EVA STALIN IAS ACADEMY – BEST IAS COACHING IN CHENNAI
12/24, Muthurangan Muthali St, West Tambaram, Chennai - 600045
https://www.evastaliniasacademy.in/
Contact Number – +91-8678969915, +91-9940332851

EDITORIAL ANALYSIS → 07 JULY 2022 → THE INDIAN EXPRESS:

GST REGIME IN INDIA:

- **About:**

- A comprehensive indirect tax on the production, sale, and consumption of products and services in India is known as the Goods and Services Tax (GST). It took the place of the national and state governments' prior taxes. India became a single, undivided common market thanks to this single indirect tax on the entire country.
- It is a destination-based tax that is imposed on products and services at the location of final or actual consumption.
- All items, excluding crude petroleum, motor spirit, diesel, aviation turbine fuel, natural gas, and alcoholic beverages intended for human consumption, are subject to the GST.
- Five percent, twelve percent, eighteen percent, and twenty eight percent are the four tax slabs that apply to both products and services.
- Despite the fact that the GST was designed to apply a single tax rate to all goods and services, four different tax brackets had to be established because basic requirements could not be taxed at the same rate as luxury goods.

- **Regarding GST Council:**

- The most crucial element of India's GST system is the GST Council. The council is in charge of suggesting tax rates, the time frame for levying additional taxes, supply-side principles, the exemption threshold, the floor level and bands of taxation rates, unique rules for particular states, etc.

- The President may create the GST Council pursuant to Article 279A of the Constitution to administer and regulate GST. India's Union Finance Minister serves as the GST Council's Chairman. Members of the GST Council are ministers chosen by the state governments.
- The council is set up so that the states have a 2/3 majority and the centre has a 1/3 majority.
- The 3/4th majority votes to approve the decision.
- The Council itself also chose a process for resolving conflicts resulting from its recommendations.

- **Results of the GST regime in India:**

- Expansion of the Tax Net: There were 65 lakh registered taxpayers at the time the GST was implemented. However, there were 1.23 crore active GST registrations as of March 2020. This suggests both a considerable expansion of the tax base and a shift in the compliance habits of taxpayers. In addition, the GST regime included an unregulated cash-based informal sector in the tax system.
- Average monthly revenue collections in 2018–19 were Rs 97,100 crore, and receipts consistently exceeded Rs 1 lakh crore. It got to INR 12.2 lakh crore in 2019–20.
- The e-way bill system has been substantially streamlined, with the exception of a few early technological hiccups. Approximately 63 Crore e-way bills, including interstate and intrastate, were produced during the financial year (FY) 20. Compared to FY-19, this is a 13% increase (Approx 56 Crore).
- Rationalization of rates: In 2017, just under 19% of items fell under the 28.5% GST threshold. However, only 3% of the commodities currently on the market are subject to the 28% GST rate.
- Legislative modifications and clarifications: Since the GST law's implementation on July 1st, 2017, there have been numerous adjustments. The GST Council issued almost 30 orders, 145 circulars, and nearly 700 notifications in just three years. These attempted to implement procedural simplifications, stop tax evasion, and respond to taxpayers' demands.
- Center-State Relationships The majority of GST Council decisions have been made unanimously, demonstrating India's improved cooperative federalism.
- Minimized Contact with Tax Officials: Within a year, the GST Network has handled 380 billion invoices and nearly 12 billion returns (the IT backbone for taxpayers to pay tax, file returns, and claim refunds). The user's contact with a tax official was decreased as a result.

- Reduction in turnaround time: With the removal of barriers and checkpoints at state borders, the turnaround time for the transit of commodities has decreased. A truly national market is starting to form as a result of this.

- **Problems with the Indian GST Regime:**

- The GST regime in India is officially recognised as an economic failure in the 15th Finance Commission report since it fell short of its initial promises.

- Several Tax Rates: India has multiple tax rates, in contrast to many other economies that have adopted similar tax system. The implementation of a single indirect tax rate on all commodities and services in the nation is hampered as a result.
- While the GST eliminated many taxes and cesses, a new tax in the form of a compensatory cess was instituted for luxury and sinful items. Later, this was extended to cover vehicles.
- Economy not covered by the GST: Nearly half of the GDP is still exempt from GST. Duty on things like petroleum, real estate, and electricity is still exempt from the GST.
- The complexity of tax filings: The GST statute mandates that certain groups of taxpayers file the GST yearly returns and undergo a GST audit. However, for taxpayers, filing annual returns can be challenging and confusing. In addition, the annual report contains a lot of information that is omitted from the monthly and quarterly forms.
- Higher tax rates: Despite rationalised rates, 50% of items still fall under the 18% tax band. In addition, several necessities for fighting the pandemic were subject to additional taxes. For instance, the 12% tax on oxygen concentrators, the 5% tax on vaccines, and the 10% tax on foreign aid supplies

- End of the revenue guarantee: Prior to the implementation of the GST, the Center made a promise to compensate states for revenue losses. In July 2022, this revenue guarantee expires. Some states are asking for a longer period of compensation time, citing the pandemic.
- Loss of state fiscal autonomy: In order to adopt the GST, states gave up the majority of their indirect taxing authority. States now lack the authority to tax them. However, the GST revenues are unknown, and the States are not present to observe.
- The Pandemic Problem: The United States was under more pressure after the second wave of Covid-19 infections. such as limitations on mobility, the order of vaccinations, and even the purchase of

vaccines. The States are unable to fully fund the necessary expenses to combat the epidemic due to lower tax collections.

- **Suggestions for enhancing India's GST system:**

- Expansion Of Tax Base: Many products continue to fall outside the scope of the GST, which hinders the smooth transfer of input tax credits. Electricity, alcohol, petroleum products, and real estate are significant items that fall outside of its purview. It would be conceivable to include aviation fuel and natural gas as fuels under the GST. To combat the pandemic, the government can also lower the GST on necessities like oxygen concentrators and vaccines at the upcoming meeting.
- Increasing tax predictability: Only once a year can the rates be changed by the GST Council. Furthermore, the Center shouldn't introduce any Cess to circumvent GST. The Center can also reduce the complexity of the current Cess ecosystem in India. States will be guaranteed tax stability, and conducting business will be made easier as a result.
- Greater flexibility from the Center: The Center must be more flexible to the State's needs in order to avoid an irreversible breakdown during the pandemic. For instance, correctly allocating the State's portion, purchasing vaccines internationally, etc. This will increase the State's dependability with regard to GST.

- **Conclusion:**

- The introduction of GST is a step in the right direction toward the formalisation of India's economy. But in order to include persons in the Direct tax bracket, the Center and States must recognise the restrictions imposed by Indirect Taxes. However, in order to put the GST Regime back on track, India needs to take certain drastic measures, such as extending the revenue guarantee to the States, limiting cesses, and most importantly, respecting the fiscal demands of the State governments.

- **Mains Question:**

- **Analyse the GST Regime in India? Suggest some remedial measures to improve its functioning in India?**