

STUDY OF IMPACT ON TAX REVENUE BEFORE AND AFTER GST (GOODS AND SERVICES TAX) IMPLEMENTATION IN WARDHA DISTRICT

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Abstract :

The new indirect tax regime under the Goods and Services Tax (GST) which was rolled out on 1 July 2017, had witnessed a considerable amount of confusion over how the new taxation system will affect businesses and the payment of taxes. The Goods and Services Tax (GST) has subsumed a number of local taxes that were levied on goods and/or services. The GST Council also finalized on the GST rates and GST rules. The Government declares that the GST Bill will be applicable from 1 July 2017, following a short delay that is attributed to legal issues. In India, the idea of adopting GST was first suggested by the Atal Bihari Vajpayee Government in 2000. The state finance ministers formed an Empowered Committee (EC) to create a structure for GST, based on their experience in designing State VAT. This study is restricted to impact of GST on tax revenue. The period covered under study for the last 6 financial years including pre GST and Post GST. This study has limited scope of generating revenue from GST in Wardha District. After GST implementation tax revenue of Wardha district tax office has increased by 213.99 (Rs. in cr.) in post period of 3 years.i.e. tax revenue of Wardha district has increased. It is observed that after GST implementation tax revenue of Maharashtra state has increased by 25,415 (Rs. in cr.)in post 3 years of implementation. In case of India it is increased by 7.60% in post implementation period. The study is helpful to know GST impact on tax revenue and helpful to suggest regarding increase tax revenue through GST.

Key word : GST Indirect tax, tax revenue, VAT.

Introduction :

A tax is a compulsory financial charge or some other type of levy imposed on a taxpayer (an individual or legal entity) by a governmental organization in order to fund government spending and various public expenditures.

Types of Taxes :

Direct Tax:

Direct tax is tax, which are to be paid directly to the government by the individual or

legal entity. Everyone who earns any kind of income is liable to pay income tax.

Indirect Tax:

Taxes that are levied on services and products are called indirect tax. Indirect taxes are collected by the seller of the service or product.

GST is indirect tax which implemented on July 2017. GST may be a destination tax but for India it begins a new journey. It is a journey where India will awake to limitless possibilities to expand the economic horizons and loftier political visions. The old India was economically fragmented. New India will create one tax, one market, one nation. It will be an India where Centre and states work together towards the common goal of shared prosperity

Objectives of the Study:

1. To study and know the GST structure.
2. To elaborate the GST impact.
3. To understand the tax system before and after GST implementation.
4. To study the impact of GST on tax revenue of Sangli district and Maharashtra state.
5. To find the impact of GST on the tax revenue of Indian Economy.

Back ground of Tax In India :

Tax structure in India :

Taxes in India are levied by the Central Government and the state governments. Some minor taxes are also levied by the local authorities such as the Municipality.

Before GST was implemented, the VAT system was being followed in the country. There are numerous differences between GST and the previous system ranging from the levies, taxes, exemptions, validations, and more.

Tax Structure before GST :

Before the implementation of GST, taxation laws between the Centre and states were clearly demarcated. There were no overlaps between the fiscal powers, whatsoever. The Centre would levy tax on goods manufacture, except alcohol for consumption, narcotics, opium, etc.

The states had the power to charge tax on the sale of goods. The Centre would levy the Central Sales Tax that was collected by the originating states. The Centre was also levying service tax on all types of services. Additionally, the Centre was charging and collecting additional duties of customs on goods that were imported into or exported from India. This tax was levied in addition to the Basic Customs Duty. This additional duty of customs is referred to as Countervailing Duty (CVD) and Special Additional Duty (SAD) and it counter balances excise duties, state VAT, sales tax, and other such taxes. The introduction of the GST regime

made amendments to the Constitution so that the Centre and states are empowered at the same time to levy and collect GST. This concurrent jurisdiction of the states and Centre also requires an institutional mechanism that ensures joint decisions are taken about the structure and operation of GST. Constitution (One Hundred and First) Amendment Act, 2016. In order to address prevalent issues in taxation, the Constitution 122nd Amendment Bill was put forth in the 16th Lok Sabha on 19 Dec 2014. The Bill suggests levy of GST on all goods and services, except alcohol that humans consume.

The new indirect tax regime under the Goods and Services Tax (GST) which was rolled out on 1 July 2017, had witnessed a considerable amount of confusion over how the new taxation system will affect businesses and the payment of taxes. The Goods and Services Tax (GST) has subsumed a number of local taxes that were levied on goods and/or services.

As per the newly implemented tax system, there are 4 different types of GST:

- Integrated Goods and Services Tax (IGST)
- State Goods and Services Tax (SGST)
- Central Goods and Services Tax (CGST)
- Union Territory Goods and Services Tax (UTGST)

Key benefits of the GST announcement are detailed below:

- As mentioned above, the GST system will create a common national market that boosts foreign investment.
- The cascading effect of taxation will be mitigated.
- There will be uniformity in laws, rates of tax, and procedures across states.
- The GST regime is expected to boost manufacturing activities and exports. This would, in turn, generate more employment and lead to the growth of the economy.
- Indian products would be more competitive in the international markets.
- The GST system is likely to improve the overall investment climate in India. Uniformity in the rates of SGST and IGST will reduce tax evasion to a large extent.
- The average sales burden experienced by companies is expected to come down, thereby increasing consumption and boosting subsequent production of goods.
- GST is a simpler system of taxation with smaller number of exemptions.
- There are automated and simplified methods for processes such as registration, refunds, returns of GST, tax payments, etc.
- All interactions will be handled by the common GSTN website.

GST Returns :

GST return is kind of a document containing details of income (Sales) which a taxpayer is required to file with the tax administrative authorities. This is often utilized by tax authorities to calculate liabilities.

Under GST, a registered dealer needs to file GST returns that include: Purchases, Sales, Output GST (On sales), RCM (GST paid on purchases)

GST compliance purchase and sales invoices are required to file GST returns.

GST slabs :

GST has been structured in a way that essential services and food items are placed in the lower tax brackets, while luxury services and products have been placed in the higher tax bracket.

The GST council has fitted over 1300 goods and 500 services. Which are under four tax slabs of 5%, 12%, 18% and 28% under GST. This is aside the tax on gold that is kept at 3% and rough precious and semi-precious stones that are placed at a special rate of 0.25% under GST.

Comparative Structure of VAT and GST:

VAT: Under the old taxation system, the central taxes applicable were custom duty/central excise duty, central sales tax on commodities and services, surcharge and cesses. The state taxes included state VAT, WCT, entertainment tax, luxury tax, tax on gambling, betting and lottery, sales tax deducted at source, and surcharge and cesses.

GST: *Under GST, all the central and state taxes will be subsumed and a single tax will be levied on all commodities and services apart from motor spirit, petroleum, natural gas and high-speed diesel.*

VAT: *Under VAT, tax will be levied at the place where goods are manufactured or sold, or the place at which services are rendered.*

GST: Under GST, tax will be levied at the place of consumption, like a destination- based tax.

IMPACT OF GST:GST Rate Impacts on Economy :

The introduction and implementation of GST served as a transforming tool for the Indian economy. It proved to be a game-changer by bringing a net price of all goods and services under a single taxation system. Some of the considerable impacts of GST on the economy are:

Single/Uniform Tax Regime: Before the introduction of GST, there were multiple taxes at various points of the supply chain. However, after the implementation of the GST, it has become easier for taxpayers due to uniformity in the tax system.

Increased Exports: Due to GST, there has been a drop in the production cost, which has

benefited in terms of bringing competitiveness in pricing the exports in the international market.

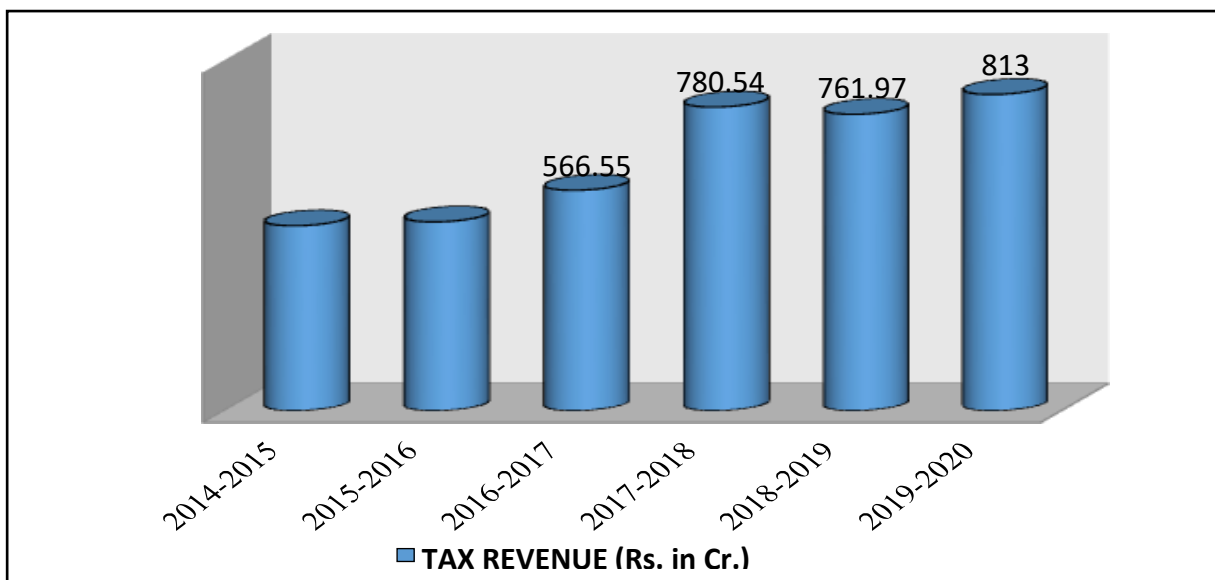
Increased Competition: GST has brought the prices of goods and services down, which has contributed in terms of increased competition and less tax burden on the final consumer. It has also helped in increasing the scope of production.

Simple Structure: The single taxation system has simplified the tax calculation. With tax being calculated based on simple slabs instead of going through various tax systems, it has saved a lot of time and effort.

Table-1 showing tax revenue of SANGLI District: (Rs. in Cr.)

WARDHA	YEAR	TAX REVENUE
Before GST Implementation	2014-2015	475.24
	2015-2016	485.11
	2016-2017	566.55
After GST Implementation	2017-2018	780.54
	2018-2019	761.97
	2019-2020	813.00

Source- Wardha Tax Office **Graph showing tax revenue of Wardha District.**



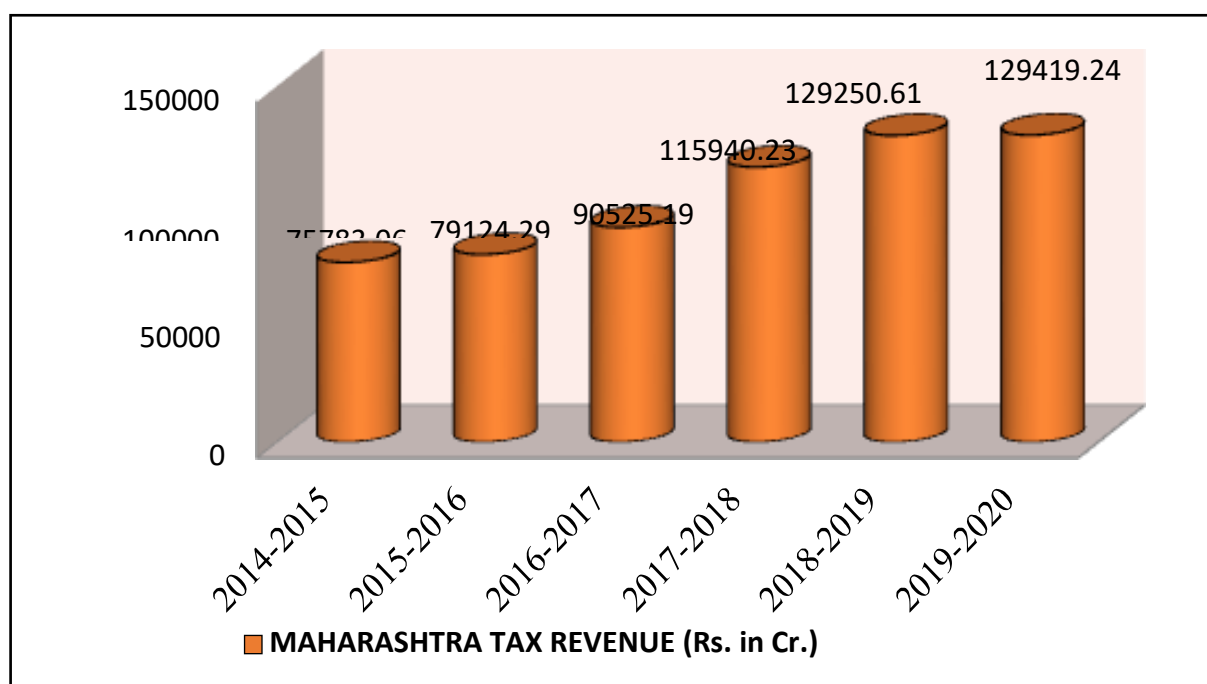
The above table and graph showing tax revenue (Rs. in Cr.) of Wardha district. It shows increasing Tax revenue for VAT in year 2014-2015, 2015-2016 and 2016- 2017. After GST implementation tax revenue is increased from 566.55 (2016-17) to 780.54 (2017-18) (rs. in crs.)

Slightly decrease in year 2018-19 and again increasing in year 2019-20. After GST implementation tax revenue of Wardha district tax office has increased by 213.99 (Rs. in cr.) in post period of 3 years.i.e. tax revenue of Wardha district has increased.

Table-2 Showing of tax revenue of MAHARASHTRA State: (Rs. in Cr.)

Maharashtra	Year	Tax Revenue
Before GST Implementation	2014-2015	75783.06
	2015-2016	79124.29
	2016-2017	90525.19
After GST Implementation	2017-2018	115940.23
	2018-2019	129250.61
	2019-2020	129419.24

Graph of tax revenue of MAHARASHTRA State:



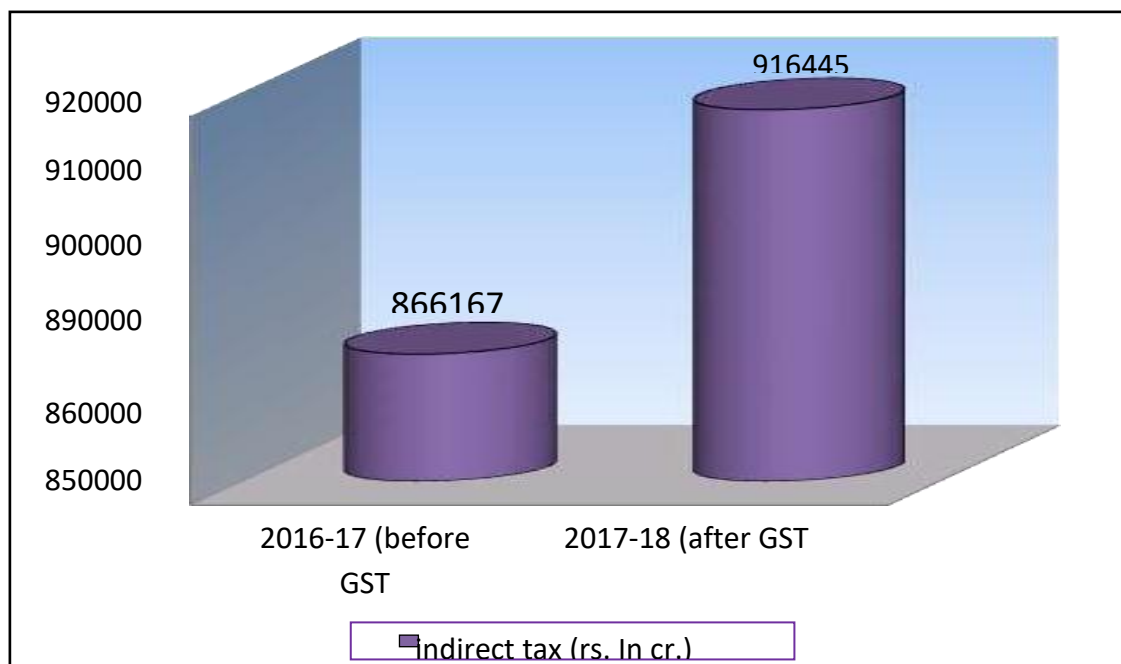
The above table and graph shows tax revenue (Rs. in Cr.) of Maharashtra State. It shows increasing Tax revenue from base year to 2019-2020. After GST implementation tax revenue has increased from 90525.19 to 115940.23 (rs. in cr.) in year 2016-2017 and 2017-2018 respectively. It is slightly increasing in year 2019-2020.

Table- 3 Showing indirect tax revenue of INDIA:(Rs in Cr.)

Financial year	Tax (Rs)	Tax in %
2016-17 (before GST implementation)	866167	Nil
2017-18 (after GST implementation)	916445	5.80%

Source- GST Tax office website

Graph Showing Indirect tax revenue of INDIA:



Above table and graph shows indirect tax revenue (Rs. in Cr.) of India country.

Before GST implementation in year 2016-2017 is 866167 (Rs. in Cr.) which is increase after GST implementation in year 2017-2018 to 916445 (Rs. in Cr.). And after GST implementation in year 2017-2018 total Indirect tax of government of India is increase by 5.80%. In total in post GST period tax revenue is increased by 7.60% during 3 years .

Findings :

- After GST implementation tax revenue of Wardha state tax office has increased by 213.99 (Rs. in cr.).i.e. tax revenue of Wardha district has increased.
- It is observed that after GST implementation tax revenue of Maharashtra state has increased by 25,415 (Rs. in cr.)
- It is observed that the impact of GST on indirect tax revenue (Rs. in Cr.) of INDIA has increased by 5.80% compared to pre GST taxation system.
- It is observed that, the total receipt of government of India has increased after GST implementation by 641999 (Rs. in cr.) i.e. by 7.60% compared to pre GST.

- It is observed that overall effect of GST is positive on prices of goods as most of the prices of goods have decreased but increased in service prices.

1.6 SUGGESTIONS:

- It is suggested that GST office should focus on tax liability of taxpayers.
- Government should create more awareness about tax i.e. Goods and Services tax among taxpayers as well as public.
- It is suggested that government should ease the process of tax return filing to taxpayers.
- GST department should conduct more inspections of vehicles for E-way bills. Or they can conduct regular inspections for E-way bill.
- GST offices should create permanent check-posts for checking E-way bills at every district borders
- It is suggested that GST tax office should focus on increase in auditing of tax return & give importance to technical data analysis work.

Conclusion:

The study is made on the topic „Goods and Services Tax“ with data collected from past 6 years (2014-2020) at GST Bhavan, Wardha. Impact of GST on tax revenue is hg vin different effect not only on different divisions, districts, states but also on INDIA.

GST rates are divided into five categories which are 0%, 5%, 12%, 18%, 28%. All the basic need requirement goods are placed in 0% category like food grains, salt, books etc. Goods like paneer, packed food, tea coffee etc. are placed under 5% category. Mobiles, sweets, Medicine, are under 12%. All types of services are under 18% category. All other remaining Luxury items are placed under the last head of 28%. Due to the Implementation of one tax in the whole country the overall cost of production of all goods will be reduced but on the other hand in case of services, it is increased after the implantation of GST. The tax structure will make India a better economy favorable for foreign investments. The financial position of the India is improved due to GST.

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