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A QUALITATIVE STUDY OF THE ROLE OF GST IN STATE REVENUE

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ABSTRACT :

India is gradually working toward the implementation of GST in order to eliminate the cascading effects of taxes and to provide a national marketplace for goods. According to the proposed tax reform, the State and Central Governments would each have a separate tax authority to levy taxes. on the supply of goods. This suggested rule is anticipated to contribute to enhancing tax collection and reducing leakage. This is so that the State and the Central Tax Administration can assess and monitor similar taxpayers. Before the "Goods and Services Tax" is implemented, there are several obstacles. They can be grouped under two general categories: GST administration and institution and GST design and the related structure. A broad agreement still needs to be reached regarding the design-related challenges, including the selection of neutral rates of revenue, harmonisation of the GST rate across states, harmonisation of the exempted list and excluded commodities, and threshold for the mandatory GST registration across states.

Keywords: Central and State Revenue, Businesses, GST, and VAT.

INTRODUCTION:

In Indian history, "GST (Goods and Service Tax)" was a significant tax reform in which the "Centre" and the "States" assessed and collected numerous and indirect taxes as one single tax known as GST. The supply of "goods" and "services" as well as the value addition at all "production" and "distribution chain" stages are all subject to this tax, with corresponding "set offs" taking the place of all taxes that were paid at previous stages. In essence, GST is applied to "final consumption," and as customers are at the end of the supply chain, they are responsible for paying the tax on all goods and services. Due to the introduction of the "GST (Goods and Service Tax)," India has attracted the attention of the international community and is now a shared market for a population of around 125 crore.

With the key slabs of "0%, 0.25%, 3%, 5%, 12%, 18%, and 28%," the Goods and Service Tax was introduced and put into effect in 2017. It combined nearly all indirect taxes into a single tax that was applied to both "goods" and "services" at the same time. All manufacturers, distributors, retailers, and consumers are subject to this GST.

The Goods and Service Tax GST eliminated all of the tax's cascading effects, which is very beneficial in bringing down the cost of production and raw materials in an appropriate way. The "GST" is regarded as a "One Nation One Tax" in which manufacturers and traders have the freedom to select their suppliers and vendors in the best and most ethical manner possible, regardless of location since the "GST" is the same throughout the nation and also requires very little paperwork.

GST is advantageous for the business and financial sectors because it has enhanced supply and efficiency, and because it has eliminated many checkpoints and permits at border checkpoints, which has reduced the time and effort required for logistics by about 50%. This has raised the number of hours spent on the road and cut down on delivery times, which has ultimately enhanced labor productivity. Due to GST, which made the procedure simple and decreased the cost price, competitive pricing and economies of scale came into focus.

There is now more competition between producers and traders, and this boosts their financial success. Mahesh (2017) noted in his study that a variety of businesses from many industries and areas fall into the unorganized group, and following the introduction of GST The majority of them will undoubtedly fall under a "tax regime" that will help them diminish their competitiveness in relation to structured businesses.

The administration of taxes between the State and the Central Tax Administration, as well as between State Tax Administrations, is fraught with difficulties. This problem has not yet been resolved. Several attempts have been made to provide a wider control of the planned GST regime, taking into account the discussion that is publicly available. It emphasizes some of the pressing problems that require the government's immediate attention (Bhattacharya and Choudhury, Majumdar, 2018).

The "Goods and Service Tax" (GST) system in India has reached the halfway point of its transitional term from July 2017 to June 2022 in December 2019. Only the overall GST collection in the nation has been considered in the evaluation of GST performance. Despite a wider availability of GST data in the public domains, there are still a number of issues of the Goods and Services Tax that need to be taken into account. There was virtually no information from the state regarding the accessibility of GST in the public domains for carrying out the performance assessment until recently. With a better understanding of the many parts of the "GST" and "ITC(Input Tax Credit)" mechanisms of adjustments, particularly those connected to IGST or "Integrated Goods and Services Tax."The detailed evaluation of the Goods and Services Tax (GST) at the state and federal levels, as well as the anticipated Goods and Services Tax observance gap, have both been the subject of numerous papers.

In order to comprehend the economic autonomy across states, it is crucial to compare the performance of the states that must abide by the rules and the GST collection. The tax base for states covered by the GST system is used to mobilize OTR, or own tax revenue, and it contributes significantly to that effort. Therefore, the importance of GST revenue to state finances is extremely considerable. In contrast to the federal government, the states' taxing authority is relatively constrained, making it difficult for them to make up for the GST collecting shortfall. Since the future of the "Goods and Services Tax" after the transition period is uncertain, it is important for the states to protect their tax base. In order to meet the constantly rising demand for public spending, it is also crucial to investigate various options for additional income mobilization from existing taxation and non-taxation sources. The specific goals of these studies are to comprehend the state-level GST collection and compliance as well as to estimate the compliance gap.

One of the main flaws in the current VAT system is the absence of services from the VAT base. Even if the states have been given authority to provide tax-related services on a standalone basis, the removal of services from the base could aid in removing the problem of cascading from the taxation system (Madhavi and Panganti, 2018).The Integrated Goods and Service Tax (IGST) model has many benefits, including the ability to maintain uninterrupted ITC chains on interstate transactions and the fact that neither interstate sellers nor buyers will have to make any upfront payments of taxes or face significant financial constraints as a result of the IGST. Since ITC was utilized to pay the taxes, no one can now get a refund in the exporting state due to IGST.

There are self-monitoring models, and the "Integrated Goods and Service Tax (IGST) model" also ensures the tax is neutral while also streamlining the many taxation structures. Additionally, it has made accounting simpler so that tax payers don't have to shoulder any additional compliance costs. Additionally, it aids in assuring high levels of compliance, improving the effectiveness of tax collection. Both "business to business" and "business to consumer" transactions are covered by the Integrated Goods and Service Tax (IGST) concept.

LITERATURE REVIEW :

The "Goods and Services Tax" system, sometimes known as GST, is a very comprehensive idea that streamlines the complex taxation structure. It encourages and promotes the nation's economic growth. Multiple taxes including "VAT, CST, sales tax, service tax, center sales tax, etc." were eliminated with the introduction of "GST."

These taxes are automatically applied to a variety of goods from the point of manufacture until they reach the final consumer. This makes moving goods exceedingly challenging (Mahender, 2017). Currently, the taxes on the various goods vary. They are taxed differently as well. However, after GST was implemented, all commodities would be treated equally, various taxes would be significantly reduced, and there would be less corruption.

On a national level, the GST is a comprehensive tax that is levied on the purchase, use, and manufacture of goods. The 2014 Constitution Bill, often known as the GST bill, calls for the countrywide implementation of the "Value Added Tax" across the nation. A system of indirect taxes known as "GST" is applied throughout the entire production process. It aids in bringing taxation systems into more consistency. There will be a discussion on putting "Goods and Services Tax" into action, combining the Central and State taxes into a single tax payment (Goswami & Agrawal, 2017).

GST is the all-inclusive tax levied on the purchase, production, and consumption of goods on a national basis. The "Constitution Bill" is another name for the "GST taxation bill" or "GST bill." It starts the process for national VAT implementation. In order to bring uniformity to a system, "GST" is an indirect tax that is assessed at every stage of manufacturing (Kaur, 2016). There will be a merger of State and Central taxes under a single payment system to implement "GST" in practice. Additionally, it might contribute to enhancing India's standing both domestically and internationally. GST will lessen the overall tax burden on consumers as well as the cost of doing business internationally (Dash, 2017).

Taxation is regarded as being very significant and one of the main sources of income for economic development and progress. Most nations rely on taxation, which includes both direct and indirect taxes, to generate revenue. In developing countries like China, the contribution to the national fiscal tax through the introduction of VAT is significantly more than in industrialized countries. Additionally, VAT has proven to be one of China's main sources of tax revenue. The "Goods and Services Tax" is being implemented in Malaysia with the intention of increasing revenue collection and lowering the country's growing budget deficit. As a result, the standard of living for Malaysian citizens ultimately rises (Savithri and Harini, 2018).

One of the key benefits of GST implementation is how well it increases national income. On the other hand, maintaining low corporate taxes in a country is one of the many arguments for GST. Therefore, it is necessary to foster an entrepreneurial mentality among Singaporeans. This ultimately improves the business climate and draws in foreign investors. In addition, putting in place the "Goods and Services Tax" could lessen the dependence on direct taxes as the main source of income (Bodnar, 2018). Clearly, GST may show to be a very consistent source of money, assisting the governing bodies in distributing benefits to the populace. Thus, the Malaysian government's program of tax changes aims to maintain a steady income as well as raise the standard of living for Malaysian citizens. According to Kumar, Prasad, and Bhat (2018), it is a successful economic growth strategy to transition to a high income country by the year 2000. The GST will lessen the tax burden, which is currently between twenty and thirty percent, on consumers. In this tax system, the customer is responsible for paying the ultimate tax, and an efficient system of input taxation credits aids in preventing tax cascading. By consolidating taxes like "service tax and excise duty at the Central level" and "Vat at State level," GST helps people avoid paying various taxes and creates an informed marketplace throughout the nation. An effective cross-credit utilisation is brought about by the integration of various taxes into the "GST" system. The goal of the current tax production and GST systems is tax consumption (Jain, 2018). Currently, taxes on different commodities are levied in different ways and even at different rates. But after the GST was implemented, all goods would receive the same treatment. Additionally, the multiple tax level would be sharply lowered, which would ultimately result in less corruption. According to Kaur, Mehta, and R. Gudwani (2018), GST would benefit businesses in a variety of ways and reduce tax complexity.

The adoption of GST or VAT worries customers the most. Price increases as a result of it. However, Australia's introduction of the value added tax did not reveal any significant pricing variation among its eight capital cities. On the other hand, prices in Canada only recently increased. But this wasn't always the case after mentioning VAT. Singapore demonstrated that they maintain inflationary pressures despite an increase in prices following the implementation of the "Goods and Services Tax" due to uneven transitional stages from the previous taxing system to the new taxation system (Yadav & Shankar, 2018). Understanding the state's financial trajectory depends on how well the state performed in terms of fulfilling and collecting GST. There are numerous structural changes happening in India, and it is anticipated that these changes would have an impact on both the intergovernmental financial relationships and the state's financial self-sufficiency. The tax base of the states is incorporated into GST and contributes significantly to the mobilization of "OTR (Own Tax Revenue)"; for this reason, "GST" plays a crucial role in the state budget. It is not like the federal government, where the states lack the authority to address the problem of inadequate GST collection. It will always be crucial to protect their tax bases and to explore the potential for additional revenue mobilization from the current sources of "tax and non-tax" revenues in order to meet the demands of the public expenditures that keep rising daily. This is because the continuation of GST returns beyond the transition duration of time is not fixed (Mukherjee 2020).

Namburajan & Kesavan (2020) draw the conclusion that publicity and advertisements are a company's main lifelines for promoting its products and services. Other major service purchases include "brand promotion services, advertisement expenses, and hiring of buildings and studios," on which GST was previously applied at a rate of 15% but is now applied at a rate of 18%, demonstrating that GST has been reduced from the taxation that was previously applied as tax has been split from 15% to 45% on the overall expense associated with advertisements for those advertisements done through non-print media and its costs. It was discovered that the majority of television networks operated by the private sector received a sizable portion of their funding from advertising sales. The quantity of commercials has increased, but their length has decreased in an effort to increase revenue.

It is clear that a substantial portion of the population is ignorant about GST and lacks the necessary knowledge of it. It is crucial that the government educate the public about the importance of GST on all purchases of goods and services, particularly those involving "invoice, purchase bill, and the transactional evidence documents." It has been discovered that since the implementation of the GST, India has seen a significant improvement in the growth of the tax collection system. Businesses are now unable to seal any income that exceeds Rs. 5 lakh and is taxable, meaning they must pay the tax and file income tax returns. The client will only pay for their advertisements at the rate of 18% if they are in digital form and at the rate of 5% of the GST if they are in print form. The agencies participating in the advertisement sector are not included for the GST for their business.

According to ILagerr (2018)'s research, GST is beneficial in decreasing compliance burdens and will help India's economy grow. It has also been discovered that GST plays a critical and significant role in the country's growth and development. The establishment of the "Goods and Services Tax" would not raise prices. It would either maintain or lower the prices. It has been demonstrated through the efforts of some of the largest product and grocery shops. Businesses were able to maintain similar prices and disclose indirect tax absorption for products that are followed by various merchandise and grocery retailing giants and other businesses. As a result, there has been increasing competitiveness in the global market, which will continue in the future.

CONCLUSION:

With GST, it is envisaged that the tax base will be quite broad; almost all goods will be subject to taxation with little to no exceptions. In order to provide effective and efficient tax administration, GST would also introduce the current taxation system. Better transparency would result, and it would also enhance the monitoring mechanism. Therefore, it makes tax evasion challenging. While the full GST implementation process is under progress, it is crucial for an understory to first comprehend the impact and opportunities provided by the GST reform.

When it comes to changes to indirect taxes in India, the GST is seen as the biggest game changer. The cascading effects of taxes on the cost of "goods" and "services" have been eliminated by the GST, which is also helping India become one of the economies in the world with the fastest growth rates. The incidence of GST decreased from 14% to 11.8% between 2017 and 2020 as a result of a number of important and significant changes that were made to its composition and framework after it was implemented in 2017. These changes were largely based on the council of GST's recommendations. The governing bodies also put a lot of effort into making sure that 99% of the items would be subject to a GST rate of about 18% or possibly even lower. They also made an effort to keep just sin and luxury items in the 28% tax band. The IGST model is very advantageous for Indian traders and manufacturers as it has reduced transaction costs that are further helpful in reducing the cost of raw materials, it has also improved sales and has increased the efficiency of the labour force and is very important for the revenues and finances at it has overall increased the profitability of the country. The implementation of GST has also significantly reduced the inter-state transaction costs.

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