rate of tax is central power and so any limitation in this regard cannot but whittle down the tax power in question. In a federal setup, the state governments should observe two basic rules in exercising their tax powers: (1) no state should impose its taxes to other states, and (2) there should be no unfair tax competition. The former requires that the state tax be levied on the basis of the 'Destination Principle' and the latter that there be a floor below which no state can go in fixing its tax rates.

Taxation of services and intangible property by the states poses a difficult challenge in defining the place of supply or consumption of the service. For example, if a telephone call is made from Delhi to Kolkata, is the telephone service to be taxable in Delhi or Kolkata. Many other similar issues arise in the case of services with no single place of performance, consumption or use e.g., advertising on a national television channel, postal services, credit card services, inter-state transportation and countrywide consultancy or data processing services etc. To avoid gaps or overlaps in the taxation of such services, it would be necessary for the states to agree upon a common set of so-called 'place of supply rules'. For example, passenger transportation could be taxable in the state where the journey begins or ends, or on the basis of distance travelled in a state. Once the agreement is reached at a final conclusion the rules can be made to work on the lines as followed by the European Model and the Canadian model as seems good for our economy.

GST also known HST was first devised by a German Economist during the 18th century. He envisioned a sales tax on goods that did not affect the cost of manufacture or distribution but was collected on the final price charged to the consumer. Thus, it did not matter how many transactions the goods went through, the tax was always a fixed percentage of the final price. The tax was finally adopted by France in 1954 Maurice Laure, Joint Director of the French Tax Authority, was the first to introduce VAT on April 10, 1954 in France. Initially directed at large businesses, it was extended over time to include all business sectors. Personal end-consumers of products and services cannot recover VAT on purchases, but businesses can recover VAT on the materials and services that they buy to make further supplies or services directly or indirectly sold to end-users.

In this way, the total tax levied at each stage in the economic chain of supply is a constant fraction of the value added by a business to its products, and most of the cost of collecting the tax is borne by business, rather than by the state. VAT was invented because very high sales taxes and tariffs encouraged cheating and smuggling. Value added taxation avoids the cascading effect of sales tax by only taxing the value added at each stage of production. It has been gaining favour over traditional sales taxes worldwide. In principle, value added taxes apply to all commercial activities involving the production and distribution of goods and the provisions of services. VAT is assessed and collected on the value added to goods in each business transaction. The Kelkar Task Force on implementation of the 'Fiscal Responsibility and Budget Management Act, 2003 had pointed out that although the indirect tax policy in India has been steadily progressing in the direction of VAT principle since 1986, the existing system of taxation of goods and services still suffers from many problems.

The tax base is fragmented between the Centre and the States. Services, which make up half of the GDP, are not taxed appropriately. In many situations, the existing tax structure has cascading effects. These problems lead to low tax-GDP ratio, besides causing various distortions in the economy. In this context, the Kelkar Task Force had suggested a comprehensive Goods and Services Tax based on VAT principle. Value-added tax is a modern and progressive system of sales tax. It brings in the system of self-assessment giving rise to transparency and mutual trust. It is charged and collected by dealers on the price paid by the, customer. The empowered committee released a White Paper on VAT on 17th January 2005. This was the uniform basis the States agreed to adopt to avoid competition between States. VAT replaced sales tax on 4th January 2005. The Empowered Committee, constituted by Government of India, provided the basic framework for uniform VAT laws in the States but the states have a liberty to set their own valuations for the VAT levied in their own territory.

Suggestions

1. It is expected that GST regime would lower the prices of goods and services. GST is expected to foster the economic efficiency by lowering the cost of supply of goods and services by way of input credit mechanism and reducing the cascading effects. Further in context of India it is expected that aggregate

incidence of dual GST will be lower than the present incidence of the multiple indirect taxes enforce. The combined GST is expected to be in the range of 18-20%. Today services are taxed at the rate of 15% and the combined incidence of indirect taxes on most of goods is around 20%. At present the goods and services are taxed separately but in GST the difference will be vanished.

2. To start with, ideally the GST, whether of the Centre or of the States, should be levied at a single rate on all goods and services.

3. The Centre and the States should adhere to a common classification of commodities eligible for the lower rate. While inter-state uniformity in rates is highly desirable to minimize tax-induced shifts in trade, flexibility could be provided to the states to levy the SGST at different rates as long as they adhere to the fixed categories of goods, i.e., all commodities in a given category are taxed at the same rate. States should also agree not to go below specified 'Floor Rates' for the two categories.

4. Harmonization of rules and procedures should be simpler to achieve as inter-state variation serves little social or economic policy objective. The areas for full harmonization should include taxpayer registration system, taxpayer identification numbers, tax forms, tax reporting period and procedures, invoice requirements, cross border trade information system and Information Technology system. This would result in significant savings in the costs of implementing VAT by avoiding duplication of effort in each state as well as in recurring compliance costs. It should also permit sharing of information among governments which is essential for effective monitoring of cross-border transactions.

5. Harmonization should extend to tax legislation as well. Interstate variation in the working and structure of tax provisions is often an unnecessary source of confusion. A common GST law would facilitate common approach in the interpretation of the tax laws and rulings, e.g., about classification of goods and services, determination of taxable consideration and definition of export and import.

6. The present system allows for multiplicity of taxes being collected through an inefficient and non-transparent system, the introduction of GST is likely to rationalize it and thereby plug the loopholes in this system. This will enable the government to stop pilferage and rationalize the overall taxation regime. While many areas are either under-taxed or non-taxed or over-taxed, the GST will help reduce overall tax burden of many organizations.

7. Introduction of an integrated Goods and Services Tax to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative in the emerging economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transactions value into value of goods and services for taxation which leads to greater complexities, administration and compliances costs.

8. Further, Indian economy is getting more and more globalized. In recent times, a number of Free Trade Agreements have been signed, which will allow imports into India duty free or at very low duties. Hence, there is need to have a nation-wide simple and transparent system of taxation to enable the Indian industry to compete not only internationally, but also in the domestic market. Integration of various Central and State taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST being a destination-based consumption tax based on VAT principle, would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market.

9. A basic pre-requisite for introduction of GST meaningfully is that both the Centre and the States should replace existing taxes like Excise, State Sales Tax/VAT, CST, Entry Tax and all other cascading-type Central and State levies on goods and services. Any losses on account of abolition of multiple taxes are

likely to be balanced by the additional GST revenues that will obtain from taxation of services and from access to GST on imports. Moreover, India would obtain full efficiencies of a single national VAT, while retaining a federal structure. This would also be the logical conclusion of the efforts that have been made in the country during last two decades in moving towards VAT.

10. The benefits of GST legislation will be uniformity of laws across the land, greater transparency, neutrality in tax rates on various products; credit availability on interstate purchases and reduction in compliance requirements. If GST is implemented in the true spirit, it will have many positives for the stakeholders and will lead to a better tax environment.

11. Introducing GST will do more than to simply redistribute the tax burden from one sector or group in the economy to another. The introduction of the GST brings about a macroeconomic dividend as it reduces the overall incidence of indirect taxation and therefore, the overall tax burden by removing the many distortionary features of the present sales tax system. There are four important macroeconomic channels through which this happens:

a) First, the failure to tax all goods and services distorts consumption decisions and it weakens the signalling power of relative prices. GST reduces these distortions and enables all economic agents to respond more effectively to price signals.

b) Second, the unrefunded taxation of capital goods discourages savings and investment and retards productivity growth. This is perhaps the most important gain through introduction of GST in an emerging economy like India.

c) Third, for a given consultation of exchange rates and price levels, violation of the destination principle places and local producers at a competitive disadvantage, relative to producers in other jurisdictions.

d) Fourth, differences in tax bases of different States and the Central government greatly increase costs of doing business. The GST based tax reform provides a real policy opportunity to do something about this problem without waiting for prior and sweeping political economy changes.

From the day first, when the baby was born till the death, a number of taxes are imposed upon goods both, by the central government and state governments. For example, excise duty is imposed once the good is manufactured or produced in India. Thereafter when the goods are enter into city for sale, entry tax, or octroi, or tax etc. is imposed, and when it is sold to consumers VAT is imposed provided sale or purchase is within the states likewise CENVAT is imposed for interstate sale or purchase. Some States also imposed purchase tax. These are the different types of taxes and procedural requirements are also differ from Act to Act, it is not only difficult but cumbersome for business organization to fulfil all the requisite requirements. The GST will provide a great relief to the business communities. So, all the taxes should actually be subsumed in GST.

Any discussion out of Parliament between political parties should come to an end, so that it pave a way for smooth sailing of Goods and Services Act. The biggest benefit that will be witnessed with the introduction of the GST is that multiple taxes that currently exists will no longer remain. This means that taxes like Octroi, CENVAT, Central sales tax, State sales tax, VAT, entry tax, licence fees etc. will no longer be present and the cobweb of several taxes will be subsumed under the one Act i.e. GST Act. Businesses thus will not have to deal with multiple taxes but will be able to undertake the tax compliance in an easy way.

GST is expected to play a key role in bringing about more transparency into the tax system. A very strong infrastructure network would be required to administer GST which would include facility for online payment of tax and e-filing of returns. The GST as a new levy could be a very effective tool and breakthrough in indirect tax reforms, provided it is made simple and assessee friendly but not like the present tax system. GST should be uniform, simple, stable and sane. It will replace many indirect taxes and stop tax on tax. So, that common market of India shall flourish without any hindrance. For 'All' should not 'politicize' it.

It is expected that the introduction of GST will increase the tax base but lower down the tax rate and also removes the multiple taxation. This will lead to higher amount of revenue to both the States and the Union. Under GST mechanism, the amount of tax consumers have to bear will be certain, therefore, GST would reduce the average tax burdens on the consumers. GST is likely to improve tax collection and India's economic development by breaking tax barriers between states and Integrating India through a uniform tax rate. Present laws are so complex and diverse in nature that entities need more administration and consultations.

One of the great advantages that a taxpayer can expect from GST is elimination of multiplicity of taxation. The reduction in the number of taxation will help to clean of the current mess that is brought by existing Indirect Tax Laws. It is one of the major problems that India is overwhelmed with. We cannot expect anything substantial unless there exists a political will to do it. This will be a step towards corruption free Indian Revenue Service. GST will simplify and harmonize the Indirect tax regime in the country. It will expected to reduce the inflation in the economy thereby making the Indian trade and industry more competitive, domestically as well as internationally.

It is also expected that introduction of GST will foster a common India market and contribute significantly to the growth of the economy. Success of any Tax Reform Policy depends on the inherent simplification of the system. GST if implemented and these suggestions, are taken into account the provisions of the GST become friendly not only for the assessee but the department also feel good.

Legislative changes- Simple law results in lesser disputes which ultimately benefits both the taxpayers as well as tax administration. This report highlights in detail the issues requiring Government intervention on legislative front. Some of them are as below:

i. Taxation of supplies - Even after five years of implementation of GST, taxpayers are finding it challenging to analyse whether a transaction is a supply under GST or not. The Government has tried to resolve some disputes but since GST coverage is vast, there is still a long way to go. The Government should engage with the trade bodies frequently and necessary clarifications should be issued from time to time.

ii. Valuation - Existence of two sets of rules (one for Income tax and other for GST) with two different administrative bodies has made cross border trade complicated. Introduction of joint GST and Transfer Pricing agreement may be a course of action in the future.

iii. Input tax credit -The report makes the following recommendations in relation to ITC: Denial of credit to the recipient should be confined only to the cases of fraud. This will protect the interest of the buyer and encourage customers to do business with small and medium enterprises.

For effective working capital management, cross utilization of credit should be allowed between Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). At the backend, States and Centre can settle the amount cross utilized.

Suggestions for Averting Disputes: As noted above, the following areas need attention from the point of reducing the occurrence of disputes: Harmonization of State GST Act with Central Statute: The first and foremost issue is the need for harmonization of State GST Acts and the rules with the Central laws. Fundamental congruence especially in areas of classification, valuation and input credit across the

Country, in imperative for seamless implementation of GST. Similarly, the procedures and documentation required for various related transactions like invoices, procedure of movement of goods, returns, availment of input credit must be simple, transparent and uniform across CGST and SGST.

Directives of GST Council: In EU, the aim of VAT directives is to harmonize VAT within EU VAT area. The scope of the VAT directive ranges from harmonisation of VAT law, content and layout of VAT declarations to the regulation of accounting and legal framework, detailed description of invoices and definition of transaction relating to supply of services. In India, the similar function must be exercised by GST Council where the decision taken shall be applicable and binding on all Members-States. Such a proposition will go a long way in reducing disputes between Centre and Member States and between various Member States .Consequently, the assesse shall be spared of the confusion and prolonged litigation due to multiple interpretations.

Assessment and Scrutiny: We have discussed the situation where the disputes are likely to arise on account of assessment and scrutiny of the returns filed by the "supplier" primarily due to the fact that the assessments are designed to be on one "value" and the supplier shall be required to file single unified return. One way of mitigating such a situation and nipping in the bud the problem of protracted litigations in such matters would be to put in place a two- level structure at the State level to resolve such differences before they enter realm of formality by way of a demand or a show cause notice.

At the First level, a Co-ordination Committee could be set up in each State comprising of one or two Principal Commissioner/Commissioner level officers from both the Central and State tax administrations. The Committee would consider the referred issues of differences of opinion from the respective tax administrations and try to achieve consensus on the issues. The Committee could initially take up cases where unified returns in electronic form are filed, (which could cover a sizeable number of suppliers contributing a large chunk of revenue) and later be extended to all suppliers.

In the second stage, where the issue is not reaching resolved after the examination by Co-ordination Committee, the case could be referred to a State level GST Ruling Authority comprising of members from Judiciary and also drawn from both the Central and State tax administrations. The Authority would then hear and pass a ruling on the subject which would be final. The Authority may use the techniques like Mediation, Arbitration, and Neutral Evaluation etc. as has been in practice in various GST administrations worldwide. The administrative cost involved in setting up the GST Ruling authority and GST Coordination Committee at the State level would be offset by the reduction in litigation on account of their mechanisms. More so, when the traditional dispute resolution mechanisms which have focused on assessing disputes only after these have formally arisen, have not really been effective.

Small tax payers: Small tax payers have minimum capacity to bear the cost of litigation. At present, the small scale sector on manufacturing side is exempted from Central Excise duty for an annual turnover upto Rs. 1.5 cr., but the case is not so in VAT regime. Different States have been following different threshold limits ranging from Rs. 10 lakhs (in 19 North East) to Rs. 50 lakhs in relatively better developed States. There are practices in the States to allow compounding of the cases below a threshold where the tax payers have been paying lumpsum presumptive tax. In GST, the ideal situation would be to follow uniform threshold limit for exemption from payment of GST. In any case, there is a least case for subjecting the small tax payers to dual administration. The small tax payer may interact with one administration and may face assessment and scrutiny proceedings, if any, from one tax administration only. Keeping in view the existing practices, it may be more practicable to leave such tax payers with State administration both for CGST and SGST. CGST so collected can be transferred to Centre by the collecting State. In any case, the return data shall be available to both Centre and the State for accounting.

Suggestions for Dispute Resolution Mechanism: Adjudication - Since any dispute arising on account of valuation, classification and input credit is likely to have equal implications for both tax administrations, the respective adjudicating authorities under the Central and the State acts could pass orders taking diametrically opposite legal positions on the same issue and the same supplier. Needless to say, what would follow will be an endless litigation. Conceptually, the way forward to mitigating such a situation would be to provide in the statute, provision for either one of the two tax authorities (Centre or State) to issue notice for both the CGST and SGST components or alternately to provide for a unified and common adjudicating authority mechanism. However, with both Central and State administrations likely to zealously protect their respective turfs, a breakthrough mechanism to avoid the potential area of dispute under discussion may not be easy in the short run.

Audit - The traditional model of audit having "periodicity" as the basis of carrying out audit in a routine manner results in wastage of manpower and resources. It is in this context that a futuristic audit based on selection through the principles of computer-assisted risk assessment and management should be established. Drawing from the experience and recent developments of audit and scrutiny in both indirect and direct taxes, the GST regime would be best served by the establishment of Directorate of Audit and Risk Assessment at the State level. This organization would draw officers from both the Central tax administration and State vat authorities and would use risk assessment parameters by pooling intelligence from all quarters to make selection of suppliers for audit in a more intelligent and scientific manner. The system based generation of an audit schedule would also ensure that duplicity or repetitive audits by either of the tax administrations do not happen. Central Board of Excise and Customs has undergone structural expansion in its recent cadre re-organisation and established a number of Audit Commissionerates which would support the above structure.

A system based targeting of auditing/fraud detection has also been preferred internationally with a fair amount of success. The Australian experience in risk targeting is particularly worthy of study and emulation with suitable local adjustments. There, Risk Rating Engine (RRE) is utilized to assist in detecting potential fraud and non-compliance. The propensity for risk is also being addressed through the Registration Information Matching System (RIMS) which was set up following the introduction of the GST. The system has both a fraud prevention and detection capability. However, it is primarily targeted towards the prevention of fraud. RIMS uses data matching techniques to identify potentially fraudulent registrations and amendments. RIMS checks new GST registrations against a reference list and other criteria. The system highlights high-risk applications that can then be referred to intelligence analysts for further analysis. The suggested system of audit involves a fundamental shift in the mindset of tax administrations. While changes have taken place in the indirect tax administration in the realm of auditing, the emphasis from quantity to quality has not really taken place. The above GST Audit regime will draw from the experience of risk management implemented in Indian Customs.

Appellate fora: Experts believe that adoption of a dual GST model and hence, dual tax administration by the Central and State tax departments, may result in high administrative and compliance costs. Despite convergence between the Central and State tax administrations in critical areas such as assessment and classification practices, audit protocol etc., the congruence in Appellate mechanisms in both regimes is considered essential. The issues related to convergence in the realms of assessment/classification and audit, have been dwelled upon in the preceding paragraphs. For appellate remedies, it would be more practical to consider putting in place a single GST Tribunal at the State level to hear appeals arising from both the Central and State tax administration streams. This would avoid a situation where two independent tribunals of the Central and State tax administrations would have given different rulings on the same issue leading to protracted litigations.

The Goods & Services Tax goes much beyond from a 'tax change' to a 'behavioural change'. Change acceptance for such a huge reform as the GST as a new requirement for doing business was a mammoth mission. Thoughtful strategising and persistent tapping of nation's pulse have backed the promise of *the transformed nation.

Directorate General of Taxpayer Services (DGTS), the nodal body responsible for Internal & External Outreach of the Indirect Taxation System, acts as a think-tank to bridge the gaps in awareness & knowledge between the taxpayers in particular and the common public in general. Apart from the DGTS, other stakeholders such as GSTN, State governments, NACIN also carry out the outreach activities.

Initiatives like Webinars, Seminars, GST Suvidha Providers, Taxpayer Facilitation Centers and community outreach programmes, act as tools in this regard. The reach of digital medium is far & wide and also highly influential in today's age. The Website, Social Media Platforms, e-Mailers, SMSs, and traditional form of electronic & print media are used to their potential to spread awareness about GST.

1. GST Suvidha Provider - Besides the main participants (the Central and the State governments, the taxpayers & the IT platform provider i.e. GSTN, CBIC and State Tax Departments), GST Suvidha Providers or GSPs are envisaged to provide innovative and convenient methods to taxpayers and other stakeholders in interacting with the GST Systems from registration to uploading of invoice details to filing of returns. At present, there are about 50 GSPs empanelled with GSTN. In the evolving environment of the new GST regime, the GST Suvidha Providers (GSP) play an important and strategic role in spreading awareness & in education of the taxpayers, besides assisting them in their compliance management.
2. Webinars - Directorate General of Taxpayer Services and its Zonal units have been conducting topical trainings & webinars to equip officials & stakeholders from trade. More than 100 webinars were conducted in the FY 2021-22, in collaboration with Chambers of Industries and other trade bodies on various issues relating to GST Law and Procedures. The webinars are an interactive avenue that draws a large number of audience and an active participation during discourse. The feedback received from stakeholders during these interactions is then compiled and provided to the policy makers for appropriate consideration.
3. Taxpayer Facilitation Centers - Taxpayer Facilitation Centers are established as local help desk to assist the taxpayers with information as well as to provide handholding to taxpayers. The Central Board of Indirect Taxes and Customs dedicated 75 Taxpayer Facilitation Centers (TFC) across 70 cities all over the country, in December, 2021 to the nation, as a part of the ongoing Azadi Ka Amrit Mahotsav (AKAM) celebrations.
4. Outreach Programmes - Azadi Ka Amrit Mahotsav has been a positive nudge in outreach activities by the DGTS's Zonal units as well as by CBIC's field formations. Innovative attempts are made to inculcate the practice of responsible taxpaying and nation building. The department holds informational events like Slogan Writing, Nukkad Nataks, Seminars, Exhibitions, etc.
5. The Mass Media Outreach - A 360 degree approach has been adopted to leverage all existing avenues of outreach, be it through the medium of websites, or social media, or mobile communication, or the traditional forms of media such as print & electronic media. Some of the important initiatives in this regard are:

a) CBIC Website - The CBIC website is a holistic information portal that draws a large number of visitors. It offers a one-stop solution for all informational needs of the taxpayers and provides regular updates on circulars, notifications, instructions related to GST.
b) Social Media - CBIC's Twitter handle acts as an instant point of interaction with taxpayers. The kind of campaigns that run on the platform vary from reminders to awareness.
c) Due Date Campaign - A series of reminders is posted as and when the due dates are near to nudge the taxpayers into fulfilling their compliance obligations. These bilingual (Hindi & English) reminders are presented in static and video formats to make the campaign interactive.
d) Theme-based Campaigns - To raise awareness among the taxpayers and the general public about the various facets of the evolving taxation landscape, regular theme-based campaigns are conceptualised, designed and run, such as Fake Invoice !Alert! Campaign, 75 Days AKAM Campaign, Consumer Awareness Campaign, etc.
e) Print & Electronic Media - Regular and need-based advertisement campaigns are carried out in the print & electronic media to spread awareness about the new initiatives taken by the government.
f) Nudge through e-Mail & Mobile Communication - E-Mailers & SMS notifications are employed to improve return filing to nudge the non-filers. More than 15 crore SMS/month are sent by GSTN & DG Systems as reminders to taxpayers for the approaching due date of return filing. SMSs are sent to defaulting taxpayers regarding late fee and interest payments becoming applicable post the expiry of filing date. Collectively, these steps have improved the overall compliance as reflected in the increased return filing.

Half a decade has gone since the implementation of GST. Measures have been taken to unlock blockages and ease out the processes that will eventually promote economic vibrancy in India and make taxation more intelligible to common man.

Several initiatives were undertaken to improve return filing and refund processing, identify tax evasion/revenue leakage and curbing it, to boost the MSME sector and give them a level playing field, to give an impetus to the exports and to improve the Ease of Doing Business. The evolution of GST over the last five years would show that under the leadership of the GST Council, the indirect tax administration, as a whole, has adopted a two-pronged approach for augmenting revenue and plugging leakage in revenue in GST.

On the one hand, the return filing process is being made easier through auto-population of returns on the portal and a number of trade facilitation policy measures are being taken to improve voluntary compliance by the taxpayers. On the other hand, various measures have been taken to plug the revenue leakage and to check fraudulent or wrong availment and utilisation of input tax credit. Important innovations such as e-Way bill, e-Invoice as well as use of big data and data analytics have taken root and stabilised.

The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Five years down, it has certainly lived up to its billing as the biggest tax reform in the history of independent India. The manifold increase in taxpayer base and revenue buoyancy are the two crucial indicators that show that GST has taken roots in the national psyche and ethos. It is commendable the way the entire nation has come forward to accept and adapt to such a huge change.

From here on, the journey is likely to get smoother only as the major bumps and roadblocks have already been addressed. One can safely and with confidence conclude that India's indirect tax system is second to none and is truly a system that is in step with the 21st Century.