



AN ANALYSIS OF GOODS AND SERVICES TAX – A NEW TAX REGIME IN INDIA

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ABSTRACT

Goods and Services Tax is an outstanding reform taken place in the field of taxation in India. This article mainly targeting three objectives, firstly to focus on the most important filing of GSTR 1 and GSTR 3B in the GST system, secondly to analyse the tax collection through GST portal and finally examine the contributions of GST revenue from different categories of business. By analysing the related data, this paper furnished an idea about the implementation and policy related matters to foster the tax collection system of GST for enriching the fiscal management of Finance Ministry. This study is mainly basing upon secondary data and it is collected from the official website of GST. The collected data is analysed with help of Compounded Annual Growth Rate.

KEYWORDS: GSTR 1, GSTR 3 B, GST Portal, CGST, SGST and IGST

1. INTRODUCTION

The Latin term “taxare,” which means to estimate, is where the word “tax” originates. Whatever name it goes by, such as toll, tribute, impost, duty, customs, excise, subsidy, aid, supply, or any other term, a tax is an enforced contribution imposed by the government rather than a voluntary payment or donation. Taxation was first imposed in Ancient Egypt around 3000 B.C.-2800 B.C. during the first dynasty of the old kingdom. (Maruthi M V 2020).

The goods and services tax, or GST, is an indirect tax system that is presently in place in 160 nations worldwide. The term “goods and service tax” refers to a value-added tax primarily applied to goods and services supplied or sold for domestic or household use. Although businesses such as wholesalers and retailers who sell products and services are responsible for paying these taxes to the government, the GST is primarily imposed on consumers of goods and services. (R Revathi et.al. 2019)

The consumption tax in Japan will now apply to international companies that cross borders to provide electronic services. Japan expanded the consumption tax’s application in order to uphold the “destination principle” and keep up with global norms. (Yuki Nishida Y. 2015)

The only study published by the European Commission (EU) that examines tax systems and tax policy in-depth is the Annual Report on Taxation (ART). Stakeholders are informed by the report about the difficulties that various tax bases and tax kinds face. It also examines the ways in which various economic agents’ behaviour can be impacted by the way taxes are designed. The work examines recent tax system reforms as well as pertinent changes in the primary metrics that the Commission uses to evaluate tax policies at the EU and Member State levels. (European Commission 2024)

2. OBJECTIVES:

The specific objectives are listed below:

1. To examine the GSTR 1 and GSTR 3 B
2. To evaluate tax collection by GST Portal
3. To analyse the contribution to GST Revenue from different constitution of business

3. METHODOLOGY:

The study is basing upon secondary data and it is collected from the GST related portal. The collected data is analysed through Compounded Annual Growth Rate method.

4. TECHNICAL DEFINITION:

A. GSTR 1

GSTR-1 is a monthly or quarterly return that should be filed by every registered GST taxpayer, except a few as given in further sections. It contains details of all outward supplies i.e. sales.

B. GSTR 3 B

GSTR-3B is a self-declared summary GST return filed every month (quarterly for the QRMP scheme - Quarterly Return Filing and Monthly Payment of Taxes). Taxpayers need to report the summary figures of sales, ITC claimed, and net tax payable in GSTR-3B. A separate GSTR-3B must be filed for every GSTIN.

C. CGST

Central Goods and Services Tax (CGST) is a tax levied by the Central Government on the supply of goods and services within a state, aiming to consolidate indirect taxation across the country

D. SGST

State Goods and Services Tax (SGST) is imposed by individual state governments on intra-state transactions.

E. IGST

Integrated Goods and Services Tax (IGST) is applicable to inter-state transactions and is collected by the Central Government.

F. GST Portal

The GST Portal serves as the central online platform for taxpayers to register, file returns, make payments, and manage their GST compliance requirements. It provides an interface for taxpayers to navigate through various GST processes, including registration, return filing, and invoice uploading.

5. REVIEW OF LITERATURE:

According to Anuradha et al. (2020), one of the largest tax reforms, the Goods and Services Tax (GST), will subject the entire country to a single tax rate. Experts predict that the Goods and Services revenue (GST) will enhance revenue collection, accelerate India's economic growth, and eliminate all tax barriers between the Central and State Governments. Although the GST will provide India with an open and transparent tax system, there are a number of obstacles in its way. For successful deployment, additional analytically based study is required. Arun Kumar Deshmukh *et.al.* (2022) revealed that the benefits observed due to its implementation would remove the impediments to inter-state trade and thereby project India as a common market and realize the vision of one nation, one tax, and one market. They realised from their study that GST implementation is on its way to attaining the set objectives of unification of the Indian market, simplifying the compliance procedure, and enhancing the tax base to finance the developmental aspiration of the nation. Ashesh K (2022) found that the implementation of GST has given a positive notion in 150 countries across the world and it will give a positive impact on the Indian service sector. It will increase the GDP undoubtedly but it will take some years to show the effect because economic growth may not jump immediately, but its beneficial for the economy of the country. So, we can conclude by stating that the execution of GST will give relief to the producers and consumers by giving them input tax credit setoff. According to Basavaraj (2014), taxes evolved alongside civilization. The growth of civil society has accompanied the expansion of the tax system's structure and complexity. The government's ability to impose taxes is based on its sovereign authority to do so, its need for resources as a bargaining chip, and people's natural reluctance to give up money as a means of subsistence.

6. ANALYSIS AND DISCUSSIONS:

a. To examine the GSTR 1 and GSTR 3 B

YEAR	TOTAL RETURNS FILED	CAGR
MARCH 2018	76,77,451	-
MARCH 2019	87,15,339	13.51%
MARCH 2020	91,52,741	5.01%
MARCH 2021	1,00,58,386	9.89%
MARCH 2022	1,09,15,369	8.52%
MARCH 2023	1,19,24,537	9.24%
MARCH 2024	1,23,71,935	3.75%

Source – Collected and compiled from www.gst.gov.in/download/gststatistics

Table 1: Table showing GST R 1

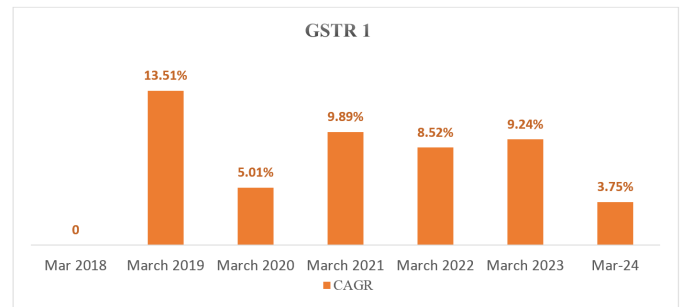


Figure 1: Figure showing GSTR 1

Interpretation

There is an increasing trend in the first phase of GSTR 1 with a growth rate of 13.51%, thereafter it was increased, but at a decreasing level. Finally in the year 2024 there was decline of 3.75% is registered as regards the filing of GSTR 1.

YEAR	TOTAL RETURNS FILED	CAGR
MARCH 2018	79,18,565	-
MARCH 2019	90,40,729	14.17%
MARCH 2020	96,72,605	6.98%
MARCH 2021	1,04,03,288	7.55%
MARCH 2022	1,11,72,612	7.39%
MARCH 2023	1,19,28,491	6.76%
MARCH 2024	1,22,98,057	3.09%

Source – Collected and compiled from www.gst.gov.in/download/gststatistics

Table 2: Table showing GST R 3 B

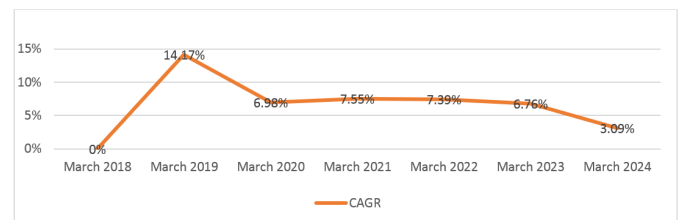


Figure 2: Figure showing GSTR 3B

Interpretation

GSTR 3 B recorded a highest number in 2019, the CAGR was 14.17%. From 2022 to 2024 the CAGR shows a very minimal decline from 7.39% to 3.09%. First time in the history, GSTR 3 B touches to 1 Crore in the year March 2021.

b. To study about tax collection by GST Portal

YEAR	CGST	CAGR	SGST	CAGR	IGST	CAGR
MARCH 2018	16,265.08	-	22,054.58	-	23,992.15	-
MARCH 2019	20,353.15	25.13	27,520.12	24.78	26,897.06	12.10
MARCH 2020	19,180.73	-5.76%	25,598.73	-6.98	26,449.91	-1.66
MARCH 2021	22,973.23	19.77	29,329.16	14.57	31,745.33	16.93
MARCH 2022	25,830.30	12.43	32,377.63	10.39	35,339.01	11.32
MARCH 2023	29,545.52	14.38	37,314.48	15.24	40,403.87	14.32
MARCH 2024	34,532.45	16.87	43,746.50	17.23	47,625.30	17.87

Source – Collected and compiled from www.gst.gov.in/download/gststatistics

Table 3: Table showing collection of CGST, SGST and IGST(Rs. In Crores)

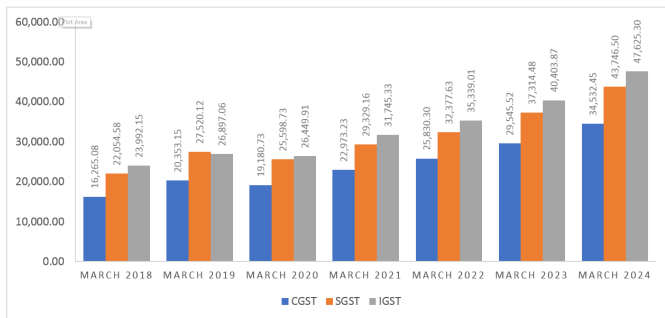


Figure 3: Figure showing CGST, SGST and IGST

Interpretation

CGST, SGST and IGST collection pattern is almost same in every year. But in 2020 the lowering of IGST is very minimal when compared to the decline of CGST and SGST. This decline was happened due the Covid 19 pandemic happened globally. Highest CAGR recorded in case of the collection of CGST in the year march 2019, i.e. 25.13. In this period i.e. March 2019 the CAGR also closer to this figure i.e. 24.78.

During the last seven years, the growth of CGST is more than 100% i.e. 112.30%. But the same growth rate was not registered for SGST and IGST. The CGST and SGST has recorded a growth percentage of 98.50 and 98.35 respectively.

c. To analyse the contribution to GST Revenue from different constitution of business

CONSTITUTION OF BUSINESS	COLLECTION (Rs. In Crores)	% OF COLLECTION
Public Limited Company	19,37,533	34.40%
Private Limited Company	15,89,707	28.23%
Proprietorship	7,50,373	13.32%
Public Sector Undertaking	5,59,996	9.94%
Partnership	4,09,578	7.27%
Others	1,11,461	1.98%
Society/ Club/ Trust/ AOP	78,711	1.40%
Limited Liability Partnership	72,374	1.29%
Government Department	51,815	0.92%
Statutory Body	21,500	0.38%
Foreign Company	20,554	0.36%
Hindu Undivided Family	13,909	0.25%
Local Authority	13,312	0.24%
Unlimited Company	543	0.01%
Foreign Limited Liability Partnership	165	0.00%
Any other body notified by committee	15	0.00%
Grand Total	56,31,547	100%

Source – Collected and compiled from www.gst.gov.in/download/gststatistics

Table 4: Table showing collection and percentage of GST From various constitution of business

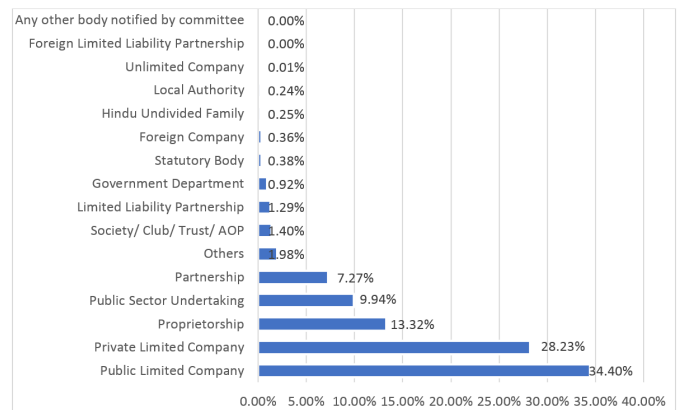


Figure 4: Figure showing percentage of GST collection from various constitution of business

Interpretation

From the above, it is clear that Public Ltd Company contributes a lions share to the GST Collection in India. Their contribution is 34.40% and followed by private Ltd. Company and proprietorship respectively by a contribution of 28.3% and 13.32%. Public Sector Undertaking and partnership possess fourth and fifth position in terms of their contribution to GST.

CONSTITUTION OF BUSINESS	No. of Tax Payers who has entry in cash	% age of Tax Payers
Public Limited Company	84,513	0.52%
Private Limited Company	10,00,266	6.11%
Proprietorship	1,31,72,419	80.41%
Public Sector Undertaking	3,159	0.02%
Partnership	16,93,314	10.34%
Others	34,655	0.21%
Society/ Club/ Trust/ AOP	1,44,170	0.88%
Limited Liability Partnership	1,30,351	0.80%
Government Department	8,755	0.05%
Statutory Body	1,133	0.01%
Foreign Company	1,957	0.01%
Hindu Undivided Family	98,461	0.60%
Local Authority	7,971	0.05%
Unlimited Company	122	0.00%
Foreign Limited Liability Partnership	137	0.00%
Any other body notified by committee	87	0.00%
Foreign Limited Liability Partnership	137	0.00%
Any other body notified by committee	87	0.00%
Grand Total	1,63,81,470	100%

Source – Collected and compiled from www.gst.gov.in/download/gststatistics

Table 5: Table showing the number of tax payers and their percentage

Interpretation

In terms of number of tax payers who has entry in cash ledger, Proprietorship belongs to a major share of 80.41%. Secondly the partnership recorded 10.34%. The third largest number belongs to Private Limited Company i.e. 6.11%. Here the Public Limited Company possess only 0.52% share. The government department holds only a very minimal percentage of 0.05%.

7. MAJOR FINDINGS:

1. Increasing trend in the first phase of GSTR 1.
2. During March 2022 and 2024, there was decline in GSTR 1,
3. GSTR 3 B recorded a highest number in 2019, the CAGR was 14.17%.
4. First time in the history, GSTR 3 B touches to 1 Crore in the year March 2021.
5. CGST, SGST and IGST collection pattern is almost same in every years.
6. In 2020 the reduction of IGST is very minimal when compared to the decline of CGST and SGST.
7. In the last seven years, the growth of CGST collection is more than 100% i.e. 112.30%. The same growth rate was not registered for SGST and IGST.
8. Public Ltd Company contributes a lion share to the GST Collection in India.
9. Public Sector Undertaking and partnership possess fourth and fifth position in terms of their contribution to GST.
10. In terms of number of tax payers who has entry in cash ledger, Proprietorship belongs to a major share of 80.41%.
11. In terms of number, the Public Limited Company possess only 0.52% share.

8. SUGGESTIONS:

1. In the filing of GSRT 1, in 2024 it shows decline trend in its. So that an active campaigning is needed for facilitating the number of GSTR 1 return. The communication between the tax payers and the Government id to be enriched
2. In order to strengthen the CAGR of GSTR 3B especially for the last three years, the Government should strengthen the Automated Liability Computation and Invoice Level Input Tax Credit Tracking. The Government has to be strengthened the Management Information System for fastening the number of GSTR 3B.
3. The CGST and SGST collection is to be improved. Close watching of intra-state trade is very much essential. The search and seizure department of both Centre and State id to be strengthened.
4. In order to increase the collection of GST from Proprietorship, the Government can make a thorough examination as regards their taxable turnover (Connected to threshold limit of registration)
5. Strong support is needed from the part of Government to start more number of Public and Private Limited Companies in India. This will help to improve their number in terms of tax payers.

9. CONCLUSION:

The introduction of the Goods and Services Tax (GST) in India marks a significant milestone in the country's economic reforms, aiming to create a unified and streamlined tax system. GSTR 1 and GSTR 3B is a crucial return in GST. Even though both of these returns of GST are growing, but serious efforts are needed from the part of Government for the furtherance of this system.

After Covid 19 pandemic, since March 2020, the tax collection of GST department concerned with CGST, SGST and IGST

are satisfactory. But more efforts are needed to transform this system into an excellent platform of tax collection.

Even though the number of Public Limited Company is very nominal, their tax contribution is very high. Private Limited Company and Proprietorship I also participating very actively for the GST contribution. But the contribution of Partnership and Public Sector Undertakings are to be increased for the smooth flow of GST.

To put it briefly, it can be concluded that continued efforts in simplifying compliance, addressing sector-specific issues, and increasing awareness among stakeholders will be crucial in realizing the full potential of this GST reform in India.

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