

“A CRITICAL REVIEW ON INDIRECT TAX LAWS IN INDIA- WITH REFERENCE TO
GOODS AND SERVICES TAX LAWS”

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ABSTRACT: Indian tax system is most complicated one's in world tax systems by characteristics of multiple tax rates, cascading effect, difficult tax structure, corrective tax administration, low compliance rate, poor redressed mechanism, high tax rates and too many tax laws. Indian government is heavily dependent on indirect taxes due to huge rate of poor population. However, indirect taxes in India are major constraints for growth of corporate sector and foreign investment. In the context of globalizes without designing simple and competitive tax system India can't reach its economic target in near future. Consequently, need for uniform tax system arises in India. GST is very popular consumption based indirect tax system which is beneficial to all stakeholders such as revenue generation tool government, tax reduction to both corporate and individual, reduce administrative cost and enhance tax compliance in the country. However, after two decades of discussions, finally government implemented GST since July 2017. Present study has emphasized on the various academic and industrial research literature on GST practices both domestic and internally on the aspects of structure of GST, impact of GST on country's economy both in short term along term, inflation, common man, centre and States economic relations, administrative mechanism, legal issues and challenges.

INTRODUCTION: Indian tax system is most complicated one's in world tax systems by characteristics of multiple tax rates, cascading effect, difficult tax structure, corrective tax administration, low compliance rate, poor redressed mechanism, high tax rates and too many tax laws. Indian government is heavily dependent on indirect taxes due to huge rate of poor population. However, indirect taxes in India are major constraints for growth of corporate sector and foreign investment. In the context of globalizes without designing simple and competitive tax system India can't reach its economic target in near future. Consequently, need for uniform tax system arises in India. GST is very popular consumption based indirect tax system which is beneficial to all stakeholders such as revenue generation tool government, tax reduction to both corporate and individual, reduce administrative cost and enhance tax compliance in the country. However, after two decades of discussions, finally government implemented GST since July 2017. Present study has emphasized on the various academic and industrial research literature on different aspects of GST practices both domestic and internally.

Sacchidananda (2020)¹ has evaluated the effect of GST on revenue and compliance gap at State level in India. The study found shortfall in revenue of government for last two financial year which shows negative effect in the funds distribution of state governments. The study also observed unchanged tax compliance during post GST period which

was defective earlier. The study opined that complexity in GST Rules, design and structural changes of GST, tax administration and tax compliance are major challenges stand before GST in India.

Aryan agarwal et al (2019)² has examined the impact of GST on small & medium enterprises of Uttarakhand and Kerala. The study found that, cost of getting GST number is lower in both states compared to the cost of earlier tax number cost, in contrast, GST enhanced tax compliance cost due to increase in number of filings, slow web sites, professional approach, non-customer friendly website and constant crashing etc. However, it is higher in Kerala than Uttarakhand. The study also found no shift (Kerala) or low shift (Uttarakhand) of small business organization from informal to formal sector.

Udai Lal et al (2019)³ has evaluated the effect of GST on the revenue in India through semi logarithmic ANCOVA regression model. The study has selected the variables such as tax revenue, GST and VAT and dummy variables. The study has found down side of tax revenue in India due to reduction of tax burden on consumers and corporate, however, this general phenomenon observed in all countries in short period but the study hopes uptrend in long run due to tax rationalization.

Johnson and Ashitha (2019)⁴ have analyzed the impact of GST on the consumer price index (CPI) for the period of 24 months 12 months before GST (July 2016, May 2017) and 12 months after GST (June 2017 to July 2018). The study found 5.9 percent increase in consumer price index during post GST period where it was only .68 percent earlier. The study found that, the increase rate is less than double rate in clothing and footwear, double rate in case of fuel & light and food and beverages and three fold rise in case of housing. However, in overall, the statistical results found insignificant impact on GST on consumer price index during the study period.

Hejra (2018)⁵ has discussed the comprehensive framework of GST implemented in India in terms of benefits, challenges and threats. The study found that effective implementation of GST leads to more compliance of tax easily, enhancing State revenue, simplification of registration process and return filing. However, effective implementation of GST exposed to the challenges in areas of turnover limits, nature of taxes, inclusion and exclusion of products in/out of the tax bracket, enactment of tax laws, tax slabs and tax disputes redressed mechanism. The study also highlighted some threats to government, public and corporate in implementation of GST, these included high tax burden on SME manufacturing, rise in operation cost, up gradation of new software and inflation etc.

Namita Mishra (2018)⁶ has done an exploratory research study on impact of GST on different sector in the economy of India. These sectors included logistic, pharma, telecommunication, textile, real estate, agricultural products and FMCG. The study found positive impact of GST on firms revenue and growth. The study also found overall positive impact of GST on the growth of Indian economy.

Meenakshi and Gupta (2018)⁷ has evaluated the impact of GST on the Indian economy through pointing of cheaper and dearer products during post GST period. The study found that, products like fast moving consumable goods, stationery items, health care items, apparels, some textile items are going to be cheaper during post GST tax. In

contrast, products like ghee, cool drinks, restaurants, movie tickets, cell phone bills and motor bikes prices are going to dear during post GST period. The study opined the positive impact of the GST on corporate sector in long run and in short run on revenue aspect of the government.

Madhu Bala (2018)⁸ has expressed that, income from indirect taxes is major source to Indian government due to the reason of huge poor population of the country. However, Indian indirect tax system suffers with cascading effect and distortion tax on production of goods and services which leads to negative impact on productivity and economic growth. The study opined that implementation of uniform tax rate is one and only solution to minimize the tax burden on tax payers. The study found that, shifting of tax imposition from the income to consumption base on open economies countries in term of growth effect, price effect, current account and revenue balance.

Chirag Rana (2018)⁹ has revealed that, GST has shown positive impact on automobile industry due to reduction in tax to 18 percent from the earlier range of 30-45 percent. Similarly, huge tax benefited sector is textile where GST rate is only five percent which was 18 percent earlier. The impact of GST on consumer goods is mixed, it is positive (5 percent) on goods which prices are lower than Rs 500 and negative (18 percent) which prices are higher than Rs 500. GST has completely negative impact on food products which are charged at 5 percent earlier zero rate and similar negative impact is observed even on telecom sector.

Hajinder Kaur (2018)¹⁰ has examined the public awareness on the aspects of GST in India. The study found that, 44 percent of agreed that GST promote "One nation and One Tax" and disagreed that GST cause the slowdown in Indian economy. The study also observed that 38 percent of respondents agreed that GST leads to rise in the government income and 35 percent disagreed that GST protect the interest of low income group. Similarly, 34 percent has disagreed that GST reduced the purchasing power of the consumers.

James and Tran (2018)¹¹ have investigated into impact of amendments in GST elements on the economics of individual states based on the self developed multi-regional model in Australia. This model is an integrated model of all regional CGE models and also explains the legal complexity of GST in the aspects of tax rates, exemptions, refund rates, registration rates and export taxation. The study found that any straight forward change in GST rates (increase tax rates) significantly affects economic activities of the ass states and territories particularly negative impact on the states contributing higher revenue. Further, study also observed huge impact of complex GST reforms such as widening tax base on regional economies which calls for consent of all states for implementation of GST.

Vijayaraghavan and Muhammad (2017)¹² has analyzed the impact of GST on economy of India since its inception. The study opined that, one nation and one tax rate is the slogan for GST in India. Indian GST system is subsume of various indirect taxes such as VAT, sales tax, excise duty, service tax, entertainment tax etc. The study found that GST definitely reduce the cascading effect of tax on both manufacturer and consumer and promote production and exports and consumption in the country which in turn promote the government revenue and minimize the tax burden on common man.

Harshal (2017)¹³ has opined that GST shows negative impact on the revenue in short period due to imposition of huge tax rates on services sector which contribution is more than half of the GDP, but leads to growth in the economy in the long run due increase in revenue to GDP ratio. The study also opined that increase in revenue to GDP ratio helps the government in contributing more fund for infrastructure development in the country which in turn brings more foreign funds and investment to India. However, the study found poor consumer awareness on GST practices which call for more awareness campaigns from government authorizes to eliminate negative opinion on GST.

Kumar Rabindra et al (2017)¹⁴ have examined the impact GST on the economic growth both 20 developed and 30 developing countries in the world during the period of 2005-2014. The has taken gross domestic product per capita growth (GDPPC) as dependent variable and analyzed the impact of independent variables such as income tax, corporate tax, taxes and international trade(customs) and GST as percent age to revenue. The controllable variables are inflation, population growth, FDI and government expenditure. The study found that, GST is large contributor for GDPPC both in developed and developing countries but is significantly higher in developing countries than developed countries. The study also found that, contribution of income and corporate taxes in GDDPC is relatively higher in developed countries, in contrast, contribution of revenue on international trade is just a meager in developed countries. In overall the study found significant relationship between GST on economic growth of the countries.

Surbhi Gupta (2017)¹⁵ has compared the functioning of GST in six ASEAN countries such as Phillipins, Singapore, Indonesia, Malaysia, Thailand and Vietnam with India. The study found that, increase in tax revenue in all six countries during post GST period, but in it is much higher in developed country of the region i.e. Singapore than developing countries of the region. This is attributed to the effective tax administration system of the Singapore, while other countries are encounter administrative and compliance cost problems (particularly form small business) due to inadequate resources and poor IT. Therefore, the study suggested some measures for effective GST in India such as effective tax administration, adequate information technology, regular audit, proper training for tax agents and payers and bringing oil products under GST as soon as possible.

Rahmath Nisha (2017)¹⁶ has evaluated the effect of GST on hotel business industry in south Tamilnadu. The study has selected 256 respondents from 150 hotels categories as budgeted, luxuries, 3 stars, 4 star working in south Tamilanadu. The study found that, GST has shown both positive and negative impact on the hotel business in the study area. The study observed significant positive impact GST on the aspects of administrative ease, clarity for consumers, time and improved quality, in contrast, negative impact is observed in up gradation of technology, rise in cost and competition but it is insignificant.

Yogendra singh (2016)¹⁷ has discussed the prospects of GST in India before implementation. The study has revealed that, congress government made some objections and suggestions regarding GST bill which could not considered by ruling BJP party. The objection included maximum ceiling of 18 percent, abolishing of one percent duty on inter-state sale and strong GST disputes settlement body headed by Supreme Court judge. The congress

party also suggested reducing complex tax system in India through GST, justifiable GST model, removal of cascading effect, power of State to impose taxes on services and special focus on inflation control. The study also focused on tax administration system in the country.

Bhaskar (2013)¹⁸ has made comprehensive discussion on the sales tax, VAT and defectives in these two systems and finally described the need of GST in India. The study proposed a Revenue Neutrality Rate to both Centre and States based on the own equation. The study suggested the RNR rate of 5.29 percent for Central government, 6.87 percent of State in scenario I and 10.85 percent in Scenario II. The study exposed the challenges in the pre GST tax system in India such as tax on tax (cascading effect), different tax rates, complex tax structure and double taxation etc.

CONCLUSION: Present study reveals various academic and industrial research efforts on GST practices both domestic and internally on the aspects of structure of GST, impact of GST on country's economy both in short term along term, different sectors, inflation, common man, centre and States economic relations, administrative mechanism, legal issues and challenges,

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