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A RESEARCH PAPER ON IMPACT OF GST ON CENTRAL GOVERNMENT REVENUE

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ABSTRACT

The objective of this paper is to analyze the impact of newly introduced Goods and Services Tax (GST) on tax revenue in India. To check the impact data pre GST and post GST is taken for better understanding. This paper helps in analysing the impact of GST on tax revenue of the central government. I have studied ANOVAs and regression model in which have introduced Value Added Tax (VAT) and GST as dummy variables. The study indicates that post introduction of GST there is some reduction in the tax burden on the consumers and corporate which supports the government's justification behind the introduction of GST. The study is expected to help the government in deciding the future course of action towards effective policy making for revenue generation.

INTRODUCTION

The Goods and Services Tax (GST) was introduced in India on 1st July, 2017 by central govt., after more than a decade of efforts. It replaced an existing system of fragmented and complex indirect taxes, consisting of multiple central and state taxes.¹ Under the earlier tax system, states unilaterally levied 'entry taxes' on all goods that entered its territory, resulting in inefficiencies and huge costs to the economy. The new GST was designed to bring about a common policy and administrative framework for taxation of the supply of goods and services across the entire country while causing minimum tax based restrictions on trade, besides harmonizing the rates on goods and services. This note provides a brief description of the GST and benchmarks it against other countries. It was expected by the central government that there may be positive impact of GST on their revenue before the launch of GST.

LITERATURE REVIEW

1. Arun Gautam, Shivani Kampani Gaurav Lodha Vadera ML (2019) Public policy of GST in India : A study on pharmaceutical sector with Special reference to Healthcare. In the research paper they have concluded The GST Tax rate of a service or product is decided according to its corresponding HSN code. Overall, in the health care sector, GST has been a boon. It has led to better transparency in the system. 2. Pallavi Kapila (2018): In her study she mentioned that GST is implemented by the government of India since 1st April, 2017. Its introduction by the Indian constitution Act, 2016 was considered to be one of the most crucial steps in the field of Indirect tax reform structure of India.

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GST was defined as a comprehensive consumption based tax levied upon manufacturer, sale and consumption of goods as well as service which helped in transforming the country into one unified common market. Many inexplicit arguments were raised about GST after its implementation. She mentioned that how GST would help in reducing the existing complexity of taxes in India as its included in VAT, excise duty, service tax and sales tax.

3.Yadav (2017): In her study she mentioned that the main idea of GST is to replace existing taxes like Vat, excise duty, Service tax and sales tax. It will be levied on manufacturer and consumption of goods and service. GST would be worthwhile to assess its positive impact on the various development areas like agriculture, manufacturing industry, MSME , housing, poverty reduction, employment, price level EXIM trade ,GDP, government revenue etc.

4.Dr. S. Shaik , Dr. S. A. Sameera, Sk. C. Firoz (2015): In this research study mention that GST is a Comprehensive tax levy on manufacture, sale and consumption of goods and service in national level. Currently company and business give the government a lot of Indirect taxes such as VAT, Service tax, Sales tax etc, but once GST is implemented all these indirect taxes would come under an umbrella. At present separate tax rates are applied to goods and service but under GST these would be one tax rate for goods and service. GST is to maintain a business friendly environment and it also improve government fiscal health and tax collection system would become more transparent

5. M. Sehrawat and U. Dhanda (2015): Studied that “GST INDIA: A KEY TAX REFORM” GST is one of the most crucial tax Reforms in India which has been long pending. It is a comprehensive tax system that will include all indirect taxes of state and central government and unified economy into a seamless national market. This paper is focused on advantages of GST and challenges of faced by India in execution

OBJECTIVES

1. To study the needs of GST.
2. To Study the impact of GST on government revenue.

RESEARCH METHODOLOGY

This study is descriptive in nature and it used the exploratory technique. The data for the study were gathered from the secondary sources such as journals, articles published online and offline on various newspapers and websites.

NEED OF GST IN INDIA

1. Imposing several taxes on goods and services can lead to high cost and inefficient tax structure which can subject to shirking and revenue disclosures. The need for GST in Indian Taxation System will add value at each stage and will set off the rates both at state and at central level. Introducing GST, will increase the efficiency of taxation, improves the economic growth and it will bring whole nation to one national market.

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2. Our present taxation system is very complex and very confusing, corruption chance is there, which leads to distrust of government, there are hidden tax for exports, whereas no charge applicable on Importing of Goods/Services from one state to another.

3. Just to overcome these issues, Rajya Sabha introduced GST bill, which will bring transparency to taxation and consumer will get to know how much tax amount they are paying to government for sale/ purchase/ manufacturing.

4. At present, there are huge number of taxes that has to pay by consumers, with GST it will single tax to pay, which is much easier to understand. For businesses, accounting complexities will reduce and results less paperwork, which will save both time and money. GST will increase economic GDP by 2%-2.5%.

5. Simple tax structure will bring more tax payers and in return it will be revenue for government.

Well, it will eliminate all other taxes of indirect taxes and this will effectively mean that tax amount paid by end users (consumers) will reduce. As in Economics, lower will the prices, more will be demand for that product, results in more consumption of goods, which will be benefited to companies.

6.If Indian market will be competitive in pricing, then more and more foreign players will try to enter the market, which results in more numbers of exporters and benefits to Indian Market. As far there is no tax rate is finalized, but yes GST is much needed in the countries where, it lacks transparency and complex taxation system.

GOVERNMENT REVENUE

Table no. 5 shows that corporation tax is the major contributor in direct tax revenue collection followed by income tax, land revenue, agricultural tax and hotel receipt tax. While other taxes contributed Rs. 8189 crores in direct tax revenue collection in 2017-18.

Table No. 5 Direct Tax Revenue Collection (Rs. in Crore)

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Types	2013-14	2014-15	2015-16	2016-17	2017-18
Corporation Tax	394678	428925	453228	493924	538745
Income Tax	237870	258374	280323	345779	433494
Estate Duty	0	0	1	0	0
Interest Tax	8	6	5	0	0
Wealth Tax	1007	1086	1079	0	0

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Gift Tax	1	0	0	0	0
Land Revenue	9021	8773	10798	12109	15543
Agricultural Tax	149	90	99	102	113
Hotel Receipts Tax	64	73	83	91	100
Expenditure Tax	1	1	4	0	0
Others	6160	6170	6612	7476	8189

Source: Indian Public Finance Statistics 2017-2018, Ministry of Finance.

Table no.6 reflects that general sales tax is the major contributor in indirect tax revenue collection followed by union excise duties, service tax, custom duty and state excise duty. While other taxes contributed Rs. 15008 crores in indirect tax revenue collection in 2017-18.

Table No.6 Indirect Tax Revenue Collection (Rs. in Crore)

Types	2013-14	2014-15	2015-16	2016-17	2017-18
Customs	172085	188016	210338	217000	245000
Union Excise Duties	169455	189038	287149	386415	405920
Service Tax	154780	167969	211414	247500	275000
State Excise Duty	85557	94178	106598	117925	134173
Stamp & Registration Fees	80528	87050	96203	96388	107804
General Sales Tax	475131	506106	550987	632474	710798
Taxes on Vehicle	37471	40927	46842	53581	62766
Entertainment Tax	2198	2385	2731	2905	3428
Taxes on Goods & Passengers	19578	19614	23373	26584	17023
Taxes & Duty on Electricity	22485	25733	31093	33112	36330

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Taxes on Purchase of Sugarcane	163	1148	1532	3242	2493
Others	10745	14354	14990	14841	15008

Source: Indian Public Finance Statistics 2017-2018, Ministry of Finance.

Table no.7.3 shows that on an average direct tax to GDP, indirect tax to GDP, total tax to GDP ratios are 5.66, 11.38 and 17.04 respectively. This means that indirect tax is the major contributor in GDP of India than directtax.

BEFORE GST IMPLEMENTATION (2016-17)

Before the implementation of GST, indirect taxes included service Tax, Central Excise, and customs duties. After GST implementation, except for petroleum products service tax and duties concerning Central Excise were replaced with GST. On petroleum products, levy of central Excise continued; on tobacco, both GST as well as Central Excise were levied. In comparison to FY 2016-17, the union Government overall revenue collection increased by Rs 6,41,999 crores. Approximately in FY 2017-18. As per the total revenue receipts, the portion of indirect taxes has remained nearly constant and accounts for 38.76% in FY 2017-18, in comparison to 38.95% in FY 2016-17. With regards to indirect taxes, the growth rate dipped to 5.80% in FY 2017-18 when compared to FY 2016-17. During FY 2016-17, the growth rate was 21.33%.

In FY 2017-18, the centre's revenue related to goods and services saw a 10% decline after GST implementation (exclusive of Central Excise on tobacco and petroleum). Also a short transfer worth Rs 6,466 crore approx. in the form of GST compensation Cess was initiated to the public Account during FY 2017-18. As on February 28, 2019 the count of Pan – India registrations under GST was 1.20 crore. Out of the 1.20 crore registrations, composition taxpayers accounted for 14.63%, and normal taxpayers were around 84%.

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We will have a look on how GST figures appeared in Financial Year 2016-2017

Tax Component Type		FY 2016-17 (Before GST) (In crores)
A. Total revenue receipts		
	Direct Tax Receipts	8,49,801
	Non –Tax Receipts	5,06,721
	Grants-in-aid & contributions	1,299
	Indirect Tax Receipts	8,66,167
B .Miscellaneous Capital Receipts		47,743
C. Public Debt Receipts		61,34,137
D .Recovery of Loans and Advances		40,971
Receipts of Government of India (A+B+C)		84,46,839

DIRECT TAX AND INDIRECT TAX COLLECTIONS.

The details of total Direct Tax and Indirect Tax collected over the last three years along with the different component-wise are as under:

DIRECT TAX

			(Rs. in crore)
Financial Year	Corporation Tax	Taxes on Income	Total
2015-16	453228	288717	741945
2016-17	484924	346789	849713

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2017-18	571202	431539	1002741
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AFTER GST IMPLEMENTATION

Tax Component Type		FY 2017-18 (After GST) (In crores)
A. Total revenue receipts		
	Direct Tax Receipts	10,02,738
	Non –Tax Receipts	4,41,383
	Grants-in-aid & contributions	3,582
	Indirect Tax Receipts	9,16,445
B .Miscellaneous Capital Receipts		1,00,049
C. Public Debt Receipts		65,54,002
D .Recovery of Loans and Advances		70,639
Receipts of Government of India (A+B+C)		90,88,838

(Source: <https://news.clear-tax.in/>.)

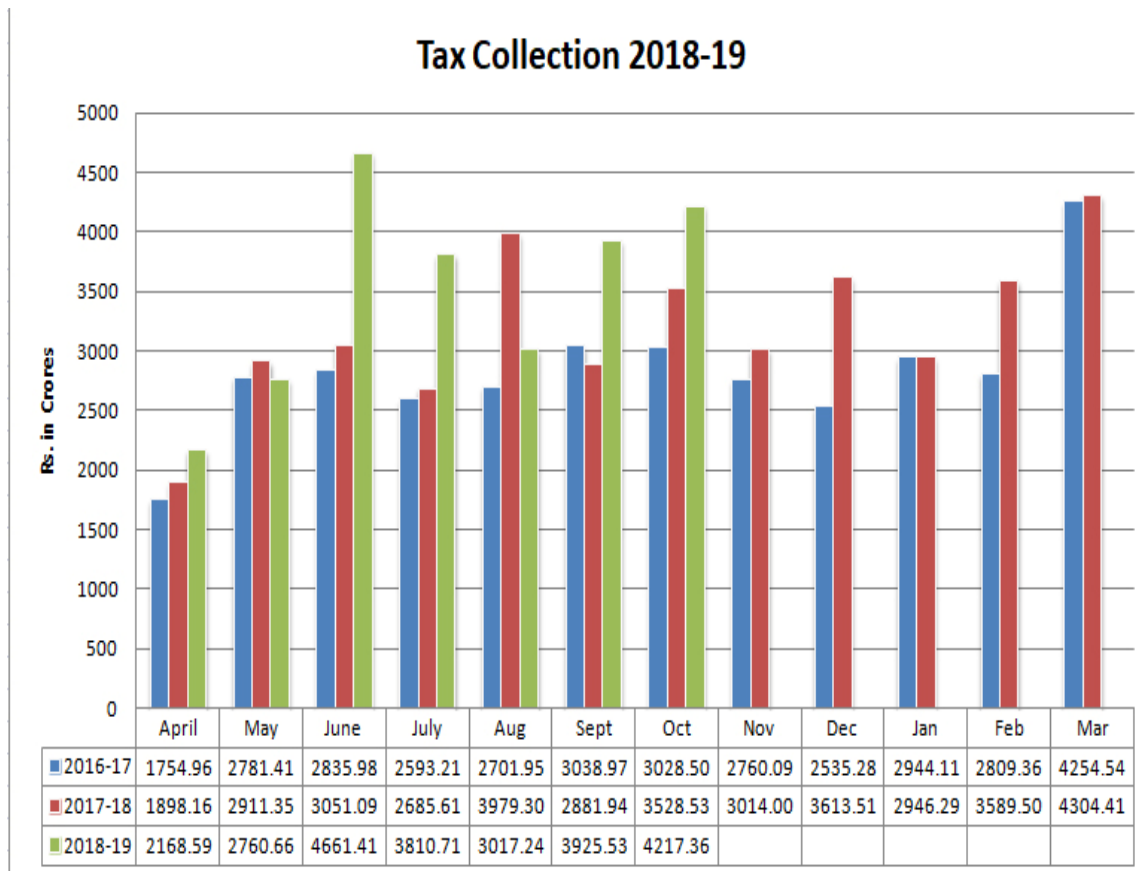
As per June 2018, the revenue collected was netted to 95,610 crore approx.. But as per GST, government is expecting to exceed the revenue collection more than 1.1 lakh crore monthly. And approximately 13 lakh crore this 2018 fiscal year. The collection of money which is collected by government of India is totally depends on the income if the income is high then government will get high collection of money or if the income is lower government will get lower collection of money. After two months of negative growth, GST revenues witnessed an impressive recovery with a positive growth of 6% in

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November, 2019 compared to November, 2018 collections. During the month, the GST collection on domestic transactions witnessed a growth of 12%, highest during the year. The GST collection on imports continued to see negative growth at (-)13%, but was an improvement over last month's growth of (-)20%. This is the eighth time since the inception of GST in July 2017 that monthly collection has crossed the mark of Rs 1lac crore. Also, November 2019 collection is the third highest monthly collection since introduction of GST, next only to April 2019 and March 2019 collections.



The gross GST revenue collected in the month of Nov, 2019 is Rs 1,03,492 crore of which CGST is Rs 19,592 crore, SGST is Rs 27,144 crore, IGST is Rs 49,028 crore

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(including Rs 20,948 crore collected on imports) and Cess is Rs 7,727 crore (including Rs 869 crore collected on imports). (Source: Cleartax.in)

CONCLUSION

Goods and Service Tax, with end-to-end IT enabled tax mechanism, is likely to bring good amount of revenue to government. It is can be expected that the ill activity of tax theft will be reduced under GST in order to benefit both governments and the consumers. In reality, that extra revenue that the government is expecting to generate would come from the reduction of tax theft instead from the consumer's pocket. Though the structure of GST might not be a perfect one but once it is placed, this tax structure will make India a better economy advantageous for foreign investments. GST avoid with multiple tax rates by central and states Tax collection in India is dependent on indirect taxes. Corporation tax is the major contributor in direct tax revenue collection. General sales tax is the major contributor in indirect tax revenue collection. The contribution of indirect tax in GDP is more than that of direct tax. Government should try to increase the share of direct tax in total tax revenue collection and structural reforms should be brought by the government. There is high need to consolidate and simplify the tax laws. Indian tax structure is a bit complex. GST collections for financial year 2019-20 for central government was approximately more than 10 lakh crore.

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