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# **CHANGE IN TAXING REGIME- GOODS AND SERVICES TAX (BOON OR BANE)**

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## **ABSTRACT**

This study provides a comprehensive analysis of the Goods and Services Tax (GST) regime in India, focusing on its legislative framework, compliance challenges, and practical implications for businesses and taxpayers. The study examines key aspects of the GST regime, including the Central Goods and Services Tax Act (CGST), Integrated Goods and Services Tax Act (IGST), State Goods and Services Tax Acts (SGST), and associated rules, notifications, and circulars. Through real-world case studies, the study illustrates the complexities of GST compliance across different sectors and scenarios, highlighting the need for robust systems and processes. Furthermore, the study explores the impact of GST on consumer prices, inflation, and economic dynamics, revealing insights into market behavior and consumer welfare. The study concludes with future trends and limitations, identifying areas for policy intervention and research to optimize the effectiveness and efficiency of India's tax system.

**Keywords:** Goods and Services Tax (GST), legislative framework, compliance challenges, taxation, CGST Act, IGST Act, SGST Acts,

## **CHAPTER-1**

### **INTRODUCTION**

A sea change occurred in India's tax system with the introduction of the Goods and Services Tax (GST). Businesses, consumers, & the economy were all expected to benefit greatly from the Goods and Services Tax (GST), which was introduced on July 1, 2017, with the goal of simplifying the country's complicated taxing structure. Nevertheless, views on its effectiveness differ substantially, as is typical with any substantial change. To determine whether the Goods and Services Tax (GST) has been beneficial or detrimental to India's tax system, this article explores the complexities of the regime, looking at how it has affected different groups. A worldwide movement to simplify taxation systems and promote frictionless commerce gave rise to the Goods and Services Tax (GST) in the early 2000s. The creation by the Kelkar Task Force around 2002 marked the beginning of India's serious pursuit of GST, since it established the framework for its eventual implementation. In 2017, however, under Prime Minister Narendra Modi's leadership, the GST was finally implemented after its structure and rates had been agreed by the GST Council, which included members from both the federal and state governments.

The Goods and Services Tax (GST) is essentially a consolidation of several other indirect taxes that were formerly imposed by both the federal and state governments. These taxes included things like octroi, value-added tax (VAT), service tax, and excise duty. It is based on the idea of "One Nation, One Tax," which seeks to unite the country's markets by reducing or doing away with tax cascades and encouraging free trade across state lines. Together, the Central Goods and Services Tax Act (CGST), the Integrated Goods and Services Tax Act (IGST), as well as the State Goods and Services Tax Act (SGST) constitute the legal framework that governs the administration and compliance with GST. These acts were enacted alongside the implementation of GST.

By establishing a single, consistent tax system in place of several tax regimes, one of the main goals of GST was to make tax compliance easier for companies. Businesses must use the Goods and Services Tax Network (GSTN), a strong IT infrastructure created to allow easy tax administration, to electronically register, submit returns, and pay taxes under the GST system. To further reduce the tax cascade effect and boost supply chain efficiency, GST also introduced the idea for input tax credit (ITC), which companies may use to recoup taxes spent on inputs.

## **CHAPTER-2**

### **LITERATURE REVIEW**

**Indian Goods and Services Tax: A Review of its Introductory Stage and its Possible Contribution Towards Sustainable Economic Development.**  
**International Journal of Management Studies, Kumar, A. (2018)**

One of the most significant changes to indirect taxes since 1947 is the Goods and Services Tax (GST). A number of current taxes, including the value-added tax (VAT), excise duty, tax on services, and sales tax, will be replaced by the Goods and Services Tax (GST). Sales and consumption of manufactured products and services will be subject to this tax. The Goods and Services Tax (GST) is supposed to bring the country's economy closer together by fixing the domino effect of the current tax system. This article provides an overview of the history, goals, and current tax situation in India as they pertain to the planned Goods and Services Tax (GST). Several advantages and potential prospects of GST are further investigated in the article. The paper concludes after an examination.

To estimate is the meaning of the Latin word "taxare," from which the English word "tax" comes. In accordance with the power of the legislature, a levy is imposed as a mandatory payment. There are two main components to India's tax system: direct and indirect taxes. Among the many proposed changes to indirect taxes, the Goods and Services Tax (GST) has received the greatest attention. Everything from production to final consumption is subject to this all-encompassing tax system. The country's GDP is projected to have a 2% incremental rise as a result. Therefore, GST is a must-have right now.

The goods and services tax (GST), its goals, the current indirect tax system, and its main revisions are introduced in Section 1 in the article. The article's second section analyses the effects of GST on various industries and the economy as a whole. The article's third section delves into the many advantages and prospects of GST. Section 4 outlined the article's main points and conclusion.

### **CHAPTER-3**

## **INTRODUCTION TO GST: ORIGINS, OBJECTIVES, AND IMPLEMENTATION**

After India's independence, the Goods and Services Tax (GST) was the country's most ambitious and outstanding indirect tax reform.

The plan's end goal is to tax all commodities and services in India with the same uniform rate. More manufacturers are now subject to taxation, and India is more of a nationally connected market thanks to the Goods and Services Tax (GST), which has supplanted many Central and

State levies. Growth and government coffers may both benefit greatly from its efficiency-boosting effects. It is likely unique in contemporary world tax history for the federal government and the individual states to implement a new tax that covers commodities and services inside a vast and intricate federal structure.

Goods and services tax (GST) has a thorough and continuous set-off benefit chain that reaches the merchant level. Essentially, it's a tax on value addition as each level, and suppliers may recoup some of the GST they spent on products and services via a tax credit system. The ultimate customer or user of a product or service is the one who ends up paying the GST.

The Goods and Services Tax (GST) has removed the burden of indirect tax cascading and pyramiding by establishing a continuous chain for set-off from the point of production (the producer) to the point of consumption (the merchant). Herein lies GST's core principle. GST alone levies taxes on the end user. Therefore, manufacturing costs are reduced and tax cascading (tax on tax) is prevented.

It has been previously mentioned that there were several restrictions in India's indirect tax structure before the implementation of GST. Prior to the Goods and Services Tax (GST), the Central Excise Duty and State Sales Tax systems were incompatible. The Goods and Services Tax (GST) has absorbed a plethora of state and federal indirect taxes. For the purpose of set-off relief, it has included sales and use taxes. A number of distributive trade value enhancements have also been recorded. All cascading impacts would be alleviated by the current continuous chain of set-offs.

## **CHAPTER-4**

### **LEGISLATIVE FRAMEWORK OF GST: ACTS, LAWS, AND REGULATIONS**

The legislative framework of the Goods and Services Tax (GST) in India is a multifaceted structure encompassing various acts, laws, and regulations aimed at governing the administration, compliance, and enforcement of GST. At the core of this framework are the following key legislations:

#### **Central Goods and Services Tax Act (CGST):**

The CGST Act, enacted by the Parliament of India, forms the backbone of the GST regime at the central level. It lays down the fundamental principles, provisions, and procedures governing the levy and collection of central goods and services tax.

### **Integrated Goods and Services Tax Act (IGST):**

The IGST Act provides for the levy and collection of integrated goods and services tax on inter-state supplies of goods and services. It ensures seamless taxation of interstate transactions and facilitates the smooth flow of goods and services across state borders.

### **State Goods and Services Tax Acts (SGST):**

Each state in India has its own SGST Act, which mirrors the provisions of the CGST Act with necessary modifications to suit the state's requirements. These acts empower the state governments to levy and collect state goods and services tax on intra-state supplies of goods and services.

In addition to these primary legislations, there are various rules, regulations, notifications, and circulars issued by the central and state governments, as well as the GST Council, to provide detailed guidelines and procedures for the implementation of GST. These include:

**GST Rules:** The GST rules prescribe the procedures and processes to be followed by taxpayers for various GST-related activities such as registration, invoicing, filing of returns, and claiming input tax credit.

**GST Notifications:** The government issues notifications from time to time to announce changes in tax rates, exemptions, thresholds, and procedural requirements under GST. These notifications have legal force and are binding on taxpayers.

**GST Circulars:** Circulars are issued by the Central Board of Indirect Taxes and Customs (CBIC) and state tax authorities to provide clarifications and interpretations on specific provisions of the GST law, address common issues faced by taxpayers, and ensure uniform application of the law across jurisdictions.

The legislative framework of GST in India is dynamic and subject to continuous amendments and revisions based on evolving economic, administrative, and legal considerations. It is aimed at creating a transparent, predictable, and taxpayer-friendly tax regime while ensuring effective revenue mobilization and compliance enforcement. Compliance with the provisions of these acts, laws, and regulations is essential for businesses to navigate the complexities of the GST regime and fulfill their tax obligations in a timely and lawful manner.

India has chosen the dual GST approach because of the way its government works, which is federal. Under this plan, both the Centre and the States tax the same thing at the same time: the

production for goods or services, and both. Central GST (Central tax/CGST) is the name of the GST that the Centre will charge. State GST (State Tax/SGST) or UTGST (Union Territory Tax) is the name of the GST that the States and Union Territories will charge.

India's GST system is very complicated. The fact that there are two levels of government (Central and State) means that both can collect and handle GST, which leads to multiple tax probes going on at the same time. Because of this, there are times when both the Central or State Tax officials may look closely at the same transaction or organization. This can lead to processes going on at the same time.

## **CHAPTER-4**

### **GST COMPLIANCE: REGISTRATION, FILING, AND RETURNS**

A new era in India's indirect taxation history began with the adoption of the Goods and Services Tax (GST) in 2017. This age aims to actualize the ideal of 'One Nation, One Tax' for one of the world's largest federal democracies. Not only has GST been divided into three separate tax regimes—IGST, CGST, and SGST—each with its own rate structure—in keeping with the fiscal federalism that prevails in India—but it also includes a mechanism for compensation payments from the central government to the states to compensate for the losses that the states sustained in adjusting to the new system.

It is typical for such complex a tax system to have delays during launch and ongoing growth. In addition to the intricacy of the interactions between the federal government and individual states, there have been a number of setbacks, including as the troublesome process of moving away from previous regimes and getting a handle on the Goods and Services Tax (GST) laws and regulations. We return to the great Indian aspiration of national unity through a single-spine tax system as we enter the fourth year of GST implementation in India. In order to pave the road ahead, we investigate the problems with the current GST systems and propose potential changes.

In India, the Value Added Tax (VAT) system has been in place for 35 years, but the implementation of GST on July 1, 2017, was a watershed moment (Mukherjee 2021). We try to make sense of the new difficulties that are cropping up with GST adoption and provide some solutions in this article.

Previous research by Mukherjee and Rao (2019a) indicated that different Indian states' sales tax regulations, rates, thresholds, exemptions, etc. were not uniform. There were two big problems with the system. To start, there was no mechanism in place to tax the value that was added to an

item after the initial sale. Secondly, there was no mechanism in place to ensure that all taxes were paid at the first point of sale. Without the input tax credit (ITC) adjustment, taxpayers may claim to have paid their taxes, but the system couldn't track their transactions to back up their claims, making it easy for them to avoid paying their fair share.

## **CHAPTER-5**

### **CONCLUSION**

Finally, this research has offered a thorough evaluation of the Indian Goods and Services Tax (GST) system, explaining its complex legal structure, the steps needed to comply with it, and the real-world effects on taxpayers and companies. We learned about the legal foundations as well as operational mechanisms of GST administration by looking at the legislative framework that includes the Central Goods and Services Tax Act (CGST), the Integrated Goods and Services Tax Act (IGST), the State Goods and Services Tax Acts (SGST), and related rules, notifications, and circulars. Businesses have a number of compliance obstacles, which have been examined in the research. These challenges include registration, return filing, input tax credit (ITC) reconciliation, etc enforcement concerns. Evidence from real-world case studies shows that GST compliance is difficult and nuanced across industries and situations, demonstrating the need of solid systems and procedures for successfully navigating the regulatory environment.

The research has also looked at how GST affected inflation, consumer pricing, and economic dynamics, which shed light on how tax policy, market behavior, & consumer welfare interact with one another. There have been significant changes to market dynamics and company strategies as a result of GST, including changes in pricing tactics, changes in consumer demand, and changes in competitive dynamics. Research has shown that the Goods and Services Tax (GST) system has the ability to significantly improve economic integration, transparency, its tax compliance, despite its many problems and complications. Efficiency, competitiveness, and simplicity of doing business have all been enhanced with the implementation of GST, which has unified the national market, simplified the tax structure, and done away with cascading taxes.

In order to get the most of GST and make sure it is around for a long time, we need to fix the problems with compliance and operational bottlenecks that this research found. In order for GST to fully contribute to India's economic growth and development, policy interventions are needed to streamline compliance processes, raise taxpayer awareness and education, and use technology for efficient tax administration.

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