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Research Article

Reform of Indirect Taxes in India through the Plexus of Goods and Services Tax (GST); A post-COVID 19 Fiscal Stimulus

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ABSTRACT

GST is a major tax reform in India that has been in the works for a long time due to political concerns and competing stakeholders' interests. It was first launched in April 2010, but the goods and services tax (GST) went into effect on July 1, 2017. The primary goal of GST is to consolidate all indirect taxes in India, including the central excise tax (CET), the value-added tax (VAT), and the service tax, into a single taxation structure. It improves the country's taxation system by increasing transparency and reducing tax evasion and corruption. The GST concept, its features, GST advantages, and their influence on the Indian economy are all discussed in this article.

Keywords: *features, GST, Impact of GST, Indian economy, tax system in India*

Introduction

A GST (or consumption tax) is an indirect tax in India that applies to goods and services. A destination-based and comprehensive tax is applied to products sold in multiple stages. A comprehensive tax system is one that encompasses most indirect taxes, but not all state taxes. Because it is collected at each stage of the production process and is subsequently refunded, except to the final consumer, it is multistage. Rather than being charged at the point of origin, it is assessed at the point of consumption. (Khan, 2020)

It is a single indirect tax for the entire country, one that will turn India into a single

common market. It is a single tax on the provision of goods and services from the producer to the end user. The UPA government attempted to pass the GST bill in the Lok Sabha in 2009, but it was defeated. The GST bill was introduced by the NDA administration in parliament and passed by both houses. The administration intends to create a unified, comprehensive tax system through GST. In 1954, France became the first country to implement the GST as an indirect taxation scheme. In the 62 years since it was first introduced, GST has been embraced by about 164 nations throughout the world. The GST is imposed by both the federal government and state governments under the dual system.

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India plans to implement a dual GST system as well.

According to Vasantha Gopal, transitioning to a fault-free GST from India's current cumbersome indirect taxation system would be a beneficial move in the developing Indian economy (Vasanthagopal, 2011). The study of Garg found that GST has been one of our country's key indirect tax measures since independence. GST also has a direct impact on all segments of the economy, including large, medium, and small businesses, exporters, importers, traders, and consumers (Garg, 2014). Kumar states that the implementation of GST in India would help to alleviate economic distortions that currently exist in the country's indirect tax system, as well as foster a uniform tax structure across the country (Kumar, 2014). According to Pinky, Kamma, and Verma, GST implementation is beneficial to the Central Government, State Governments, and consumers in the long run, but it must be accompanied by a robust IT (information technology) infrastructure (Pinki, 2014). Because of its buoyancy, flexibility, and efficacy, Roy claims that GST is the optimal tax structure (Roy, 2016). According to Agarwal, GST increased revenue for both the federal and state governments by bringing transparency to the taxing system (Agarwal, 2017). Gupta, Sarita, Komal, and other academicians conducted a comparison analysis of the Indian GST model with those of other nations, concluding that GST procedures are clear and straightforward for all. They also stated that GST should be implemented in India in order to prevent tax avoidance. However, they added a significant point: because GST replaces all indirect taxes, it reduces government revenue and tends to raise the rates of other direct taxes, as well as the price of other items, putting consumers under more strain (Gupta, 2017). According to Nabi and Vivek, GST would encourage a common Indian market and contribute greatly to the economy's growth (Vivek, 2017). Rathore

elaborates that efficient implementation of GST in India would offer India with a world-class and smart tax system, i.e., one country and one tax market would provide relief to producers, consumers, the government, and the nation as a whole (Rathod, 2017). Dash concentrated on the GST's positive and negative effects on the Indian economy. According to the report, the rollout of GST is a positive endeavor by the Indian government, and it has the potential to reduce the country's black money (Dash, 2017). Khan compared the two taxations VAT and GST that implemented almost at the same time in Saudi Arabia and India respectively. What effect did the two countries experienced after its implementation and will it be proved a true reform measure for the declining economies of the two countries (Khan, 2020).

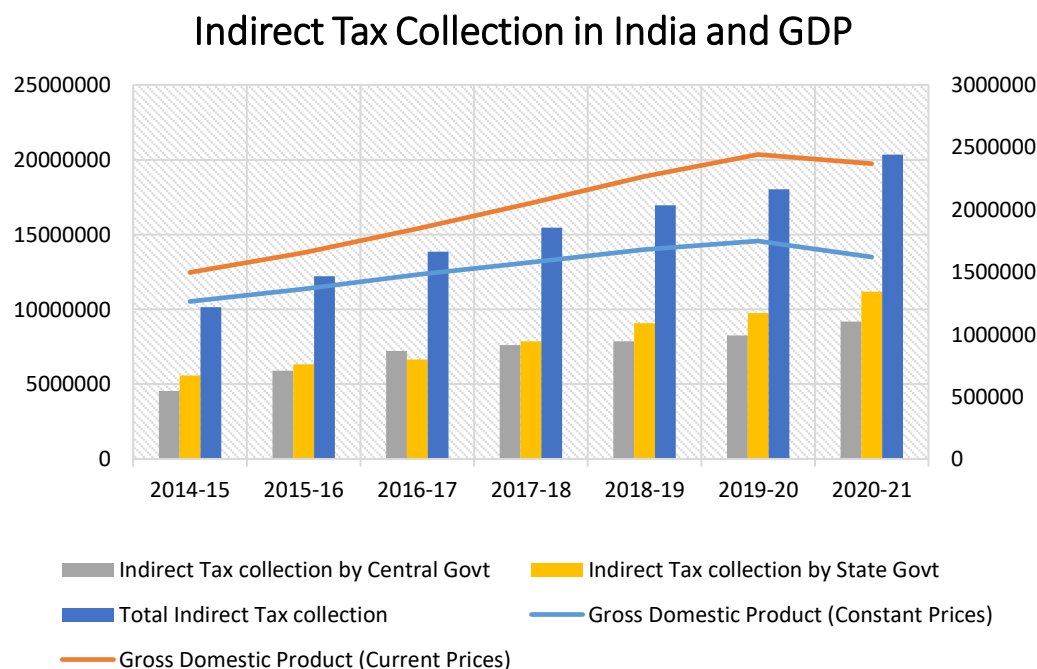
Objective of the study

After three waves of Corona pandemic, India's economy has been shattered and destroyed. GST has direct effects on a wide variety of things, including the gross domestic product of the economy. An economy's revenue in a given year tends to loom large on the shoulders of the Gross Domestic Product. The impact of GST has the capability to extend the GDP by at least 2 per cent, which is necessary to achieve the ultimate goal of increasing each individual's per capita income. As for indirect revenues, the GST scheme is expected to improve them as the compliance with tax is always more rigid. The plexus of GST extends the taxpaying base which in turn increases the revenues. Increasing government income results in increased reinvestment in projects for development and financing for urban areas, creating an overall implication. The major goal of this research is to conduct a comprehensive review of the available literature on GST and to offer an opinion on its likely impact on the gross domestic product (GDP) of Indian economy.

Table 1. Indirect Tax Collection in India and Gross Domestic Product

Measure: (₹ Crore)					
Years	Gross Domestic Product (Constant Prices)	Gross Domestic Product (Current Prices)	Indirect Tax collection by Central Govt	Indirect Tax collection by State Govt	Total Indirect Tax collection
2014-15	10527674	12467959	545680	671609	1217289
2015-16	11369493	13771874	708013	758967	1466981
2016-17	12308193	15391669	866109	796409	1662518
2017-18	13144582	17090042	913456	943488	1856945
2018-19	14003316	18886957	942050	1090814	2032864
2019-20	14569268	20351013	990633	1170673	2161306
2020-21	13512740	19745670	1101090	1340281	2441371

Source: National Statistical Office (NSO) (India, 2021)

Figure 1. Indirect Tax Collection in India and Gross Domestic Product
(Source: National Statistical Office (NSO) (India, 2021))

Research Methodology

Our working methodology combines time series analysis with theoretical literature analysis gathered from published sources. In this paper, we study how Gross Domestic Product at current as well as on constant prices response with respect to Indirect Tax collection by Central Government and Indirect Tax collection by State Government. We are using here data of National Statistical Office (NSO), which is published on the official website of Reserve

Bank of India (RBI) for the year 2021 (India, 2021). All of the information for this study is gathered from secondary sources such as research publications, working papers, newspapers, and websites.

Description of Variables

Dependent variable: Based on published data by Reserve Bank of India, we use GDP current price (X1) and GDP constant price (X2) as a dependent variable.

Independent variable: Our independent variables are Indirect Tax collection by Central Government (Y1), Indirect Tax collection by State Government (Y2), Gross Indirect Tax collection (Y3).

Econometric Analysis of Time Series

Descriptive analysis involves calculating Mean, Median, Mini-Max, Standard Deviation, Skewness, Kurtosis, Jarque-Bera, Probability, etc.

Using Regression Analysis, we will determine which variable is regressor and which one is regressand.

Results and Discussion

Descriptive Analysis

Table 2 provides descriptive statistics on our dependent and independent variables. Here we used our collected data into its original form. All variables are negatively skewed, except 'Indirect Tax collection by state government' (Y2). Kurtosis statistics shows that all variables are platykurtic (short tailed or lower peak) as the value of Kurtosis is lower. The value of Jarque-Bera test reveals that all variables are normally distributed. Results of probability are also justifying this fact simultaneously.

Table 2. Descriptive Statistics

	GDP (Current Prices) X1	GDP (Constant Prices) X2	Indirect Tax collection by Central Govt Y1	Indirect Tax collection by State Govt Y2	Total Indirect Tax collection Y3
Mean	16815026	12776467	866718.7	967463	1834182
Median	17090042	13144582	913456	943488	1856945
Maximum	20351013	14569268	1101090	1340281	2441371
Minimum	12467959	10527674	545680	671609	1217289
Std. Dev.	3045328	1452172	185471.3	243699.8	420425.1
Skewness	-0.222554	-0.364601	-0.614520	0.274999	-0.054786
Kurtosis	1.572361	1.856060	2.390358	1.745553	1.946780
Jarque-Bera	0.652247	0.536764	0.548975	0.547207	0.327040
Probability	0.721716	0.764616	0.759961	0.760634	0.849150

Note: Calculated with E-View

Regression Analysis

(H0: No correlation between dependent and independent variables)

In Table 3, H0 is rejected because in all cases p-value is less than 0.05. It shows that independent variables explain dependent variables in good way. High values of R-square and

adjusted R-squares show that independent variables possess high predictive accuracy, and the model is successful. Durbin-Watson stat, which is less than 2 in all cases, also confirms that there is a positive autocorrelation in the data set. (Ruby Khan, 2022).

Table 3. Analysis of Regression Equations

Variables (dependent and independent)	Prob.	R ²	Adjusted R ²	DW stat
Dependent - (X1) GDP (Current Prices) Independent - (Y1) Indirect Tax collection by Central Govt	0.0019	0.876831	0.852197	1.558755
Dependent - (X1) GDP (Current Prices) Independent - (Y2) Indirect Tax collection by State Govt	0.0005	0.927314	0.912777	1.871527

Variables (dependent and independent)	Prob.	R ²	Adjusted R ²	DW stat
Dependent - (X1) GDP (Current Prices) Independent - (Y3) Total Indirect Tax collection	0.0011	0.899920	0.879904	1.538965
Dependent - (X2) GDP (Constant Prices) Independent - (Y1) Indirect Tax collection by Central Govt	0.0062	0.804944	0.765933	1.707288
Dependent - (X2) GDP (Constant Prices) Independent - (Y2) Indirect Tax collection by State Govt	0.0068	0.796831	0.756197	1.551969
Dependent - (X2) GDP (Constant Prices) Independent - (Y3) Total Indirect Tax collection	0.0137	0.734738	0.681686	1.327660

Source: Author's compilation from E-View Calculation

The taxation structure of a country has a significant impact on its economic situation. GST is a significant step forward in India's indirect tax reform. Multiple taxes are abolished, leaving only one. GST simplifies the taxing process for businesses. Customers will gain as well because the overall tax burden on goods and services will be lower. GST also makes Indian products more competitive on the international market. GST would be simpler to administer, but it would require a well-developed IT infrastructure

The Economic Survey for 2021-22 noted that the impact of the second wave of Covid-19 on GST collection was much less than the impact of the nationwide lockdown during the first wave. Revenues from GST have steadily increased over the past four years, and GST collections have risen from Rs 0.9 lakh crore in 2017-18 to Rs 1.19 lakh crore in 2021-22. The improvement in GST collection is attributed to several factors, including rapid economic recovery post-pandemic, the nationwide drive against GST evaders and fake bills, as well as various rate rationalization measures taken by the GST Council to correct the inverted duty structure. For the efficient management of limited fiscal resources in the economy, responsive and feedback-based policy making by the government is imperative.

Conclusion

The taxation structure of a country has a significant impact on its economic situation. GST is a significant step forward in India's

indirect tax reform. Multiple taxes are abolished, leaving only one. GST simplifies the taxing process for businesses. Customers will gain as well because the overall tax burden on goods and services will be lower. GST also makes Indian products more competitive on the international market. GST would be simpler to administer, but it would require a well-developed IT infrastructure

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