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GST'S Challenges and Opportunities in the Digital Indian Economy

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Abstract - Cascading and distorted taxes on the production of goods and services characterize indirect taxation, which reduces efficiency and retards economic development. In the current setup, there are a plethora of taxes, but only a small fraction is collected by the federal government (the "Center"). To eliminate this tax complexity and reduce the cost on taxpayers, a streamlined tax like a goods and services tax is required (GST). The purpose of this research is to examine how the Goods and Services Tax has affected business in India. In order to be considered effective, a social plan or programme must enhance the welfare state, reduce social inequality, and contribute to the growth of the nation. The Goods and Services Tax will significantly alter the current framework of India's tax system, and this article provides a conception of such changes. The Goods and Services Tax (GST) is unique among indirect taxes in that it affects every economic and industrial sector, as far as I am aware. As a federal democratic nation, India implemented the GST simultaneously at the federal and state levels as CGST and SGST. This article set out to do just that, with an emphasis on India and its implementation of Goods and Services Tax (GST). The early effects on the economy and the difficulties the government faced implementing it are then discussed.

Keywords - GST, Challenges, Opportunities, Digital, Indian Economy, Indirect taxes, Economic Growth, Business

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INTRODUCTION

Goods and Services Tax (GST) is a proposed system that would, in accordance with the One Hundred First Amendment to the Constitution, consolidate the vast majority of current levies under a single taxing framework. Taxes on Exceeding Production Values On the federal level, GST encompasses Central Excise + Additional Excise Duty, Service Tax, Countervailing Tax, and Custom Duty, while on the state level, GST encompasses Sales Tax, Entertainment Tax, Octroi and Entry Tax, Purchase Tax, Luxury Tax, Lottery, Betting, and Gambling Taxes. The Goods and Services Tax, which is scheduled to go into effect in India in July 2017, would have a profound impact on the country's economy. Incorporating IT accounting and tax compliance systems, GST will have far-reaching effects on virtually every facet of company, from procurement to production to supply chain efficiency. Black money would be discouraged by GST because of the plan to monitor company dealings via the Digital GST Network (GSTN), which is currently in the works.

Our nation's indirect taxation system has entered a bold new era. This tax system has effectively transformed the entire country into a unified market. The slogan "ONE TAX ONE NATION" describes the purpose of this indirect tax system. A general sales tax (GST) is an indirect tax on the movement of goods and services from manufacturer to end user. Therefore, consumers will only have to pay the GST levied by the final dealer in the supply chain, while those involved in the process earlier on may be able to get a refund for the GST they paid.

Digitalization

Information can be transmitted, processed, recorded, generated, and displayed electronically with the help of digital technology. Internet-connected devices, electronic mail, short message service (SMS), application programme interfaces (APIs), and social media are all part of this category. In this document, "digital" is used to describe any technology that can be operated digitally, regardless of its physical form.

The effects of digitalizing taxation on taxpayers are substantial. This, according to EY (2017), taxpayers investigating the following areas:

- Checking for preparedness,
- Determining the direction of the business,
- By keeping an eye on data needs,
- Determining the reliability of the data,
- By simplifying the data collection process,
- Guaranteeing long-term viability and progress

Gross Domestic Product

While the federal government works to compensate states for revenue loss, the private sector may have to bear the cost of adjusting to GST's inter-sectoral effects on growth in the short term. For service providers, an 18% GST rate would result in a higher tax burden, while manufacturers would see a reduction in their tax burden. As a result, firms in the supply chain may decide not to pass on their cost savings to consumers, which could reduce demand and slow economic growth. Indirect tax rates on goods and services have decreased to 22.5% and 15%, respectively.

Major issues and Challenges

The revenue neutrality rate is a major obstacle to a smooth rollout of GST. The Revenue Neutral Rate (RNR) is the percentage by which the Central Government and State Governments' tax revenues would remain unchanged under the proposed GST compared to the current indirect tax system in India. Like in Canada, where the government cut the rate twice after installation owing to internal resistance, a much higher rate than the existing system might have substantial effects and garner criticism from the government and taxpayers, producing an uneven scenario.

The official position of the United States government - The GST Council is a joint forum of state and federal governments that makes decisions on all crucial aspects of the tax, such as the base, rates, distribution of the tax base among the states, administrative architecture, and compliance procedures. Minimal changes to tax rates are required to stay within the bounds set by the GST Council. Changing the tax rate requires approval from the GST Council, which has a one-third vote for the Central Government and two-thirds for the states. The states are understandably concerned that the Central Government may abuse its newfound veto power. Because of this, international collaboration is all but impossible.

Gasoline and diesel fuel are major economic drivers; however, they are exempt from GST. Even though petrol and diesel fuel a sizable section of the economy at rates that are lower than international crude oil prices, taxes amounting to 45-52% of retail motor fuel prices mean that we pay much more for fuel than we would if they were brought under GST. Since petroleum products are and will remain GST-free, petroleum companies that rent rigs or invest in crude oil production and refining equipment and services will not be able to recoup the GST they initially paid. Assessors also confront significant obstacles from ambiguity and a broad variety of tax problems resulting from interpretation concerns because all products or enterprises are divided into four slabs.

Implementing the required solutions and developing a well-defined and maintained framework may lessen the impact of these challenges. Below, you'll find a rundown of the government's procedures and actions taken to counteract such threats.

REVIEW OF LITERATURE

Neeraj Sharma and Nidhi Maheswari (2020) to infer the difficulty of real estate transactions. Due to the high cost of starting a real estate company, the industry is highly vulnerable to fluctuations in the economy and the market. Our services for real estate businesses include much more than just assurance, tax, and advisory assistance.

Dani S (2016) According to "Impact of Goods and Services Tax (GST) on Indian Economy," GST would have a negative effect on the country's real estate market. It could increase the price of new homes by as much as 8% and decrease demand by as much as 12%.

Khurana & Sharma (2016) producers and buyers in India's economy can benefit from the availability of set offs, which are a relatively new phenomenon. The researchers concluded that GST would boost India's economic growth by increasing job creation and ensuring the economy's continued stability.

Panda and Ratel (2015) examined GST's (Goods and Services Tax) influence on India's tax system. They provide a concise analysis of the development and structure of the Indian tax system over time. In this paper, the authors dive deep into the history, hidden details, and long-term effects of GST on India's current tax system, which arose from the necessity of adjusting the system from its previous incarnation.

Nishitha Guptha (2014) in her research, she found that introducing GST into the Indian framework would result in commercial benefits that were not realized under the VAT regime, which in turn would spur economic growth.

OBJECTIVES OF THE STUDY

- To comprehend the concept and framework of the Indian Goods and Services Tax (GST) and Digitalization.
- To highlight the contribution of GST to Sustainable Economic Development
- To forecast the impact, challenges, and future prospects of GST in the Indian economy.

RESEARCH METHODOLOGY

This research paper is conceptual in nature; it analyses the concept and framework of GST by drawing on existing works of written media such as books, journals, magazines, etc. Additionally, it encompasses a vast array of scholarly works on Goods and Services Tax. As the needs of the study dictated, we also took into account some other factors.

BACKGROUND OF THE STUDY

Concepts and Structure of GST: This section explains GST in terms of its various parameters, such as:

Background: Indirect taxation in India has been undergoing reforms since before independence. Indirect tax reform in India has taken a significant step forward with the introduction of Value-Added Tax (VAT) at both the federal and state levels. The Goods and Services Tax (GST) that was recently implemented in India is widely considered a landmark change to the country's tax structure. In 1954, France was the first country to adopt GST; this was quickly followed by Japan, South Korea, the UK, and Australia. Approximately 160 nations now use a version of the goods and services tax. As a federal economy, India followed Canada's lead in adopting a dual GST structure.

1986: Finance Minister Shri VishwanathPratap Singh of Rajiv Gandhi's government proposed a new excise taxation system in the fiscal years 1986–1987.

Atal Bihari Vajpayee, India's prime minister at the time, proposed the idea in the year 2000 and appointed Asim Dasgupta to head a committee charged with creating a GST framework.

2003: In 2004, a committee appointed by the Vajpayee government and chaired by Vijay Kelkar made the strong recommendation that India's current indirect tax be incorporated into the form of GST.

2006: Based on the findings of numerous GST task forces and the precedent set by the introduction of VAT. On February 28, then-Finance Minister P. Chidambaram mentioned GST for the first time when he set the implementation deadline for GST on April 1.

2008: By November 10, 2009, the Indian government had received a report from an empowered committee made up of state finance ministers, and they had also received a discussion paper.

2013: The UPA reached an agreement on how to implement GST, and P. Chidambaram set aside Rs. 9000 crores to compensate states that might lose money as a result. The GST bill was set to be brought in the house in August after the Parliament Standing Committee had given a report to the parliament with suggestions to strengthen GST, despite opposition from the then Chief Minister of Gujarat, Shri Narendra Modi.

2014: After the 122nd constitutional Amendment Bill to GST was approved by the Cabinet on December 18, 2014 and passed by Lok Sabha on May 6, 2015, it was presented to Lok Sabha on May 12, 2015; however, the government did not receive opposition support until August.

2016: The Constitution Amendment Bill was finally approved by the Rajya Sabha on August 3rd, 2016, and signed into law by the then-Honorable President Shri Pranab Mukherjee. The inaugural meeting of the council took place on September 22 and 23, and by November 3, the members had settled on a four-slab tax system with rates of 5, 12, 18, and 28%, plus a Cess on luxury and sin items.

2017: In January, the deadline for implementing GST was announced as July 1st, and by February, a draught Compensation Bill was finalised to compensate states for any revenue loss in the first five years of GST implementation. On May 19th, the GST council decided on service tax slabs of 5, 12, 18, and 28%. Assam was the first state to approve the SGST legislation, and the GST went into effect on June 30 at midnight, with the exception of Jammu & Kashmir.

DATA ANALYSIS

Gross Goods and Services Tax receipts are shown here, month by month, during the current fiscal year. The following table compares the total amount of GST collected in each State in October 2022 to that of October 2021, broken down by state.

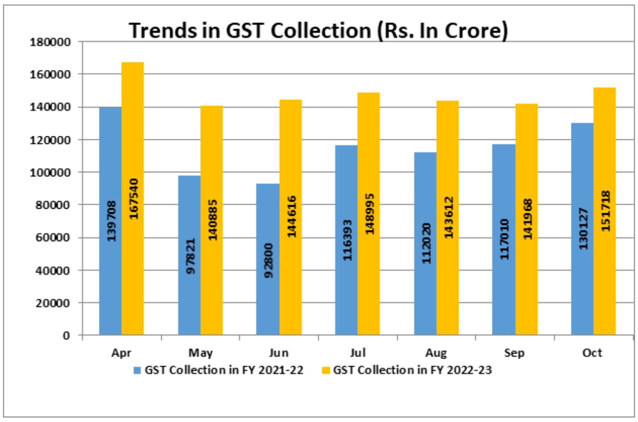

Figure 1: Trends in GST Collection

Source: http://gstcouncil.gov.in/gst-revenue

The overall GST collection has now exceeded the Rs. 1.50 lakh crore barriers for the second time in October 2022, making it the second largest monthly collection after the collection in April 2022. Only April 2022 will beat October's amount collected from domestic transactions. The monthly GST collections have exceeded the 1.4 lakh crore mark for the ninth consecutive month and eight months in a row. 8.3 crore e-way bills were produced in September 2022, a number that was much higher than the 7.7 crore produced in August 2022.

OPPORTUNITIES OF GST

The Goods and Services Tax system would create a unified national market to attract more international investment:

- There is less of a domino effect from taxes.
- There would be nationwide uniformity in laws, tax rates, and administrative procedures.
- Under GST, production and shipping should rise. As a result, more employment is created, and the economy expands.
- Indian exports would be more aggressive in global markets.
- The Goods and Services Tax structure would improve India's business environment.
- The incidence of tax evasion might be greatly reduced if the thresholds for both SGST and IGST were standardized. In turn, this is expected to boost demand and encourage enterprises to ramp up output.
- There would be no other means of contact save the central GSTN website.
- Input tax credit procedures become more precise and open to scrutiny when computerized matching is used.
- In most cases, final prices will go down once GST is taxed at the new rates. The "producer," "retailer," and "service provider" would all experience a smooth flow of input tax credits.
- Depending on the blending process, a sizeable subset of small shops either doesn't collect sales tax or will see a reduction in that rate. Customers stand to benefit more from purchases made at these mom-and-pop establishments.

CHALLENGES OF GST

Robust IT Network: The infrastructure for the Goods and Services Tax has already been set up by the government. It is in charge of developing the GST website's entire information technology infrastructure, which includes providing technical support for GST registration, GST return filing, tax payments, etc.

Extensive Training to Tax Administration Staff: Due to GST's radical departure from the status quo, the tax administration team will require intensive training on the legislative process.

Understanding GST intricacies is not easy: The CGST must be deposited into a federal government account, while the SGST must be deposited into a state government account. Every purchase and sale agreement are made with the intention of using the GST system properly so that all parties in the chain may reap its benefits.

SUGGESTIONS

That's why it's important to streamline procedures. When a registered dealer buys from a non-registered dealer, they no longer have to pay the reverse fee. The workforce needs comprehensive and in-depth education about the new tax system. As an added bonus, workshops and conferences may help disseminate GST knowledge. When it comes to input tax credit, a massive amount of supplier-to-recipient data has to be matched. The processes involved will be simplified.

CONCLUSIONS

As far as indirect tax reforms go, India's are among the biggest in the country's history. India has been using GST for roughly 5 years. It has consolidated the country's several indirect taxes into a single sales and use tax. As we've already established, it's simplified a lot of taxes, lowering the price of basics and making them more affordable for low-income people. Development that takes into account both the requirements of the present and future generations is said to be sustainable. Fewer taxes are collected; more commodities and services may be freely traded, etc. These benefits are very helpful to the country's long-term growth.

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