

GST is seen as a shining example of cooperative federalism aimed at taking the country towards a one-nation, one-tax and one-market regime

FIVE YEARS OF GST AND THE WAY FORWARD

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The unified Goods and Services Tax (GST), lauded as a historic and game-changing reform, completed five years of its successful implementation on June 30, 2022. Considered one of the biggest reforms in India's tax history, GST is seen as a shining example of cooperative federalism aimed at taking the country towards a one-nation, one-tax and one-market regime by streamlining the tax administration and reducing the taxpayer's compliance burden.

The GST subsumed over 17 central and state taxes and 13 cesses and aligned India with global tax regimes. It also brought down tax slabs from around 20 before the introduction of GST to four at present.

The journey was, no doubt, beset with multifarious challenges. This included achieving a consensus between stakeholders under the federal structure, facilitating a smooth and orderly migration of the existing taxpayers to the new regime and ensuring that the new system resonates with the diverse aspirations of the citizens.

Nevertheless, the proactive and consultative approach between the Centre and the states helped overcome the initial glitches and resulted in the successful implementation of the landmark reform.

The government must be complimented for accommodating the diverse interests of stakeholders. The initiatives to make the regime more acceptable to taxpayers include continuous consultations, issues of clarifications wherever needed, and many mid-way changes such as fine-tuning rates, raising the threshold exemptions, deferring certain provisions, and issuing simplified formats for return filing, among others.

The government also ensured that the implementation of GST did not unduly burden the MSMEs. Hence, steps were taken to facilitate ease of compliance—enhanced threshold exemptions from GST registration, quarterly filing of GST returns for taxpayers with an annual turnover of ₹5 crore, exemption from GST payment at the time of receipt of advances on account of the supply of goods, and a composition levy scheme, among others. Similarly, to facilitate small taxpayers, the number of return filings stands reduced to quarterly or annual depending on the scheme the taxpayer opts for.

The consensus-building efforts made by the government made a far-reaching impact in terms of reducing the cascading impact of taxation and unifying the Indian market by enabling

seamless cross-border input tax credit. Besides, the tax transformation brought mass awareness about the indirect tax system and built an assessment-friendly tax administration. Moreover, the integration of GSTN with other systems could promote digitisation of the economy, going forward.

The GST regime also enhanced productivity and efficiency among businesses. It resulted in formalisation of the Indian economy, facilitated ease of doing business and, by removing inter-state barriers, brought about logistics and warehousing efficiencies for industry.

Anti-profiteering measures hold a special place in the GST regime and are meant to protect the consumer from unfair profiteering. This ensures that the benefits of input tax credit or

reduction in tax rates are passed on to the consumers. The advance ruling process under GST is effectively providing clarity.

The GST regime demonstrated resilience despite the devastation caused by the pandemic. Its performance in terms of revenue collection is impressive. While revenues were impacted during the brief lockdown phase, collections crossed the one-lakh-crore-rupee mark since October 2020.

The latest data indicates that tax collections went up by 56% year-on-year to touch ₹1.44 lakh crore in June, the second-highest since April 2022. The revenue would remain buoyant as economic activity gains traction, compliance improves, and the services sector growth picks up pace.

GST registration data shows a rise of 50% in the number of indirect taxpayers. The number of voluntary registrations increased a lot, especially by small enterprises that buy from large enterprises and want to avail of Input Tax Credits (ITC). Filing of tax returns witnessed significant improvement.

Hopefully, the work towards designing a flawless GST system would continue apace. The process of filing taxes should be simplified to expand the tax base. Besides, the rationalisation of

the GST tax structure by moving towards a three-slab structure, to begin with, should be hastened.

The government may like to further simplify the complexities of input tax credit and classification. Single centralised registration and review of the inverted duty structure are also crucial. The setting up of GST Appellate Tribunals may be expedited to further reduce the delay in filing of appeals.

Major items such as electricity, alcohol, petroleum goods and real estate are still outside the ambit of GST, preventing the seamless flow of input tax credit. To begin with, the government may like to consider including petroleum products, especially ATF, under GST. This would be especially beneficial for the aviation industry which is hugely impacted by high and rising fuel costs. Similarly, LNG which is used as feedstock in the production process of many industries could also be brought under the purview of GST and input tax credit be made available.

It is hoped that the journey of fine-tuning the system to make the country a national market continues, and our tax system will be in sync with the best practices prevailing across the globe.

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