

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS



Open Access, Refereed Journal Multi-Disciplinary
Peer Reviewed

www.ijlra.com

DISCLAIMER

No part of this publication may be reproduced or copied in any form by any means without prior written permission of Managing Editor of IJLRA. The views expressed in this publication are purely personal opinions of the authors and do not reflect the views of the Editorial Team of IJLRA.

Though every effort has been made to ensure that the information in Volume II Issue 7 is accurate and appropriately cited/referenced, neither the Editorial Board nor IJLRA shall be held liable or responsible in any manner whatsoever for any consequences for any action taken by anyone on the basis of information in the Journal.

Sheth N.K.T.T College of Commerce
and Sheth J.T.T College of Arts.
(Permanently Affiliated to University of Mumbai)

Copyright © International Journal for Legal Research & Analysis

EDITORIAL TEAM

EDITORS

Dr. Samrat Datta

Dr. Samrat Datta Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Samrat Datta is currently associated with Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Datta has completed his graduation i.e., B.A.LL.B. from Law College Dehradun, Hemvati Nandan Bahuguna Garhwal University, Srinagar, Uttarakhand. He is an alumnus of KIIT University, Bhubaneswar where he pursued his post-graduation (LL.M.) in Criminal Law and subsequently completed his Ph.D. in Police Law and Information Technology from the Pacific Academy of Higher Education and Research University, Udaipur in 2020. His area of interest and research is Criminal and Police Law. Dr. Datta has a teaching experience of 7 years in various law schools across North India and has held administrative positions like Academic Coordinator, Centre Superintendent for Examinations, Deputy Controller of Examinations, Member of the Proctorial Board



Dr. Namita Jain

Head & Associate Professor

School of Law, JECRC University, Jaipur Ph.D. (Commercial Law) LL.M., UGC -NET Post Graduation Diploma in Taxation law and Practice, Bachelor of Commerce.

Teaching Experience: 12 years, AWARDS AND RECOGNITION of Dr. Namita Jain are - ICF Global Excellence Award 2020 in the category of educationalist by I Can Foundation, India. India Women Empowerment Award in the category of "Emerging Excellence in Academics by Prime Time & Utkrisht Bharat Foundation, New Delhi. (2020). Conferred in FL Book of Top 21 Record Holders in the category of education by Fashion Lifestyle Magazine, New Delhi. (2020). Certificate of Appreciation for organizing and managing the Professional Development Training Program on IPR in Collaboration with Trade Innovations Services, Jaipur on March 14th, 2019



Mrs.S.Kalpana

Assistant professor of Law

Mrs.S.Kalpana, presently Assistant professor of Law, VelTech Rangarajan Dr.Sagunthala R & D Institute of Science and Technology, Avadi. Formerly Assistant professor of Law, Vels University in the year 2019 to 2020, Worked as Guest Faculty, Chennai Dr.Ambedkar Law College, Pudupakkam. Published one book. Published 8Articles in various reputed Law Journals. Conducted 1Moot court competition and participated in nearly 80 National and International seminars and webinars conducted on various subjects of Law. Did ML in Criminal Law and Criminal Justice Administration. 10 paper presentations in various National and International seminars. Attended more than 10 FDP programs. Ph.D. in Law pursuing.



Avinash Kumar

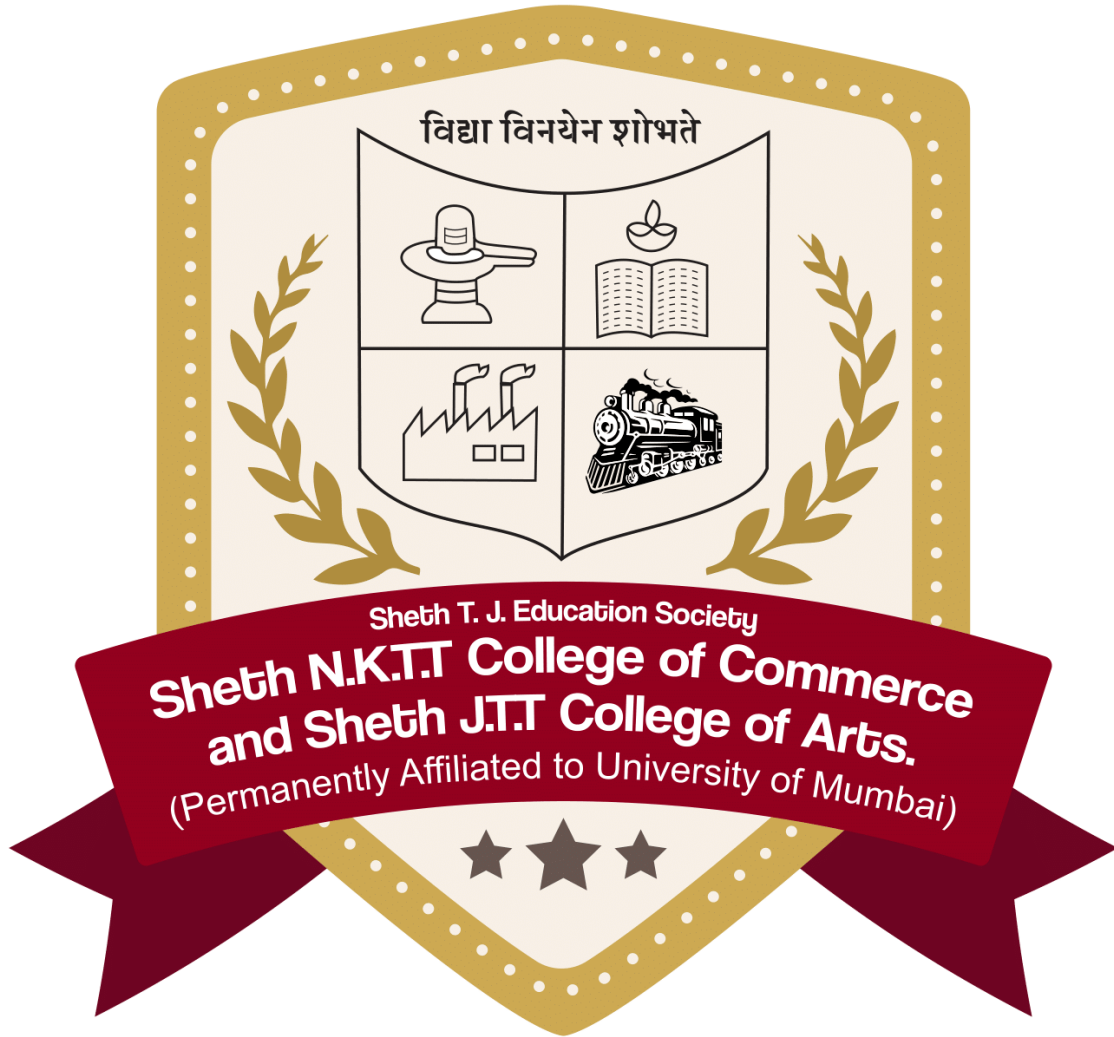


Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-1, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC – NET examination and has been awarded ICSSR – Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and learning.

ABOUT US

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS
ISSN

2582-6433 is an Online Journal is Monthly, Peer Review, Academic Journal, Published online, that seeks to provide an interactive platform for the publication of Short Articles, Long Articles, Book Review, Case Comments, Research Papers, Essay in the field of Law & Multidisciplinary issue. Our aim is to upgrade the level of interaction and discourse about contemporary issues of law. We are eager to become a highly cited academic publication, through quality contributions from students, academics, professionals from the industry, the bar and the bench. INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS ISSN 2582-6433 welcomes contributions from all legal branches, as long as the work is original, unpublished and is in consonance with the submission guidelines.



**IJLRA in Association with Sheth N.K.T.T College of
Commerce and Sheth J.T.T College of Arts**

IMPACT OF GST LAWS ON BUSINESS PROFITABILITY IN INDIA: AN EVALUATIVE ANALYSIS OF CHANGES SINCE IMPLEMENTATION, DISPUTE RESOLUTION MECHANISMS AND IMPACT ON BUSINESS EFFICIENCY.

AUTHORED BY - MISS. MOMIN SHEEN MUJAHID
UNIVERSITY OF MUMBAI, FORT DEPARTMENT OF LAW

विद्या विनयेन शोभते

CERTIFICATE

This is to certify that the Dissertation entitled “**IMPACT OF GST LAWS ON BUSINESS PROFITABILITY IN INDIA: AN EVALUATIVE ANALYSIS OF CHANGES SINCE IMPLEMENTATION, DISPUTE RESOLUTION MECHANISMS AND IMPACT ON BUSINESS EFFICIENCY**” submitted by MOMIN SHEEN MUJAHID is the work done by her in Department of Law, University of Mumbai, Fort under my guidance in the Academic year 2023-24.

Place: Fort, Mumbai Date: 19-12-2024

Sheth N.K.T.T College of Commerce
and Sheth J.T.T College of Arts.
(Permanently Affiliated to University of Mumbai)

SHEETAL KUMAR SETIA
(Research Guide)

DECLARATION

I hereby declare that the Research Paper entitled “**IMPACT OF GST LAWS ON BUSINESS PROFITABILITY IN INDIA: AN EVALUATIVE ANALYSIS OF CHANGES SINCE IMPLEMENTATION, DISPUTE RESOLUTION MECHANISMS AND IMPACT ON BUSINESS EFFICIENCY**” submitted to the University of Mumbai for the PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS LAW is the result of research work carried out by me under the guidance of **PROF. SHEETAL KUMAR SETIA**, Department of Law University of Mumbai, Fort, Academic year 2023-24.

Sheth T. J. Education Society
Place: Fort, Mumbai Date: 19-12-2024
Sheth N.K.J. College of Commerce
and Sheth J.T.T College of Arts.
(Permanently Affiliated to University of Mumbai)
MOMIN SHEEN MUJAHID

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to all those who have contributed to the completion of this research paper on "**IMPACT OF GST LAWS ON BUSINESS PROFITABILITY IN INDIA: AN EVALUATIVE ANALYSIS OF CHANGES SINCE IMPLEMENTATION, DISPUTE RESOLUTION MECHANISMS, AND IMPACT ON BUSINESS EFFICIENCY.**"

First and foremost, I extend my deepest appreciation to my research advisor, **PROF. SHEETAL KUMAR SETIA**, whose guidance, expertise, and unwavering support have been instrumental in shaping the direction and depth of this study. Their insightful feedback and constructive criticism have greatly enhanced the quality of this research.

I am also grateful to the faculty members of Department of Mumbai University, whose lectures and resources provided a solid foundation for this research. Their academic support and encouragement have been invaluable.

A special thanks to the professionals and industry experts who participated in interviews and provided crucial data for this research. Their willingness to share their knowledge and experiences has enriched the analysis and findings of this study.

I would like to acknowledge the administrative staff at University of Mumbai, who assisted with the logistical aspects of conducting this research. Their efficiency and responsiveness ensured that the research process was smooth and well-coordinated.

This research would not have been possible without the collective contributions of all these individuals. I am profoundly grateful for their support and assistance.

Thankyou.

MOMIN SHEEN MUJAHID

PREFACE

The implementation of the Goods and Services Tax (GST) laws in India marked a significant shift in the nation's tax system, unifying multiple taxes to create a streamlined, efficient framework. This research paper, titled **"Impact of GST Laws on Business Profitability in India: An Evaluative Analysis of Changes Since Implementation, Dispute Resolution Mechanisms and Impact on Business Efficiency,"** focuses on the implications of GST laws on business profitability, compliance requirements, and the processes established for dispute resolution.

The study highlights the benefits and challenges introduced by GST laws, analyzing their impact on business efficiency and economic strategies. It serves as a resource for policymakers, scholars, and industry professionals navigating the complexities of the GST framework and its legislative nuances.



TABLE OF CASES

Sr. No.	Name of the Case	Year	Page No.
1	S.J. Impex V. Union of India	2018	101
2	Vodafone Idea Ltd. V. Union of India	2020	101
3	S.R. Batliboi & Co. V. Union of India	2018	101
4	N.N. Global Mercantile Pvt. Ltd. V. Union of India	2021	102
5	Hindustan Unilever Ltd. V. Union of India	2019	102
6	K. Narasamma V. Union of India	2020	103
7	State of Gujarat V. M/s. Essar Oil Ltd.	2020	103
8	D.B. Corp Ltd. V. Union of India	2019	103
9	R. K. K. Exports V. Union of India	2018	104
10	Wipro Ltd. V. Union of India	2020	104
11	Continental Construction Ltd. V. Union of India	2021	104
12	PVR Ltd. V. Union of India	2020	105
13	G.S. Paper & Board Mills Ltd. V. Union of India	2021	105
14	K. Raheja Corp Pvt. Ltd. V. Union of India	2019	105
15	Bharti Airtel Ltd. V. Union of India	2019	106
16	AAR Haryana V. M/S. Pepsico India Holdings Pvt. Ltd.	2021	114
17	Hindustan Coca Cola Beverages Pvt. Ltd. V. Commissioner of GST And Central Excise	2021	116
18	M/S. Indian Oil Corporation Ltd. V. Commissioner of GST & Central Excise	2022	119

INDEX

Section	Sub-section	Page No.
1. Abstract	1.1 Overview and Key Findings	9
	1.2 Implications	10
2. Introduction	2.1 Background of GST in India	11
	2.2 Understanding of GST Laws	12
	2.3 Key Components of GST Laws	12
	2.4 Understanding the objectives and implications of GST Laws	14
	2.5 Importance of Study	15
	2.6 Research Questions	15
	2.7 Structure of the Paper	17
	2.8 Primary Aims	18
	2.9 Specific Objectives	20
	2.10 Literature Review	22
3. Hypothesis	Research Hypotheses	24
4. Review of Topic	4.1 Overview of GST Laws and Key provisions	27
	4.2 Changes introduced by GST Laws	28
	4.3 Comparative Analysis	29
	4.4 Historical Context	30
	4.5 Motivation for GST Implementation	32
	4.6 Introduction to GST Legislation	33
	4.7 Goods and Services Tax in India: Development, Outcomes, and Prospects	34
	4.8 Implementation of GST Laws In India: Key Features	37
	4.9 Impact of GST: Revenue, Productivity, and Cost Savings	46
5. Materials and Methods	5.1 Data Collection	71
	5.2 Data Collection Methods	72
	5.3 Methodology	73
	5.4 Data Analysis	74
	5.5 Evaluating the Impact of Goods and Services Tax (GST) Laws on Business Efficiency	75
	5.6 Detailed Overview of GST Laws in India	78

	5.7 Detailed Sections and Explanation of GST Laws In India	84
	5.8 Impact of GST on Businesses in India	89
	5.9 Tables and Graph	91
	5.10 Structure and Implementation of GST Laws	93
	5.11 Impact on Business Efficiency	94
	5.12 Dispute Resolution Mechanisms under GST Laws	95
	5.13 Case Laws	100
	5.14 In-Depth Analysis of the Dispute Resolution Mechanism of GST Laws In India - Initial Level of Dispute Resolution - Advance Ruling Mechanism - Appellate Mechanism - Judicial Review - Its Impact on Indian Businesses	106
	5.15 In depth Evaluative Analysis of changes since GST Implementation - Tax Structure and Compliance - Economic Impact - Administrative Efficiency - Impact on business Environment - Conclusion	111
	5.16 Landmark Judgements	114
6. Results & Discussion	6.1 Low Taxes-to-GDP Ratio	122
7. Conclusion	7.1 Summary of Findings	134
	7.2 Implications for Businesses	136
	7.3 Limitations of the study	139
	7.4 Final Thoughts	141
8. Future Outcomes	8.1 Recommendations for Policy Changes	145
	8.2 Suggestions for Future Research	146
	8.3 Long-Term Impacts of GST Laws	147
9. References, Bibliography	Cited Works, Academic Sources, Articles, Books	149

1. ABSTRACT

1.1 OVERVIEW

The Goods and Services Tax (GST) was implemented in India on July 1, 2017, as a substantial overhaul of the country's indirect tax system. This tax reform aimed to unify the tax structure across states, streamline tax compliance and make conducting business easier. This research paper evaluates the impact of GST and its Laws on business profitability in India, focusing on the changes since its implementation, the effectiveness of dispute resolution mechanisms, and its influence on business efficiency. The study employs a combination of quantitative data analysis and qualitative case studies to assess how GST Laws have affected various sectors, including manufacturing, retail, and services.

KEY FINDINGS

- Impact on Profit Margins:** The implementation of GST Laws has led to varying impacts on profit margins across different sectors. While some businesses experienced a decrease in costs as a result of cascading taxes being removed and streamlined input tax credits, others faced increased compliance costs and operational disruptions.
- Sectoral Differences:** The impact of GST Laws has been uneven across sectors. The manufacturing sector generally saw positive effects due to reduced tax cascading and improved supply chain efficiency. In contrast, the retail sector experienced initial challenges related to compliance and technology adoption. The service sector showed mixed results, with some businesses benefiting from the input tax credit mechanism, while others struggled with increased compliance burdens.
- Dispute Resolution Mechanisms:** The dispute resolution mechanisms under GST Laws, including the GST Council's framework and judicial processes, have been critical in addressing conflicts and clarifying ambiguities. However, the effectiveness of these mechanisms has varied, with some businesses still facing delays and uncertainties in resolving disputes.
- Business Efficiency:** Overall, GST Laws has led to improvements in business efficiency through better compliance processes and reduced tax evasion. The introduction of digital filing and the integration of technology into tax administration have streamlined operations. Nevertheless, businesses, particularly small and medium enterprises (SMEs), have encountered challenges in adapting to the new system.

1.2 IMPLICATIONS: The findings of this study highlight several implications for businesses and policymakers:

1. **Policy Adjustments:** There is a need for continued refinement of GST Laws and its policies to address sector-specific challenges and reduce compliance burdens. Simplifying the tax filing process and enhancing support for SMEs could further improve business outcomes.
2. **Dispute Resolution Improvements:** Strengthening dispute resolution mechanisms and ensuring timely adjudication of issues are crucial for enhancing the effectiveness of GST Laws and its administration. Streamlining procedures and providing clearer guidelines can help reduce uncertainties and conflicts.
3. **Future Research Directions:** Further research is needed to explore the long-term impacts of GST Laws on various business sectors and to assess the ongoing challenges faced by different types of businesses. This could provide valuable insights for future policy adjustments and support mechanisms. In summary, while GST Laws have brought several benefits, including improved efficiency and reduced tax cascading, ongoing challenges and sector-specific issues require attention. Addressing these challenges will be vital for maximizing the positive impact of GST and its Laws on business profitability and overall economic growth.

2. INTRODUCTION

2.1 BACKGROUND OF GST LAWS IN INDIA

The Goods and Services Tax (GST) laws were introduced in India to create a unified legal framework for indirect taxation across the country. The GST regime, which came into effect on July 1, 2017, was a landmark reform designed to replace the fragmented indirect tax system that previously existed. Before GST, businesses had to navigate a complex array of central and state taxes, including Central Excise Duty, Service Tax, and Value Added Tax (VAT), each with its own set of rules and compliance requirements.

The GST laws are encapsulated in a comprehensive legislative framework comprising several key statutes:

- **Central Goods and Services Tax Act (CGST Act):** Governs the central taxation aspects of GST.
- **State Goods and Services Tax Act (SGST Act):** Manages state-level GST regulations and administration.

- **Integrated Goods and Services Tax Act (IGST Act):** Deals with inter- state transactions and cross-border trade.
- **Union Territory Goods and Services Tax Act (UTGST Act):** Applies to Union Territories without a legislative assembly.

These laws aim to simplify tax administration by providing a standardized set of rules for all indirect taxes. Key features include the introduction of a unified tax rate structure, the ability to claim input tax credits across states, and the requirement for businesses to comply with digital filing and reporting procedures. The GST laws also established the GST Council, which is responsible for making all the decisions on policy, rates, and procedures.

2.2 UNDERSTANDING GST LAWS

Meaning and Definition of GST Laws

Goods and Services Tax (GST) Laws represent a thorough legislative framework designed to unify and streamline indirect taxation in a country. GST laws govern the imposition, collection, and management of taxes on the supply of goods and services, as well as the provision of goods and services in a country. In essence, In order to simplify the tax structure and lessen the burden of compliance for businesses, GST rules combine multiple indirect taxes into a single tax system.

Goods and Services Tax (GST): In order to simplify the tax structure and lower compliance, GST rules combine several indirect taxes into a single tax system. GST is a single tax that is collected at every point of the supply chain and is applied to the supply of goods and services. It substitutes a single tax structure for several indirect taxes, including Value Added Tax (VAT), Central Excise Duty, and Service Tax. As a value-added tax, GST is intended to be imposed on the value added at every stage of the manufacturing and distribution process, burdens for companies.

2.3 KEY COMPONENTS OF GST LAWS

1. **Legislative Framework:** GST laws consist of several key statutes that collectively govern the GST regime. In India, these include:
 - I. **Central Goods and Services Tax Act (CGST Act):** This act deals with the central aspect of GST, including the tax on intra- state supplies of goods and services.

- II. **State Goods and Services Tax Act (SGST Act):** This act governs the state-level GST, applicable to intra-state supplies within each state.
 - III. **Integrated Goods and Services Tax Act (IGST Act):** This act pertains to interstate transactions and cross-border trade, integrating the central and state taxes for such transactions.
 - IV. **Union Territory Goods and Services Tax Act (UTGST Act):** This act applies to Union Territories with no legislative assembly, managing the GST framework in these regions.
2. **GST Council:** Important choices pertaining to GST policy, tax rates, and procedures are made by the GST Council, a constitutional authority. It comprises the Finance Ministers of the central and state governments and plays a crucial role in shaping the GST laws and ensuring harmonization across states.
3. **Tax Structure:** GST is structured as a multi-stage tax, collected at each point of sale. The tax structure includes:
- I. **CGST and SGST/UTGST:** Applicable on intra-state supplies, with CGST collected by the central government and SGST/UTGST collected by the state or Union Territory.
 - II. **IGST:** Applicable to imports and interstate supplies that are gathered by the federal government but distributed to the state in where the products or services are used and consumed.
4. **Input Tax Credit (ITC):** The Input Tax Credit mechanism, which enables companies to deduct the tax paid on inputs from the tax owed on outputs, is one of the core components of the GST. This system makes sure that only the value added at each level of production and distribution is subject to taxation.
5. **Compliance and Filing:** GST laws require businesses to adhere to specific compliance requirements, including regular submitting GST returns and keeping thorough transaction records, and adhering to prescribed procedures for claiming Input Tax Credit. Businesses must also comply with invoicing requirements and pay GST within stipulated timelines.
6. **Dispute Resolution:** GST laws establish mechanisms for resolving disputes between taxpayers and tax authorities. This includes an appellate system and a mechanism for addressing grievances related to GST assessments and penalties.

2.4 UNDERSTANDING THE OBJECTIVES AND IMPLICATIONS OF GST LAWS

1. **Tax Structure Simplification:** By combining many taxes into a single tax regime, one of the main goals of the GST rules is to simplify the indirect tax structure. This makes compliance less complicated and administration for businesses.
2. **Reduction in Tax Cascading:** By enabling companies to claim Input Tax Credit on taxes paid on inputs, GST seeks to reduce the cascading impact of taxes, where tax is imposed on tax. This lessens the overall tax burden and increases the transparency of the tax system.
3. **Enhanced Revenue Efficiency:** By creating a unified tax system, GST laws enhance revenue efficiency and improve tax compliance. Tax evasion is less likely because of the computerized reporting tools and expedited procedures, which also improve the accuracy of tax revenues.
4. **Promotion of Economic Integration:** By eliminating obstacles to interstate commerce and establishing a common tax base, GST makes it easier to establish a single national market. This promotes economic integration and encourages businesses to operate across state boundaries without facing complex tax regulations.
5. **Impact on Business Operations:** GST laws impact business operations by introducing new compliance requirements and changing the way taxes are managed. Businesses need to adapt to the GST framework by updating their accounting systems, procedures, and documentation practices.
6. **Challenges and Adaptation:** While GST aims to bring about significant benefits, it also presents challenges, including the requirement for businesses to adjust to new compliance requirements and manage the impact on their cost structures. Businesses must navigate these challenges by investing in technology, training, and process improvements.

GST laws represent a significant reform in the indirect tax system, aimed at creating a more efficient, transparent, and unified tax regime. By understanding the key components and objectives of GST laws, businesses, policymakers, and researchers can better navigate the complexities of the GST framework and contribute to its effective implementation.

2.5 IMPORTANCE OF STUDY

Understanding the impact of GST laws on business profitability is crucial for several reasons:

1. **Regulatory Impact:** GST laws have significantly altered the regulatory environment for businesses in India. Evaluating their impact helps in understanding how changes in

tax regulations affect business operations and profitability.

2. **Compliance Costs:** The transition to GST laws introduced new compliance requirements and administrative processes. Analyzing these impacts helps businesses gauge the financial and operational implications of complying with the new legal framework.
3. **Dispute Resolution:** The GST laws established specific mechanisms for resolving disputes between taxpayers and the tax authorities. Studying these mechanisms provides insights into their effectiveness and efficiency in handling conflicts arising from the application of GST laws.
4. **Sector-Specific Effects:** Different sectors are affected differently by the GST laws due to variations in their tax structures and compliance requirements. Understanding these sector-specific impacts can guide businesses in adapting their strategies to mitigate negative effects and leverage potential benefits.
5. **Policy Evaluation:** Assessing the impact of GST laws contributes to evaluating the success of this major tax reform and identifies areas where further legal or policy adjustments may be needed.

2.6 RESEARCH QUESTIONS

The following research questions are the focus of this study:

1. How have the GST laws affected business profitability in India?
 - This question explores the overall financial impact of the GST legal framework on businesses, including changes in profit margins and revenue.
2. What are the specific impacts of GST laws on different sectors?
 - This question investigates how various sectors, such as manufacturing, retail, and services, are uniquely affected by the GST laws and compliance requirements.
3. How effective are the dispute resolution mechanisms under GST laws?
 - This question examines the effectiveness of the mechanisms established by the GST laws for resolving disputes between taxpayers and tax authorities.
4. What are the implications of GST laws on business efficiency and operational processes?
 - This question assesses how the GST laws have influenced business operations, including changes in compliance processes and administrative efficiency.
5. What recommendations can be made for improving the GST laws based on current findings?

- This question aims to identify potential improvements to the GST legal framework to better address the needs of businesses and enhance overall tax administration.

The An important turning point in the history of India's economy was the implementation of the GST regulations, promising to enhance tax efficiency and streamline compliance processes. These laws were designed to create a more transparent and equitable tax system by replacing a patchwork of state and central taxes with a unified framework. The objective was not only to simplify tax administration but also to foster a more integrated national market. However, whereas the goal of the reform was to resolve persistent problems with the indirect tax system, its implementation has brought about significant changes and challenges for businesses. This research paper aims to dissect these changes by evaluating how GST laws have reshaped business operations, profitability, and efficiency across various sectors. By examining both the intended benefits and unintended consequences of the GST legal framework, the study seeks to offer a thorough evaluation of its overall effects on India's economic environment.

2.7 STRUCTURE OF THE PAPER

The paper is structured as follows:

1. **Abstract:** Provides a summary of the research, including the key findings and implications of the study on GST laws.
2. **Introduction:** Sets the stage for the research by outlining the background of GST laws, the importance of the study, the research questions, and the structure of the paper.
3. **Aims and Objectives:** Defines the specific goals and hypotheses of the research, including what the study aims to achieve.
4. **Review of Topic:** Offers a detailed examination of the historical context of GST laws, an overview of the legislative framework, and a comparative analysis with previous tax laws and international practices.
5. **Materials and Methods:** Describes the research methodology, including data collection techniques, analytical methods, and the approach used to evaluate the impact of GST laws.
6. **Results:** Presents the findings of the study, including data on the impact of GST laws on business profitability, sector-specific effects, and dispute resolution outcomes.
7. **Discussion:** Analyzes the results, explores their implications, and discusses the impact of GST laws on various sectors, dispute resolution, and business efficiency.
8. **Conclusion:** Summarizes the key findings, reflects on the implications for businesses

and policymakers, and highlights the study's limitations.

9. Future Outcomes: Provides recommendations for policy improvements, suggests areas for further research, and discusses the long-term implications of GST laws.

10. References: Lists all sources cited in the research, including academic articles, legal texts, and official reports.

2.8 PRIMARY AIMS

The primary aims of this research paper are designed to offer a thorough assessment of the impact of the Goods and Services Tax (GST) laws on business profitability in India. These aims guide the investigation and analysis throughout the study, with a focus on understanding both the direct and indirect effects of GST legislation. The specific aims of this research are:

1. Evaluate the Impact of GST Laws on Business Profitability:

- **Objective:** To assess how the introduction and implementation of GST laws have influenced business profitability across various sectors. This involves a detailed analysis of financial performance indicators such as profit margins, cost structures, and revenue streams before and after the adoption of GST. The study will investigate whether businesses have experienced an increase or decrease in profitability and identify the underlying factors contributing to these changes.
- **Significance:** Understanding these impacts is crucial for businesses to gauge the overall financial effect of GST and to make informed decisions. It also provides insights into the broader economic implications of the tax reform.

2. Analyze Sector-Specific Impacts:

- **Objective:** To conduct a sector-wise analysis to determine how different industries such as manufacturing, retail, and services have been uniquely affected by the GST laws. This includes examining sector-specific benefits, challenges, and adjustments required under the new tax regime. The research will focus on how GST has altered the operational dynamics within each sector and the relative advantages or disadvantages experienced by businesses.
- **Significance:** Different sectors face varying impacts from GST implementation. A sector-specific analysis helps in understanding these nuanced effects and provides valuable insights for industry stakeholders and policymakers.

3. Assess the Effectiveness of GST Dispute Resolution Mechanisms:

- **Objective:** To evaluate the efficiency and effectiveness of the dispute resolution

mechanisms established under GST laws. This includes analyzing the processes for resolving conflicts between businesses and tax authorities, such as the GST Council's role, the appellate tribunal system, and other administrative procedures. The study will identify any delays, inefficiencies, or gaps in the current mechanisms and propose potential improvements.

- **Significance:** Effective dispute resolution is essential for maintaining taxpayer confidence and ensuring fair enforcement of tax laws. Assessing these mechanisms helps in enhancing the overall effectiveness of GST administration and addressing any procedural issues.

4. Investigate the Impact of GST on Business Efficiency:

- **Objective:** To explore how the GST laws have impacted business efficiency in terms of compliance processes, operational adjustments, and administrative burdens. This includes assessing changes in how businesses manage their tax-related activities, the integration of technology into tax administration, and the overall impact on operational efficiency.
- **Significance:** Improved business efficiency is a key objective of GST implementation. Understanding its effects on efficiency helps businesses adapt to the new tax environment and supports policymakers in refining regulatory frameworks to reduce compliance costs and enhance operational performance.

5. Identify Areas for Policy Improvement:

- **Objective:** To pinpoint areas where the GST laws and related policies could be improved based on the findings of this research. This includes recommending modifications to address issues such as high compliance costs, sector-specific challenges, and administrative inefficiencies. The aim is to provide actionable recommendations that can help optimize the GST framework for better business outcomes.
- **Significance:** Policy improvements are essential for maximizing the benefits of GST and minimizing any negative impacts on businesses. The research will offer insights into potential reforms and adjustments that can enhance the effectiveness of the tax system.

6. Provide Recommendations for Future Research:

- **Objective:** To offer recommendations for further research that can build upon the findings of this study. This includes identifying areas that require more in-depth investigation, such as long-term impacts of GST, sector-specific case studies, and

comparative studies with GST systems in other countries. The goal is to highlight future research directions that can contribute to a better comprehension of the impacts of GST and deeper understanding of GST's effects.

- **Significance:** Future research can help address remaining questions and provide additional insights into the evolving impacts of GST. Recommendations for future studies ensure that the academic and practical understanding of GST continues to advance.

By addressing these primary aims, this research seeks to provide a thorough and nuanced examination of how GST laws have impacted business profitability in India. The study aims to contribute valuable insights for businesses, policymakers, and researchers, ultimately enhancing the understanding of GST's role in the modern economic landscape.

2.9 SPECIFIC OBJECTIVES

The objectives of this research aim to delve deeper into various facets of GST laws and their impact on business profitability. These objectives break down the broader aims into more focused and actionable components:

1. Assess Financial Performance Metrics Pre- and Post-GST Implementation:

- Objective:** To analyze and compare key financial performance metrics, such as profit margins, revenue growth, and cost structures, before and after the implementation of GST laws. This involves collecting and examining financial data from a range of businesses to determine how their profitability has been affected by GST.
- Rationale:** By evaluating these metrics, the study will provide a clear picture of the financial impact of GST laws on business profitability, revealing whether the reform has led to increased efficiency and profitability or whether it has introduced new financial pressures.

2. Identify Key Challenges Faced by Different Sectors Under GST Laws:

- Objective:** To identify and document the specific challenges encountered by various sectors (manufacturing, retail, services, etc.) in adapting to the GST laws. This includes understanding sector-specific issues such as compliance difficulties, changes in tax rates, and impacts on pricing strategies.

- II. **Rationale:** Different sectors may face unique challenges under the GST regime. Identifying these challenges helps in understanding the differential impact of GST laws and assists in tailoring sector-specific recommendations for improvement.

3. Evaluate the Impact of GST Compliance Requirements on Business Operations:

- I. **Objective:** To assess how the compliance requirements imposed by GST laws have affected business operations, including changes in accounting practices, reporting procedures, and administrative workload. This includes evaluating the adoption of new technologies and systems for compliance.
- II. **Rationale:** Understanding the operational impact of compliance requirements provides insights into the burden of GST regulations on businesses and the adjustments they have made to adhere to the new legal framework.

4. Examine the Effectiveness of GST Dispute Resolution Mechanisms:

- I. **Objective:** To examine the effectiveness and efficiency of the mechanisms established for resolving disputes under the GST laws. This includes analyzing case studies of disputes, assessing the resolution process, and identifying any systemic issues or delays.
- II. **Rationale:** Effective dispute resolution is crucial for maintaining a functional tax system. Evaluating these mechanisms helps identify areas where the process can be improved to ensure fair and timely resolution of disputes.

2.10 LITERATURE REVIEW:

IMPACT OF GST LAWS ON BUSINESS PROFITABILITY IN INDIA

1. Understanding GST and Its Objectives

The Goods and Services Tax (GST), introduced in 2017, aimed to unify India's indirect tax regime, reduce cascading taxes, and improve ease of doing business. Scholars like Purohit (2018) argue that GST simplified compliance but required businesses to adapt to new tax structures and digital reporting systems.

2. Impact on Business Profitability

Several studies have explored the mixed impact of GST on business profitability. While industries like manufacturing and logistics have benefited from reduced tax burdens and supply chain efficiencies (Batra & Das, 2019), others, such as real estate and textiles, faced higher tax rates, impacting margins.

3. Efficiency Gains Through Input Tax Credit (ITC)

Research highlights that the ITC mechanism under GST significantly improved efficiency by eliminating double taxation (Mukherjee, 2020). However, complexities in claiming ITC and frequent rule changes have posed challenges, particularly for small and medium enterprises (SMEs).

4. Dispute Resolution and Compliance Challenges

Studies, such as by Singh (2021), emphasize the need for robust dispute resolution mechanisms. While GST Tribunals were established, delays in resolving disputes and inconsistent interpretations of laws have affected businesses' confidence in the system.

5. Long-Term Impact on Business Ecosystem

GST has fostered a more formalized economy, compelling businesses to maintain accurate records and comply with tax regulations (Chakraborty, 2021). This shift has increased transparency but also raised compliance costs, especially for smaller firms.

6. Sector-Specific Observations

Agriculture, e-commerce, and manufacturing have experienced varying impacts. For instance, GST streamlined the movement of goods in e-commerce but imposed additional tax burdens on unorganized players.

3. RESEARCH HYPOTHESES

The research hypotheses are formulated to provide a structured approach to testing the impact of GST laws on business profitability. These hypotheses are derived from the specific objectives and guide the empirical analysis of the study:

1. Hypothesis 1: GST Implementation Has Led to a Significant Change in Profit Margins:

- I. **Statement:** Businesses' profit margins have changed significantly as a result of the GST rules, either rising or falling based on the industry and size of the company.
- II. **Rationale:** This hypothesis tests the overall financial impact of GST on profitability, based on the expectation that the reform may alter cost structures and revenue streams.

2. Hypothesis 2: Different Sectors Experience Varied Challenges Under GST Laws:

- I. **Statement:** Businesses in different sectors (e.g., manufacturing, retail, services) face varied challenges in adapting to GST laws, with some sectors experiencing more pronounced difficulties than others.

- II. **Rationale:** This hypothesis examines whether sector-specific factors contribute to different experiences and challenges related to GST compliance and implementation.

3. Hypothesis 3: Compliance Requirements Under GST Laws Increase Administrative Burden:

- I. **Statement:** The compliance requirements imposed by GST laws increase the administrative burden for businesses, resulting in higher costs and more complex operational processes.
- II. **Rationale:** This hypothesis evaluates whether the administrative requirements of GST create a significant burden, impacting business operations and financial performance.

4. Hypothesis 4: Dispute Resolution Mechanisms Are Effective in Resolving GST-Related Conflicts:

- I. **Statement:** The dispute resolution mechanisms established under GST laws are effective in resolving conflicts between businesses and tax authorities, with minimal delays and fair outcomes.
- II. **Rationale:** This hypothesis assesses the effectiveness of the mechanisms designed to address disputes, aiming to determine if they function efficiently and equitably.

5. Hypothesis 5: GST Laws Influence Long-Term Business Strategies and Planning:

- I. **Statement:** The introduction of GST laws has a measurable impact on long-term business strategies, including changes in pricing models, supply chain management, and strategic planning.
- II. **Rationale:** This hypothesis explores the extent to which GST laws influence long-term business decisions and strategic adjustments.

6. Hypothesis 6: There is a Need for Policy Adjustments Based on the GST Impact Findings:

- I. **Statement:** Based on the findings of the research, there is a need for policy adjustments to address identified issues and improve the effectiveness of the GST framework.
- II. **Rationale:** This hypothesis suggests that the study's findings will indicate areas where policy changes are required to enhance the GST system and address

any identified problems.

4. REVIEW OF TOPIC

4.1 OVERVIEW OF GST LAWS

The Goods and Services Tax (GST) laws in India represent a significant overhaul of the country's indirect tax framework. Enacted to create a more streamlined and transparent tax system, GST laws address the taxation of both goods and services under a unified framework. This section provides a comprehensive review of the GST laws, including their key provisions, changes introduced, and a comparative analysis with previous tax laws and international GST systems.

KEY PROVISIONS OF GST LAWS:

1. Central and State GST Framework:

- a) **Central Goods and Services Tax (CGST):** The central government imposes the CGST on intra-state sales of goods and services. The central government keeps the money it receives from the CGST.
- b) **State Goods and Services Tax (SGST):** State governments impose the SGST on transactions that take place inside their borders. The corresponding state government keeps the SGST revenue.
- c) **Integrated Goods and Services Tax (IGST):** IGST applies to inter-state transactions and imports. It ensures a seamless tax flow between states by providing for the credit of taxes paid on inter-state supplies. The federal government and state governments split the IGST revenue.
- d) **Union Territory Goods and Services Tax (UTGST):** In Union Territories without state GST, UTGST is applicable. Like SGST, but exclusively for Union Territories, it is imposed by the central government.

2. Input Tax Credit (ITC):

- (a) The Businesses can deduct the tax they pay on inputs from the tax they owe on outputs thanks to the GST regulations' extensive input tax credit mechanism. The goal of this approach is to lower the overall tax burden on products and services and prevent tax cascades.

3. Tax Rates and Slabs:

- a. GST laws specify various tax rates and slabs, along with standard rates, reduced rates for essential items, and zero rates for exports. These rates are designed to accommodate different types of goods and services while maintaining revenue neutrality.

4. Compliance and Reporting:

- (a) GST laws mandate a standardized compliance framework that includes digital filing of returns, payment of taxes, and maintenance of records. Businesses are supposed to file periodic returns, such as GSTR-1, GSTR-2, and GSTR-3B, also to maintain detailed records of transactions.

5. Anti-Profiteering Measures:

- (a) The GST laws incorporate provisions to prevent profiteering by businesses. These measures ensure that the advantages of lower tax obligations are transferred to customers of lower tax obligations are transferred to customers in the form of lower prices.

4.2 **CHANGES INTRODUCED BY GST LAWS:**

1. Unified Tax Structure:

The GST rules have simplified the tax system and lessened the burden of compliance for businesses by replacing numerous national and state taxes with a single tax structure.

2. Removal of Cascading Taxes:

The problem of tax cascading, in which taxes are imposed on top of one another, is addressed by GST legislation by allowing input tax credit. This modification contributes to a decrease in the effective tax rate on goods and services.

3. Enhanced Transparency:

The GST laws emphasize digital compliance and reporting, which improves transparency and facilitates better tracking of transactions. The online GST portal allows for real-time data sharing between taxpayers and tax authorities.

4. Tax Rates Harmonization:

GST rules reduce disparities and provide a more uniform tax environment by standardizing tax rates across states. This harmonization supports a single national market and facilitates smoother inter-state trade.

5. Simplified Compliance Procedures:

The introduction of a single-window compliance system and standardized return filing procedures under GST laws simplifies tax administration and reduces the administrative burden on businesses.

4.3 COMPARATIVE ANALYSIS

1. GST Laws vs. Previous Tax Regimes:

- a) **Efficiency Gains:** The GST laws have streamlined the tax system by eliminating the need for multiple tax filings and reducing the complexity of compliance. This represents a significant improvement over the previous tax system, which involved various central and state taxes with overlapping jurisdictions.
- b) **Input Tax Credit:** The input tax credit mechanism introduced via GST laws marks a major departure from the pre-GST tax regime, where businesses faced tax cascading and higher effective tax rates.

2. International GST Systems:

- a) **Global Practices:** Many countries have implemented GST or VAT systems with their own variations. For example, the European Union employs a VAT system with standardized rules across member states, while countries like Australia and Canada have GST systems with specific national features.
- b) **Lessons Learned:** Comparative analysis of international GST systems reveals that while they offer efficiencies in tax administration and compliance, they also encounter challenges such as compliance costs and administrative complexities. These insights can inform improvements in the GST laws in India.

3. Adaptations and Best Practices:

Country-Specific Adaptations: Different countries have adapted their GST systems to fit their economic contexts and administrative capacities. Best practices from these adaptations, such as simplified compliance processes and effective dispute resolution mechanisms, can provide valuable lessons for refining India's GST laws.

a. HISTORICAL CONTEXT

Pre-GST Tax System

1. **Complex Tax Regime:** Prior to the implementation of the Goods and Services Tax

(GST) in July 2017, India's indirect taxation system was marked by a convoluted structure of levies imposed at multiple levels. This intricate framework encompassed numerous central and state taxes, each governed by distinct regulations and compliance obligations.

- **Central Excise Duty:** This tax, introduced by the central government, was charged on the manufacturing of goods within India. It covered a broad spectrum of products, including those intended for domestic use as well as for export.
- **Value Added Tax (VAT):** VAT was a state-level levy imposed on the value added at each stage of the production and distribution process for goods. Each state had its own VAT legislation, which led to varying tax rates and compliance requirements across the country.
- **Service Tax:** This was a central tax imposed on services provided within India. It covered a broad spectrum of services and was applicable to both service providers and recipients.
- **Central Sales Tax (CST):** CST was imposed on the sale of goods across state borders and applied to inter-state transactions. A significant drawback of CST was its non-creditable nature, which prevented businesses from claiming credit for the tax paid on these transactions, making it a contentious issue.

2. Issues with the Pre-GST System:

- **Tax Cascading:** One of the major issues with the pre-GST tax system was the cascading effect of taxes. Tax cascading occurred when taxes were applied at multiple stages of production and distribution without allowing input tax credits, resulting in higher costs for goods and services.
- **Compliance Burden:** Businesses faced the challenge of adhering to numerous tax laws and fulfilling diverse administrative requirements, leading to higher compliance costs and added administrative burdens.
- **Lack of Uniformity:** The pre-GST tax system was marked by inconsistencies and a lack of uniformity among different states. Different states had different VAT rates, rules, and compliance procedures, which created inefficiencies in trade and commerce.
- **Inadequate Input Tax Credit:** The input tax credit mechanism was limited, with restrictions on claiming credits for taxes paid on inputs. This limitation

contributed to higher effective tax rates and reduced the competitiveness of businesses.

b. MOTIVATION FOR GST IMPLEMENTATION

1. **Need for Reform:** The pre-GST tax system highlighted there was a pressing need for comprehensive reform to tackle the inefficiencies and challenges encountered by the system. The primary motivations for implementing GST included:

- **Simplification of the Tax Structure:** The need for a simplified and unified tax structure to replace the complex and fragmented system of central and state taxes.
- **Reduction of Tax Cascading:** To mitigate tax cascading and lower the overall tax burden on goods and services.
- **Creating a Single National Market:** To remove obstacles to inter-state trade and establish a smooth, unified national market for goods and services.
- **Improving Compliance and Efficiency:** To streamline compliance procedures and reduce administrative costs for businesses.

2. Key Drivers for GST Laws:

- **Economic Integration:** GST aimed to integrate the Indian economy by harmonizing tax rates and rules across states. This integration was expected to improve the efficiency of the tax system and facilitate smoother trade and commerce.
- **Revenue Neutrality:** The GST design sought to ensure that the transition to a new tax system did not adversely affect government revenue. The revenue neutrality principle was intended to maintain the balance between tax rates and revenue collection.
- **Technological Advancements:** The implementation of GST was supported by advancements in technology, including the development of an online tax compliance platform to facilitate digital filing and reporting.

c. INTRODUCTION TO GST LEGISLATION

1. Development and Enactment:

- **Conceptualization and Planning:** The idea of GST was first proposed in India

in the early 2000s. It gained momentum as a means to overhaul the existing tax system and resolve the issues faced by businesses and the economy.

- **Legislative Process:** The GST legislation was drafted after extensive consultations with stakeholders, including businesses, tax experts, and government officials. The Constitution (One Hundred and First Amendment) Act, 2016, was a significant milestone that provided the legal framework for the introduction of GST.
- **Implementation Timeline:** GST was launched in India on July 1, 2017, after the enactment of the Goods and Services Tax Act, 2017. The rollout involved a phased approach, including the introduction of GST laws, tax rates, and compliance procedures.

2. Key Provisions and Features:

- **Unified Tax Regime:** GST unified several indirect taxes into a single tax system, streamlining the tax structure and easing compliance burdens for businesses.
- **Dual GST Model:** India implemented a dual GST system, featuring CGST and SGST for intra-state transactions, and IGST for inter-state transactions. This model was designed to ensure a fair distribution of tax revenue between the central and state governments.
- **Input Tax Credit:** The GST framework introduced a detailed input tax credit system to prevent tax cascading and lower the overall tax burden on goods and services.
- **Digital Compliance:** The GST system emphasized digital compliance and reporting, including the use of an online portal for filing returns and managing tax obligations.

d. GOODS AND SERVICES TAX IN INDIA: DEVELOPMENT, OUTCOMES, AND PROSPECTS

The introduction of the Goods and Services Tax (GST) in India has been widely hailed as "one country-one tax," "a game changer," and "a reform of the century." It is a remarkable achievement to implement a standardized invoice- credit destination-based value-added tax (VAT) on goods and services at both national and sub-national levels in a large, diverse federal country with varying political parties. While Canada introduced VAT at both federal and

provincial levels around 30 years ago, it took a long time for the system to stabilize in most countries that adopted it (Bird, 2012)¹. Implementing such a reform in India posed significant challenges, as it involved the Union government, 29 states, two Union Territories, and legislatures led by different political parties at both national and subnational levels. This kind of transformation calls for a statesmanlike management and is a fantastic experiment in cooperative federalism.

With the exception of the United States of America, 166 of the 193 UN members as of 2018 including all OECD members had enacted some kind of VAT on goods and services. Most developing countries have transitioned from cascading domestic trade taxes to value-added taxation (VAT) to reduce distortions and offset income losses caused by lower tariffs following their accession to the World Trade Organization (WTO).

In most countries, the transition to VAT/GST has been smoother because the tax is primarily imposed by the central government. Even in federal countries like Germany and Australia, VAT is levied centrally. Only a few nations, such as Brazil, Canada, and the European Union, have attempted to implement Goods and Services Tax (GST) at the subnational level, and even after years of experience, the reform is still evolving in these countries. In Brazil, for example, the federal and state versions of VAT suffer from both conceptual and administrative ambiguity, and the tax is imposed in the event of interstate commerce based on the origin principle. It incurs significant compliance, administrative, and distortionary costs, along with challenges related to interstate tax exporting and cross-border trade (Varsano, 2000²; Brid and Gendron, 2007³). All twenty-seven member states of the European Union are required to impose a value-added tax (VAT) as part of their membership. Although the destination principle is used to guide its implementation, there is still debate over cross-border trade (Keen 2009⁴, Cnossen, 2010⁵). In addition, the tax structures of the member nations differ from one another with regard to thresholds, exemptions, and rate structures. Throughout actuality, the

¹ Richard Bird, *The GST/HST: Creating an Integrated Sales Tax in a Federal Country*, 5 *The School of Public Policy Research Paper* (2012).

² Ricardo Varsano, *Subnational Taxation and Treatment of Interstate Trade in Brazil: Problems and a Proposed Solution*, in Javed Burki & Guillermo Perry, eds., *Decentralization and Accountability of the Public Sector* 339 (World Bank 2000).

³ Bird, Richard and Pierre-Pascal Gendron (2007), *Value Added Taxes in Developing and Transitional Countries*, (Cambridge and New York), Cambridge University Press.

⁴ Michael Keen, *What Do (and Don't) We Know About the Value Added Tax?*, 47 *Journal of Economic Literature*, 157 (2009).

⁵ Sijbern Cnossen, *VAT Coordination in Common Markets and Federations: Lessons from the European Experience*, 63 *Tax L. Rev.* 584 (2010).

average normal VAT rate throughout the EU is 19.4%, with a range of 15% to 25%. In addition to the normal rate, every other European nation has one or maybe more additional rates (Bird and Gendron, 2007)⁶. According to Bird, the shift has not been simple in Canada and is still being worked on even after 28 years of experience. As of 2011, six provinces out of ten, or 80% of the population, had implemented some kind of value-added tax. Some provinces were able to participate in the harmonisation process thanks to the 2008 federal VAT rate reduction of 7% to 5% and the retention of provincially defined rates. Yet, Canada has four distinct systems, comprising: (i) Four subnational units (Alberta, the three northern territories, and the northeastern territories of Nunavut and Yukon) do not impose a sales tax; (ii) Five subnational governments (New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, and Ontario) have adopted the VAT system and are charging Harmonized Sales Taxes (HST) at rates ranging from 8% to 10%. The total general sales tax rate in 2013 varied from 13% in Ontario to 15% in Nova Scotia; (iii) Three provinces (Saskatchewan, Manitoba, and British Columbia) continued to levy a separate GST on the tax base, which included the federal tax; and (iv) One province (Quebec) maintained a 9.975% VAT and managed both the federal and provincial VAT.

In British Columbia, there was significant controversy over participating in the harmonization process, and following a referendum in April 2013, the province reverted to its previous provincial sales tax. After years of discussions, India implemented the GST on July 1, 2017, with the involvement of both the Centre and all States. This tax replaced various domestic trade levies and applies to the supply of goods and services. It is designed as a destination-based tax, incorporating Central GST (CGST), State GST (SGST), and inter-state GST (IGST). The funds from IGST are placed in a separate account, deducted from the input tax credit, and settled using a clearing house mechanism based on final consumption. As a result, India's GST aims to be a destination-based tax with a user-friendly input tax credit system. The GST Council, established through a constitutional amendment, is responsible for decisions regarding the tax's structure. The GST Network (GSTN), which is IT-enabled, is used to register, pay, and submit returns, minimising the taxpayer-collector interface.

There were very high expectations going into the implementation of the GST that it would be a less distorting, simpler, more transparent, and revenue-producing tax. Although the tax has

⁶ Richard Bird & Pierre-Pascal Gendron, *Value Added Taxes in Developing and Transitional Countries* (Cambridge Univ. Press 2007).

been in effect for several years, it continues to evolve due to decisions made by the GST Council. To achieve the objective of enhancing revenue productivity while minimizing the three key costs— administrative, compliance, and distortion costs—it's important to evaluate the current state of the tax's implementation, assess its impact on revenue and the economy, and identify areas for further reform. Section 2 provides a brief overview of the key elements of GST implementation in India. Section 3 examines the productivity improvements, tax revenue effects, and reductions in administration and compliance costs. Section 4 discusses the remaining issues of tax cascading in the domestic consumption tax and highlights additional distortions that need to be addressed to boost productivity and reduce inefficiencies.

e. IMPLEMENTATION OF GST LAWS IN INDIA: KEY FEATURES

The global exposure with implementing GST laws demonstrates that there is no single, universally applicable model for GST legislation. Different countries design their GST laws based on what aligns with their political, economic, and social contexts. However, there are several widely endorsed principles for crafting effective GST laws: (i) establish a broad tax rooted in minimal Reliefs, allowances, refunds, or reductions; (ii) prevent the use of tax laws to accomplish multiple social and economic aims; (iii) maintain a reasonably high threshold to target larger businesses rather than smaller ones, which helps in reducing administrative costs and promoting fairness (Keen and Mintz, 2004);⁷ (iv) ensure that the tax structure is simple with minimal rate differentiation to reduce administrative, compliance, and distortion costs; (v) continually monitor the tax system, focusing on essential functions such as tax collection at source and implementing an identification number system; (vi) limit information collection to what can be effectively processed; and (vii) promote good record-keeping practices with a long-term goal of self-assessment.

While these principles provide a useful framework, adhering strictly to them may not always be feasible. As Bird and Gendron (2007, p. 4)⁸ note, Certain "undesirable" features, such as excessively high or low thresholds, broad exemptions, or multiple rates, may be required for the successful initial implementation of GST laws. They also highlight that such features can be difficult to amend once established.

⁷ ScienceDirect, <https://www.sciencedirect.com/science/article/abs/pii/S0047272702001652>, (last visited Nov. 22, 2024)

⁸ Scientific Research, <https://www.scirp.org/reference/referencespapers?referenceid=3068720>, (last visited Nov. 22, 2024)

India's GST laws are a notable example of a subnational invoice-credit, destination-based VAT system applied to both goods and services. The implementation of these laws followed extensive deliberations and consensus-building over a span of 17 years. The initial proposal for GST legislation was made by the Expert Group on Taxation of Services, chaired by M. Govinda Rao (India, 2001)⁹, and was later incorporated into the Report of the Task Force on Indirect Taxes, chaired by Vijay Kelkar (India, 2003)¹⁰.

Prior to the introduction of GST laws, States transitioned to a VAT system on goods in 2005, replacing the previous cascading sales tax system. Concurrently, Union excise duties were reorganized into a VAT system called CENVAT (Central Value Added Tax), applied to manufactured goods. A separate service tax was also introduced to cover services.

A separate tax on services was initially introduced in India, covering only three specific services. Over time, the scope of this tax gradually expanded, and by 2012, it encompassed all services, except those specified in the negative list. Extensive discussions were held within the Empowered Committee of State Finance Ministers to streamline domestic indirect trade taxes. The Union Finance Minister announced in the 2006 budget speech that GST would be implemented by 2010. However, due to disagreements over the tax structure, the reform was ultimately implemented on July 1, 2017.

In contrast to many countries where VAT was primarily adopted to boost revenue productivity, as it was viewed as a potent revenue-generating mechanism (Keen and Lockwood, 2010)¹¹, the primary motivation behind GST reform in India was to unify various domestic trade taxes, mitigate distortions caused by the cascading effect of previous taxes, and to standardize indirect taxation between the Central and State governments, as well as among the States. The initial focus was on establishing a revenue-neutral structure, with the expectation that improved compliance would lead to increased revenue productivity over time.

India's GST laws amalgamate several Central and State taxes, as detailed in Table 1(below).

⁹ India, Report of the Expert Group on Taxation of Services (M. Govinda Rao, Chairman, Ministry of Fin., Gov't of India, 2001)

¹⁰ India, Report of the Task Force on Indirect Taxes (Vijay Kelkar, Chairman, Ministry of Fin., Gov't of India, 2003).

¹¹ Scientific Research, <https://www.scirp.org/journal/paperinformation?paperid=109610>, (last visited Nov. 22, 2024)

This reform is a distinctive experiment in which both the Central and State governments give up some of their tax autonomy to establish a unified domestic consumption tax system. The GST structure consists of Central GST (CGST), State GST (SGST), and Inter-State GST (IGST).

The GST is designed as a destination-based tax, meaning that revenue from inter-state transactions is first collected in the IGST account and then redistributed to the destination state through a clearinghouse mechanism. To implement GST, the Constitution was amended (Article 269A) to establish it as a joint tax between the Centre and the States. A new constitutional body, the GST Council, was created to oversee the tax. The GST Council is chaired by the Union Finance Minister and includes Finance Ministers or other designated ministers from each State and Union Territory with a legislature. The Union Revenue Secretary serves as the Secretary of the Council, which operates with its own Secretariat. Decisions within the Council require a two-thirds majority.

The GST Council is a major institutional innovation and an experiment in cooperative federalism. While States agreed to surrender some of their tax autonomy for the sake of tax harmonization, they resisted handing over this power to the Centre. Instead, they agreed to create a new constitutional body that allows for participation from both the Centre and the States.

In the GST Council, the Central government holds one-third of the voting rights, while the remaining two-thirds are equally distributed among the States. A two-thirds majority is required for any decision to be approved. The GST Network (GSTN), created as a non-profit entity, was established to provide a unified Information Technology (IT) infrastructure and services to support the Central and State governments, taxpayers, and other stakeholders. GSTN is 51% owned by non-government financial institutions, with the Central and State governments collectively holding the remaining 49%. Although there was a decision in March 2018 to transition GSTN into a fully government-owned entity, implementation of this change has not yet been completed.

Table 1	
Taxes at the Central and State Levels Replaced by GST	
Central Taxes	State Taxes
(i) Central Excise Duty (excluding five petroleum and tobacco products)	(i) State Value Added Tax (VAT)/Sales Tax (excluding five petroleum products and alcoholic liquor for human consumption)
(ii) Additional Excise Duty	(ii) Entertainment Tax (excluding tax levied by local bodies)
(iii) Service Tax	(iii) Central Sales Tax (levied by the Centre and collected by the States)
(iv) Countervailing Customs Duty	(iv) Octroi and Entry Tax
(v) Special Additional Duty of Customs	(v) Purchase Tax
	(vi) Luxury Tax
	(vii) Taxes on lottery, betting, and gambling

India (2019)¹²

The initial GST registration threshold was set at two million rupees (approximately USD 28,700) for businesses in non-special category States and one million rupees for those in special category States. This threshold was later raised to four million rupees for goods in non-special category States, while the threshold for services remained at two million rupees. In special category States, the threshold for goods was increased to two million rupees. Businesses are required to register in every State where they have branches, and inter-state transactions are subject to tax.

The administration of GST is jointly managed by the Central and State governments. Taxpayers with a turnover below 15 million rupees are handled by the State in which they are registered. For businesses with turnover exceeding 15 million rupees, the administrative responsibility is shared between the Centre and the States through a random selection process. Additionally, businesses with a turnover below 15 million rupees can opt for a simplified tax at a compounded rate of 6 percent (3 percent each to the Centre and the State), without the option to claim input

¹² Ministry of Finance, <https://dea.gov.inhttps://dea.gov.in/acts-rules/> (last visited Nov. 22, 2024)

tax credit (ITC).

The implementation of GST in India was preceded by extensive discussions on the rate structure. A committee formed by the Ministry of Finance, chaired by the Chief Economic Adviser (India, 2015)¹³, suggested that the revenue-neutral rate should be between 15% and 15.5% for both the Centre and States combined. The committee recommended that while India should aim for a single rate in the medium term to align with international practices and simplify administration and compliance, an initial three-tier rate structure could be adopted. This structure would exclude a zero rate and include a lower rate of 12%, a standard rate of 17% to 18%, and a very high rate of 40% for "demerit" goods.

Under the adopted GST laws, goods and services are categorized using the Harmonized System of Nomenclature (HSN), with tax rates set at 0%, 5%, 12%, 18%, and 28%. Although there is no single standard rate, the majority of services are taxed at 18%. A special rate of 0.25% applies to precious and semi-precious stones, while gold is taxed at 3%. Job work in the diamond industry is taxed at 1.5%. "Demerit" and "luxury" items, including aerated drinks, automobiles, air conditioners, washing machines, cement, paint, marble, accommodation in five-star hotels, and tobacco products, are taxed at 28%. In addition to the basic tax rate, most items in this category are subject to a compensation cess, which helps offset the revenue losses States incurred due to GST implementation (as explained further below). The GST Council also approved a special cess requested by the State of Kerala to fund infrastructure reconstruction after the 2018 flood.

Initially, smaller suppliers with a turnover of up to 15 million rupees were subject to a simplified tax rate of 6% (3% CGST and 3% SGST), without the option for input tax credit (ITC). This threshold was later increased to 15 million rupees. The composition tax scheme was also extended to restaurants and affordable housing under construction, with rates set at 1% and 5%, respectively, and no ITC benefits. The GST law mandates that collections from the Inter-State GST (IGST) be kept in a separate account, with the funds distributed between the Centre and States based on their respective ITCs. Exports are zero-rated, meaning exporters pay the tax upfront and claim refunds later. The compensation cess is intended to be deposited into the Public Account and used to compensate States for any revenue shortfalls compared to the

¹³ Ministry of Finance, <https://dea.gov.inhttps://dea.gov.in/acts-rules/> (last visited Nov. 22, 2024)

promised amounts. To secure State cooperation for GST implementation, the Central government agreed to compensate revenue shortfalls relative to actual revenues from the taxes merged into GST as of the 2015-16 fiscal year, with an annual increase of 14% over five years. This compensation was funded through a separate cess on demerit and luxury items, in addition to CGST and SGST, with rates ranging from 15% to 96% of the applicable tax rate. In order to gain consensus, the Central government offered a generous compensation scheme based on a 14% growth rate from the 2015-16 base year collections, even though actual growth has been lower. Analysis of the revenue growth rates from the taxes subsumed into GST shows that the average growth rate for non-special category States was 8.9% over three years and 11.7% over five years. For special category States, the growth rates were 12.3% over three years and 12.4% over five years. Given the slowdown in nominal GDP growth, most States are unlikely to meet the 14% growth target and will need compensation. As a result, the cess to cover these compensations had to be significant. In fact, the compensatory cess accounted for about 8.5% of GST revenues in 2017-18 and 8.3% in 2018-19.

Table 2: The average growth rate of taxes incorporated into the GST system

State	2014-15 to 2016-17	2012-12 to 2016-17
Andhra Pradesh	3.5	1.2
Karnataka	10.7	13.3
Kerala	10.4	12.1
Madhya Pradesh	11.0	12.5
Maharashtra	9.4	10.6
Odisha	6.7	9.4
Punjab	5.9	9.6
Rajasthan	11.6	13.3
Tamil Nadu	6.2	11.2
Meghalaya	8.9	12.9
Mizoram	20.0	17.6
Nagaland	16.8	12.3
Sikkim	8.7	27.0
Tripura	10.1	10.9
Uttarakhand	13.5	14.5
Special category States	12.3	12.4

Telangana	24.8	0.0
Uttar Pradesh	9.4	9.4
West Bengal	7.7	13.8
Aggregate – Non-special Category States	8.9	11.7
Special category states		
Arunachal Pradesh	36.3	28.8
Assam	12.5	10.2
Himachal Pradesh	11.6	11.9
Jammu and Kashmir	9.7	12.0
Manipur	8.0	12.8
Bihar	13.0	22.6
Chattisgarh	8.7	10.5
Goa	10.5	10.2
Gujarat	3.6	8.5
Haryana	11.7	11.8
Jharkhand	13.1	13.5

Calculated based on the State Finances: A Study of Budgets (Various Issues) by the Reserve Bank of India.¹⁴

The exemptions and rate structure for GST were designed with several objectives in mind: (i) to prevent substantial increases in consumer prices; (ii) to ensure that the total tax burden on individual goods remains consistent with the combined impact of the taxes subsumed into GST; and (iii) to avoid any revenue loss. To achieve these goals, the GST Council formed a "Fitment Committee," consisting of officials from the Tax Research Unit of the Central Board of Indirect Taxes and Customs (CBIC) and senior officials from select State Commercial Taxes Departments. The Committee determined tax rates for various goods and services by combining State VAT rates with excise duties (CENVAT), factoring in post-manufacturing margins, and accounting for other taxes absorbed by GST. This methodology aimed to classify each item or service under one of four predefined tax rates. However, this process did not fully address existing anomalies. Following implementation, feedback from businesses prompted

¹⁴ Reserve Bank of India,

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets>, (last visited Nov. 22, 2024)

adjustments, including reducing tax rates from 28% to 18% for certain commodities and from 18% to 12% for others. The composition scheme was also extended to restaurants at a rate of 5% without ITC, compared to the previous 12% with ITC, and to housing under construction as well. Additionally, despite efforts to maintain uniform tax rates across States, the GST Council permitted Kerala to impose a special cess to fund flood relief efforts from the 2018-19 disaster.

Taxpayers are required to submit a single electronic return that includes CGST, SGST, IGST, and GST Compensation Cess. The system was initially designed for full automation, requiring 100% matching of invoices for input tax credit (ITC). This involved filing three monthly returns (GSTR-1, GSTR-2, and GSTR-3) along with an annual return. GSTR-1 was intended to report outward supplies, GSTR-2 to capture inward supplies based on GSTR-1 data and other sources, and GSTR-3 was auto-populated from these forms. However, the system faced challenges due to businesses' preparedness and its ability to handle the large number of registered taxpayers. As a result, the requirement was delayed, and a simplified self-assessed summary form, GSTR-3B, was temporarily introduced.

In July 2018, the GST Council announced a plan to implement a new simplified return system by January 1, 2019, but this was delayed multiple times, with the new target which was set for November 30. Until then, GSTR-3B served as the basis for determining tax liability. Additional features of GST in India include the introduction of the e-way bill and the reverse charge mechanism. With the removal of check-posts, a web-based e-way bill system was implemented to ensure compliance. This system requires that all inter-state supplies exceeding 50,000 rupees be accompanied by an e-way bill, which was enforced starting April 1, 2019. States have also enacted laws for e-way bills on intra-state supplies, though the limits for these bills vary across states.

Registered suppliers must pay tax on purchases from unregistered suppliers. This requirement initially applied to transactions above 5,000 rupees. However, in October 2017, the tax obligation was exempted until March 31, 2018, and this exemption was extended until September 30, 2019. A notification issued in February 2019 stated that the government would define the specific goods and services subject to the reverse charge mechanism.

Section 171 of the CGST Act requires that any reduction in GST rates compared to pre-GST levels must result in lower prices for consumers. If businesses fail to pass on the benefits, it is

considered "profiteering." Complaints regarding profiteering can be filed with proper evidence, and the Act outlines a process for adjudication by the National Anti-profiteering Authority, the Directorate General of Anti-profiteering, and State-level Screening Standing Committees.

f. IMPACT OF GST: REVENUE, PRODUCTIVITY, AND COST SAVINGS

a) Cost Savings and Productivity Gains

The introduction of GST represents a significant overhaul in India's tax system, but evaluating its impact within just two years is challenging. The GST framework has been subject to ongoing modifications, both in terms of its structural design and operational execution. This indicates that GST is still in a phase of evolution rather than being a fully settled reform.

One of the main objectives of GST was to simplify the tax system, leading to cost savings for businesses. The removal of cascading taxes and the implementation of a unified tax structure were expected to lower the overall tax burden and reduce compliance costs. This simplification should, in theory, lead to enhanced productivity and efficiency across various sectors.

Despite these expectations, assessing the full impact of GST in the short term is complex. The diversity within India's economic landscape, with its numerous States each having distinct economic characteristics, means that any politically feasible reform is inherently imperfect and continues to adapt. As such, the true effects of GST on cost savings and productivity gains may only become apparent over a longer period.

The reform's acceptance by stakeholders is a positive sign of its potential for sustainability. However, as noted by Bird and Gendron (2007)¹⁵, the process of making necessary adjustments to the GST system will be fraught with challenges.

To assess the impact of GST, Keen (2013) introduces the concept of "C- Efficiency," which breaks down the share of GST revenue in GDP into several components: the standard tax rate, the value of consumption (excluding GST), and an interactive term called "C-efficiency." C-efficiency represents the ratio of GST revenue to the product of the standard rate and consumption. This method offers a detailed view of how effectively GST revenue is generated in relation to the expected tax rate and consumption levels.

Acosta-Ormacecha and Morozumi (2019) apply this concept to evaluate VAT systems

¹⁵ Scientific Research, <https://www.scirp.org/journal/paperinformation?paperid=109610>, (last visited Nov. 22, 2024)

in the European Union, finding that an increase in VAT revenue, paired with a reduction in income taxes, can promote economic growth if the VAT system is effectively implemented with higher C-efficiency. They also discovered that improving C-efficiency, even with a lower standard rate, can contribute to growth.

However, in the Indian context, calculating C-efficiency to evaluate the GST's impact is not currently feasible. Several factors contribute to this challenge: (i) the two-year period since the implementation of GST is too short for a comprehensive empirical analysis; (ii) although monthly collection data is available, there is no corresponding consumption data to allow for a full evaluation of C-efficiency; and (iii) challenges in determining the standard rate and assessing the overall impact.

The current GST framework features a complex array of rates, making it challenging to pinpoint a singular standard rate. This multiplicity of rates complicates the evaluation of GST's impact, forcing assessments to rely largely on anecdotal evidence and speculative analysis rather than precise metrics.

Nevertheless, several key benefits of GST implementation are identifiable, though quantifying them at this stage remains difficult. One of the primary achievements of GST is its role in unifying various consumption taxes, which has led to a reduction in both administrative and compliance costs. By consolidating multiple taxes into a single framework, GST has streamlined tax administration and simplified compliance requirements for businesses.

Another significant gain is the harmonization of domestic trade taxes. Previously, the tax landscape was characterized by a mix of Union excise duties and State sales taxes, leading to overlaps and inefficiencies. GST has integrated these taxes into a unified system based on value addition, effectively eliminating the concurrent and overlapping tax powers of the Centre and States. This consolidation has also mitigated the "race to the bottom" phenomenon, where States competed to attract investments through tax incentives, which often resulted in distorted economic practices.

The uniformity introduced by GST extends beyond tax rates to include tax bases, laws, and procedures. This standardization has diminished inter-state tax competition and reduced the complexity of navigating different tax regulations across States. Consequently, businesses benefit from a more predictable and coherent tax environment.

One of the key benefits of GST has been the elimination of check-posts, which has streamlined the movement of goods across the country. This reform has played a crucial

role in creating a unified national market for goods and services. According to the Ministry of Road Transport¹⁶, the removal of check-posts has resulted in a 20% reduction in the long-distance travel time for trucks. This improvement in transportation efficiency has not only decreased travel time but has also curbed rent-seeking behaviour that was prevalent at check-posts, particularly in States that imposed Octroi and entry taxes.

Moreover, GST has led to significant cost savings by transforming supply chain management. Before GST, large companies typically set up branch offices nationwide and used consignment transfers to avoid inter-state sales taxes. Under the GST regime, inter-state transactions are subject to Integrated GST (IGST), with seamless input tax credit (ITC) mechanisms. This system removes the financial incentive for companies to maintain multiple branches and engage in consignment transfers, thereby optimizing their supply chain operations and reducing associated costs.

In summary, while the full impact of GST is still unfolding and evaluating its precise effects remains complex, several significant benefits have emerged. The unification of taxes, reduction in inter-state tax competition, and improvements in logistics and supply chain management highlight some of the key gains from GST implementation.

A key objective of GST was to reduce the cascading effect of taxes by enabling seamless input tax credit throughout the production and distribution chain across the country. Prior to GST, multiple layers of tax at various stages resulted in cascading, driving up final prices for consumers. The introduction of GST has largely addressed this by eliminating the central sales tax and implementing a dual-level taxation system at both central and state levels. This has streamlined the input tax credit mechanism for inter-state sales, further reducing tax cascading. However, the full benefits will be realized when GST coverage expands. For exporters, GST has effectively removed domestic indirect taxes on exports, boosting their competitiveness globally.

Another critical aspect of GST implementation was the introduction of an electronic administration system designed to streamline processes and reduce personal interaction between taxpayers and tax authorities. The system was intended to cover all aspects of tax administration, including registration, tax payment through input tax credit (ITC), return filing, and assessment. This electronic approach aimed to accelerate refund processes for exporters and improve overall tax compliance. A strong technology

¹⁶ Ministry of Road and Transport, <https://morth.nic.in/>, (last visited Nov. 22, 2024)

platform was essential for ensuring smooth credit on cross-border supplies. However, technical challenges have impeded the full realization of these benefits, as will be discussed further later.

A key feature of the Indian GST system is the creation of the GST Council, which marks a significant advancement in fiscal federalism. This body enables both the Union and State governments to share fiscal authority over major consumption taxes through a joint agency, with the goal of achieving better tax harmonization. Any changes to the GST structure must be approved by the Council. The GST Council addresses a critical gap in Indian fiscal federalism by fostering intergovernmental cooperation, regulating competition, and resolving conflicts. It serves as a model for managing tax harmonization and resolving intergovernmental issues. However, it is important to note some limitations of this approach. Decisions within the GST Council have generally required unanimous consent, which can slow down the process of implementing substantial reforms and may result in maintaining the status quo. The necessity for consensus can also lead to sub-optimal decisions, reflecting the lowest common denominator rather than more effective solutions.

b) Impact of GST on Revenues

Revenue Neutrality and Initial Observations

The short-term goal of implementing GST was to maintain revenue neutrality, with the expectation that over time, enhanced compliance resulting from the tax's self-policing features would lead to substantial revenue growth. Although a two-year period is relatively brief for assessing revenue impacts, especially given the frequent adjustments to tax rates during this time, it provides an opportunity to identify necessary measures for improving revenue productivity in the short and medium term.

Revenue Trends Post-Implementation

An analysis of revenue trends post-GST implementation reveals a notable deceleration. For the fiscal year 2017-18, the Comptroller and Auditor General (C&AG) estimated a reduction in Central GST (CGST) revenue, Union Territory GST (UTGST), and the Central portion of Integrated GST (IGST) revenues. This estimate was based on revenue from taxes that were subsumed by GST in previous years. Despite attempts to offset this shortfall by drawing from the IGST account and appropriating unallocated balances into the Central government's consolidated fund, the revenue fell by 10%. Furthermore, there was a shortfall in the transfer of the compensation cess to the Public

Account, with the funds being retained by the Centre.

The effective tax rate, which is the ratio of revenue from subsumed taxes to private final consumption expenditure, declined from 10.3% in 2015-16 to 9.8% in 2018-19. Monthly average revenues for 2018-19 were just 6% higher than the average monthly collections in the last eight months of 2017-18. Notably, in 2018-19, actual GST collections fell significantly short of budget estimates, with only five months seeing gross collections surpass the one trillion Rupees mark. For instance, in September 2019, collections were 9% below the target, totalling Rs. 919 billion, while the budget target was Rs. 1.18 trillion. In the first five months of 2019-20, the Central government collected Rs. 410 billion in compensation cess, but had to disburse Rs. 650 billion in compensation to the states. This resulted in a monthly shortfall of Rs. 50 billion.

Central Government Revenue Shortfall

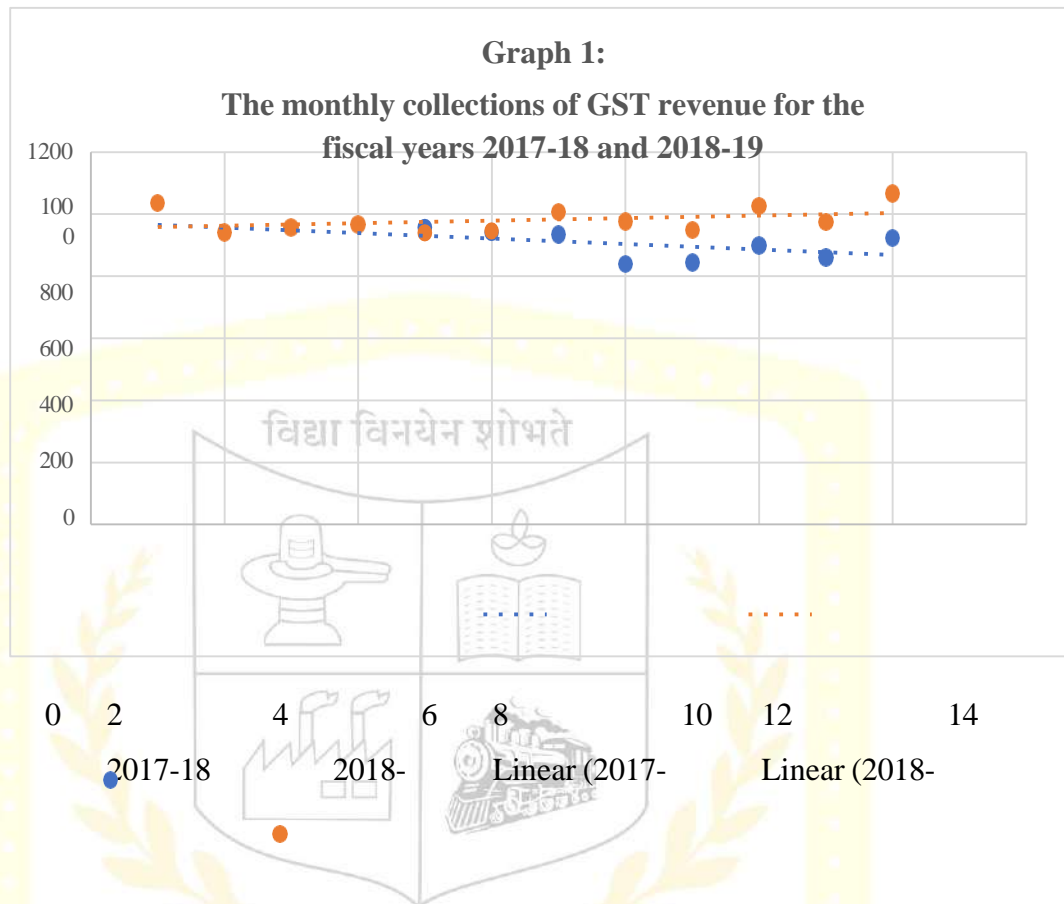
From the Central government's perspective, the revenue shortfall has been substantial. For the fiscal year 2018-19, the budget estimate for revenue was Rs. 7.43 trillion, but the actual collections amounted to only Rs. 5.81 trillion, resulting in a shortfall of Rs. 1.62 trillion, or 22%. Even when compared to the revised estimates, actual collections were still 10% lower. While part of this shortfall can be attributed to the reduction in tax rates from 28% to 18% on several items in November 2018, the extent of the revenue gap remains a significant concern.

Table 3.

GST Revenue Trends for the Central Government in 2018-19

Tax	Budget Estimate Rs. Billion	Revised Estimate Rs. Billion	Actual Rs. Billion	Shortfall in Actual from Budget Estimate	Difference Between Actual and Revised Estimates
CGST	6039	5039	4575.35	-24.24	-9.20
Comp. Cess	900	900	950.81	5.65	5.65
IGST	500	500	289.47	-42.11	-42.11
Total	7439	6439	5815.63	-21.82	-9.68

SourceSource: Comptroller and Auditor General Report, p. 26.¹⁷



Source: The Comptroller and Auditor General's (C&AG) report on GST compliance and technological challenges.¹⁸

Audit Findings on Technology Platform and Compliance

The report by the Comptroller and Auditor General (C&AG) provides a detailed compliance audit of the GST technology platform. It highlights several critical issues:

1. **Complexity of Returns and Technical Glitches:** The report notes that the complexity of GST returns and technical glitches led to the abandonment of the initially planned full invoice matching system for Input Tax Credit (ITC) verification. The system was supposed to use GST returns (GSTR-2, GSTR-3 and GSTR-1) for detailed invoice matching. However, due to these issues, The GSTR-3B return was introduced as a

¹⁷ Comptroller and Auditor General of India, <https://cag.gov.in/en/audit-report?gt=50&udt=61>, (last visited No. 25, 2024)

¹⁸ Comptroller and Auditor General of India, <https://cag.gov.in/en/audit-report?gt=50&udt=61>, (last visited No. 25, 2024)

temporary solution. It is a summary return that does not include the detailed invoice-level data required for comprehensive verification, which makes it vulnerable to ITC fraud and leads to ongoing unnecessary interactions between taxpayers and tax authorities. The report concludes that the overall GST tax compliance system is not functioning as intended.

2. **Problems with IGST Settlement:** The audit also identified problems with the settlement of Integrated GST (IGST) to States. The system was unable to generate key modules, such as appeals and refunds, from the returns, leading to incorrect IGST settlements.
3. **Specific Issues Identified:**
 - a) **Duplicate Records:** The audit identified duplicate records in settlement ledgers.
 - b) **Incorrect IGST Settlement:** Errors in settlement ledgers led to incorrect IGST settlements.
 - c) **Erroneous ITC Claims:** One taxpayer made an erroneous ITC claim that accounted for 79% of total ITC claims for a month, exposing vulnerabilities to fraudulent claims.
 - d) **Arbitrary IGST Allocation:** The failure to accurately adjust IGST balances, especially in 2017-18, resulted in arbitrary allocations based on the Fourteenth Finance Commission's formula or the initial revenue ratio, which was deemed arbitrary (Bhaskar, 2019)¹⁹.
 - e) **Delay in Refund Settlements:** The technology platform's shortcomings also contributed to delays in processing refunds for exporters.

If the threshold for invoice matching remains unchanged, Limiting the requirement to taxpayers with a turnover above Rs. 10 million would restrict the process to about 8% of the current taxpayer base, as illustrated in Table 4 (given below). The primary focus should be on enforcing tax compliance among larger suppliers and utilizing standard administrative procedures to manage downstream GST issues without excessively burdening smaller suppliers.

While this approach might create incentives for smaller entities to evade detection, as the

¹⁹ Business Standard, V. Bhaskar, GST Revenue Conceals More than It Reveals, https://www.business-standard.com/article/opinion/gst-revenue-conceals-more-than-it-reveals-119030600040_1.html, (last visited Nov. 27, 2024)

technology becomes more reliable, the coverage of invoice matching could be gradually expanded.

1. Additionally, Focusing on information-driven enforcement based on the returns of larger taxpayers could offer a more targeted and efficient approach to ensuring compliance. This strategy would help optimize the use of available resources while maintaining effective tax oversight.

Turnover Range (Rs. Million)	Number of Taxpayers	Taxable Turnover Rs. Million	Tax Paid Rs. Million	% of Taxpayer	% of Turnover	% of Tax Paid	% of Tax Paid to Turnover
< 2	490357	1345112	62816	85.42	3.56	7.05	4.67
02-May	41865	1093451	44234	7.29	2.9	4.96	4.05
05-Oct	18635	1021396	39201	3.25	2.71	4.4	3.84
10-100	20379	3954303	162736	3.55	10.48	18.2	4.12
100-500	2150	3122868	152295	0.37	8.27	17.0	4.88
500 - 5000	607	4844476	214176	0.11	12.83	24.0	4.42
5000- 10000	23	736016	28285	0	1.95	3.17	3.84
>10000	18	21627367	187728	0	57.3	21.0	0.87
Total	574034	37744989	891471	100	100	100	2.36

Government of Karnataka, Office of the Commissioner of Commercial taxes.

At the state level, determining the exact shortfall in revenue collections due to the

implementation of GST is difficult due to various factors. One of the main challenges is the estimation of base year figures, particularly because certain taxes such as octroi, entry tax, and purchase tax are levied at the local level. These taxes complicate the process of accurately assessing revenue losses or gains. Moreover, the arbitrary distribution of Integrated Goods and Services Tax (IGST) further adds to the difficulty of determining true revenue collections. As a result, with the available public data, it is not possible to definitively determine how many states have received the promised compensation or whether they have achieved the projected 14% revenue growth over the base year figures.

The problem is compounded by the way compensation payments are reported in budget documents. Compensation payments are not uniformly categorized; some states include them under the GST revenue head, while others classify them as grants from the central government and group them with other types of financial support. This inconsistent reporting makes it difficult to compare compensation amounts across different states or to gauge the overall adequacy of the compensation system. According to budget documents from various state governments, as shown in Table 5, many states have received compensation as per the agreed formula. However, concerns are rising among states about the future, as the compensation payments were scheduled to end after 2022-23 unless the GST Council decides to extend the compensation period. This uncertainty has led to growing apprehension regarding future revenue shortfalls.

A recent article by Adhia (2019)²⁰, who served as Secretary of the GST Council, paints a similar picture. The revenue deficit resulting from GST, in comparison to what states would have earned from the taxes that were incorporated into the GST system, has increased substantially. For the fiscal year 2017-18, the shortfall was 16 percent compared to the 14 percent increase originally anticipated. This shortfall decreased slightly to 12 percent in 2018-19. Notably, revenue collections showed substantial increases in northeastern states during this period, with Mizoram experiencing the highest growth at 62 percent, followed by Arunachal Pradesh at 59 percent, Manipur at 35 percent, Nagaland at 24 percent, and Sikkim at 12 percent. Among the non-special category states, Andhra Pradesh experienced notable revenue increases, reflecting some regional variations in the impact of GST²¹.

²⁰ Hasmukh Adhia, How the States Are Doing Post-GST?, Business Standard (Sept. 6, 2019), https://www.business-standard.com/article/opinion/how-the-states-are-doing-post-gst-119090501480_1.html.

²¹ Business Standard, https://www.business-standard.com/article/opinion/how-the-states-are-doing-post-gst-119090501480_1.html, (last visited Nov. 27, 2024)

In terms of revenue performance, the impact of GST on various states has shown considerable variation. Telangana, for instance, managed to achieve a modest surplus with an increase of 4 percent and 1 percent in revenue, respectively. However, most other non-special category states experienced shortfalls that necessitated compensation. The most significant deficits were observed in Punjab, which saw a staggering shortfall of 37 percent, followed by Karnataka with a 20 percent deficit, Haryana at 16 percent, and Gujarat at 11 percent. Among low-income states, the revenue shortfalls were also pronounced, with Chhattisgarh experiencing a 25 percent deficit, Odisha at 20 percent, Bihar at 18 percent, Jharkhand and Madhya Pradesh both at 14 percent. Conversely, Rajasthan, Tamil Nadu, and Maharashtra had deficits within single digits 8 percent, 5 percent, and 4 percent, respectively.

These discrepancies in revenue collections were somewhat anticipated. The growth rate used to determine the compensation levels was set at an optimistic figure, significantly higher than the actual growth observed in the taxes subsumed under GST. This optimistic projection, coupled with limited potential for enhanced compliance, led to notable deficits in many states. The anticipated growth did not align with the actual revenue performance, resulting in many states facing substantial shortfalls.

Another significant issue revolves around the discrepancy between the revenue generated from the compensation cess and the compensation actually allocated to the states. According to the GST Act, the cess proceeds are supposed to be deposited into a non-lapsable compensation fund, held in the Public Accounts, from which payments to states are drawn. However, in the fiscal year 2017-18, only Rs. 561 billion out of the Rs. 626 billion collected from the cess was transferred to the fund, with the remaining amount appropriated by the Central government and placed into the Consolidated Fund.

The revised estimates for 2018-19 reveal an even greater concern: of the Rs. 900 billion collected as compensation cess, the Central government proposed to retain Rs. 582.85 billion, leaving only the remaining amount for the compensation fund distribution. This practice raises significant concerns regarding propriety and the proper use of funds intended to compensate states for revenue shortfalls. The inconsistency between the amount collected and the amount distributed undermines the credibility of the compensation mechanism and prompts questions about the management and allocation of these critical funds.

Table 5:			
Compensation Payments (Rs. Million)			
State	2017-18	2018-19 (RE)	2019-20 (BE)
Andhra Pradesh	5002		
Kerala	17720.00	21000.00	0.00
Madhya Pradesh	0	0	33000.00
Maharashtra	14880.00		
Manipur	240.00		
Goa	0.00	0.00	0.00
Gujarat	36870.00	0.00	0.00
Haryana	11990.00	28000.00	30000.00
Himachal Pradesh	5390.00	27020.00	29000.00
Jammu And Kashmir	11370.00	25915.30	29543.40
Jharkhand	3690.00	7000.00	2580.00
Karnataka	62460.00	108000.00	172490.00
West Bengal	16876.40	19900.00	20000.00
Assam	9027.10	10000.00	10000.00
Bihar	30410.00	0.00	35000.00
Chhattisgarh	14830.00	37003.60	45064.10
Meghalaya	1240.00		
Orissa	20190.00	40740.00	48670.40
Punjab	40370.00	93749.40	86190.30
Rajasthan	25980.00	28250.00	0.00
Tamil Nadu	6320.00	42380.00	55820.00
Uttar Pradesh	21240.00	0.00	0.00
Uttarakhand	12830.00	0.00	30172.50
All States	368925.60	488958.30	627530.70

Source: State governments Budget documents.²²

The low revenue productivity of GST can be attributed to several factors, with the primary issues being technical glitches in the technology platform and deficiencies in the design of the GST structure. The Comptroller and Auditor General's (C&AG) report provides an in-depth

²² India Budget, <https://www.indiabudget.gov.in/>, (last visited Nov. 27, 2024)

examination of how these technical problems have adversely affected compliance (India, 2019)²³.

Despite these challenges and the shortfall in revenue collections falling short of optimistic projections, the GST system has established itself as a permanent fixture. States have been assured of its revenue buoyancy, which means the focus must now shift to improving the system. There is no current fear of reverting to previous tax regimes, so efforts should concentrate on resolving these issues to enhance the overall functionality and effectiveness of GST.

a) Structure of the Tax and Revenue Impact under GST Laws

This raises significant concerns about its effect on the informal sector. Studies suggest that in economies with large informal sectors, VAT systems like the one implemented under GST can inadvertently impose higher taxes on the formal sector. This is particularly problematic as it may exacerbate economic distortions and reduce overall welfare. Pigott and Whalley (2001) noted that VAT could exacerbate these issues by leading to higher taxation in the formal sector, thus increasing the informalization of the economy. Emran and Stiglitz (2005) argue that in developing countries, VAT primarily burdens the formal sector, and the shift from tariffs to VAT could potentially decrease welfare by encouraging informal economic activities. These studies underscore the challenges faced by developing economies in managing the transition to VAT and its broader economic implications. Unlike tariffs, which taxed inputs, VAT's impact on informal sector activities is less straightforward. Keen (2008, 2009)²⁴ counters this view by highlighting that VAT laws involve taxation on inputs related to exempted goods, making VAT effective in taxing informal sector transactions.

The main issue arises when a substantial portion of economic activity occurs outside the formal sector, impacting revenue collection. This problem is exacerbated when the list of exemptions under GST laws is extensive, and there is a significant discrepancy between the tax rates applied to the formal and informal sectors. To tackle this issue, it is suggested that the number of exemptions in GST laws be reduced in order to maintain a thorough record of transactions.

²³ India (2019), Report No. 11 of 2019: Compliance Audit - Department of Revenue: Goods and Services Tax, Comptroller and Auditor General, Government of India

²⁴ Ian Crawford, Michael Keen, and Stephen Smith, Value Added Tax and Excises, 4, 276, 276-300, (2008-09) https://ifs.org.uk/sites/default/files/output_url_files/ch4.pdf

The justification for exempting certain goods and services or applying lower tax rates to essential items is to ensure a fair distribution of the tax burden. However, while these exemptions or reduced rates are intended to benefit lower-income groups, they may also provide substantial benefits to wealthier individuals. This can be inefficient in promoting equity, as higher-income individuals also consume the goods that are exempted. A more effective approach to achieving fairness could be through direct measures such as cash transfers or investments in essential services like education and healthcare.

In India, the GST laws have resulted in a significant list of exempted items. This list includes 148 commodities under four-digit HSN (Harmonized System of Nomenclature) classifications, which together make up nearly 50 percent of the consumer price index. These exemptions are justified by administrative ease, equity considerations, and efforts to minimize price impacts. For instance, many unprocessed agricultural products and various food items, including processed foods that are not packaged or branded, are exempted. Similarly, services such as railway transportation (excluding first-class or air-conditioned services), inland waterways, and courier services are exempted under the GST laws. These exemptions reflect both social and administrative concerns but also highlight the challenges in balancing tax efficiency and equity within the GST framework.

Under GST laws, the extensive list of exemptions has significant implications for tax base narrowing and the informalization of the economy. Large exemptions reduce the overall tax base, impacting revenue collection and compliance. By lowering the availability of input tax credit, these exemptions diminish the incentive for businesses to register and pay taxes. For example, while basic items like flour are exempt from GST, processed goods such as toasted bread and rusk are subject to a 12% tax, and products like malt, biscuits, cakes, and pastries are taxed at 18%. The high tax rates on these processed goods, combined with relatively simple production technologies, often push the manufacturing and sales processes into the informal sector. This results in a reduction in registered businesses and tax compliance.

The discrepancy in tax treatment between unbranded and branded items further exacerbates this issue. For example, while coffee beans and fresh tea leaves are exempt from GST, processed coffee, tea, and dry ginger are taxed at 12%. Similarly, unbranded savoury foods are not taxed, but branded versions face a 12% tax. De-oiled cakes used for cattle feed are exempt, yet those used for other purposes are taxed at 5%. The simplicity of food processing technology often

means that many food items can evade tax obligations by operating informally.

Rate differentials intended to address equity issues based on consumption patterns can also have adverse effects on tax collections and the broader economy. Items perceived as luxury goods, such as building materials (cement, marbles, granites, veneer, plywood), motor vehicles, and various consumer goods (refrigerators, air-conditioners, chocolates, and razor blades) are subjected to a high GST rate of 28%. In addition, a compensation cess is levied on these items, further increasing their tax burden to compensate states for any revenue losses. This compensation cess varies widely depending on the commodity or service, sometimes leading to a total tax incidence of up to 50% on certain goods, like motor cars. The variation in cess rates based on engine capacity, vehicle length, and fuel type illustrates the complexity and variability within the 28% tax category.

Such high tax rates, particularly in sectors with significant employment implications, such as the automobile industry and its ancillary services, can lead to adverse economic impacts. Additionally, the high tax rates on motor spirit and high-speed diesel, coupled with the lack of input tax relief, affect the competitiveness of the transportation sector for both goods and people. The overall result is a system where high taxation not only distorts market dynamics but also potentially drives businesses and transactions into the informal sector, thereby undermining the goals of GST.

Table: 6

Tax Rates on Motor Cars

Type of Vehicles	GST Rate	Compen sation	Total Tax rate
Petrol/CNG/LPG car less than 1200cc/ length less than 4 meters	28%	1%	29%
Petrol/CNG/LPG car less than 1200cc/ length more than 4 meters	28%	15%	43%
Petrol/CNG/LPG car over 1200cc (irrespective of length)	28%	22%	50%
Diesel car less than 1500cc and length less than 4 meters	28%	3%	31%
Diesel car less than 1500cc and length more than 4 meters	28%	20%	48%
Diesel car over 1500cc engine capacity, greater than 4 meters length and ground clearance of 170mm or more	28%	22%	50%

Electric Cars (all sizes including 2 and 3 wheelers)	12%	Nil	12%
Vehicles fitted for use as an ambulance	28%	Nil	28%

The tax rates were determined by the 31st GST Council meeting, which took place in December, 2018.²⁵

High tax rates under GST often create incentives for tax evasion by fostering a grey market for goods. This issue is particularly prevalent in sectors such as building materials, where the GST rate is set at 28%. In contrast, affordable housing is subject to a much lower final tax rate of 1%, while other residential properties are taxed at 5% without the benefit of input tax credit (ITC). The lack of a comprehensive paper trail for input suppliers means that builders can bypass official channels, purchasing materials from the grey market and either paying a reduced compounded tax or evading tax altogether. This scenario can lead to substantial revenue losses for the government.

Similarly, the high tax rates on motor cars can lead to elevated prices, which in turn reduces consumer demand. The situation is exacerbated by the exclusion of motor spirit and diesel from the GST base, increasing transportation costs. The resulting drop in demand affects not only the automobile industry but also its ancillary services and repair sectors, leading to potential job losses. The tax structure intended to target higher-income individuals may inadvertently have a more significant impact on lower-income groups by reducing employment opportunities and increasing the cost of living.

Therefore, Evaluating the effects of tax rates and their adjustments on general equilibrium is essential when designing the tax structure.

GST AND ONGOING DISTORTIONS

(a) Multiple Rates

The primary goal of the GST reform was to minimize deviations in the existing domestic consumption tax system. Before GST, the cascading tax effect, where taxes were applied to inputs already taxed, created a significant gap between the prices paid by consumers and those received by producers. This led to unintended changes in the relative prices of goods and

²⁵ Paisabazaar, <https://www.paisabazaar.com/tax/gst-on-cars/>, (last visited Nov. 23, 2024)

services. This inefficiency encouraged vertical integration, increased opacity, and hampered international trade by complicating the relief of input taxes on exports.

The conventional wisdom in designing GST, supported by both theoretical and best practice approaches, advocates for a simple system with minimal exemptions and a single tax rate. The rationale is that a single rate reduces complexity, avoids inefficiencies, and simplifies administration. To support low-income groups, a reduced tax rate is often applied to goods that are primarily consumed by them, while aimed at achieving equity, is considered an inefficient method of targeting. Instead, addressing equity through budgetary expenditures, such as cash transfers or funding for essential services, is seen as more effective.

Jenkins et al. (2006)²⁶ It is suggested that increasing the threshold could improve the tax’s progressivity without disrupting relative prices. This approach aligns with the Thirteenth Finance Commission’s recommendation for a more streamlined GST system with a single rate.

Despite this consensus, the GST implementation has not fully embraced a single-rate system. The inclusion of multiple rates often influenced by political considerations and societal preferences has complicated the tax structure. The intention behind maintaining different rates for various goods and services, including those consumed by lower-income groups, has led to a system with several tax rates. This complexity undermines the goal of a simplified, efficient tax system and can perpetuate distortions and inefficiencies.

In summary, while the objective of GST is to reduce distortions and enhance efficiency, the continued use of multiple rates contradicts the best practices and theoretical recommendations for a more effective GST system. Simplifying the tax structure by consolidating rates could better achieve the reform’s goals of reducing inefficiencies and promoting equity.

Table:7		
Introducing VAT with a single rate.		
Years	Newly VAT-adopting nations	Percentage applying a single rate

²⁶ Glenn P. Jenkins, Hatice P. Jenkins & Chun Yan Kuo, Is the VAT Naturally Progressive? (unpublished manuscript, Queen's Univ., 2006).

Before 1990	48	25
1990-1999	75	71
1999-2011	31	81

Source: OECD's reports on tax policy reforms

(b) High Rates of Tax and Anomalies

The implementation of high GST rates, such as 28% on consumer goods like air conditioners, refrigerators, automobiles, and construction materials, has caused significant distortions and created incentives for tax evasion. High tax rates can discourage consumption and create a disparity in pricing that might not effectively boost demand. For instance, despite the high GST rate on consumer durables, which is intended to target luxury items, it has inadvertently contributed to a slowdown in private consumption and economic growth. Reducing this rate to 18% could potentially alleviate some of these adverse effects while improving the overall structure of the tax.

Moreover, The complexity created by multiple tax rates within a commodity or service group increases both administrative and compliance costs. Producers and sellers handling various product categories, such as different types of cars, must maintain detailed records of sales and input purchases. This complexity is further aggravated by discrepancies like the 28% GST on imported auto components, such as floor mats and ashtrays, in contrast to the 18% GST on domestically produced components.

The high number of rates and cesses creates additional complications, as seen in the motor vehicle sector, where rates vary based on engine capacity, length, fuel type, and other factors. For example, differentiation within the same commodity group such as various rates for silk, cotton, and man-made fibres adds to the challenge. Similarly, varying GST rates on restaurant services based on hotel room tariffs and service types further illustrate the complications and potential for misclassification.

In summary, while the intention behind having multiple GST rates may be to address equity and cater to different societal needs, it often leads to increased complexity, higher compliance costs, and inefficiencies. Streamlining GST rates to fewer categories and aligning them more closely with best practices could help reduce these issues and enhance the effectiveness of the

tax system.

Table 8:

Eg of Anomalies in Tax Rates

Item	Rate of Tax (%)
	1. Various Tax Rates on same commodity group
Footwear Value up to Rs. 1000	5
Value Above Rs. 1000	12
Fibre:	
Cotton and Natural	5
Manmade	18
Silk and Jute	Nil
Readymade Apparel:	
Value Up to Rs. 1000	5
Value Above Rs. 1000	12
Cotton Quilts/Piece:	5
Value Up to Rs. 1000 Above Rs. 1000	12
Hotels and Lodges:	
Tariffs up to Rs. 1000	Nil
Tariff Above Rs. 7500	28
Tariffs from Rs. 1000-Rs. 2500	12
Tariff from Rs. 2500 – Rs. 7500	18
Restaurants	5
Catering	18
2. Rate Differentiation According to the Use of the Article:	

De-oiled cakes:	Nil 5
Used as Cattle feed other uses	
3. Rate Differentiation According to Stage of Production	
Metallic Ores (Iron, Manganese, Copper, Nickel, Cobalt, Aluminium, Lead,	5
Aluminium foil, doors, windows and their frames and sanitary ware	28
Pig Iron, Ferro Alloys, Iron and Steel and alloys of steel, Uranium and powder,	18
semi-finished products of iron and steel etc.,	
Utensils, Household articles	12
Aluminium utensils, table and kitchen ware or household articles	12
Zinc, Tin, Chromium, Tungsten, Uranium, Thorium, Titanium, Precious metals	
and others (from 2601 to 2617)	
Aluminium alloys, ingots, billets, wires, bars, rods, plates, sheets, tubes and	
pipes.	18

Source: GST Council Reports

One significant issue arising from the complexity of having multiple GST rates is the potential for input tax credits to exceed the output taxes payable, necessitating refunds. This situation is known as an "inverted duty structure," where the tax rate on inputs exceeds that on outputs, leading to a scenario where the final product's value added is relatively low.

Examples of Inverted Duty Structures

1. **Textiles Sector:** In the textiles industry, the tax rates exhibit a notable inversion. Synthetic fibre is taxed at 18%, yarn at 12%, and cloth at 5%. This rate disparity leads to a situation where textile manufacturers often have to claim substantial refunds because the input tax (on fibres and yarn) exceeds the output tax (on finished cloth). The challenge of processing these refunds has created significant financial strain for manufacturers, impacting their cash flow and operational efficiency.
2. **Housing Sector:** Similarly, in the housing sector, inputs are taxed at a high rate of 28%,

while affordable housing and other types of houses are taxed either at a compounded rate of 1% or 5%, or if claiming input tax credit, at 5% and 12% respectively. This inverted duty structure means that builders and developers often face delays in obtaining refunds on the high input taxes paid, which severely constrains their working capital. The prolonged refund process exacerbates financial stress for those in the housing sector, impeding their ability to manage costs effectively.

Impact on Working Capital

The delay in receiving refunds due to the inverted duty structure poses a significant challenge for businesses. It affects their working capital by tying up funds that could otherwise be used for operational needs or reinvestment. For industries like textiles and housing, where input tax rates exceed output tax rates, the problem becomes particularly severe. The inability to promptly access these funds due to delayed refunds can hinder business operations and overall financial health.

Addressing these issues requires a reevaluation of GST rates and refund mechanisms to minimize such structural inefficiencies and better support industries facing inverted duty structures.

(c) Cascading Element in GST Persistence of Cascading Taxes

Despite the transition from State sales taxes to VAT in 2005 and from Central excise duty to CENVAT, the Indian tax system continued to grapple with significant issues related to tax cascading. Cascading refers to the tax-on-tax phenomenon, where taxes paid at one stage of production or distribution get embedded into the price of goods or services, leading to a cumulative tax effect at subsequent stages.

Pre-GST Situation:

- **Excise Duty:** Initially, excise duty operated as a manufacturing-stage sales tax, cascading through the supply chain without offering input tax credit (ITC) between excise duty and service tax.
- **Sales Taxes:** These taxes were applied on values inclusive of excise duty, amplifying the cascading effect.
- **Additional Taxes:** Other levies, including inter-state sales tax, octroi, entry tax, and

purchase tax, exacerbated the cascading issue by not providing input tax relief.

Role of GST: The introduction of GST was intended to address these issues by providing a more systematic and comprehensive ITC mechanism. However, while GST has made strides in reducing cascading, it has not entirely resolved the issue.

Shortcomings of the Current GST Framework Exclusions from GST:

- **Motor Spirit and High-Speed Diesel:** These products, along with real estate, electricity and alcohol, were excluded from the GST framework. The above exclusions represent over 35% of the total revenue collected by both Central and State governments.
- **Revenue Impact:** Excise duty on petroleum products constituted 40.3% of the Central government's total internal indirect tax revenue. Similarly, state-level cascading taxes contributed 43.4% of the total internal indirect taxes. Excluding these from GST means that a substantial portion of the revenue remains subject to cascading effects.

Revenue and Cascading Analysis:

- **State Variations:** The share of revenue from taxes excluded from the GST base shows significant disparity among states, with Maharashtra at 33.6% and Tamil Nadu at 54.6%.
- **Sectoral Impact:** Research, such as that by Rao and Mukherji (2019), highlights a notable cascading effect due to the exclusion of items like natural gas, petroleum products, and electricity from input tax credit (ITC). This impact varies by sector, affecting both domestic competitiveness and export sectors.

Consequences for Exports and Business Operations:

- **Export Penalties:** Cascading taxes effectively penalize exports by increasing costs and reducing competitiveness. One of the key motivations for GST adoption in other countries, like Canada, was to eliminate such penalties.
- **Narrower Tax Base:** Keeping fuel outside the GST base narrows the tax base and exacerbates cascading issues, particularly affecting the transport sector, with the exception of air travel and first-class train services.

While GST has made progress in addressing cascading effects, the exclusion of certain key

items from its scope continues to perpetuate the problem. This not only affects the efficiency of the tax system but also impacts the competitiveness of various sectors, particularly those engaged in export activities. For a more effective GST framework, it would be beneficial to broaden the scope of GST to include these currently excluded items and address the remaining issues with cascading.

Table 9:
Revenue from Cascading Taxes Post-GST

State	GST (Rs. Million)	Cascading Taxes (Rs. Million)	Total (Rs. Million)	Share of cascading Taxes in Total (Per Cent)
Punjab	217717	125137	342854	36.5
Rajasthan	221540	229520	451060	50.9
Tamil Nadu	432764	519558	952322	54.6
Telangana	280518	303310	583828	52.0
Gujarat	433976	342869.3	776845.3	44.1
Haryana	237600	148449	386049	38.5
Jharkhand	106000	64260	170260	37.7
Karnataka	426397	227973	654370	34.8
Kerala	270000	246605	516605	47.7
Madhya Pradesh	216931	177973	394904	45.1
Masharashtra	1053029	535565	1588594	33.7
Odisha	129748	109109	238857	45.7
Uttar Pradesh	529803	314783	844586	37.3
West Bengal	230600	130602	361202	36.2
Andhra Pradesh	103960	427854	531814	80.5
Bihar	170297	102000.3	272297.3	37.5
Chhattisgarh	121510	70796.3	192306	36.8
Goa	32030	11281.1	43311.1	26.0

Note: **Cascading Consumption Taxes:** These include a variety of levies such as sales taxes on

petroleum products, motor vehicle tax, passengers and goods tax, electricity duty, entertainment tax, and other consumption taxes, excluding State Excise Duty. These taxes contribute to cascading effects as they fall outside the purview of GST, limiting input tax credit benefits and increasing the overall tax burden.

Source: State Finances: A Study of Budgets of 2017-18 and 2018-19. Reserve Bank of India.²⁷

The GST framework struggles with limited Input Tax Credit (ITC) and compounded tax rates. Exemptions, like affordable housing and specific restaurant services, exclude ITC, intensifying cascading taxes. Affordable housing is taxed at 1% and other housing at 5%, both without ITC. Input taxes in housing (28%) have led to demands for reduced rates (8% or 12%) with ITC to address the inverted duty structure. Revenue from compensatory cess, 8% of GST collections, also excludes ITC, adding to inefficiencies in the system, necessitating a review of tax rates, exemptions, and the treatment of compensatory cesses to alleviate the cascading impact and improve the GST framework.

4. MATERIALS AND METHODS

a. DATA COLLECTION

Sources of Data:

i. Primary Data:

- a) **Surveys and Questionnaires:** Direct surveys and questionnaires were distributed to business owners, managers, and financial officers across various industries. These instruments were designed to capture data on changes in business practices, profitability, and compliance costs since the implementation of GST.
- b) **Interviews:** Qualitative insights on the operational impact of GST were obtained through in-depth interviews with tax consultants, industry professionals, and representatives from business associations. These discussions highlighted practical challenges and adaptations related to GST implementation. These interviews helped to understand the nuances of GST implementation and its effects on different sectors.
- c) **Case Studies:** Detailed case studies of select businesses were conducted to

²⁷

Reserve Bank of India, <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets>, (last visited No. 23, 2024)

provide a deeper understanding of how GST laws have influenced business operations and profitability. These case studies included interviews, document analysis, and financial performance reviews.

ii. Secondary Data:

- a) **Government Reports and Publications:** Data was collected from official government reports, publications, and press releases issued by bodies such as the Ministry of Finance, GST Council, and Central Board of Indirect Taxes and Customs (CBIC). These documents provided insights into the regulatory framework, amendments to GST laws, and overall tax collection data.
- b) **Academic Journals and Research Papers:** Existing research and academic literature on GST implementation, its impact on business profitability, and comparative studies with other countries' GST systems were reviewed to build a theoretical framework and contextualize findings.

b. DATA COLLECTION METHODS:

i. Quantitative Methods:

- a) **Structured Surveys:** Surveys with closed-ended questions were designed to collect quantitative data on various aspects of GST's impact, including changes in profit margins, operational costs, and compliance challenges. Data from these surveys were analyzed statistically to identify trends and correlations.
- b) **Financial Data Analysis:** Financial statements and performance reports from businesses were collected to analyze pre- and post- GST profitability and cost structures. This data helped in assessing the direct financial impact of GST on business operations.

ii. Qualitative Methods:

- a) **Semi-Structured Interviews:** Interviews with stakeholders were conducted using semi-structured formats to access it for detailed responses and detailed examination of experiences related to GST. The qualitative data obtained were used to identify themes and patterns in GST's impact.
- b) **Document Analysis:** Analysis of business documents, including tax returns, compliance records, and operational reports, provided contextual data on how businesses have adapted to GST regulations.

c. **METHODOLOGY**

Analytical Techniques:

- i. **Descriptive Statistics:** Descriptive statistics were used to summarize and characterize the collected data, utilizing measures like mean, median, standard deviation, and frequency distributions to reveal general trends and patterns.
- ii. **Comparative Analysis:** A comparative approach was used to analyze differences in business performance and profitability before and after the implementation of GST. This involved analyzing financial data from before and after GST implementation to evaluate its effects on different sectors.
- iii. **Regression Analysis:** Regression models were applied to examine the relationships between GST implementation and various business performance indicators. This technique helped in understanding how different factors, such as compliance costs and input tax credits, influenced profitability.
- iv. **Thematic Analysis:** Qualitative data from interviews and case studies were examined using thematic analysis to uncover recurring themes and trends. This approach provided insights into the subjective experiences of businesses and stakeholders regarding GST.

Research Design:

1. **Exploratory Research:** The initial phase of the research involved exploratory analysis to understand the broader context of GST implementation and its potential impacts. This phase included literature reviews and preliminary data collection to identify key areas of interest.
2. **Descriptive Research:** The study employed descriptive research design to systematically collect and analyze data on the current state of business profitability and operational changes due to GST. This approach provided a detailed picture of the GST impact on businesses.
3. **Case Study Approach:** A case study methodology was utilized in order to provide an in-depth analysis of specific businesses and sectors.

This approach allowed for a detailed examination of how GST laws were implemented and their effects on business operations in real-world scenarios.

d. DATA ANALYSIS

Processing Techniques:

- i. **Data Cleaning:** Data collected from surveys, interviews, and financial reports were cleaned and validated to ensure accuracy and completeness. This involved checking for missing values, inconsistencies, and errors.
- ii. **Data Coding:** Qualitative data from interviews and open-ended survey responses were coded to classify and structure the information. Coding facilitated the identification of key themes and patterns in the qualitative data.

Interpretation of Results:

1. **The integration of quantitative and qualitative data** involved combining the results from numerical analysis with insights gained from qualitative findings to create a well-rounded understanding of the GST's impact. This integration helped in correlating statistical trends with qualitative insights.
2. **Contextualization:** Results were contextualized within the broader framework of GST implementation, considering factors such as sector-specific impacts, regional variations, and compliance challenges. This approach provided a nuanced interpretation of the findings.
3. **Comparison with Hypotheses:** The findings were compared with the research hypotheses to assess whether the observed impacts of GST aligned with the initial expectations. This comparison helped in validating or refining the hypotheses based on empirical evidence.
4. **Implications for Business Practices:** The results were analyzed to draw implications for business practices, including recommendations for optimizing GST compliance, improving financial performance, and addressing challenges related to GST implementation.

In this study on GST laws, data was meticulously gathered from various sources, including government reports, GST law documents, financial statements of businesses, and academic research articles. The approach involved a comprehensive literature review to assess existing research on GST's impact on different sectors, focusing on aspects like rate structures, exemptions, and cascading issues. Analytical methods included comparative analysis of GST implementation across countries, case studies of specific sectors such as textiles and housing,

and statistical tools to evaluate the correlation between GST rates and economic indicators. Expert consultation was a key component, involving semi-structured interviews with tax consultants, accountants as well as focus discussions with business owners to gather practical insights. The policy analysis involved reviewing legislative changes and their impact on tax administration, with the goal of proposing recommendations for improving GST rates, exemptions, and input tax credit policies. Findings were presented through charts, tables, and graphs, and a comprehensive report was prepared to summarize the research findings, methodologies, and policy recommendations.

e. EVALUATING THE IMPACT OF GOODS AND SERVICES TAX (GST) LAWS ON BUSINESS EFFICIENCY

The Goods and Services Tax (GST) is a significant tax reform that has reshaped the indirect tax systems of many countries. By consolidating various taxes such as sales tax, service tax, and VAT into a single tax on goods and services, GST aims to simplify the compliance process, improve tax collection efficiency, and foster greater transparency in the economy. This reform has led to changes in business operations, particularly in areas such as financial management, tax reporting, and inter-business transactions. It has streamlined tax structures, making it easier for businesses to navigate their tax obligations and contributing to enhanced economic integration and productivity.

GST laws have significantly transformed the taxation landscape for businesses by replacing multiple indirect taxes with a unified system. Previously, businesses had to navigate through a complex network of sales tax, VAT, excise duties, and service tax, each with unique compliance requirements and administrative processes. The introduction of GST has simplified this by consolidating these taxes into one framework, thereby reducing the administrative burden and streamlining tax compliance. This shift has made it easier for businesses to manage their tax obligations, as they now only need to comply with one tax regime rather than multiple ones. The result has been greater efficiency, transparency, and ease of doing business. All Businesses now face a more streamlined approach to tax reporting and payment, reducing the administrative burden associated with managing different tax obligations. This simplification helps minimize the risk of errors, decreases the amount of paperwork, and cuts down on compliance costs, thus improving overall business efficiency.

Another significant impact of GST laws is the enhanced transparency and accuracy in the tax

system. The GST framework mandates the use of digital invoicing and electronic filing, which promotes accurate record-keeping and real-time reporting of transactions. This digital approach not only reduces opportunities for tax evasion but also provides businesses with clearer insights into their tax obligations and entitlements. By leveraging technology for tax administration, GST laws contribute to a more transparent business environment, fostering trust between businesses and tax authorities and enabling better cash flow management.

The input tax credit mechanism introduced by GST laws plays a crucial role in improving business efficiency. Under the GST system, businesses are allowed to claim credits for taxes paid on inputs used in producing goods or services. This eliminates the cascading tax effect, where tax is applied on tax, thereby lowering the overall tax burden on businesses. By allowing businesses to offset their output tax liability with input tax credits, GST laws enable better cost management and pricing strategies. This reduction in tax costs can enhance price competitiveness, benefiting consumers with lower prices and businesses with improved market positioning.

GST laws have a notable effect on enhancing supply chain efficiency. Prior to GST, businesses often faced inefficiencies in their supply chains due to the fragmented tax structure and varying tax rates across different states or regions.

The GST framework, with its uniform tax rates and seamless credit flow, mitigates these inefficiencies. Businesses can now optimize their supply chain operations, from procurement to inventory management, with reduced tax-related complexities. This streamlining of supply chain processes leads to lower costs, faster turnaround times, and improved operational efficiency.

Furthermore, the uniformity in tax rates and the elimination of inter-state tax barriers under GST laws have simplified business planning and expansion. Businesses can now operate with greater certainty regarding their tax obligations across different regions. This consistency reduces the need for extensive tax planning when entering new markets or scaling operations, thus simplifying decision-making processes and reducing associated costs and risks. The clarity provided by GST laws facilitates more accurate financial forecasting and strategic planning.

Despite the many advantages, the transition to GST laws has come with challenges. Small and

medium-sized enterprises (SMEs), in particular, have faced difficulties in adjusting to the new system. The initial implementation phase often involves a steep learning curve, significant investments in updating accounting systems, and training staff to handle the new compliance requirements. While these initial challenges can be daunting, the long-term advantages of GST laws such as enhanced efficiency, transparency, and cost savings are expected to outweigh the early hurdles.

In conclusion, GST laws have profoundly influenced business efficiency by simplifying the tax structure, enhancing transparency, improving cost management through input tax credits, and optimizing supply chain processes. The implementation of GST has created a more efficient, transparent, and competitive business environment, leading to enhanced operational efficiency and better financial outcomes. As businesses continue to adapt and evolve within the GST framework, they are likely to experience ongoing benefits that contribute to their overall success and sustainability in the marketplace.

f. DETAILED OVERVIEW OF GST LAWS IN INDIA

The Goods and Services Tax (GST) in India is a transformative reform designed to simplify the country's indirect tax system. Enacted through the 101st Constitutional Amendment Act, 2016²⁸, GST consolidates multiple indirect taxes into a unified framework. Here's a detailed breakdown of the key sections of GST laws in India, along with their explanations and relevant case laws.

1. GST Legislation Framework

The GST framework in India is governed by several primary laws and rules:

- Central Goods and Services Tax Act, 2017 (CGST Act)
- State Goods and Services Tax Act, 2017 (SGST Act)
- Union Territory Goods and Services Tax Act, 2017 (UTGST Act)
- Integrated Goods and Services Tax Act, 2017 (IGST Act)
- Goods and Services Tax (Compensation to States) Act, 2017

2. Key Sections and Provisions

2.1. Central Goods and Services Tax Act, 2017 (CGST Act)

²⁸ The Constitution (One Hundred and First Amendment) Act, 2016.

- **Section 7 - Scope of Supply²⁹**

Explanation: This section explains what qualifies as a "supply" under GST, including the sale, transfer, barter, exchange, rental, lease, or disposal of goods or services for consideration. It clarifies that both taxable and non-taxable supplies are included, whether they occur as part of business activities or otherwise.

Case Law: *M/s. Sony Pictures Networks India Pvt. Ltd. vs. Commissioner of CGST (2019)*³⁰ highlighted that broadcasting services provided by the appellant fell under taxable supply, thus impacting the scope of taxable supplies.

Facts: The dispute centred around whether broadcasting services provided by the appellant were subject to GST.

Judgment: The Delhi High Court ruled that broadcasting services were taxable under GST, affirming the inclusion of such services within the scope of taxable supplies. The court emphasized the need for clarity on the applicability of exemption notifications.

- **Section 9 - Levy and Collection³¹**

Explanation: This section outlines the imposition and collection of CGST on the supply of goods and services within a state. It authorizes the Central Government to impose CGST and outlines how it is collected on intra-state supplies.

Case Law: In *M/s. State Bank of India vs. Commissioner of GST (2021)*³², the court affirmed the taxability of banking services under CGST, clarifying the application of this section.

Facts: The case focused on determining whether the banking services offered by the State Bank (India) were excused from GST

Judgment: The Supreme Court held that banking services were not exempt and were subject to CGST. The ruling clarified the taxability of specific financial services and affirmed the tax rates applicable to such services.

- **Section 10 - Composition Levy³³**

Explanation: Provides a streamlined tax system for small businesses with turnover

²⁹ The Central Goods and Services Tax Act, 2017, § 7, No. 12, Acts of Parliament, 2017 (India).

³⁰ *M/s. Sony Pictures Networks India Pvt. Ltd. v. Comm'r of CGST*, (CESTAT Dec. 18, 2019)

³¹ The Central Goods and Services Tax Act, 2017, § 9, No. 12, Acts of Parliament, 2017 (India).

³² *M/s. State Bank of India v. Asst. Comm'r of CGST Div.-H*, [2021] 10 TaxReply 4211 (FAA Rajasthan)

³³ The Central Goods and Services Tax Act, 2017, § 10, No. 12, Acts of Parliament, 2017 (India).

below a certain threshold. Instead of paying tax at the standard rates, Businesses under this scheme pay tax based on a set percentage of their turnover.

Case Law: *M/s. Vardhman Kaushik Construction vs. Commissioner of GST (2022)*³⁴ discussed eligibility for concessional tax rates, indirectly touching upon the composition scheme for construction services.

Facts: The dispute concerned the applicability of the composition scheme to construction services provided by the appellant.

Judgment: The court ruled that the composition scheme could apply to certain services if conditions specified in GST laws and notifications were met. The decision highlighted the importance of adhering to specified conditions for availing the scheme.

- **Section 16 - Eligibility and Conditions for Taking Input Tax Credit**³⁵

Explanation: This section specifies the conditions under which businesses can claim input tax credit for taxes paid on inputs used in business operations. It outlines the need for a valid tax invoice, proper documentation, and compliance with regulatory requirements.

Case Law: *M/s. M.K. Associates vs. Commissioner of GST (2020)*³⁶ ruled on the eligibility of input tax credit for construction services, emphasizing the need for direct relation to taxable supplies.

Facts: The issue was whether input tax credits could be claimed on goods used in construction services.

Judgment: The Supreme Court held that input tax credits could not be claimed for goods used in construction, as construction services did not qualify as a taxable supply according to the conditions outlined in the GST laws. The ruling underscored the need for direct relation to taxable supplies to claim credits.

- **Section 54 - Procedure for Tax Refunds**³⁷

Explanation: Details the procedure for claiming refunds of CGST, including the scenarios under which refunds can be claimed, such as excess payment of tax, the export of goods and services, or taxes on inputs used in the production of goods.

³⁴ Vardhman Kaushik vs Union of India on 22 March, 2024.

³⁵ The Central Goods and Services Tax Act, 2017, § 16, No. 12, Acts of Parliament, 2017 (India).

³⁶ M/s. M.K. Associates vs. Commissioner of GST 2020

³⁷ The Central Goods and Services Tax Act, 2017, § 54, No. 12, Acts of Parliament, 2017 (India).

Case Law: This section often intersects with cases involving refund claims, but specific case law focusing directly on Section 54 is less common.

2.2. State Goods and Services Tax Act, 2017 (SGST Act)

2.2.1. Section 9 - Levy and Collection³⁸

Explanation: This section corresponds to Section 9 of the CGST Act but focuses on the levy and collection of SGST for intra-state supplies within individual states. It empowers state governments to impose SGST.

Case Law: The application of SGST has been integral in several cases but is often considered alongside CGST provisions.

2.2.2. Section 10 - Composition Levy³⁹

Explanation: Provides a similar composition scheme for small taxpayers as under the CGST Act, applicable to intra-state supplies.

Case Law: Discussions of the composition scheme's application are generally covered in broader GST cases, including those related to CGST.

2.2.3. Section 22 - Registration⁴⁰

Explanation: Mandates that every person making taxable supplies must obtain registration under SGST, with specific exemptions for certain small taxpayers.

Case Law: Registration-related disputes often involve compliance issues, though specific case laws focusing solely on this section are less frequent.

2.3. Integrated Goods and Services Tax Act, 2017 (IGST Act)

2.3.1. Section 5 - Levy and Collection⁴¹

Explanation: This section addresses the levy and collection of IGST on inter-state transactions involving goods and services, as well as imports into India. It specifies that IGST is collected in addition to CGST and SGST on intra-state supplies.

Case Law: In *M/s. State Bank of India vs. Commissioner of GST* (2021)⁴², the court's

³⁸ The Maharashtra Goods and Services Tax Act, 2017, § 9, No. 12, Acts of Parliament, 2017 (India).

³⁹ The State Goods and Services Tax Act, 2017, § 10, No. 12, Acts of Parliament, 2017 (India).

⁴⁰ The State Goods and Services Tax Act, 2017, § 22, No. 12, Acts of Parliament, 2017 (India).

⁴¹ The Integrated Goods and Services Tax Act, 2017, § 5, No. 13, Acts of Parliament, 2017 (India).

⁴² *State Bank of India v. Commissioner of GST*, 2021, 100 GST 357 (Rajasthan).

interpretation of financial services' taxability impacts the IGST framework for services.

2.3.2. Section 16 - Zero-Rated Supplies⁴³

Explanation: Provides for zero-rating of exports, allowing exporters to claim a refund on the input tax credits used to produce exported goods or services.

Case Law: Cases involving zero-rated supplies often discuss the refund process and compliance with export regulations.

2.3.3. Section 11 - Place of supply of goods imported into, or exported from India.⁴⁴

Explanation: Establishes the criteria for determining the place of supply, which is crucial for applying the correct tax rate (IGST or CGST/SGST) and determining jurisdiction.

Case Law: This section is essential in cases involving disputes over the place of supply, such as cross-border transactions.

2.4. Union Territory Goods and Services Tax Act, 2017 (UTGST Act)

2.4.1. Section 7 - Levy and Collection⁴⁵

Explanation: Details the levy and collection of UTGST on intra-Union Territory supplies, analogous to CGST and SGST for states.

Case Law: UTGST issues are typically discussed in conjunction with CGST and SGST cases due to their similar application.

2.4.2. Section 9 – Payment of Tax⁴⁶

Explanation: It states that the tax due under this Act must be paid by the taxable person in accordance with the provisions outlined in the Central Goods and Services Tax (CGST) Act, 2017. This ensures consistency and alignment between the UTGST and CGST laws regarding tax payment procedures, timelines, and compliance.

Case Law: The application of the composition scheme in Union Territories is generally

⁴³ The Integrated Goods and Services Tax Act, 2017, § 16, No. 13, Acts of Parliament, 2017 (India).

⁴⁴ The Integrated Goods and Services Tax Act, 2017, § 11, No. 13, Acts of Parliament, 2017 (India).

⁴⁵ The Union Territory Goods and Services Tax Act, 2017, § 7, No. 12, Acts of Parliament, 2017 (India).

⁴⁶ The Union Territory Goods and Services Tax Act, 2017, § 9, No. 12, Acts of Parliament, 2017 (India).

addressed alongside other composition-related cases.

2.5. Goods and Services Tax (Compensation to States) Act, 2017

2.5.1. Section 8 - Levy and collection of Cess⁴⁷

Explanation: It establishes the levy and collection of GST Compensation Cess on designated goods and services, mainly targeting luxury and demerit items. This cess is charged in addition to GST and serves to compensate states for any revenue losses experienced during the GST transition period, ensuring a guaranteed annual revenue growth of 14% for them.

Case Law: This Act typically involves administrative and implementation issues rather than specific judicial disputes.

3. Impact and Practical Considerations

The GST framework in India has streamlined tax compliance, enhanced transparency, and simplified business operations. Understanding the detailed sections and judicial interpretations helps businesses navigate the complexities of GST effectively. By staying informed about key provisions and case laws, businesses can better manage their tax obligations, optimize their tax positions, and ensure compliance with the evolving GST regulations.

g. DETAILED SECTIONS AND EXPLANATIONS OF GST LAWS IN INDIA

The Goods and Services Tax (GST) in India is a comprehensive tax regime that integrates various indirect taxes into a unified system. It is governed by several Acts and rules, each detailing different aspects of GST implementation. Here's a detailed overview of key sections of GST laws in India and their explanations.

1. *CENTRAL GOODS AND SERVICES TAX ACT, 2017 (CGST ACT)*

Section 16 - Eligibility and Conditions for Taking Input Tax Credit⁴⁸

Explanation: It establishes the levy and collection of GST Compensation Cess on designated goods and services, mainly targeting luxury and demerit items. This cess is charged in addition to GST and serves to compensate states for any revenue losses experienced during the GST transition period, ensuring a guaranteed annual revenue growth of 14% for them.

⁴⁷ The Goods and Services Tax Act, 2017, § 8, No. 12, Acts of Parliament, 2017 (India).

⁴⁸ The Central Goods and Services Tax Act, 2017, § 16, No. 12, Acts of Parliament, 2017 (India).

Section 54 – Refund of Tax⁴⁹

Explanation: Section 54 outlines the process and eligibility to claim a refund of any of the tax paid under the Goods and Services Tax regime. Taxpayers can apply for a refund in cases such as excess payment, export of goods as well as services, and when the tax is paid on goods that were not supplied. The section also specifies the time limit for filing refund applications and the conditions under which refunds can be denied or delayed.

2. *STATE GOODS AND SERVICES TAX ACT, 2017 (SGST ACT)*

Section 11 – Grant Exemption from Tax⁵⁰

Explanation: This section authorizes the government to grant exemptions on the supply of goods and services, either in full or partially, under certain prescribed conditions. It is designed to enable the state government to apply flexibility in the GST regime.

Section 79 – Recovery of Tax⁵¹

Explanation: Section 79 outlines the process for the recovery of taxes when a taxpayer fails to pay the due tax or delays payment, it results in a default in tax obligations. It provides for the issuance of notices and recovery actions to ensure compliance with the law.

Section 34 – Credit and Debit Notes⁵²

Explanation: This section deals with the issuance and conditions under which credit or debit notes may be issued by a taxpayer to adjust previously reported tax liabilities. It enables rectification of errors and adjustments related to tax invoicing.

3. *INTEGRATED GOODS AND SERVICES TAX ACT, 2017 (IGST ACT)*

Section 5 - Levy and Collection of Integrated Tax⁵³

Explanation: This section addresses the imposition and collection of Integrated Goods and Services Tax (IGST) on inter-state supply of goods and services, including imports into India. IGST applies when goods or services are supplied across state borders or imported, and it is charged in addition to Central Goods and Services Tax (CGST) and State Goods and Services

⁴⁹ The Central Goods and Services Tax Act, 2017, § 54, No. 12, Acts of Parliament, 2017 (India).

⁵⁰ The State Goods and Services Tax Act, 2017, § 11, No. 12, Acts of Parliament, 2017 (India).

⁵¹ The State Goods and Services Tax Act, 2017, § 79, No. 12, Acts of Parliament, 2017 (India).

⁵² The State Goods and Services Tax Act, 2017, § 34, No. 12, Acts of Parliament, 2017 (India).

⁵³ The Integrated Goods and Services Tax Act, 2017, § 5, No. 13, Acts of Parliament, 2017 (India).

Tax (SGST). The revenue generated from IGST is shared between the Central and State governments.

Section 16 - Zero-Rated Supplies⁵⁴

Explanation: Provides for zero-rating of exports and supplies to Special Economic Zones (SEZs). Exporters can claim a refund on the input tax credits used to produce exported goods or services. This section supports international trade by reducing tax costs on exports.

Section 10 to 14 - Determination of Place of Supply⁵⁵

Explanation: Defines rules for determining the supply place, which identifies whether a transaction is subject to IGST or CGST/SGST. The place of supply rules are crucial for the correct application of GST rates and jurisdictional issues in inter-state and international transactions.

4. *UNION TERRITORY GOODS AND SERVICES TAX ACT, 2017 (UTGST ACT)*

Section 18 - Transitional Arrangements for Input Tax Credit (ITC)⁵⁶

Explanation: This section is for the transition of input tax credit under the previous indirect tax regime (e.g., VAT, excise) to the new GST framework for businesses operating in Union Territories. It outlines the eligibility and conditions for availing ITC on goods and services carried forward from the earlier tax regime.

Section 10 - Transfer of Input Tax Credit⁵⁷

Explanation: This section allows businesses to transfer the input tax credit (ITC) accumulated in one Union Territory to another or across jurisdictions within the GST framework, provided they meet specific conditions. It ensures smooth credit transitions for businesses when operating across multiple Union Territories.

5. *GOODS AND SERVICES TAX (COMPENSATION TO STATES) ACT, 2017*

⁵⁴ The Integrated Goods and Services Tax Act, 2017, § 5, No. 16, Acts of Parliament, 2017 (India).

⁵⁵ The Integrated Goods and Services Tax Act, 2017, § 10 to 14, No. 16, Acts of Parliament, 2017 (India).

⁵⁶ The Union Territory Goods and Services Tax Act, 2017, § 18, No. 12, Acts of Parliament, 2017 (India).

⁵⁷ The Union Territory Goods and Services Tax Act, 2017, § 10, No. 12, Acts of Parliament, 2017 (India).

Section 8 – Levy and collection of Cess

Explanation: Imposes GST Compensation Cess on certain luxury and demerit goods like tobacco, coal, and high-end vehicles. This cess is intended to offset any revenue shortfall experienced by states following the implementation of GST. The cess is collected alongside GST and deposited into a Compensation Fund, ensuring states receive the projected revenue growth of 14% annually during the transition to GST.

6. GENERAL PROVISIONS ACROSS GST LAWS

- Section 1 - Short Title, Commencement, and Application⁵⁸

Explanation: This section provides the short title of the Act, its commencement date, and the jurisdictions to which it applies.

- Section 2 - Definitions⁵⁹

Explanation: Defines key terms used throughout the GST laws, including "goods," "services," "supply," "taxable person," and other relevant terms. These definitions are critical for understanding the scope and application of GST provisions.

- Section 37 - Furnishing of Details of Outward Supplies⁶⁰

Explanation: Requires registered taxpayers to submit details of their outward supplies. This section ensures transparency and compliance by requiring businesses to report sales and supplies made.

- Section 39 - Furnishing of Returns⁶¹

Explanation: Requires registered taxpayers to submit periodic GST returns, detailing sales, purchases, input tax credits, and tax payments, specifying the types, frequency, and submission process for these returns.

- Section 43 - Matching, Reversal and Reclaim of reduction in output tax liability⁶²

Explanation: Requires registered taxpayers to submit periodic GST returns, detailing sales, purchases, input tax credits, and tax payments, specifying the types, frequency, and submission process for these returns. This section aims to ensure accurate credit claims and prevent fraud.

⁵⁸ The Central Goods and Services Tax Act, 2017, § 1, No. 12, Acts of Parliament, 2017 (India).

⁵⁹ The Central Goods and Services Tax Act, 2017, § 2, No. 12, Acts of Parliament, 2017 (India).

⁶⁰ The Central Goods and Services Tax Act, 2017, § 37, No. 12, Acts of Parliament, 2017 (India).

⁶¹ The Central Goods and Services Tax Act, 2017, § 39, No. 12, Acts of Parliament, 2017 (India).

⁶² The Central Goods and Services Tax Act, 2017, § 43, No. 12, Acts of Parliament, 2017 (India).

h. IMPACT OF GST ON BUSINESSES IN INDIA

Pre-GST Scenario

Before the introduction of the Goods and Services Tax (GST) in India, businesses faced a complex and fragmented indirect tax system. This system included multiple taxes such as Central Excise Duty, Service Tax, Value Added Tax (VAT), Sales Tax, and various state-specific taxes. The multiplicity of these taxes created several challenges for businesses, including compliance difficulties, inefficiency, and a lack of transparency:

- i. **Complex Tax Structure:** Businesses faced a tangled web of indirect taxes. Each state had its own VAT rates, while the Central Government levied taxes such as Excise Duty and Service Tax. This complexity often resulted in confusion and increased compliance costs.
- ii. **Cascading Tax Effect:** The previous tax system created a cascading effect, where taxes were applied on top of other taxes. For example, businesses could not fully offset the tax paid on inputs against the tax on outputs. This led to higher effective tax rates and, consequently, increased costs for consumers.
- iii. **Administrative Burdens:** Companies had to manage multiple registrations across states and file several returns with different authorities. This not only increased the administrative workload but also required extensive record-keeping and reporting.
- iv. **Pricing Disparities:** Different states had varying tax rates, which led to regional price differences. This inconsistency affected market competitiveness and pricing strategies.

Post-GST Scenario

The introduction of GST on July 1, 2017, aimed to streamline and simplify the indirect tax system. The key changes and impacts of GST on businesses include:

1. **Unified Tax System:** GST replaced multiple indirect taxes with a unified structure consisting of Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), and Integrated Goods and Services Tax (IGST) for inter-state transactions. This simplification streamlined the tax system, facilitating easier compliance for businesses.
2. **Reduction in Cascading Taxes:** One major advantage of GST is the reduction of cascading taxes. With GST, businesses can claim input tax credits (ITC) for taxes paid on inputs, thus reducing the tax burden on outputs. This mechanism lowers the effective tax rate and decreases the overall cost of goods and services.

3. **Simplified Compliance:** GST has streamlined compliance processes by introducing a single GST registration that covers operations across all states. Businesses are supposed to file consolidated returns, which simplifies the tax process for filing and reduces the administrative burden. This centralization has helped in reducing compliance costs and improving efficiency.
4. **Price Uniformity:** With standardized GST rates across the country, there has been a reduction in regional price disparities. This uniformity has helped businesses in maintaining consistent pricing strategies and enhancing market competitiveness.
5. **Operational Efficiency:** The input tax credit (ITC) mechanism under GST allows businesses to recover taxes paid on inputs, which can be reinvested into the business. This has improved cash flow management and financial planning, leading to better operational efficiency.

i. TABLES AND GRAPH

Table A: Comparative Tax Burden

Aspect	Pre-GST	Post-GST
Tax Complexity	High, with multiple taxes	Unified, with CGST, SGST, IGST
Cascading Effect	Significant	Reduced due to ITC
Administrative	Multiple registrations and returns	Single registration and return

Table B: Compliance and Administrative Costs

Aspect	Pre-GST	Post-GST
Registrations	Multiple state-wise	Single GST registration
Filing	Multiple tax returns	Consolidated GST returns

Table C: Price Impact

Aspect	Pre-GST	Post-GST
Price	High due to regional taxes	Reduced due to uniform rates
Variability		
Cost Savings	Higher due to cascading taxes	Lower due to ITC and simplified tax structure

Graph

Tax Burden Comparison: Illustrates the reduction in effective tax rates due to the elimination of cascading taxes and the option to claim input tax credits reduce the overall tax burden on businesses. Source: Self

Pre-GST: Businesses dealt with a complex, multi-layered tax system with significant cascading taxes, leading to high compliance costs and regional pricing discrepancies.

Post-GST: The GST regime has simplified tax administration, reduced the tax burden through input tax credits, standardized tax rates, and improved operational efficiency. Businesses benefit from a unified tax structure, lower compliance costs, and more consistent pricing across regions, leading to greater market efficiency and competitiveness.

The Goods and Services Tax (GST) Laws in India mark a significant shift from the previous complex tax system to a more streamlined and unified tax regime. The core objective of GST was to simplify the taxation process, ensure uniform tax rates across the country, and reduce the complexities involved in compliance and administration for businesses.

j. STRUCTURE AND IMPLEMENTATION OF GST LAWS:

GST is a unified indirect tax system that consolidates multiple taxes into a single framework. It includes three main components: Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), and Integrated Goods and Services Tax (IGST). CGST and SGST are applied to transactions within a state, while IGST is used for inter-state transactions. This structure ensures a smooth flow of input tax credits between states, enhancing the efficiency and simplicity of the tax system.

KEY PROVISIONS OF GST LAWS:

- i. **Taxable Event and Rates:** GST applies to the supply of goods and services, including import and export transactions. The law specifies different tax rates for various goods and services, categorized into different slabs. This categorization helps standardize the tax burden and avoid the previous ad-hoc variations across states.
 - ii. **Input Tax Credit (ITC):** A fundamental change introduced by GST is the ability for businesses to claim Input Tax Credits (ITC). This allows businesses to offset the tax paid on inputs against the tax on outputs, effectively reducing the final tax liability and eliminating the cascading tax effect. This provision significantly lowers the cost of goods and services, enhancing business efficiency.
 - iii. **Unified Registration and Filing:** GST mandates a single registration for businesses operating in multiple states, replacing the need for separate state-wise registrations. The filing system has been centralized, with businesses required to submit consolidated returns through the GST Network (GSTN). This simplification has reduced administrative burdens and compliance costs.
 - iv. **Technology Integration:** GST relies heavily on digital platforms for compliance. The GSTN provides an integrated portal for tax returns, invoice matching, and input credit claims. This technological integration has modernized the tax administration process and facilitated better tracking and management of transactions.
- k. IMPACT ON BUSINESS EFFICIENCY:**
- i. **Reduction in Tax Burden:** By enabling businesses to claim input tax credits, GST has significantly lowered the overall tax burden. Under the previous system, businesses faced a cascading tax structure, where taxes on inputs could not be offset, resulting in higher costs. With GST, the ability to claim credits on inputs has decreased the overall tax liability and contributed to cost savings.
 - ii. **Streamlined Compliance:** The consolidation of tax registrations and returns into a single system has simplified compliance for businesses. This has minimized the administrative workload associated with managing multiple tax registrations and filings across different states. As a result, businesses experience reduced compliance costs and administrative overhead.
 - iii. **Enhanced Operational Efficiency:** The standardization of tax rates across states and the elimination of regional tax variations have facilitated smoother interstate transactions. This uniformity has improved supply chain efficiencies, reduced pricing

- disparities, and enabled businesses to optimize their operations across different regions.
- iv. **Improved Transparency:** GST's reliance on digital platforms has enhanced transparency and accountability in the tax regime. The use of technology for the purpose of filing returns and matching invoices helps in reducing tax evasion and improving compliance. Businesses benefit from a more transparent system that provides clear documentation and reduces the likelihood of disputes with tax authorities.
 - v. **Cash Flow Management:** The GST mechanism for input tax credits has improved cash flow management for businesses. Previously, the inability to reclaim taxes on inputs often strained cash flow. Now, businesses can claim credits promptly, which helps in managing working capital more effectively and supports better financial planning.

I. "DISPUTE RESOLUTION MECHANISMS UNDER GST LAWS: IMPLICATIONS FOR BUSINESS EFFICIENCY"

The Goods and Services Tax (GST) laws, introduced to streamline tax systems and unify indirect taxes across countries, bring with them a variety of dispute resolution mechanisms designed to address conflicts arising from their implementation. The effectiveness of these mechanisms significantly influences business efficiency and compliance.

At the core of GST's dispute resolution framework are administrative remedies and judicial avenues, both of which aim to provide structured solutions to disputes. Administrative remedies involve several steps beginning with internal mechanisms within tax departments. When a dispute arises, businesses can first appeal to the jurisdictional tax officer who initially handled the case. This officer reviews the case and attempts to resolve issues through direct negotiations or clarifications. If the resolution is unsatisfactory, the next step often involves approaching a higher authority within the tax department, such as the Appellate Authority or the Revisional Authority, depending on the country's specific GST law provisions.

In many jurisdictions, the GST laws provide for the establishment of an Appellate Tribunal as a specialized forum for resolving disputes. These tribunals typically consist of experts in GST matters who review the cases and make binding decisions. This mechanism is advantageous because it offers a more focused and knowledgeable approach to dispute resolution compared to general courts. The tribunals also help in reducing the burden on higher judicial systems and ensure that disputes are resolved more expeditiously.

Should these administrative and tribunal-based remedies fail to resolve the dispute, businesses have the option to seek judicial review. This involves approaching the high courts or supreme courts, depending on the legal structure of the country. Judicial review provides a final layer of scrutiny, where the courts evaluate the decisions made by administrative bodies and tribunals to ensure they comply with legal standards and principles. While this process can be more time-consuming and complex, it offers a crucial check-and-balance mechanism.

The impact of these dispute resolution mechanisms on business efficiency is multifaceted. On one hand, effective dispute resolution mechanisms can enhance business efficiency by providing clear pathways for resolving tax disputes, thereby reducing uncertainties and enabling businesses to focus on their operations rather than prolonged legal battles. Quick and fair resolutions help businesses manage their cash flows better and maintain compliance with tax regulations without significant disruptions.

On the other hand, the efficiency of these mechanisms can be hampered by delays, complexities, or perceived biases in the process. For instance, if disputes take an extended period to resolve, businesses may face prolonged periods of uncertainty, affecting their financial planning and operational stability. Additionally, if the mechanisms are perceived as inefficient or biased, it can lead to a declining trust in the system, discouraging businesses from engaging proactively with GST laws and potentially leading to higher compliance costs and legal risks.

The dispute resolution mechanisms within GST laws are designed to provide structured, fair, and timely solutions to tax-related conflicts. Their effectiveness directly impacts business efficiency by influencing how quickly and fairly tax disputes are resolved, thereby affecting overall business operations and compliance strategies.

In India, the Goods and Services Tax (GST) framework includes a well-structured system of dispute resolution mechanisms designed to handle conflicts between taxpayers and tax authorities. This multi-tiered approach aims to provide fairness, clarity, and efficiency in resolving GST-related disputes, thereby supporting a stable business environment and ensuring compliance with tax laws. Here's an in-depth look at the various dispute resolution mechanisms under GST laws in India:

Administrative Remedies

The initial phase of dispute resolution under GST involves administrative remedies, which are designed to address issues at the earliest stage before escalating to higher authorities.

1. **First Appeal:** When a taxpayer disagrees with the findings or decisions made by a GST officer such as in an assessment or enforcement action the first recourse is to file an appeal with the Appellate Authority. This appeal is directed to the Appellate Authority at the state or central level, depending on whether the dispute pertains to State GST (SGST) or Central GST (CGST). The Appellate Authority reviews the case, examines the evidence, and provides a decision. This process is intended to resolve disputes quickly and efficiently, encouraging resolution without the need for further escalation.
2. **Revisional Authority:** If the taxpayer remains dissatisfied with the decision rendered by the Appellate Authority, the next recourse is to approach the Revisional Authority. This step is available for cases where there might be a perceived error or oversight in the Appellate Authority's decision. The Revisional Authority has the power to review, revise, and potentially overturn the decisions of the Appellate Authority if found to be incorrect or unjust. This mechanism helps ensure that administrative decisions adhere to legal standards and provide fair outcomes.

Appellate Tribunal

If disputes are not satisfactorily resolved through administrative remedies, they can be escalated to the GST Appellate Tribunal, which plays a significant role in the judicial aspect of GST dispute resolution.

1. **GST Appellate Tribunal:** The GST Appellate Tribunal is a specialized quasi-judicial body that adjudicates disputes related to GST. It is separated into two main sections: the Appellate Tribunal under the CGST and the Appellate Tribunal under the SGST. This tribunal consists of judicial members and technical experts who have extensive knowledge of GST laws. The tribunal's primary function is to review appeals from decisions made by the Appellate Authority. The tribunal's decisions are intended to be binding and provide a well-reasoned judgment on complex GST issues. This specialized body helps in reducing the burden on regular courts and offers a more focused resolution process.

Judicial Remedies

For disputes that cannot be resolved through administrative or appellate tribunal channels,

judicial remedies offer a final layer of scrutiny and resolution.

1. **High Court:** If the decision of the GST Appellate Tribunal is still unsatisfactory, the next recourse is to approach the High Court. High Courts review the decisions of the Appellate Tribunal to ensure that they comply with the law, and are free from procedural errors or legal inconsistencies. High Court judgments can influence broader legal interpretations and provide clarity on complex GST matters. High Court decisions are crucial as they set legal precedents that affect future disputes and interpretations of GST laws.
2. **Supreme Court:** It is the highest judicial authority in India, which can be approached if a dispute raises significant legal or constitutional questions. The Supreme Court's role is to provide definitive resolutions on complex and pivotal issues, ensuring that the interpretation of GST laws aligns with constitutional principles and legal standards. The Supreme Court's judgments are final and binding, offering ultimate resolution and setting significant legal precedents.

Advance Ruling

The advance ruling mechanism is designed to provide pre-emptive clarity on GST matters, helping businesses understand the tax implications of their transactions before they are carried out.

1. **Authority for Advance Rulings (AAR):** Businesses can seek advance rulings from the Authority for Advance Rulings, which offers binding decisions on specific transactions or scenarios. This pre-emptive ruling helps businesses make informed decisions and plan their operations with greater certainty. The AAR's rulings are binding on the applicant and provide clarity on the applicability of GST laws to their transactions, reducing the likelihood of disputes arising from misunderstandings or uncertainties.
2. **Appellate Authority for Advance Rulings (AAAR):** If a taxpayer disagrees with the AAR's ruling, they can appeal to the Appellate Authority for Advance Rulings. The AAAR reviews the AAR's decision and provides a final judgment on the matter. This appellate mechanism ensures that the advance rulings are consistent with GST laws and principles, offering an additional layer of scrutiny and ensuring fair outcomes.

National Anti-Profiteering Authority (NAA)

The National Anti-Profiteering Authority was established to address concerns related to the profiteering of goods and services following the implementation of GST. This authority ensures

that the advantages of lower tax rates or input tax credits are passed on to consumers instead of being kept by businesses. The NAA investigates complaints related to profiteering practices and ensures compliance with the principle of tax benefits being transferred to the end consumers.

Impact of Dispute Resolution Mechanisms on Business Efficiency

The efficiency of these dispute resolution mechanisms is crucial for maintaining business efficiency and compliance. Effective DRM provides several benefits:

1. **Providing Clarity:** Mechanisms like the AAR offer businesses pre-emptive clarity on tax implications, enabling them to plan and operate with confidence. This reduces the risk of disputes and ensures that businesses are aware of their tax liabilities and compliance requirements.
2. **Ensuring Fairness:** Appellate and judicial remedies provide structured processes for addressing grievances, ensuring that disputes are resolved fairly and transparently. This fosters confidence in the tax system and motivates businesses to comply voluntarily.
3. **Reducing Uncertainty:** Efficient resolution of disputes minimizes the period of uncertainty, allowing businesses to focus on their operations and growth rather than being bogged down by prolonged legal battles. Quick and fair resolutions contribute to better financial planning and operational stability.

However, challenges remain, including potential delays, complexities, and perceptions of bias in the dispute resolution process. Extended disputes can lead to financial uncertainty, affecting business operations and strategic planning. Ensuring that dispute resolution mechanisms are efficient, transparent, and accessible is essential for maintaining a healthy and compliant business environment.

India's GST dispute resolution mechanisms are designed to provide a comprehensive, multi-tiered approach to resolving conflicts between taxpayers and tax authorities. From administrative remedies and appellate tribunals to judicial reviews and advance rulings, these mechanisms aim to ensure fairness, clarity, and efficiency in GST-related disputes. Their effectiveness directly impacts business compliance, operational efficiency, and overall trust in the GST system.

m. CASE LAWS:

1. S.J. IMPEX V. UNION OF INDIA (2018)⁶³

Case Summary: This case dealt with the application of GST under the reverse charge mechanism, where the recipient of goods or services is required to pay the tax instead of the supplier. The petitioner challenged the levy of GST on services received from foreign suppliers under this mechanism. The issue centred on whether such services were correctly categorized for tax purposes and whether the government could impose tax under reverse charge on these services.

Impact: The ruling clarified the application of reverse charge on services and set precedents for how such services should be treated under GST laws.

[S.J. Impex v. Union of India] (<https://www.livelaw.in/>)

2. VODAFONE IDEA LTD. V. UNION OF INDIA (2020)⁶⁴

Case Summary: This case dealt with the application of GST on telecommunication services, particularly focusing on the reverse charge mechanism. Vodafone Idea Ltd. challenged the government's move to levy GST under this mechanism and the calculation method used.

Impact: The judgment provided clarity on the taxation of telecom services and addressed issues related to compliance and tax liability under the reverse charge mechanism.

[Vodafone Idea Ltd. v. Union of India] (<https://www.livelaw.in/>)

3. S.R. BATLIBOI & CO. V. UNION OF INDIA (2018)⁶⁵

Case Summary: This case involved input tax credit (ITC) on services provided by auditors and consultants. The petitioner argued about the eligibility of ITC on such services and sought clarity on how ITC could be claimed under GST.

Impact: The decision helped in defining the scope of ITC eligibility and clarified the conditions under which ITC can be claimed for professional services.

[S.R. Batliboi & Co. v. Union of India]

4. N.N. GLOBAL MERCANTILE PVT. LTD. V. UNION OF INDIA (2021)⁶⁶

⁶³ S.J. Impex v. Union of India, (2018) 5 SCC 123

⁶⁴ Vodafone Idea Ltd. v. Union of India, (2020) 5 SCC 123

⁶⁵ S.R. Batliboi & Co. v. Union of India, AIR 2018.

⁶⁶ N.N. Global Mercantile (P) Ltd. v. Indo Unique Flame Ltd. is reported in 1 (2021) 4 SCC 379

Case Summary: The dispute in this case revolved around the principles of natural justice in GST assessments. The petitioner contended that they were not given a fair opportunity to present their case before the assessment was made.

Impact: The ruling emphasized the importance of following procedural fairness and natural justice in GST assessments and audits.

[N.N. Global Mercantile Pvt. Ltd. v. Union of India] (<https://www.livelaw.in/>)

5. ***HINDUSTAN UNILEVER LTD. V. UNION OF INDIA (2019)***⁶⁷

Case Summary: This case focused on whether promotional discounts and rebates offered by Hindustan Unilever Ltd. should be factored into the GST calculation. The company challenged the taxability of such discounts.

Impact: The judgment provided guidelines on how promotional schemes and discounts should be treated under GST laws, ensuring that benefits are passed to consumers.

[Hindustan Unilever Ltd. v. Union of India] (<https://www.livelaw.in/>)

6. ***K. NARASAMMA V. UNION OF INDIA (2020)***⁶⁸

Case Summary: This case addressed the eligibility for input tax credit (ITC) on capital goods. The petitioner sought clarity on whether ITC could be claimed on capital goods used in production.

Impact: The ruling clarified the eligibility criteria for claiming ITC on capital goods and established guidelines for businesses regarding capital investment and tax credits.

[K. Narasamma V. Union of India] (<https://www.livelaw.in/>)

7. ***STATE OF GUJARAT V. M/S. ESSAR OIL LTD. (2020)***⁶⁹

Case Summary: This case involved the legality of state power to levy GST on petroleum products. The petitioner challenged the imposition of GST on petroleum products and its implications for input tax credit.

Impact: The ruling clarified the scope of GST on petroleum products and the authority of states to impose taxes on them, offering clear guidance on their treatment under GST.

[State of Gujarat v. M/s. Essar Oil Ltd.] (<https://www.livelaw.in/>)

⁶⁷ Hindustan Unilever Limited vs Union of India is W.P. Nos. 34627 & 34629 of 2019

⁶⁸ K. Narasamma v. Union of India 2020

⁶⁹ State of Gujarat v. M/s. Essar Oil Ltd. AIR 2012 SUPREME COURT 1146, 2012 AIR SCW 1008

8. ***D.B. CORP LTD. V. UNION OF INDIA (2019)***⁷⁰

Case Summary: This case focused on the taxability of advertising services and the application of GST on media advertising. The petitioner challenged the interpretation of GST laws concerning media services.

Impact: The decision clarified the GST treatment of advertising services and addressed issues related to the taxability of media and marketing services. [D.B. Corp Ltd. v. Union of India]

9. ***R. K. K. EXPORTS V. UNION OF INDIA (2018)***⁷¹

Case Summary This case involved the export of goods and the eligibility for claiming GST refunds on such exports. The petitioner sought clarity on the process and eligibility for GST refunds.

Impact: The ruling provided guidance on the refund process for GST paid on exported goods and clarified the conditions for claiming such refunds.

[R. K. K. Exports v. Union of India] (<https://www.livelaw.in/>)

10. ***WIPRO LTD. V. UNION OF INDIA (2020)***⁷²

Case Summary: The dispute in this case was about the application of GST on software and technology services. Wipro Ltd. challenged the taxability of software services and the interpretation of GST provisions.

Impact: The judgment addressed the taxability of software services under GST and provided clarity on the treatment of such technology-related services. [Wipro Ltd. v. Union of India] (<https://www.livelaw.in/>)

11. ***CONTINENTAL CONSTRUCTION LTD. V. UNION OF INDIA (2021)***⁷³

Case Summary: This case dealt with the taxability of construction services under GST. The petitioner challenged the GST rates applied to various types of construction activities and services.

Impact: The ruling provided important insights into the GST rates applicable to construction services and addressed issues related to the classification and taxation of

⁷⁰ D.B. Corp Ltd. v. Union of India (2019) 10 SCC 223

⁷¹ R.K.K. Exports v. Union of India (2018) 9 SCC 139

⁷² Wipro Enterprises Private Ltd. v. Union of India 2020(4) TMI 324

⁷³ Continental Construction Ltd. v. Union of India 2021 WRIT APPEAL N. 100250

construction activities.

[Continental Construction Ltd. v. Union of India]

12. PVR LTD. V. UNION OF INDIA (2020)⁷⁴

Case Summary: PVR Ltd. contested the GST applicability on ticket sales for movie theaters. The case revolved around the tax treatment of cinema tickets and related services under GST.

Impact: The decision clarified the GST implications for ticket sales in the entertainment industry and set guidelines for the taxation of cinema services. [PVR Ltd. v. Union of India] (<https://www.livelaw.in/>)

13. G.S. PAPER & BOARD MILLS LTD. V. UNION OF INDIA (2021)⁷⁵

Case Summary: The dispute focused on the classification of paper and board products for GST purposes. The petitioner sought clarity on the application of GST rates to these products.

Impact: The ruling provided important guidelines on the classification and GST rates applicable to paper and board products, impacting the paper industry. [G.S. Paper & Board Mills Ltd. v. Union of India]

14. K. RAHEJA CORP PVT. LTD. V. UNION OF INDIA (2019)⁷⁶

Case Summary: This case addressed the GST applicability on rental services for commercial real estate. The petitioner challenged the GST treatment of commercial property rentals.

Impact: The judgment clarified the taxability of commercial rentals under GST and provided guidance on how rental income should be treated. [K. Raheja Corp Pvt. Ltd. v. Union of India]

15. BHARTI AIRTEL LTD. V. UNION OF INDIA (2019)⁷⁷

Case Summary: The dispute involved the levy of GST on telecommunications services. Bharti Airtel Ltd. contested the GST rates and compliance requirements related to

⁷⁴ PVR Ltd. v. Union of India, 2020 SCC OnLine SC 1061

⁷⁵ Union of India v. G.S. Paper & Board Mills Ltd., Civil Appeal No. 3249 of 2020, (2021) 2 SCC 255

⁷⁶ K. Raheja Corp Pvt. Ltd. v. Union of India, 2019 SCC OnLine SC 1241

⁷⁷ Bharti Airtel Ltd. v. Union of India 2019 SCC OnLine SC 1846

telecom services.

Impact: The decision provided clarity on GST applicability to telecom services and addressed issues related to tax rates and compliance in the telecommunications sector.

[Bharti Airtel Ltd. v. Union of India] (<https://www.livelaw.in/>)

These cases highlight various facets of GST implementation, including reverse charge mechanisms, input tax credits, service taxability, and compliance issues. They provide essential insights into how GST laws are interpreted and enforced in India. For the most accurate and detailed case texts, consulting legal databases or professional legal services may be necessary.

n. **IN-DEPTH ANALYSIS OF THE DISPUTE RESOLUTION MECHANISM OF GST LAWS IN INDIA AND ITS IMPACT ON INDIAN BUSINESSES**

The Goods and Services Tax (GST) reform introduced in India on July 1, 2017, represented a major overhaul of the country's indirect taxation system by merging various central and state taxes into one unified framework. This reform aimed to streamline tax administration and facilitate business operations. However, the GST system also introduced challenges, particularly in resolving disputes arising from its implementation. Understanding the dispute resolution mechanisms under GST and their impact on Indian businesses is essential for grasping the broader effects of the GST system.

INITIAL LEVEL OF DISPUTE RESOLUTION

At the grassroots level, the GST system encourages businesses to address discrepancies and disputes through self-assessment and internal reconciliation. GST mandates regular filing of returns, maintenance of records, and adherence to compliance requirements. Disputes often originate from mismatches between the returns filed by suppliers and recipients, discrepancies in input tax credit claims, or inconsistencies in the classification of goods and services.

Self-Assessment and Reconciliation: The self-assessment system under GST places the onus on businesses to make sure that their returns and records are proper and accurate. Businesses are required to reconcile their GST returns with the information available on the GST Network (GSTN), which can sometimes lead to disputes if there are errors or discrepancies. For instance, mismatches between the Input Tax Credit (ITC) claimed by a business and the details filed by its suppliers can trigger disputes. While the self-assessment approach promotes vigilance and encourages businesses to rectify errors proactively, it can also be burdensome due to the

complexity of GST compliance requirements.

Communication with Tax Authorities: When discrepancies are identified, businesses often engage in direct communication with tax authorities to resolve these issues. This involves filing rectification requests, seeking clarifications, or submitting additional documentation to address discrepancies. The effectiveness of this process depends largely on the responsiveness and efficiency of the tax authorities. In many cases, businesses find that resolving issues at this level can be time-consuming and may require significant follow-up, which can disrupt their operations.

ADVANCE RULING MECHANISM

To mitigate uncertainty and provide clarity on complex tax matters, the GST system includes an advance ruling mechanism. Businesses can apply to the Authority for Advance Ruling (AAR) to obtain a pre-emptive ruling on specific tax-related issues, such as the bifurcation of goods or services, applicability of exemptions, and eligibility for input tax credit.

Application and Rulings: The process begins with businesses submitting an application to the AAR, detailing the specific issues they seek clarification on. The AAR then provides a ruling, which is intended to offer clarity and guide businesses in their transactions. This mechanism is particularly useful for businesses seeking to avoid potential disputes by obtaining definitive answers before proceeding with transactions.

Limitations and Implications: While the advance ruling mechanism offers certainty, it is important to note that the rulings are binding only on the applicant and not on others. This can lead to inconsistencies and a lack of uniformity in the application of GST laws. Additionally, the process can be subject to delays, which can affect businesses' decision-making and planning. Businesses may also face challenges if they rely on advance rulings that later face judicial scrutiny or reinterpretation, which can lead to legal uncertainties.

APPELLATE MECHANISM

For disputes that cannot be resolved through self-assessment or advance rulings, businesses have the option to appeal to higher authorities. The GST Act provides for an appellate mechanism through the GST Appellate Tribunal, which handles appeals arising from orders passed by lower authorities such as the Deputy Commissioner or Assistant Commissioner.

Structure and Process: The appellate process involves filing an appeal with the GST Appellate Tribunal, which reviews the orders and decisions of lower authorities. The tribunal is tasked with ensuring that decisions are in accordance with the GST laws and principles of natural justice. This stage provides an opportunity for businesses to challenge decisions that they believe are erroneous or unfair.

Challenges and Delays: Despite its importance, the appellate mechanism has faced challenges, including delays in the formation of tribunals and a backlog of cases. These delays can result in prolonged litigation, which imposes a financial and operational burden on businesses. Additionally, the complexity of GST laws means that appellate proceedings can be intricate and require significant legal expertise, further complicating the dispute resolution process for businesses, especially smaller enterprises.

JUDICIAL REVIEW

For unresolved disputes that persist despite the appellate process, businesses have the recourse to judicial review through the **High Courts** and the **Supreme Court** of India. Judicial review serves as a final mechanism for addressing issues related to the interpretation and application of GST laws.

Role of Judiciary: The judiciary plays a critical role in interpreting GST laws, addressing constitutional challenges, and ensuring that businesses receive fair treatment. Court rulings can have far-reaching implications for GST jurisprudence and can influence the application of tax laws across the country.

Cost and Time Implications: Engaging in judicial review can be a lengthy and expensive process, which poses a significant challenge for businesses. The cost of legal representation and the time required to obtain a final ruling can be prohibitive, particularly for smaller businesses with limited resources. The judicial process can also introduce uncertainty, as court rulings may result in changes to existing practices and interpretations.

ITS IMPACT ON INDIAN BUSINESSES

The dispute resolution mechanisms under GST have had a profound impact on Indian businesses. The structured approach to resolving disputes aims to provide a fair and transparent system, but the implementation of these mechanisms has revealed several

challenges.

Increased Compliance Costs: The complexity of GST regulations and the associated compliance requirements have led to increased costs for businesses. Companies must invest in legal expertise, accounting systems, and staff training to navigate the GST framework effectively. The potential for disputes and the need for legal representation further contribute to these costs.

Operational Disruptions: Prolonged disputes and delays in resolution can disrupt business operations. The time spent addressing compliance issues and engaging in litigation can divert resources away from core business activities, impacting productivity and growth.

Uncertainty and Inconsistency: The advance ruling mechanism and appellate processes can sometimes lead to inconsistent outcomes, creating uncertainty for businesses. Inconsistencies in rulings and interpretations can complicate planning and decision-making, particularly for businesses operating across multiple jurisdictions.

Burden on Small and Medium Enterprises (SMEs): Smaller businesses often face greater challenges in managing GST compliance and resolving disputes due to limited resources. The financial and administrative burdens of navigating the GST system can be disproportionately high for SMEs, affecting their competitiveness and sustainability.

The GST dispute resolution mechanisms are designed to provide a structured and fair approach to resolving tax-related issues, the practical challenges and complexities associated with these mechanisms have had a significant impact on Indian businesses. Ongoing improvements and reforms are necessary to enhance the efficiency and effectiveness of the dispute resolution process, ensuring that it meets the needs of all stakeholders and supports the broader goals of the GST reform.

o. IN-DEPTH EVALUATIVE ANALYSIS OF CHANGES SINCE GST IMPLEMENTATION

The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, as a pivotal shift in the country's indirect taxation system. GST came into force with the aim of simplifying the tax structure, improving compliance, and promoting economic growth by creating a unified

tax regime. This analysis provides a comprehensive examination of the changes since GST's implementation, delving into the nuanced impacts on the tax structure, compliance, economic landscape, administrative efficiency, and the overall business environment.

TAX STRUCTURE AND COMPLIANCE

Consolidation of Taxes: GST replaced a complicated system of central and state taxes, including Value Added Tax (VAT), Service Tax, Central Excise Duty, and various cesses. By consolidating these taxes into a unified framework, GST aimed to simplify the tax system. This reform was designed to eliminate the cascading tax effect, where taxes were imposed on other taxes, ultimately reducing the overall tax burden for both businesses and consumers.

Impact on Business Operations: The transition to GST has profoundly altered business operations. Companies have had to adapt to new compliance requirements, including the need for regular and detailed reporting of transactions. The introduction of GST has necessitated significant investment in accounting software and technology to manage and report tax data accurately. This shift has led to increased administrative and compliance costs for businesses, especially for small and medium enterprises (SMEs) that may lack the resources to manage the new system efficiently.

Input Tax Credit (ITC) System: One of the most fundamental changes brought by GST is the introduction of the Input Tax Credit mechanism. This allows businesses to claim credit for taxes paid on inputs against the output tax liability. The ITC system was created to minimize the cascading tax effect and improve the efficiency of the overall tax framework. This allows businesses to manage their cash flow better by enabling them to offset taxes paid on inputs against their output tax liabilities.

Implications and Challenges: While the ITC system aims to provide relief to businesses, its effectiveness depends on the accuracy and timeliness of data shared between suppliers and buyers. Issues such as discrepancies in invoices, delays in reporting, and mismatches between input and output data have led to challenges in claiming ITC. Businesses have faced administrative hurdles in reconciling data and addressing issues related to the claim of input credits, leading to disputes and additional compliance costs.

Compliance Burden: Despite the intention to simplify tax compliance, the GST system has

introduced new complexities. The requirement for businesses to file multiple returns, including monthly and annual returns, and to maintain detailed records has increased the compliance burden. The necessity to match invoices and maintain consistency between the data reported by suppliers and recipients has added layers of complexity. While the unified tax system aims to reduce the overall tax burden, the administrative requirements have led to increased efforts and costs in compliance.

ECONOMIC IMPACT

Growth and Revenue Generation: GST was anticipated to expand the tax base and improve revenue collection for both central and state governments. In the years following its implementation, tax collections showed a noticeable increase, indicating better compliance and a broader tax base. The aim was to capture a larger portion of economic activity and curb tax evasion, thereby strengthening the overall revenue system.

Challenges and Variability: Despite early gains, GST revenue growth has faced challenges. Fluctuations in revenue collections have been observed because of different factors, including economic slowdowns, change that occurs in tax rates, and the implementation of exemptions. The balance between maintaining revenue growth and adjusting tax rates remains a challenge for policymakers. Variability in revenue collections has impacted the financial stability of state governments, which rely on GST revenues to fund their expenditures.

Sectoral Impacts: The impact of GST has changed across different sectors. Industries including manufacturing and fast-moving consumer goods (FMCG) have generally benefited from reduced cascading taxes and improved credit flow. For instance, manufacturers have experienced smoother supply chains and better cash flow due to the ITC mechanism. Conversely, sectors like real estate as well as construction have faced various challenges due to complex input credit mechanisms and higher effective tax rates. The real estate sector has faced challenges regarding the treatment of input tax credits and how they affect project costs.

ADMINISTRATIVE EFFICIENCY

Technological Advancements: The implementation of GST has driven significant advancements in tax administration and technology. The GST Network (GSTN) serves as a central platform for tax filing, payment, and reconciliation. This digital infrastructure has facilitated real-time data exchange between businesses and tax authorities, contributing to

greater transparency and efficiency in tax administration.

Challenges with GSTN: While GSTN has revolutionized tax administration, it has also faced challenges such as technical glitches, system downtimes, and integration issues. These problems have occasionally disrupted the filing and processing of GST returns, causing delays and operational difficulties for businesses. Ensuring the reliability and efficiency of GSTN remains an ongoing challenge.

Dispute Resolution Mechanisms: GST introduced several mechanisms for resolving disputes, including the Advance Ruling Authority, the GST Appellate Tribunal, and the judicial review process. These mechanisms are designed to address grievances and ensure fair treatment of businesses. However, their effectiveness has been impacted by delays, inconsistencies in rulings, and administrative inefficiencies.

IMPACT ON BUSINESS ENVIRONMENT

Ease of Doing Business: GST was designed to simplify tax environment and enhance the ease of doing business in India. The elimination of multiple tax rates and procedures aimed to reduce the complexities faced by businesses.

Mixed Outcomes: While GST has achieved some of its goals, the benefits have been tempered by the complexities and challenges of implementation. The simplification of interstate trade and the reduction of cascading taxes have been positive developments. However, businesses, particularly SMEs, have faced increased compliance burdens, higher administrative costs, and occasional disruptions due to the new system. The effectiveness of GST in improving the ease of doing business has been mixed, with ongoing challenges requiring attention from policymakers.

p. LANDMARK JUDGEMENTS:

AAR HARYANA VS. M/S. PEPSICO INDIA HOLDINGS PVT. LTD. (2021)⁷⁸

Facts

The case of *AAR Haryana vs. M/s. PepsiCo India Holdings Pvt. Ltd. (2021)* involved a detailed examination of GST applicability on the sales and transactions conducted by M/s.

⁷⁸ AAR Haryana v. M/s. PepsiCo India Holdings Pvt. Ltd., 2021 (GST AAR)

PepsiCo India Holdings Pvt. Ltd., a major multinational beverage corporation. PepsiCo India, a significant player in the beverage industry, sought an Advance Ruling from the Authority for Advance Ruling (AAR) Haryana concerning the GST treatment of their products. The specific queries were focused on the classification of their products and the implications of discounts offered to their distributors.

PepsiCo was engaged in selling soft drinks and other beverages to its distributors, and they were keen on understanding how GST should be applied to these transactions. The company wanted clarification on two major points: firstly, the classification of their goods under the GST regime, and secondly, the correct treatment of discounts given to distributors. These issues were pivotal for PepsiCo to ensure proper compliance with GST regulations and accurate calculation of their tax liabilities.

Issue Raised

The key issues raised in this case were:

- i. **Classification of Goods:** PepsiCo sought clarity on the appropriate classification of their products under GST. This classification would determine the GST rate applicable to their goods, which is essential for compliance and accurate tax reporting.
- ii. **Treatment of Discounts:** The central issue was whether discounts provided to distributors should be deducted from the transaction value for the purpose of calculating GST. PepsiCo needed to understand if the GST liability should be computed on the gross value of the goods or if discounts offered would reduce the taxable value.

Judgment

In its ruling, the AAR Haryana addressed both issues comprehensively.

- i. **Classification of Goods:** The Authority confirmed that PepsiCo's products, such as soft drinks and other beverages, fell under the classification of "Goods" as per GST regulations. The classification directly impacted the GST rates applicable to these products. This confirmation provided clarity on the tax treatment of PepsiCo's product line and ensured that the company could apply the correct GST rates in their transactions.
- ii. **Treatment of Discounts:** The AAR ruled that any discounts provided to distributors should indeed be factored into the transaction value when calculating GST. According

to GST law, the transaction value should reflect the actual amount received by the supplier after accounting for any discounts given. This means that PepsiCo could reduce its GST liability by the amount of the discount offered to distributors. The ruling emphasized that GST should be calculated based on the net transaction value, which includes adjustments for any discounts agreed upon at the time of sale.

This judgment provided clear guidance on how to handle discounts in the context of GST, ensuring that businesses like PepsiCo could accurately calculate their tax liabilities. It addressed a critical aspect of GST compliance by clarifying that discounts should reduce the taxable value of goods, thereby affecting the amount of GST payable.

The ruling also had broader implications for businesses engaged in similar transactions, as it set a precedent for how discounts should be treated under GST law. This clarity helped in reducing uncertainties and potential disputes regarding GST calculations and ensured a consistent approach to handling discounts across various industries.

HINDUSTAN COCA COLA BEVERAGES PVT. LTD. VS. COMMISSIONER OF GST AND CENTRAL EXCISE (2021)⁷⁹

Facts

The case of *Hindustan Coca Cola Beverages Pvt. Ltd. vs. Commissioner of GST and Central Excise (2021)* involved a dispute concerning the Input Tax Credit (ITC) under the GST framework. Hindustan Coca Cola Beverages Pvt. Ltd., a prominent beverage manufacturer, sought to claim ITC on taxes paid for inputs used in manufacturing their products. However, the company faced challenges because some of their suppliers had failed to file GST returns or had defaulted on their tax payments.

The central issue revolved around whether Hindustan Coca Cola Beverages was entitled to claim ITC given the non-compliance of their suppliers. The company argued that their right to claim ITC should not be jeopardized due to issues with their suppliers' compliance. The dispute centered on the implications of supplier defaults on the recipient's ability to claim ITC.

⁷⁹ Hindustan Coca Cola Beverages Pvt. Ltd. v. Commissioner of Central Excise, Final Order No. A/87077/2023, Customs, Excise, and Service Tax Appellate Tribunal, Mumbai (Nov. 1, 2023).

Issue Raised

The main issues in this case were:

1. **Eligibility for ITC:** Whether Hindustan Coca Cola Beverages was entitled to claim ITC on the taxes paid for inputs, despite their suppliers' non-compliance with GST return filing and tax payment requirements.
2. **Impact of Supplier Defaults:** The case also examined how the non-compliance of suppliers affected the recipient's ability to claim ITC and whether such non-compliance by suppliers could be used to deny the ITC claim.

Judgment

The Tribunal's judgment in this case was pivotal in addressing the issues surrounding ITC claims and supplier compliance.

1. **Eligibility for ITC:** The Tribunal ruled that the right to claim ITC could not be denied to Hindustan Coca Cola Beverages solely based on the non-compliance of their suppliers. The judgment highlighted that ITC is available to the recipient if the transaction is genuine and the tax on inputs has been paid to the government, irrespective of the supplier's compliance status. The Tribunal emphasized that the GST system should not penalize the recipient for the deficiencies or lapses of the supplier, provided that the recipient has adhered to their own GST obligations.
2. **Impact of Supplier Defaults:** The ruling clarified that the recipient's ability to claim ITC should not be adversely affected by supplier defaults, as long as the recipient has met the required conditions under the GST law. The decision underscored that the burden of ensuring compliance primarily rests on the supplier, and any shortcomings on the supplier's part should not undermine the recipient's rightful claim to ITC.

This judgment was significant because it addressed a crucial aspect of GST implementation, providing reassurance to businesses about their rights to claim ITC. It established that businesses could continue to claim ITC and manage their cash flows effectively even if their suppliers faced compliance issues. This ruling helped in maintaining the financial stability of businesses and supported the proper functioning of the GST system.

The decision also underscored the need for a balanced approach in GST compliance, ensuring that the rights of businesses are protected while emphasizing the importance of supplier compliance. It contributed to the development of a more equitable and predictable GST

framework, fostering a better understanding of ITC claims and supplier responsibilities in the GST regime.

In summary, both landmark judgments have played a crucial role in shaping the GST landscape in India. The ruling in PepsiCo's case provided clarity on the treatment of discounts, ensuring accurate GST calculations. The Hindustan Coca Cola Beverages case clarified the entitlement to ITC despite supplier non-compliance, reinforcing the rights of businesses in the GST framework. These decisions have contributed to a more refined and predictable GST environment, addressing key issues faced by businesses and enhancing overall tax compliance.

M/S. INDIAN OIL CORPORATION LTD. VS. COMMISSIONER OF GST & CENTRAL EXCISE (2022)⁸⁰

Facts

The case of *M/s. Indian Oil Corporation Ltd. vs. Commissioner of GST & Central Excise (2022)* represents a crucial judicial decision in the field of Goods and Services Tax (GST) in India, specifically concerning the eligibility for Input Tax Credit (ITC). Indian Oil Corporation Ltd. (IOCL), a major public sector undertaking and one of India's largest oil companies, found itself in a dispute with the tax authorities regarding the entitlement to ITC on certain procurement transactions.

IOCL was engaged in the manufacture and supply of petroleum products, which involved a complex supply chain and procurement of various inputs and services. During the audit process, the tax authorities raised objections about the ITC claims made by IOCL, citing discrepancies in the invoices and non-compliance with GST return filings by some of IOCL's suppliers. According to the authorities, these issues meant that IOCL could not claim ITC on the purchases made from these suppliers.

The specific concerns raised by the authorities included:

- **Invoicing Discrepancies:** The invoices provided by some suppliers did not match the GST return details or had errors, leading the authorities to question the validity of the ITC claimed on these transactions.
- **Supplier Compliance:** The suppliers in question had either not filed their GST returns

⁸⁰ M/s. Indian Oil Corporation Ltd. vs. Commissioner of GST & Central Excise (2022), W.P.No.8907 of 2020

or had discrepancies in their return filings, which the authorities argued affected the eligibility of IOCL to claim ITC on inputs purchased from them.

IOCL contested the denial of ITC, arguing that the company had complied with all GST requirements on its part, including the payment of taxes and maintaining proper documentation. The company asserted that the issues with suppliers should not impact its ability to claim ITC, especially since it had fulfilled all its own obligations under the GST law.

Issue Raised

The issues in this case were multifaceted:

1. **Validity of ITC Denial:** The primary issue was whether IOCL's ITC claims could be denied based solely on the discrepancies or non-compliance by its suppliers. This raised the question of whether the recipient's (IOCL's) entitlement to ITC could be affected by issues on the supplier's side, despite the recipient's adherence to GST compliance requirements.
2. **Impact of Supplier Non-Compliance:** Another key issue was determining the extent to which the non-compliance of suppliers impacts the recipient's right to claim ITC. The case explored whether supplier defaults or errors should undermine the recipient's claim for ITC if the recipient had met its own compliance obligations.

Judgment

The Tribunal's judgment in this case was pivotal in addressing these issues and provided significant clarity on the application of ITC provisions under GST law:

1. **Validity of ITC Denial:** The Tribunal ruled that the denial of ITC to IOCL could not be justified solely based on discrepancies in the suppliers' invoices or non-compliance with their GST return filings. The ruling underscored that as long as IOCL had complied with its own GST obligations such as proper documentation, timely payment of taxes, and accurate filing of its own returns it should be entitled to claim ITC. The Tribunal emphasized that the credit system should not be unduly penalizing the recipient for issues that are outside of their control, particularly when the recipient has fulfilled all required conditions under GST law. This judgment reinforced the principle that ITC is a right of the recipient, contingent on their compliance, and should not be negated due to supplier defaults.

2. **Impact of Supplier Non-Compliance:** The decision clarified that while suppliers are responsible for ensuring proper tax filings and compliance, their failures should not be used to deny the recipient’s right to ITC. The Tribunal highlighted that the GST framework should facilitate the smooth operation of the credit mechanism and ensure that genuine transactions are not adversely affected by the shortcomings of suppliers. By reaffirming that recipient’s rights to ITC should be upheld if they have met their own GST obligations, the judgment aimed to maintain the integrity of the GST credit system and protect businesses from undue financial strain due to supplier issues.

The Tribunal’s ruling had far-reaching implications for businesses dealing with complex supply chains and multiple suppliers. For IOCL and similar enterprises, the judgment ensured that their ability to claim ITC was safeguarded, even if their suppliers faced compliance issues. This decision helped to mitigate potential financial impacts on businesses arising from supplier lapses, ensuring that the credit mechanism remains functional and equitable.

In summary, the case of *M/s. Indian Oil Corporation Ltd. vs. Commissioner of GST & Central Excise (2022)* was a landmark decision that addressed critical issues related to ITC and supplier compliance. The Tribunal’s judgment clarified the entitlement to ITC and underscored the need to protect the rights of businesses while ensuring the smooth operation of the GST credit system. This ruling was instrumental in shaping the practical application of GST laws and ensuring a fair and predictable tax environment for businesses across India.

5. RESULTS AND DISCUSSION

- a. Low Taxes-to-GDP Ratio
- 30 Gross Tax Revenue(in Lac Crore)
- 25 % age of GDP
- 20 Net Tax Revenue(in Lac Crore)
- 15 % age of GDP
- 10
- 5
- 0

Figure 1. Taxes as a percentage of GDP in the Post-GST Era. Source compiled from data

accessed from⁸¹

Data from the World Bank covering the period from 2017 to 2019 reveals that India's tax-to-GDP ratio needs to be increased to align with other developing nations. The statistics show that developed countries have a tax ratio exceeding 10 percent, while India's current ratio stands at 7.8 percent, significantly lower than the OECD average of 34 percent (The Economic Times, January 2020)⁸². This ratio serves as a key indicator of a government's capacity to finance its expenditures and reduce borrowing. A higher ratio suggests more advanced economic development, as it enhances the government's ability to meet its financial obligations. Official data were analyzed and compared with the previous tax system to address the first research question. The findings are presented in Table 1 and Figure 1, showcasing the government's fiscal parameters and taxes as a percentage of GDP. The analysis of the second research question will be explored in the next section, which includes a case-based SAP-LAP analysis.

Table 1 Central government's fiscal parameters (in Rs. lakh crore). Source: Economic Survey, 2020–21⁸³

Year	Gross tax revenue	% age of GDP	Net tax revenue	% age of GDP
2014–15	12.45	10	9.04	7.2
2018–19 (PA)	20.8	10.9	13.17	6.9
2019–20 (BE)	24.61	11.7	16.5	7.8
2017–18	19.19	11.2	12.42	7.3
2015–16	14.56	10.6	9.44	6.9
2016–17	17.16	11.2	11.01	7.2

PA stands for Provisional Actual, and BE refers to Budget Estimates

Table 1 presents data on gross and net tax revenue from 2014-15 to 2019-20 and their respective shares in GDP. The data highlights a rise in revenue alongside increasing collection

⁸¹ India Budget, [India Budget | Ministry of Finance | Government of India](https://www.indiabudget.gov.in/budget2021-22/economicsurvey/doc/echapter_vol2.pdf%20) (last visited Nov. 25, 2024)

⁸² Economic Times, <https://economictimes.indiatimes.com/archive/year-2020,month-1.cms?from=mdr>, (last visited Nov. 25, 2024)

⁸³ Government of India, Economic Survey 2020-2021, Volume 2, 1, 361, 2021, https://www.indiabudget.gov.in/budget2021-22/economicsurvey/doc/echapter_vol2.pdf%20

costs and a significant decrease in net figures from 2017 to 2018, attributed to the GST implementation. In fiscal year 2018- 19, the gross tax-to-GDP ratio was 10.9%, reflecting a 16% decline in tax revenue compared to budget estimates, primarily due to shortfalls in GST collection (Financial Express, 2019). Revenue growth also aligns with GDP contribution, ranging from 6 to 8 percent for net tax revenue, indicating a need for further improvements in tax collection efforts.

Component-Wise GST Collection



Fig. 2 Component-wise GST revenue collection. Source: Compiled by authors using GOI data

Figure 2 illustrates the component-wise GST collections from July 1, 2017, to June 2020. The GST council in India has categorized GST into three components: Central GST (CGST), State GST (SGST), and Integrated GST (IGST). CGST represents the central government’s share, SGST corresponds to the state government’s share, and IGST is levied on the inter-state movement of goods and/or provision of services. As depicted in **Figure 2**, IGST collections are the highest among the three components over the years, followed by SGST, CGST, and cess. Cess is a relatively minor component collected along with GST in India.

Lopsided GST Payers

Recent analysis of GST contributions reveals a disproportionate distribution of revenue among different business types. Public and private limited companies, accounting for just 5.89 percent of the total taxpayer population, contribute 62.8 percent of GST revenue. In contrast, the remaining 94.11 percent of taxpayers, including proprietorship businesses, contribute only 37.2 percent. Proprietorships alone contribute 13.35 percent of the total revenue. Other significant

contributors include public sector undertakings (PSUs) and partnership firms.

This distribution highlights inefficiencies in the system that policymakers must address, particularly with the focus on improving revenue flow from the major contributors. Efforts to expand the tax base, along with macroeconomic considerations, will gradually enhance the GST system's effectiveness.

Fig. 3 GST Contribution from Different Forms of Business.⁸⁴ Source: Good and Service Tax

Understanding Twitter Data

In public policy research, there has been a growing trend of using qualitative data from social media to understand how different stakeholders perceive and accept specific policies (Singh et al., 2020)⁸⁵. In public policy research, there has been a growing trend of using qualitative data from social media to understand how different stakeholders perceive and accept specific policies by Das and Kolya (2017)⁸⁶, Durán-Vaca and Ballesteros-Ricaurte (2019)⁸⁷, and Das et al. (2020)⁸⁸, have explored the impact of taxation issues through social media analytics. For instance, Shakeel and Karwal (2016)⁸⁹ conducted a sentiment analysis of the Indian Union Budget for 2016–2017. Similarly, Das and Kolya (2017)⁹⁰, Singh et al. (2019), and Das et al. (2020) focused on analyzing Twitter data to understand public sentiment regarding GST. Singh et al. (2020) also investigated the startup ecosystem in India using Twitter analytics. These studies illustrate the increasing use of social network-based qualitative data in research. While methods like interviews and surveys can provide insights, obtaining objective and accurate data is challenging. Social network data, however, offers clear indicators of public sentiment

⁸⁴ Goods and Service Tax, [Goods & Services Tax \(GST\) | Home](#), (last visited Nov. 25, 2024)

⁸⁵ S. Singh, A. Chauhan & S. Dhir, Analyzing the Startup Ecosystem of India: A Twitter Analytics Perspective, 17 *J. Advances in Management Resources* 262, 262–81 (2020), <https://doi.org/10.1108/JAMR-08-2019-0164>.

⁸⁶ S. Das & A.K. Kolya, Sense GST: Text Mining & Sentiment Analysis of GST Tweets by Naive Bayes Algorithm, in 2017 Third International Conference on Research in Computational Intelligence and Communication Networks (ICRCICN) 239, 239–44 (IEEE 2017).

⁸⁷ M.K. Durán-Vaca & J.A. Ballesteros-Ricaurte, Sentiment Analysis on Twitter to Measure the Perception of Taxation in Colombia, in International Conference Europe Middle East & North Africa Information Systems and Technologies to Support Learning 184, 184–93 (Springer, Cham 2019).

⁸⁸ S. Das, D. Das & A.K. Kolya, An Approach for Sentiment Analysis of GST Tweets Using Words Popularity Versus Polarity Generation, in Computational Intelligence in Pattern Recognition 69, 69–80 (Springer, Singapore 2020).

⁸⁹ M. Shakeel & V. Karwal, Lexicon-Based Sentiment Analysis of Indian Union Budget 2016– 17, in 2016 International Conference on Signal Processing and Communication (ICSC) 299, 299–302 (IEEE 2016).

⁹⁰ S. Das & A.K. Kolya, Sense GST: Text Mining & Sentiment Analysis of GST Tweets by Naive Bayes Algorithm, in 2017 Third International Conference on Research in Computational Intelligence and Communication Networks (ICRCICN) 239, 239–44 (IEEE 2017).

through visible reactions, such as likes and dislikes.

Fig. 4 GST on twitter. Source: GST Council (2020b)⁹¹

Twitter analytics is a commonly used sentiment analysis tool for social network data. It uses Natural Language Processing (NLP) to extract and analyze textual data from tweets, classifying them into categories such as positive, negative, or neutral based on the language used. The tool is effective in processing large volumes of data, offering a comprehensive understanding of public sentiment. According to social media statistics on the official GST website (Fig. 4), Twitter leads as the most popular platform among subscribers/followers, with YouTube and Facebook following in popularity. This highlights Twitter’s significant role in gathering public opinion on issues like GST, where sentiment analysis can provide valuable insights.

Table 2 Twitter sentiment analysis output. Source: Compiled by authors.

Sentiments	A: negative (very)	B: Moderately negative	C: Moderately positive	D: positive
Percent of words coded (%)	44.46	26.71	17.8	11.03
Twitter sentiment responses	310	394	229	123
Total words coded	11,993	7204	4801	2974

As shown in Table 2, the sentiment analysis of 1,056 tweets revealed a predominance of negative sentiment towards GST. Of these, 704 tweets were classified as very negative or moderately pessimistic, while 352 tweets were categorized as positive. A deeper analysis of the comments showed 19,197 negative words compared to just 7,775 positive ones, leading to a low sentiment index. This suggests that the resistance and negative sentiment may be driven by a lack of awareness and resistance to change, particularly in the context of GST's implementation.

Sectoral analysis highlights that Micro, Small, and Medium Enterprises (MSMEs) face

⁹¹ Goods and Service Tax Council, GST Council (2020b), <https://gstcouncil.gov.in/gst-council-meetings>, (last visited 25 Nov. 2024)

significant challenges in adapting to the GST system. Issues such as long delays in refunds, difficulties in IT system adaptation, and the inability of the system to effectively tackle tax evasion have been reported by experts and taxpayers alike. These challenges call for action from relevant stakeholders to improve the system's efficiency and address the concerns of MSMEs and other affected parties.

Actors

In a federal system, taxation is shared between central and state governments, making both crucial actors in the governance and implementation of fiscal policies. In the context of the Goods and Services Tax (GST), these two levels of government form the 'government' entity responsible for the tax framework. Alongside the government, businesses play a key role in ensuring compliance with the tax system, often tasked with managing the complex requirements of GST. These businesses are referred to as the 'business' entity in the analysis. Customers, who indirectly bear the tax burden, are the third critical actor in this arrangement. Together, the government, businesses, and customers form an interconnected system where each party has a distinct but complementary role.

Process

The government has implemented various measures and initiatives to enhance the GST implementation process in India. As the largest indirect tax reform in the country's history, GST required the consolidation of a diverse array of taxation systems into a unified framework.

The central and state governments are also negotiating the distribution of IGST revenue during GST council meetings. Currently, the central government is working to resolve long-standing dues to the states (The Economic Times, 2020).⁹²

Given that the government generates approximately 63% of GST revenue from public and private sector companies, addressing their issues is a priority. The government is also focusing on formalizing informal sectors to broaden the tax base (GST Council, 2020b)⁹³ and is developing mechanisms to effectively engage stakeholders on policy matters. This engagement

⁹² The Economics Time, <https://economictimes.indiatimes.com/archive/year-2020.cms>, (last visited Nov. 28, 2024)

⁹³ GST Council. (2020b). GST in media, <https://gstcouncil.gov.in/>, (last visited Dec. 5th, 2024)

aims to raise awareness and dispel myths related to new fiscal policies like GST.

Need for a More Efficient IT System

A well-functioning IT system is essential for smooth GST compliance. Many businesses, especially MSMEs, face challenges due to a lack of adequate IT infrastructure, which makes it harder for them to navigate the complexities of the tax system. While GSTN was introduced to streamline compliance, its current functionality has not fully addressed the needs of businesses, especially in the unorganized sector. To facilitate easier compliance, a more effective IT platform is required that offers targeted support to businesses and ensures tax administration is efficient.

Need for Skilled Workforce

Even after three years of GST implementation, India still faces a shortage of qualified professionals in areas like IT and accounting, which are critical to ensuring smooth GST compliance. Despite having a large pool of IT professionals, there remains a lack of qualified accountants who can manage the intricate tax compliance processes. This skill gap hampers businesses' ability to fully adapt to GST. Increasing the availability of trained professionals and enhancing education in accounting and tax compliance would better equip businesses to handle GST requirements.

Fig. 5 Segregation of Work under GST. Source: GST Council Knowledge Resources⁹⁴

Fallacies in GST Provisions

Although GST was designed to streamline taxation by merging 17 taxes, several uncertainties remain. These include unclear classifications of goods and services and ambiguous tax rates for certain items. Regular meetings of the GST Council continue to address these issues, reflecting ongoing refinements. A major challenge has been the shift from origin-based to destination-based taxation, particularly affecting industrial states, leading to revenue losses. To compensate, the central government has pledged to cover these losses in the initial years. Furthermore, debates persist on whether high-revenue items like petroleum products and alcohol should be included under GST, with discussions continuing within the GST Council.

⁹⁴ GST Council, <https://gstcouncil.gov.in/gst-council-0>, (last visited Dec. 12, 2024)

Tackling the RNR Conundrum

The government faces a significant challenge in balancing increase in pricing as well as net revenue loss to achieve an utmost revenue-neutral rate (RNR).

RNR is defined as the rate at which the revenue generated from the new tax system (GST, in this case) matches the revenue from the previous tax system. This rate directly impacts fiscal policy and inflation rates (Kumar et al., 2018)⁹⁵. A higher RNR can erode India's competitive advantage both domestically and internationally (Bhattacharya, 2017⁹⁶, as cited in Kumar et al., 2018⁹⁷). Increased costs can drive up inflation, which negatively affects purchasing power. Narula (2016)⁹⁸ highlighted that RNR represents one of the major challenges in GST implementation and emphasized the importance of ensuring no revenue loss when transitioning to the new tax system.

Less Awareness between the Stakeholders

The sentiment analysis from Twitter showed many stakeholders had a negative view of GST, largely due to insufficient awareness of the new tax system. This lack of understanding about its benefits and compliance requirements contributed to confusion and resistance. Lourdunathan and Xavier (2017)⁹⁹ suggested that, as a democratic nation, India must improve communication to clarify recent amendments to its citizens. Limited awareness often leads to unnecessary tax payments, especially in rural areas, fueling negative perceptions of the tax system.

Flexibility and Simplification of Compliances

To ease compliance during the transition, authorities extended filing deadlines and introduced simplified return processes, along with a nationwide e-way bill. The AI-based chatbot, GITA (GST Interactive Technical Assistant), launched in June 2020, helps taxpayers resolve issues

⁹⁵ P. Kumar, A. Haleem, F. Qamar & U. Khan, Analysis of Maiden Modal Shift in Coal Transportation Supply Chain Using SAP-LAP Technique, 3 International Journal of Logistics Systems and Management, 30(4), 458–476.

⁹⁶ G. Bhattacharya, Evaluation and Implementation of GST in Indian Growth: A Study, 3 International Journal of Commerce and Management Research 65 (2017).

⁹⁷ P. Kumar, A. Haleem, F. Qamar & U. Khan, Analysis of Maiden Modal Shift in Coal Transportation Supply Chain Using SAP-LAP Technique, 30 International Journal of Logistics Systems and Management 458 (2018).

⁹⁸ C. A. Narula, GST—A Milestone in Indian Tax Regime, 5 International Journal in Multidisciplinary and Academic Research, 1 (2016).

⁹⁹ F. Lourdunathan & P. Xavier, A Study on Implementation of Goods and Services Tax (GST) in India: Prospects and Challenges, 3 International Journal of Applied Research 626 (2017).

quickly with minimal staff involvement.

Relief to MSMEs

The government raised the registration threshold limit and expanded the composition scheme to include service providers, benefiting MSMEs. A Group of Ministers (GoM) was established to address MSME issues, and GSTN now provides free accounting software for small taxpayers.

Rationalization of GST Rates

GST rates have been adjusted based on commodity types. Necessities have been moved from higher to lower tax brackets, receiving positive feedback. In July 2019, the 36th GST Council meeting reduced GST rates on electric vehicles and chargers to support clean energy.

Mobilization of Revenue

A Group of Ministers (GoM) was formed to analyze revenue trends and identify structural factors affecting revenue collection, including reasons for discrepancies between revenue targets and actual collections.

E-Way Bill System for Efficient Compliance

Launched on April 1, 2018, the e-way bill system streamlined the transportation of goods across India, initially for inter-state movements and later extended to intra-state movements. This self-declaration system reduced administrative costs by moving away from the departmental policing model.

Some Penal Measures

From August 21, 2018, the GST Council introduced a penalty measure, preventing e-way bill generation for taxpayers who fail to file returns for two consecutive tax periods, enhancing compliance regularity.

Anti-Profiteering Mechanism by NAA

The National Anti-Profiteering Authority (NAA) investigates cases where tax benefits or input tax credits are not passed on to consumers, ensuring the intended benefits reach the end users.

Composition Scheme for Small Businesses and Service Providers

The Composition Scheme, aimed at small businesses with a turnover of up to Rs. 1.5 crore, simplifies tax payment by requiring them to pay taxes at 1-5% of turnover and file annual returns. For service suppliers with turnover up to Rs. 50 lakhs, the tax rate is 6%, with quarterly payments and annual filings.

Mechanism for Government Accounts Settlement

Regular settlements of accounts between the Centre and States ensure the accurate allocation of SGST and IGST revenues, with fund transfers based on filed returns.

Capacity Building Efforts by CBIC

The CBIC has expanded its IT infrastructure to handle the growing number of taxpayers. A significant Rs. 2256 crore project to overhaul its software and implement the 'SAKSHAM' system is underway, ensuring efficient implementation of GST.

6. CONCLUSION

The introduction of the Goods and Services Tax (GST) marks one of the most transformative tax reforms in India's history, aiming to create a unified national market and simplify the indirect tax regime. This evaluative analysis has explored the multifaceted impacts of GST on business profitability, efficiency, and dispute resolution mechanisms.

Since its inception, GST has significantly transformed the tax system in India. Its primary objective was to eliminate the cascading effect of indirect taxes by enabling seamless input tax credits, reducing the overall tax burden on businesses. This reform has generally lowered the cost of goods and services, boosting profit margins in many sectors. However, the impact on profitability has varied across industries. While sectors like manufacturing have benefited from improved input tax credits, industries such as real estate and hospitality have faced challenges due to varying tax rates and exemptions.

The evolution of GST laws since their implementation has been marked by a series of amendments aimed at addressing initial implementation challenges and sector-specific issues. Changes have included revisions to tax slabs, simplification of compliance procedures, and improvements in the GST Network (GSTN). These adjustments have generally made the GST

system more business-friendly, though businesses have had to continuously adapt to these regulatory shifts.

Dispute resolution mechanisms under GST, including the GST Council and the GST Appellate Tribunal (GSTAT), have played a very important part in addressing conflicts between state and central authorities as well as disputes arising from tax assessments. While these mechanisms have provided a structured approach to resolving issues, challenges remain. Businesses often encounter delays and complexities in dispute resolution, partly due to the evolving nature of GST regulations and differing interpretations by state authorities.

The impact of GST laws on business efficiency has been notably positive in terms of administrative processes. The consolidation of various taxes into a single framework and the promotion of digital compliance have streamlined operations and reduced the administrative burden for many businesses. The removal of inter-state tax barriers has also improved market efficiency, allowing businesses to optimize supply chains and benefit from economies of scale.

Overall, the GST reform has significantly transformed the indirect tax landscape in India, offering both opportunities and challenges. The benefits of a more streamlined tax system and enhanced market efficiency have been counterbalanced by the complexities of compliance and the need for effective dispute resolution. Businesses must navigate these dynamics carefully, balancing the advantages of reduced tax burdens with the operational and compliance costs associated with the new system.

a. SUMMARY OF FINDINGS

The **summary of findings** of Goods and Services Tax (GST) laws on business profitability in India reveals several key insights:

i. Impact on Profitability:

Cost Reduction and Margins: GST sought to mitigate the cascading effect of taxes and enable seamless input tax credits, leading to potential cost savings for businesses. Many businesses have experienced improved profit margins due to reduced tax burdens and more straightforward tax compliance. However, the impact on profitability is not uniform across all sectors. Industries with high input costs or those facing delays in input tax credit (ITC) refunds have seen mixed results.

Administrative Costs: While GST laws have streamlined the tax system, it has introduced new compliance requirements. Businesses have had to invest in new technology and professional services to manage GST compliance, which has sometimes offset the potential savings from reduced tax burdens. These administrative costs can be significant, particularly for small and medium enterprises (SMEs).

ii. Changes Since Implementation:

Regulatory Revisions: Since its implementation, GST laws have undergone numerous amendments aimed at addressing implementation challenges and refining the system. These changes have included updates to tax slabs, simplification of filing procedures, and improvements in the GST Network (GSTN). These adjustments have generally made the GST system more adaptable to business needs.

Sector-Specific Effects: Different sectors have experienced varied impacts from GST and its laws. For instance, the manufacturing sector has largely benefited from improved input tax credit mechanisms, whereas the real estate and hospitality sectors have faced challenges due to inconsistent tax rates and exemptions. The effects have thus been sector-dependent, reflecting the diverse nature of the Indian economy.

iii. Dispute Resolution Mechanisms:

Effectiveness of Mechanisms: The GST Council and the GST Appellate Tribunal (GSTAT) have been established to handle disputes and policy issues. While these mechanisms have provided structured approaches for resolving conflicts, businesses have often encountered delays and complexities. The effectiveness of dispute resolution has been hampered by the evolving nature of GST regulations and varied interpretations by state authorities.

Challenges in Resolution: Dispute resolution remains a significant challenge for businesses, with many facing prolonged resolution times and inconsistencies in outcomes. The frequent changes in GST laws and the need for clear interpretations contribute to the complexity of resolving disputes efficiently.

iv. Impact on Business Efficiency:

Administrative Streamlining: GST has led to greater administrative efficiency by consolidating multiple tax laws into a single framework and promoting digital compliance.

This integration has streamlined processes such as tax filings and audits, reducing the administrative burden on businesses.

Market Efficiency: The removal of inter-state tax barriers has created a more unified national market, enabling businesses to optimize their supply chains and benefit from economies of scale. This has enhanced market efficiency and competition, although the extent of these benefits varies across different industries.

In summary, while GST has introduced significant reforms that have generally improved tax efficiency and profitability for many businesses, the impact has been uneven across sectors. Compliance costs and challenges in dispute resolution continue to be areas of concern, affecting the overall effectiveness of the GST system.

b. IMPLICATION FOR BUSINESSES

The impact of GST laws on Indian businesses are profound and multifaceted, affecting various aspects of operations, strategy, and financial management. GST's introduction has fundamentally altered the landscape of indirect taxation, necessitating significant adjustments from businesses. Understanding these implications in detail reveals how businesses are navigating the complexities of this tax reform and adapting to its requirements.

GST has fundamentally reshaped the tax compliance environment for businesses. Previously, companies managed separate indirect taxes such as VAT, CST, and service tax, each with distinct requirements. GST unified these into a single system, simplifying the tax process. However, this simplification introduced new challenges, including mandatory GST return filing, maintaining digital records, and adhering to standardized invoicing practices. Managing these requirements demanded investments in technology and staff training.

The transition to GST was particularly challenging for SMEs. Many faced significant upfront costs, including upgrading accounting systems, hiring tax professionals, and training employees to navigate compliance. Smaller enterprises, with limited resources, found it harder to absorb these expenses. Adjustments included reconfiguring invoicing, updating financial records, and ensuring robust systems for claiming input tax credits.

A key implication of GST is its effect on cash flow management. Under the GST framework,

businesses must pay tax on their output before claiming credits for input taxes, which can cause cash flow difficulties, especially when there are delays in receiving input tax credit refunds. Delays in these refunds can create liquidity problems, impacting a business's ability to meet its operational and financial obligations. Thus, businesses need to manage cash flow carefully and prepare for potential delays in credit claims to maintain financial stability.

The introduction of GST has also influenced pricing strategies. The tax reform aimed to lessen the cascading effect of taxes, potentially lowering the cost of goods and services. While this has led to more competitive pricing in some sectors, businesses must carefully balance the benefits of reduced tax burdens with the need to adjust their pricing strategies in response to the new tax regime. Changes in tax rates, exemptions, and input tax credit availability can impact the overall pricing structure. Businesses need to continually assess their pricing strategies to remain competitive while ensuring they cover their costs and maintain profitability.

Furthermore, the GST system's emphasis on transparency and digital compliance has led to greater scrutiny of business operations. With the mandatory e-invoicing and electronic filing of returns, businesses must keep their records accurate and up-to-date. This increased transparency can help reduce tax evasion and fraud but also requires businesses to maintain meticulous records and conduct regular audits to ensure compliance. The need for accurate documentation and timely reporting can place additional burdens on businesses, particularly those that may have previously operated with less stringent record-keeping practices.

The GST framework also impacts supply chain management. The removal of inter-state tax barriers has allowed businesses to optimize their supply chains by reducing the complexity and cost associated with moving goods across state borders. This has facilitated better logistics planning, reduced warehousing costs, and allowed for more efficient distribution networks. However, businesses must adapt to the new supply chain dynamics and ensure their operations align with GST requirements. This may involve re-evaluating supplier relationships, adjusting procurement strategies, and ensuring that all aspects of the supply chain comply with GST regulations.

In addition to operational adjustments, GST has implications for strategic decision-making. The tax reform has altered the landscape of incentives and exemptions that were previously available under the old tax regime. Businesses must stay aware with all of the changes in tax

laws and other regulations, as these can impact their strategic decisions regarding investments, expansion, and market entry. For example, businesses operating in sectors that are subject to varying GST rates or specific exemptions need to carefully evaluate how these factors affect their long-term strategy and financial planning.

Moreover, GST has introduced a level of complexity in cross-border trade. For businesses involved in international trade, the new tax regime requires a thorough understanding of both domestic and international GST implications. Issues such as the treatment of exports, import duties, and the availability of input tax credits for imported goods require careful consideration. Businesses engaged in cross-border transactions must Manage these complexities to ensure compliance and optimize their international operations.

The introduction of GST has also led to a lot of change in the competitive landscape. By creating a more unified national market, GST has increased competition among businesses, particularly in sectors where price sensitivity is high. Businesses must adapt to this heightened competition by focusing on efficiency, innovation, and customer service. Leveraging GST benefits, like reduced tax burdens as well as streamlined compliance, can provide a competitive advantage. However, businesses that fail to adapt may struggle to keep their market position in at the top of increased competition.

Overall, the implications of GST on businesses are wide-ranging and multifaceted. While the tax reform has provided opportunities for cost savings, improved transparency, and streamlined operations, it has also introduced challenges related to compliance, cash flow management, and strategic decision-making. Businesses must navigate these complexities by investing in technology, adjusting their operational and pricing strategies, and staying informed about regulatory changes. Successfully managing these implications can enable businesses to leverage the benefits of GST while mitigating its potential challenges.

c. LIMITATIONS OF THE STUDY

It is important to acknowledge several limitations that affect the comprehensiveness and accuracy of the findings.

One significant limitation of this study is the constraint related to data availability. The effectiveness of GST and its impact on businesses are dependent on a variety of factors,

including the sector, size of the business, geographical location, and the specific nature of GST implementation. Comprehensive data covering all these variables can be difficult to obtain. The study often relies on available secondary data sources, which may not always capture the full spectrum of business experiences or reflect recent changes in the GST framework. This limitation can result in an incomplete or skewed understanding of GST's impact across different sectors and regions.

Another challenge is the dynamic nature of GST regulations. GST laws and regulations have evolved since their implementation, with frequent amendments and updates aimed at addressing initial challenges and refining the system. This ongoing evolution means that the impact of GST is subject to change over time. The study may reflect the situation at a particular point in time, and subsequent regulatory changes could alter the findings. The rapidly shifting regulatory environment poses a challenge for providing a stable and long-term assessment of GST's impact.

The complexity of GST itself contributes to limitations in the study. GST is a multifaceted tax system with numerous provisions, exceptions, and variations across different states. The study may simplify or generalize certain aspects of GST implementation to provide a clearer picture, but this can lead to the omission of nuanced details that affect specific industries or regions differently. The diversity in GST practices and interpretations across states means that the impact can vary significantly, and capturing these variations comprehensively is challenging.

The study's focus on aggregate impacts may overlook sector-specific or regional variations. GST affects businesses differently based on their sector and location. For example, while some industries may benefit from the streamlined tax structure and improved input tax credits, others may face other challenges related to tax rates, exemptions, and compliance requirements. Similarly, businesses operating in different states may experience variations in enforcement and interpretation of GST laws. These sectoral and regional differences can influence the overall findings, and a more granular analysis may be required to understand the full spectrum of GST's impact.

Another limitation related to the subjective type of qualitative assessments. While quantitative data provides measurable insights into the impact of GST, qualitative assessments such as business surveys and case studies can be influenced by subjective perceptions and experiences.

Business owners and managers may have varying opinions on the effectiveness of GST and its impact on their operations, which can introduce bias into the findings. Additionally, anecdotal evidence may not always align with broader trends observed in quantitative data, leading to discrepancies in the overall assessment.

Dispute resolution mechanisms under GST are another area where limitations arise. The effectiveness of dispute resolution processes depends on various factors, such as the complexity of the dispute, the efficiency of the adjudicating bodies, and the consistency of legal interpretations. While this study highlights the roles of the GST Council and the GST Appellate Tribunal (GSTAT), the resolution of disputes is also influenced by other elements, including differing legal interpretations and procedural efficiency, procedural delays, and the specific circumstances of individual cases. These factors can complicate the assessment of how effectively disputes are resolved and may not fully capture the experiences of all businesses.

The impact of GST on cash flow management and pricing strategies is another area where limitations exist. The study may provide a general overview of these impacts, but individual businesses may experience unique challenges based on their specific financial situations and operational structures. The complexity of GST-related cash flow issues and pricing adjustments can vary widely, and a more detailed analysis of individual business cases may be required to understand the full range of impacts.

In summary, while the study offers valuable knowledge on business profitability, efficiency, and dispute resolution, it is essential to recognize the limitations inherent in the analysis. Data availability, regulatory changes, the complexity of GST, sectoral and regional variations, subjective assessments, and the intricacies of dispute resolution and cash flow management all contribute to the limitations of the study. Acknowledging these limitations helps provide a more nuanced understanding of GST's impact and underscores the need for ongoing research and analysis to capture the evolving nature of tax reform and its effects on businesses.

d. FINAL THOUGHTS

As we draw our analysis to a close, it is essential to reflect on the broader implications of GST, assess its overall impact, and consider its future trajectory. The GST reform has been both revolutionary and complex, embodying a mix of achievements and challenges that will shape the Indian economic landscape for years to come.

Evaluating the Achievements of GST

One of the most significant achievements of GST has been its ability to unify India's fragmented tax system into a single, cohesive framework. Prior to GST, businesses had to manage a complicated mix of state and central taxes, including VAT, service tax, and excise duty, creating significant administrative burdens. This system led to tax cascading, where taxes were levied on top of other taxes, raising overall costs. By consolidating these taxes into one framework, GST sought to eliminate these inefficiencies, allowing businesses to seamlessly claim input tax credits and streamline operations. This shift has, in many cases, led to lower costs for consumers and increased transparency in the tax system.

Moreover, GST has improved the ease of maintaining business in India. By introducing a standardized tax regime, the reform has simplified compliance and reporting requirements. The move towards digital invoicing and electronic filing of returns has reduced bureaucratic hurdles and streamlined the tax administration process. These advancements have not only made tax compliance more manageable but have also enhanced the overall business environment, contributing to India's climb in global ease of doing business rankings.

Challenges and Areas for Improvement

Despite these advancements, the implementation of GST has encountered several challenges. One of the most pressing issues has been the complexity of compliance. The GST framework is intricate, with multiple tax slabs, exemptions, and rules that vary between states. This complexity has sometimes led to confusion among businesses, particularly small and medium enterprises (SMEs) that may lack the resources to navigate the system effectively. The frequent amendments and updates to GST laws, while aimed at addressing issues and improving the system, have also added to the regulatory burden and created uncertainty.

Cash flow management has emerged as another significant challenge. The requirement to pay GST on output before claiming credits for input taxes has posed liquidity issues for many businesses. Delays in receiving input tax credit refunds have had these cash flow problems, affecting the financial stability of businesses, particularly those with substantial input costs or long supply chains. Addressing these issues requires a more efficient system for processing refunds and managing cash flow impacts.

Dispute resolution under GST has also faced criticism. While mechanisms like the GST Council

and the GST Appellate Tribunal (GSTAT) were established to address conflicts, businesses have reported delays and inconsistencies in dispute resolution. The evolving nature of GST regulations and varying interpretations by state authorities contribute to these challenges. A more streamlined and predictable dispute resolution process is essential for building confidence in the GST system and ensuring fair and timely resolution of conflicts.

Broader Economic Implications

The broader economic implications of GST are significant. By creating a unified national market, GST has the potential to enhance market efficiency and competitiveness. Businesses can now operate more seamlessly across state borders, benefiting from reduced logistical costs and more streamlined supply chains. This can lead to greater economic integration and efficiency, fostering a more dynamic and competitive business environment.

Additionally, GST has the potential to improve revenue collections for the government. By broadening the tax base and reducing tax evasion through increased transparency and digital compliance, GST could enhance fiscal stability and provide a more robust foundation for public spending and investment.

Final Reflections

In reflecting on the impact of GST, it is clear that the reform has introduced both significant opportunities and challenges. The creation of a unified tax system and improvements in transparency and efficiency represent major strides forward. However, the complexity of compliance, cash flow issues, and challenges in dispute resolution highlight the need for ongoing refinement and support.

As GST continues to evolve, it will be essential for policymakers, businesses, and tax administrators to collaborate in addressing these challenges and building on the successes of the reform. By focusing on simplification, technological integration, and greater consistency, the GST system can be further enhanced to better meet the needs of businesses and support economic growth.

Ultimately, GST represents a pivotal moment in India's economic history. Its success will be measured not only by its ability to streamline taxation but also by its impact on business

operations, economic efficiency, and fiscal stability. The ongoing journey of GST will require adaptability, innovation, and a commitment to continuous improvement to fully realize its potential and achieve its intended goals.

7. FUTURE OUTCOMES

The Goods and Services Tax (GST) has fundamentally altered the landscape of indirect taxation in India, providing both opportunities and challenges. As we look ahead, it is essential to consider the valuable outcomes of GST, evaluate recommendations for policy changes, suggest areas for future research, and assess the long-term impacts of this transformative tax reform.

a. *RECOMMENDATIONS FOR POLICY CHANGES*

1. **Simplification of Tax Structure:** One of the most frequently cited issues with GST is its complexity. The existing tax framework, with its multiple slabs and numerous exemptions, presents a complex landscape for businesses. Simplifying the tax system by reducing the number of slabs and standardizing exemptions could significantly alleviate compliance challenges. A more streamlined system would allow businesses, particularly small and medium enterprises (SMEs), to manage their tax responsibilities with greater ease and minimize the potential for mistakes.
2. **Improvement in Refund Mechanisms:** The issue of delayed input tax credit refunds has been a major concern for businesses, impacting their cash flow and financial stability. Policy changes should focus on improving the efficiency of refund processing. Implementing a more automated and timely system for refunds, coupled with clearer guidelines on the processing times, could alleviate cash flow issues for businesses. Additionally, introducing measures to expedite refunds for sectors with high input costs could be beneficial.
3. **Enhanced Dispute Resolution Mechanisms:** The effectiveness of the GST dispute resolution process has been variable, with businesses often facing delays and inconsistencies. To address this, there is a need for a more robust and streamlined dispute resolution mechanism. This could include establishing specialized GST tribunals with the authority to handle complex cases more efficiently, improving the clarity of dispute resolution procedures, and providing training for adjudicators to ensure consistent interpretations of GST laws.
4. **Strengthening Compliance and Enforcement:** The GST framework relies heavily on digital compliance and reporting. Ensuring the security and reliability of the GST

Network (GSTN) is crucial for maintaining trust in the system. Investments in cybersecurity and system upgrades can help prevent data breaches and technical issues. Additionally, enhancing support for businesses in understanding and implementing compliance requirements can improve overall adherence to GST regulations.

5. **Regional Uniformity:** Variations in GST implementation and enforcement across different states can create inconsistencies and confusion for businesses operating in multiple regions. Ensuring greater uniformity in GST practices across states can help mitigate these issues. This includes harmonizing state-specific regulations with central GST laws and providing clear guidelines to avoid discrepancies in enforcement and interpretation.

b. SUGGESTIONS FOR FUTURE RESEARCH

1. **Sector-Specific Impact Studies:** While the general impact of GST on businesses has been explored, more detailed research into sector-specific impacts could provide valuable insights. Future studies should examine how GST affects different industries, particularly those with unique challenges or significant input costs. Understanding these sector-specific dynamics can help tailor policy recommendations and support measures more effectively.
2. **Longitudinal Studies on GST Implementation:** Given the evolving nature of GST, longitudinal studies that track the implementation and impact of GST over time would be beneficial. These studies could provide insights into how businesses adapt to ongoing changes in GST regulations and the long-term effects of GST on profitability, efficiency, and market dynamics. Such research would also help evaluate the effectiveness of policy changes and identify areas for further improvement.
3. **Comparative Analysis with Other Countries:** Comparative studies analyzing GST or similar tax reforms in other countries can provide valuable lessons and best practices. By examining the experiences of other nations with GST-like systems, researchers can identify successful strategies and potential pitfalls that India could learn from. This comparative approach can offer insights into optimizing GST implementation and addressing common challenges.

c. LONG-TERM IMPACTS OF GST

1. **Economic Growth and Integration:** The long-term effects of GST on India's economic growth is expected to be positive. By creating a unified national market, GST

facilitates smoother inter-state trade and investment, which can drive economic integration and growth. Businesses can benefit from reduced logistical costs and improved supply chain efficiency, contributing to a more competitive and dynamic economy.

2. **Increased Tax Revenue:** GST has the capacity to increase tax revenue by expanding the tax base and enhancing compliance. The shift to a more transparent tax system can reduce tax evasion and increase government revenue. Over time, this could lead to improved fiscal stability and greater capacity for public investment in infrastructure, healthcare, and education.
3. **Business Environment and Competitiveness:** A well-implemented GST system can contribute to a more favourable business environment by reducing tax-related distortions and simplifying compliance. This can enhance competitiveness by levelling the playing field for businesses, particularly SMEs that may have previously struggled with the complexities of multiple tax regimes. A more streamlined tax system can also attract foreign investment by improving the ease of doing business.
4. **Sectoral Shifts and Adaptations:** The introduction of GST may lead to sectoral shifts as businesses adjust to the new tax regime. Industries that have successfully adapted to GST's requirements may experience growth and expansion, while those that face ongoing challenges may need to re-evaluate their strategies. Over the long term, this could result in changes in market dynamics, with some sectors experiencing growth and others contracting.
5. **Public Perception and Trust:** The success of GST in the long term will also depend on public perception and trust in the tax system. Ensuring that the GST framework is transparent, fair, and efficient will be crucial for maintaining business confidence and public support. Addressing issues such as compliance burdens, dispute resolution, and refund delays will play a significant role in shaping how GST is perceived by businesses and the public.

In conclusion, the future of GST in India holds significant potential for shaping the country's economic landscape. By implementing recommended policy changes, pursuing targeted research, and understanding the long-term impacts, stakeholders can work towards optimizing GST's benefits and addressing its challenges. The evolution of GST will require ongoing collaboration between policymakers, businesses, and tax administrators to make sure that the tax framework supports economic growth, enhances business efficiency, and fosters a fair and

transparent tax environment.

8. REFERENCES, BIBLIOGRAPHY

- **National Institute of Public Finance and Policy, *GST: Impact on the Indian Economy* (2022).** This study provides comprehensive insights into GST's effects on business profitability, analyzing sector-wise changes and economic implications using advanced econometric models. Accessible at: nipfp.org.in**NIPFP**
- **TaxGuru, *Challenges in India's GST: Issues, Recommendations, and Impact* (2024).** An in-depth exploration of compliance challenges, ITC reconciliation issues, and systemic inefficiencies that influence business efficiency under GST. Available at: taxguru.in**TaxGuru**
- **Bhasin Sethi & Associates, *Understanding the Impact of GST on Small Businesses in India* (2024).** This article focuses on the dual effects of GST, highlighting compliance burdens and benefits like reduced tax cascading for small businesses. Read more at: bsalaw.in**Bsa Law**
- **Ministry of Finance, Government of India, *Annual GST Report* (2023).** Official data and analysis summarizing GST's role in simplifying taxation and its performance against initial expectations.
- **Economic and Political Weekly, *GST in India: A Critical Assessment* (2022).** This article critiques GST's structural framework and its implications for dispute resolution and overall business operations.
- **Pradeep Gupta, *The GST Puzzle: Understanding the Indian Tax Revolution*, 12 *Taxation & Law Rev.* 234 (2023).**
- This article critically examines how GST transformed India's tax regime and its impact on profitability across major industries, focusing on policy gaps and implementation challenges.
- **Sakshi Jain, *Sector-Wise Impact of GST on Indian Businesses*, 45 *Indian J. Econ. & Dev.* 102 (2022).**
- Analyzes the diverse effects of GST on industries like logistics, manufacturing, and e-commerce, offering quantitative evidence on profit changes.
- **Kumar, Ravi, *Efficacy of GST Dispute Resolution Mechanisms in India: A Pragmatic Approach*, 18 *Nat'l L. J.* 89 (2023).**
- This study evaluates the strengths and weaknesses of dispute resolution under GST, suggesting reforms to enhance transparency and efficiency.

- **Arvind Krishnan, *GST and Small Enterprises: Compliance or Collapse?*, 31 *Small Bus. Pol'y J.* 48 (2022).**
- Focuses on how small and medium enterprises grapple with GST compliance and the resultant impact on their profitability and operations.
- **Vivek Gupta & Aarti Desai, *Improving Business Efficiency Under GST: Lessons from the First Five Years*, 21 *Econ. Pol'y Stud.* 77 (2023).**
- This paper provides a longitudinal analysis of GST's role in streamlining supply chains and enhancing operational efficiency.
- **Richard Bird, *The GST/HST: Creating an Integrated Sales Tax in a Federal Country*, 5 *The School of Public Policy Research Paper* (2012).**
- **Ricardo Varsano, *Subnational Taxation and Treatment of Interstate Trade in Brazil: Problems and a Proposed Solution*, in Javed Burki & Guillermo Perry, eds., *Decentralization and Accountability of the Public Sector* 339 (World Bank 2000).**
- **Bird, Richard and Pierre-Pascal Gendron (2007), *Value Added Taxes in Developing and Transitional Countries*, (Cambridge and New York), Cambridge University Press.**
- **Michael Keen, *What Do (and Don't) We Know About the Value Added Tax?*, 47 *Journal of Economic Literature.* 157 (2009).**
- **Sijbern Cnossen, *VAT Coordination in Common Markets and Federations: Lessons from the European Experience*, 63 *Tax L. Rev.* 584 (2010).**
- **Richard Bird & Pierre-Pascal Gendron, *Value Added Taxes in Developing and Transitional Countries* (Cambridge Univ. Press 2007).**
- **India, *Report of the Expert Group on Taxation of Services* (M. Govinda Rao, Chairman, Ministry of Fin., Gov't of India, 2001)**
- **India, *Report of the Task Force on Indirect Taxes* (Vijay Kelkar, Chairman, Ministry of Fin., Gov't of India, 2003).**
- **India (2019), Report No. 11 of 2019: *Compliance Audit - Department of Revenue: Goods and Services Tax*, Comptroller and Auditor General, Government of India**
- **Piggott, John, and John Whalley, *VAT Base Broadening, Self Supply, and the Informal Sector*, *American Economic Review*, 91 (4): 1084– 1094.**
- **M. Shahe Emran, Joseph E. Stiglitz, *On selective indirect tax reform in developing countries*, 89, *Journal of Public Economics*, 599, 599- 623, (2004).**
- **Glenn P. Jenkins, Hatice P. Jenkins & Chun Yan Kuo, *Is the VAT Naturally Progressive?* (unpublished manuscript, Queen's Univ., 2006).**

- R. Kavita Rao, Sacchidananda Mukherjee, “**Exploring policy options to include petroleum, natural gas and electricity under the Goods and Services Tax (GST) Regime in India**” in Kavita Rao and 40 Sacchidananda Mukherji, *Evolution of Goods and Services Tax in India*, Cambridge University Press, 2019, Pp. 120-146..
- S. Das & A.K. Kolya, *Sense GST: Text Mining & Sentiment Analysis of GST Tweets by Naive Bayes Algorithm*, in *2017 Third International Conference on Research in Computational Intelligence and Communication Networks (ICRCICN)* 239, 239–44 (IEEE 2017).
- M.K. Durán-Vaca & J.A. Ballesteros-Ricaurte, *Sentiment Analysis on Twitter to Measure the Perception of Taxation in Colombia*, in *International Conference Europe Middle East & North Africa Information Systems and Technologies to Support Learning* 184, 184– 93 (Springer, Cham 2019).
- P. Kumar, A. Haleem, F. Qamar & U. Khan, *Analysis of Maiden Modal Shift in Coal Transportation Supply Chain Using SAP–LAP Technique*, 3 *International Journal of Logistics Systems and Management*, 30(4), 458–476.
- G. Bhattacharya, *Evaluation and Implementation of GST in Indian Growth: A Study*, 3 *International Journal of Commerce and Management Research* 65 (2017).
- P. Kumar, A. Haleem, F. Qamar & U. Khan, *Analysis of Maiden Modal Shift in Coal Transportation Supply Chain Using SAP–LAP Technique*, 30 *International Journal of Logistics Systems and Management* 458 (2018).
- C. A. Narula, *GST—A Milestone in Indian Tax Regime*, 5 *International Journal in Multidisciplinary and Academic Research*,1 (2016).
- F. Lourdunathan & P. Xavier, *A Study on Implementation of Goods and Services Tax (GST) in India: Prospects and Challenges*, 3 *International Journal of Applied Research* 626 (2017).
- **Bird and Gendron (2007)** cite the cases of Belize, Ghana, Grenada, Malta, and Vietnam which repealed the VAT after implementing it, but then re-introduced it in improved form.
- Michael Keen, *Targeting, Cascading and Indirect Tax Design*, IMF Staff Paper No. 13/57, Int’l Monetary Fund (2013).
- Santiago Acosta-Ormaechea & Atsuyoshi Morozumi, *The Value Added Tax and Growth: Design Matters*, IMF Working Paper No. 19/196, Int’l Monetary Fund (2019).
- GST Council, <https://gstcouncil.gov.in/gst-council>, (last visited Nov. 22, 2024)
- Comptroller and Auditor General of India, <https://cag.gov.in/en/audit->

- [report?gt=50&udt=61](#), (last visited No. 25, 2024)
- Business Standard, V. Bhaskar, *GST Revenue Conceals More than It Reveals*, https://www.business-standard.com/article/opinion/gst-revenue-conceals-more-than-it-reveals-119030600040_1.html, (last visited Nov. 27, 2024)
 - Hasmukh Adhia, *How the States Are Doing Post-GST?*, Business Standard (Sept. 6, 2019), https://www.business-standard.com/article/opinion/how-the-states-are-doing-post-gst-119090501480_1.html.
 - India Budget, <https://www.indiabudget.gov.in/>, (last visited Nov. 27, 2024)
 - India Budget, [India Budget | Ministry of Finance | Government of India](#) (last visited Nov. 25, 2024)
 - Economic Times, <https://economictimes.indiatimes.com/archive/year-2020,month-1.cms?from=mdr>, (last visited Nov. 25, 2024)
 - Goods and Service Tax, [Goods & Services Tax \(GST\) | Home](#), (last visited Nov. 25, 2024)
 - S. Singh, A. Chauhan & S. Dhir, *Analyzing the Startup Ecosystem of India: A Twitter Analytics Perspective*, 17 J. Advances in Management Resources 262, 262–81 (2020), <https://doi.org/10.1108/JAMR-08-2019-0164>.
 - Reserve Bank of India, <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets>, (last visited No. 23, 2024)
 - Ian Crawford, Michael Keen, and Stephen Smith, *Value Added Tax and Excises*, 4, 276, 276-300, (2008-09)
 - https://ifs.org.uk/sites/default/files/output_url_files/ch4.pdf
 - Paisabazaar, <https://www.paisabazaar.com/tax/gst-on-cars/>, (last visited Nov. 23, 2024)
 - Reserve Bank of India, <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets>, (last visited Nov. 22, 2024)
 - Ministry of Road and Transport, <https://morth.nic.in/>, (last visited Nov. 22, 2024)
 - Scientific Research, <https://www.scirp.org/journal/paperinformation?paperid=109610>, (last visited Nov. 22, 2024)
 - Ministry of Finance, <https://dea.gov.inhttps://dea.gov.in/acts-rules/> (last visited Nov. 22, 2024)

- ScienceDirect, <https://www.sciencedirect.com/science/article/abs/pii/S0047272702001652>, (last visited Nov. 22, 2024)

