



**ORIGINAL RESEARCH PAPER**

**Law**

**EVOLUTION OF GST LAW IN INDIA – AN OVERVIEW**

**KEY WORDS:** GST, Direct tax, VAT, Constitution,

**D. Subhashini**

Research scholar, P.G. Department of Law, Sri padmavathimahilaviswavidyalam, Tirupati.

**ABSTRACT**

Tax is generally referred as a mandatory contribution by the citizens to their ruling Government. Authorities impose tax on personal income, on profits from business operations or are charged indirectly by adding to the cost of goods and services. It is expected to remove all problems of indirect tax system and play important role in growth of India. This paper presents removal of the cascading effect has impacted the cost of goods. GST has replaced multiple indirect taxes, which were subsisting under the previous tax regime. The advantage of having one single tax means every state follows the same rate for a particular product or service. The performance of laws discussed before and after introduction of GST. It will impact tax structure, tax incidence, tax computation, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system.

**INTRODUCTION**

Tax is generally referred as a mandatory contribution by the citizens to their ruling Government. Authorities impose tax on personal income, on profits from business operations or are charged indirectly by adding to the cost of goods and services. Government has to find out the appropriate reason and basis upon which to base its taxation policy on. Taxation based on the ability to pay, this principle of taxation envisages that the citizens of a country ought to pay to their Government as per their ability to pay. Taxes are as old as civilization. Government derives majority of their revenue from Taxation. The imposition of Taxation enables a government to perform its traditional functions, undertakes welfare and development activities in order to satisfy the public through providing public goods. Taxation is one method of transferring money from private to public needs. The intention behind the levy of Tax is to reduce the private purchasing power and the transfer it to public sector. Usually government prepares some policies to run the government efficiently and effectively. Ancient time's taxation was regarded as minor and emergency fund to the government but now the scenario has been changed. In majority of the countries in the world 'Taxation' is the single source of public revenue and acting as responsible for shaping the political activities of the Government. A Tax is a compulsory payment to the Government by the Taxpayer without any expectation of some specified return. Even though the Government is authorized to impose Tax on the people for spends the way it wants to. Proper policies are necessary for this, so government prepares some Tax policies to run the government efficiently as well as effectively. According to Arthashastra, there appears to considerable antiquity in the levy of taxes on the sales and purchases of goods in India, its importance to the nature of the economy, to generate a surplus for the purpose of trade and the nature of goods traded. Thus the Arthashastra in its Chapter on sources of revenue places the greatest importance on monitoring revenue from crown property including agricultural lands, revenue from animal husbandry, irrigation works and forests. Under the second category comes revenue from state controlled activities like the manufacturing industry including textiles, salt, alcohol and the leisure industry. Under the third category are taxes levied in cash or kind

of legal system. The researcher in her work titled "evolution of GST law in India – an overview" feels that the research can be fruitfully carried out by the traditional or doctrinaire method. The research on 'evolution of GST law in India – an overview' is based on primary, secondary and tertiary sources. As a primary source for the presentation and analysis of information, the relevant original texts of legislations, judgments, national and international conventions, policy documents and committee reports have been examined from legal and non-legal sources. Books, journals, periodicals, reports and data related to education and others have been used as secondary source materials. Further, the news items from various newspapers and news magazines have also been utilized as secondary source. The tertiary sources in the form of websites have been browsed extensively to get information and literature on the topic of the study both at the international and national level by using recent technology. The researcher also visited several libraries to collect related matter on this subject.

**GST Impact**

In world, most of the countries imposing tax by way of VAT and GST are used inter-changeably as the latter denotes comprehensiveness of VAT by coverage of goods and services. France was the first country to implement VAT, in 1954. Presently, more than 160 countries have implemented GST /VAT in some form or the other. The most popular form of VAT is where taxes paid on inputs are allowed to be adjusted in the liability at the output. The VAT or GST regime in practice varies from one country to another in terms of its technical aspects like definition of supply, extent of coverage of goods and services'. VAT is considered to be a superior system over sales tax of taxing consumption because the former is neutral in allocation of resources as it taxes value addition. There are certain advantages of VAT. It is less cascading making the taxation system transparent and anti-inflationary. VAT leads to greater compliance because of creation of transaction trails. Taxes are broadly classified as Direct and Indirect taxes. In the basic scheme of taxation in India, it is envisaged that Central Government will get tax revenue from income tax, excise, customs and service tax, while State governments will get tax revenue from sales tax/value added tax, excise etc. Article 246(1) of Indian Constitution States that Parliament has exclusive powers to make laws with respect to any matter enumerated in List I of the seventh schedule of the Constitution. Also Article 246(3), the legislature of any State has exclusive power to make laws for State with respect to any matter enumerated in List II of seventh schedule of the Constitution. Before implementation of Goods and Service Tax (GST), Indian taxation system was a mixture of central, state and local area levies. By considering more taxes under GST, road to a harmonized system of indirect tax has been paved making India an economic union. GST is the most ambitious and remarkable indirect tax reform in India's post-

**Objectives of the Study**

- To Eliminate cascading effect of the taxes
- To Reduce economic distortions in India
- To create One Nation, One Tax, One Market in India.

**Methodology**

Law is distinct from other social sciences because of its normative character. To achieve the desirable goals, social and ethical values, the law not only regulates human conduct and relationship but also provides for stability and continuity

Independence history. Its objective is to levy a single national uniform tax across India on all goods and services. GST has replaced a number of Central and State taxes, made India more of a national integrated market, and brought more producers into the tax disposable. By improving efficiency, it can add substantially to growth as well as government finances. Implementing a new tax, encompassing both goods and services, by the Centre and the States in a large and complex federal system, is feasibly unprecedented in modern global tax history.

### Constitutional Perspective

The Tax policies are subjected to reforms from time to time; one of the recent Tax reforms that the Government of India has made is Goods and Service Tax (GST). The important changes introduced in the Constitution by the 101st Amendment Act, that is Insertion of new article 246A which makes enabling provisions for the Union and States with respect to the GST legislation. It further specifies that Parliament has exclusive power to make laws with respect to GST on inter-State supplies. Article 268A of the Constitution has been omitted. The said article empowered the Government of India to levy taxes on services. As tax on services has been brought under GST, such a provision was no longer required. Article 269A has been inserted which provides for goods and services tax on supplies in the course of inter-State trade or commerce which shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council. It also provides that Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce. Article 270 has been amended to provide for distribution of goods and services tax collected by the Union between the Union and the States. Article 271 has been amended which restricts power of the Parliament to levy surcharge under GST. In effect, surcharge cannot be imposed on goods and services which are subject to tax under Article 246A. Article 279A has been inserted to provide for the constitution and mandate of GST Council. Article 366 has been amended to exclude alcoholic liquor for human consumption from the ambit of GST, and services have been defined. Article 368 has been amended to provide for a special procedure which requires the ratification of the Bill by the legislatures of not less than one half of the States in addition to the method of voting provided for amendment of the Constitution. Thus, any modification in GST Council shall also require the ratification by the legislatures of one half of the States. Entries in List I and List II have been either substituted or omitted to restrict power to tax goods or services specified in these Lists or to take away power to tax goods and services which have been subsumed in GST. Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for five years. In case of petroleum and petroleum products, it has been provided that these goods shall not be subject to the levy of Goods and Services Tax till a date notified on the recommendation of the Goods and Services Tax Council.

After enactment of the GST, the GST council conduct meetings from 2017 to till date. Late Arun Jaitley, was first chairman of the Goods and Service Tax (GST) council and made key recommendations to goods and services. Goods and Service tax is a system of taxation which will merge many individually applied taxes into a single tax. GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India to replace taxes levied by the central and state governments. The 47th GST Council meeting was held on the 28th and 29th of June 2022 in Chandigarh. Union FM Nirmala Sitharaman chaired this meeting and made key recommendations to revise rates goods and services.

There is no denying that GST has mainly removed the cascading effect on the sale of goods and services. Removal of the cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases. Also, GST is mainly technologically driven. All the activities like registration return filing, application for refund and response to notice needs to be done online on the GST portal, which accelerates the processes. GST has replaced multiple indirect taxes, which were subsisting under the previous tax regime. The advantage of having one single tax means every state follows the same rate for a particular product or service. Tax administration is easier with the Central Government deciding the rates and policies. Common laws can be introduced, such as e-way bills for goods transport and e-invoicing for transaction reporting. Tax compliance is also better as taxpayers are not bogged down with multiple return forms and deadlines. Overall, it's a unified system of indirect tax compliance. It will impact tax structure, tax incidence, tax computation, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system. Many countries across the world have single unified GST system but due to non-consensus between central and state government of India, India shall adopt a Dual GST model, meaning that the GST would be administered both by the Central and the State Governments.

A Dual GST will be levied on the taxable value of every transaction of supply of goods and services. State Goods and Services Tax (SGST), are collected by the state government, Central Goods and Services Tax (CGST), are collected by the central government, Integrated Goods and Service Tax (IGST), and are collected by the central government on inter-State supply of goods and services. Industrial sector is an important segment of Indian economy. It generates employment opportunity and next goes to agriculture sector. India is divided into states including union territories, some of the states are industrially advanced and retaining the dominant position in India. At present, Taxes are broadly classified as Direct Taxes and Indirect taxes. In the basic scheme of taxation in India, it is envisaged that central government will get tax revenue from income tax, excise, customs and service tax, while state governments will get tax revenue from sales tax/value added tax, excise etc. Economic liberalization and reforms played a great role in the development of Indian economy.

### Recommendations

- All the penal provisions should be suspended except for penal provisions related to evasion of Tax.
- GST Help desk should be made more helpful and equipped with the expertise to solve the problems. There should be a comprehensive and quick system to solve the problems.
- The number of changes, amendments and experiments should be kept in Limited number now. So many changes are creating lot of confusions amongst the tax payers.

### CONCLUSION

The researcher has studied that tax reforms have made significant progress in recent years. However, this is only the beginning, and there is still a long way to go in terms of tax reform. The Indian tax regime has evolved gradually with the GST into the economy. It has reduced the complexities of the various taxes and all taxes are brought under the single umbrella. The business environment has experienced holistic growth with these tax reforms. Researcher concludes that there is significant change in overall GDP, Growth Rate and Export after GST and no impact found in Import, CPI and WPI as Economics Indicator. There are significant positive changes of three economic indicators (GDP, Growth Rate and Export) in Agriculture, Manufacturing and Construction Sectors while no significant changes in transportation sector.

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