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"GST Rates Restructuring Implications of Revenue in Indian Economy:-A Hypothetical Analysis"

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I. INTRODUCTION

The GST council has constituted a Group of ministers to examine matters related to the rate of rationalization of GST which is to table in the 47th meeting of the council to be held on this may 2022. Its focus will be on the 47th GST Rate restricting. The last GST meeting of the council was held in December 2021. In that meeting, the decision to increasethe tax on some products of the textile industry was put on hold. After that, Finance Minister Nirmala Sitharaman had told that there is a need to discuss more on this topic. A decision on this can be taken in the next meeting. The focus was given in the GST councils 45th meeting which was held inter-alia made the following recommendations relating to changes in GST rates on supply of goods and services and changes related to GST law and procedure GST Council cuts tax rates on medicines used for cancer treatment from 12% to 5% GST council cuts tax on biodiesel for blending with diesel from 12%to 5%GST council and agrees to correct inverted duty structure on footwear and textiles from January 1st 2022.

GST rate structure has undergone many changes since the introduction of GST in India. Revenue mobilization from the GST is falling short of targets and it is attributable to reduction of tax rates as well as lack of tax compliance. This is hurting tax revenue of theUnion government as well as States. The Fifteenth Finance Commission (FC-XV) recommends that "It is important to restore the revenue neutrality of the GST rate, which was compromised by the multiple rate structure and several downward adjustments of rates. The rate structure can be rationalised by merging the rates of 12 per cent and 18 per cent. The system can be operated with a three-rate structure of a merit rate, standard rate and demerit rate. Efficiency and revenue gains require that exemptions be minimized (GST—Appropriate recommendations by the Union and the States for action by the GST Council)." (para xiii,page 148, Fifteenth Finance Commission 2020). Given the FC-XV recommendations, it is desirable to explore alternative schemes of GST rate structure for policy discussion. In this context, the present study explores alternative structure of GST so that the desired revenue could be generated at the given level of tax compliance and tax buoyancy. Unlike previous studies on estimation of GST base and Revenue Neutral Rates (RNRs), the present study relies on tax administration data of GST. We have accessed tax rate-wise taxable value (or turnover) and tax liability as reported in GSTR-1 for all India as well as Delhi for the present study. For the period July 2017 to November 2018, we have access to all India information, as shared by the Fifteenth Finance Commission. 1 for Delhi; we have access to information for the period July 2017 to March 2020. The other consists of crude oil, petrol, diesel, and natural gas. The minister mentioned that the government was tracking the global inflationary burden and that it will not permit the Indian economy to face the issues because of a lack of preparation of any kind. Futuristic financing and effective partnership would proceed. The same is not been undergone longer. This is to be sorted out quickly as this is an important sector. "She added that it was important for this sector to be buoyant in order to meet India's commitment to achieving net-zero emissions by 2070." FM indeed mentioned that the LIC IPO will be coming soon. The minister elaborated that nothing is to be found in the wanting of the process of disinvestment. Council does more care. She would instead approach that and then force it to conclude quickly. In the former year's budget, I am interested in completing the commitments she said. In FY23 the government settled out a target of INR 65000 cr in FY23. It indeed reduces the disinvestment target for FY22 to INR 78000 cr from INR 1.75 trillion.

History

The reform of India's indirect tax regime was started in 1986 by Vishwanath Pratap Singh,

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Finance Minister in Rajiv Gandhi's government, with the introduction of the Modified Value Added Tax (MODVAT). Subsequently, Prime Minister P V Narasimha Rao and his Finance Minister Manmohan Singh initiated early discussions on a Value Added Tax (VAT) at the state level. A single common "Goods and Services Tax (GST)" was proposed and given a goahead in 1999 during a meeting between the Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the Finance Minister of West Bengal, Asim Dasgupta to design a GST model.

The Asim Dasgupta committee which was also tasked with putting in place the back-end technology and logistics (later came to be known as the GST Network, or GSTN, in 2015). It later came out for rolling out a uniform taxation regime in the country. In 2002, the Vajpayee government formed a task force under Vijay Kelkar to recommend tax reforms. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Commission. After the defeat of the BJP-led NDA government in the 2004 Lok Sabha election and the election of a Congress-led UPA government, the new Finance Minister P Chidambaram in February 2006 continued work on the same and proposed a GST rollout by 1 April 2010.

However, in 2011, with the Trinamool Congress routing CPI (M) out of power in West Bengal, Asim Dasgupta resigned as the head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done.

The UPA introduced the 115th Constitution Amendment Bill on 22 March 2011 in the Lok Sabha to bring about the GST. It ran into opposition from the Bharatiya Janata Party and other parties and was referred to a Standing Committee headed by the BJP's former Finance Minister Yashwant Sinha. The committee submitted its report in August 2013, but in October 2013 Gujarat Chief Minister Narendra Modi raised objections that led to the bill's indefinite postponement. The Minister for Rural Development Jairam Ramesh attributed the GST Bill's failure to the "single handed opposition of Narendra Modi".

In the 2014 Lok Sabha election, the Bharatiya Janata Party (BJP)-led NDA government was elected into power. With the consequential dissolution of the 15th Lok Sabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the formation of the then Modi government, the new Finance Minister Arun Jaitley introducedthe GST Bill in the Lok Sabha, where the BJP had a majority. In February 2015, Jaitley set another deadline of 1 April 2017 to implement GST. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress, demanded that the GST Bill be again sent back for review to the Select Committee of the Rajya Sabha due to disagreements on several statements in the Bill relating to taxation. Finally, in August 2016, the Amendment Bill was passed. Over the next 15 to 20 days, 18 states ratified the Constitution amendment Bill and the President Pranab Mukherjee gave his assent to it.

A 21-member selected committee was formed to look into the proposed GST laws. AfterGST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goodsand Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok Sabhaon 29 March 2017. The Rajya Sabha passed these Bills on 6 April 2017 and was then enacted as Acts on 12 April 2017. Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, Goods and Services Tax was launched all over India with effect from 1 July 2017. The Jammu and Kashmir state legislature passed its GST act on 7 July 2017, thereby ensuring that the entire nation is brought under a unified indirect taxation system. There was to be no GSTon the sale and purchase of securities. That continues to be governed by Securities Transaction Tax (STT).

Impact of GST on real estate

The construction of a complex building, civil structure, or a part thereof, intended for sale to a buyer, wholly or partly, is subject to 12 per cent tax with full input tax credit (ITC), subjectto no refund in case of overflow of ITC. In other words, residential construction services, will invite GST at the rate of 12 per cent, which will apply to developers selling residential units before completion of construction to the home buyers.

According to the JM Financial report on GST, for states with non-composite VAT (Karnataka, Tamil Nadu, Andhra Pradesh), the transaction value changes marginally from 10- 11% to 12% under the new regime. With input cost credits available, developers in these regions may witness improvement in margins in case no price revision takes place (subject to the anti-profiteering clause).

Abhishek Anand, assistant vice-president (Equity Research), JM Financial Ltd, explains: "In the current regime, states with composite VAT require developers to pay lower VAT rates on the total property value without any input tax benefit (Maharashtra, Haryana) or partial benefit (intra state offset- Bangalore). Under this regime, developers pass on the transaction cost – VAT (1%) and service tax (4-5%) to buyers (total 5-6%). Developers get offset for only the input service tax component. In the GST regime, the transaction cost increases to 12%, with input credit available on both, services and material. Property transaction costs will increase by 6%, in case no input credit is passed on by developers. If developers pass on the input credit to buyers, the property price increase could be restricted to 1-2%." If the developers pass on the credits completely and bring down the base prices, then, home buyers may marginally benefit under the GST regime.

Nevertheless, stamp duty will continue to be applicable, irrespective of whether the property is under-construction or constructed, in the pre-GST and post-GST regime.

Will GST help home buyers?

With the introduction of the Goods and Services Tax (GST), the total incidence of tax will increase from 5.5 per cent to 12 per cent. However, developers will be able to avail of input credit, on all the goods and services purchased and spent in the construction of the property.

Shrikant Paranjape, president of CREDAI Pune Metro, maintains that "The impact of the GST on property prices will be difficult to gauge at this stage because of the lack of clarity on abatement for land value. In a product, where the major raw material is not covered by theGST and the completed unit is also not covered by the GST, the tax input benefit will be hard to calculate or justify. Only the market forces, the ready reckoner rates and time, will decide whether and how much benefit will be passed on by the developers to the purchasers.

" Moreover, the prices of input materials can also be volatile. Cement and steel prices cansoar, without warning. Similarly, sand is always in short supply and not available in the monsoons. Hence, it is likely that these industries may not pass on the entire benefit of tax credit.

Another important factor that needs to be examined is the stage of construction. If the project is at an advanced stage, where substantial cost has already been incurred before the application of the GST, very little input credit will be available and very less benefit will be passed on. If the project is at an early stage, more benefits can be passed on.

i. GST on under construction property – Affordable housing:

It is important to note that housing projects (affordable housing is currently exempted from service tax and a clarification is expected from the government for exemption from GST), then, affordable homes may become cheaper under the GST regime.

ii. Government directs builders not to charge GST onaffordable housing:

The government, on February 7, 2018, asked builders not to charge any Goods and Services Tax (GST) from home buyers, as the effective GST rate on almost all affordable housing projects is eight per cent, which can be adjusted against the input credit. It said builders can levy GST on buyers of affordable housing projects, only if they reduce the apartment prices after factoring in the credit claimed on inputs. In its last meeting on January 18, 2018, theGST Council had extended the concessional rate of 12 per cent GST, for construction of houses under the Credit- Linked Subsidy Scheme (CLSS) to promote affordable housing, which has been given infrastructure status in 2017-18 Budget. The effective GST rate, however, comes down to eightpercent, after deducting one-third of the amount charged for the house/flat, towards land cost. This provision was effective from January25, 2018.

iv. Impact of GST on property prices – Luxury segment:

In the case of a premium property, while the basic construction cost may come down a little, but as the input tax credit is limited to 12 per cent, it will not be sufficient to bring down the fresh tax liability to nil because of the taxes paid on other expenditures.

v. GST on ready properties:

If the OC for the project has been received, then, no GST will be applicable. A CRISILreport points out that at present, a developer pays excise tax and VAT, on inputs like cement and steel, at 27.7 per cent and 18.1 per cent, respectively, which vary from state to state. Now, under the GST regime, cement and steel will be taxed at 28 per cent and 18 per cent, respectively, while other inputs like paint and white goods will be taxed at 28 per cent. The final product – the housing unit – will be taxed at 12 per cent, with credit for taxes paid on inputs. As the tax levied on the entire cost including the land will be 12 per cent, the amount would be sufficient to provide for the input credit for developers. Hence, a buyer opting for a ready-to- move-in apartment is saved from theta burden.

However, the tax calculations under the GST regime, for the real estate market, are not so simple. For example, the GST on under-construction projects will be charged to home buyers on the sale price but the credit can be availed by the developers, only on the cost of construction. As the builder will have to pay the GST on the full project and the input availed is only on the construction cost, there may be a gap that is no less than 30 per cent. Consequently, construction property the developer will hike the prices in that proportion, to make sure this gap is bridged.

vi. GST on property rentals:

"Credit/set-off of input GST is available to a developer, if the sale is executed prior to obtaining the completion certificate or prior to first occupancy. However, this credit is not allowed if the developer chooses to rent out the property. Hence, we might see spike in commercial rentals," explains Amit Sarkar, partner and head – indirect taxes, BDO India.GST has also been levied on the renting of residential property, for use as an accommodation. Consequently, tenants may witness a hike in rent payment under the GST system, as there is no service tax applicable on residential properties, in the existing system.

vii. Here's how the GST will impact the tax computation onrental income:

With the clubbing of taxes on goods and services, under the GST regime, the confusion about levy of separate tax on service and goods is done away with.

Unlike under the service tax regime, the threshold limit for applicability of GST has been increased from Rs 10 lakhs to Rs 20 lakhs. So, many of the landlords who were covered under the service tax regime, will go out of the indirect tax net, under the GST. It may be interesting to note that for the purpose of computing the aggregate limit of Rs 20 lakhs under the GST, all the taxable, as well as exempt goods and services supplied, shall be taken into account. So, unlike the service tax regime, where it is only the taxable services, which are taken into account for determining whether you have crossed the basic threshold, under the GST, the value of all the service and goods supplied in India, as well as exported, whether taxable or exempt, are taken into consideration for the Rs20-lakh limit. The GST is proposedto be levied at 18 per cent, on the letting-out of commercial properties.

There is one more major tax implication under the GST, with respect to rent on commercial properties. The parliament has borrowed the concept of 'reverse charge mechanism' from the service tax regime, under the GST. However, unlike in the service tax regime, where the reverse charge mechanism is applicable in case of services and is not extended to the sale or manufacturing of goods, the same is made applicable for goods as well as services, under the GST regime. A person who is registered under GST, who gets supplies of goods or services from a person who is not registered under GST, will have to pay the GST under the reverse charge mechanism. Under the service tax regime, there is no provision of reverse mechanism, with respect to the rent paid by the lessee. The proposed GST provisions, due tothe increased rate and the levy under the reverse mechanism will eventually make it costlier to take anycommercial premises on rent.

GST Advantages

- **Transparency and Accountability: -** GST will lend a whole lot of transparency in the real estate sector while also playing a major role in minimizing unscrupulous (black money) transactions. Currently, there is a huge percentage in every project where expenditure goes unrecorded on the books. GST by curbing the practice of fake billing on purchase-side will help cut down cash component in construction, which in turn, will help in boosting stakeholders 'confidence.
- **Input Tax Credit:-**Although the GST rate of 18% on the supply of works contract in the construction sector may be higher than the previous rates, the regime of local composition schemes is over, though now they are eligible for full input tax credit. However, many of the listed construction services such as constructions of dams, roads etc. which were previously exempted are now under the GST purview. This basically means the average construction contract in the previous regime which used to hover around the 11–18% range is now chargeable at a flat rate of 18%. As a matter of fact, if you take exempted services into consideration, this marked difference is

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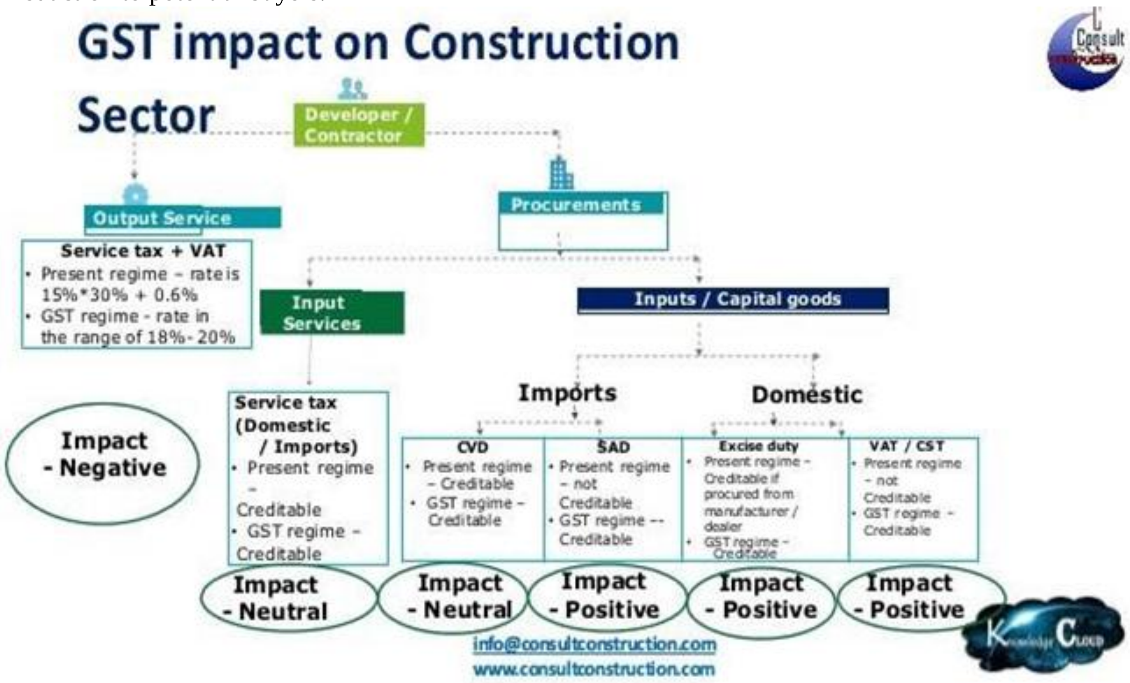
more pronounced, like certain infrastructure services are no more exempt in current regime. Having said that, thanks to the availability of input tax credit, the construction sector is expected to benefit in the long run. This is because, under the GST regime, the input tax credit on the raw materials would result in an overall neutral tax incidence for construction services. Additionally, with GST, real estate developers will have access to free input tax credits on GST paid for services and goods purchased by them while the rate of GST on outward supply is 12% including the value of land. As the inward supply consist of many a items with more than 12% rate, it is expected not a very significant cash flow will involve in paying GST on outward supply. This will not only help in reducing the cost for the developers but owing to this, they can even pass on the benefit of these credits as a reduction to potential buyers.

i. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.
ii. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.
iii. GST will also help to build a transparent and corruption free tax administration.
iv. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.
v. GST is backed by the GSTN, which is a fully integrated tax platform to deal with allaspects of GST



Overall, GST is expected to help bring a lot of required transparency and accountability. Moreover, owing to the expected free flow of credit, developers should be able to enjoy an increase in overall margin. Whether these benefits trickle down to the consumers is yet to be seen as the pricing in this sector tends to be dictated by market forces rather than costing policies. Looking from the consumer point of view, the one primary advantage would be in terms of decrease in the overall tax burden on goods and increased transparency in tax system. GST will also help in eliminating unnecessary paperwork while eliminating time wastage spent by good suppliers at various state borders. One thing for sure is, the impact of GST will be felt albeit after a while.

Types of Categories under GST rate

The GST tax is levied based on Revenue Neutral Rate. For the purpose of imposing GST tax in India, the goods and services are categorized in to four. These are four categories of goods and

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services are follows:

 Exempted Categories under GST in India:

The GST and council and other GST authorities notifies list of exempted goods. Such goods are not fallen under payment of GST tax. The authorities may modify or amend the list time to time by adding deleting any item if required by notification to public.

 Essential Goods and Services for GST in India:

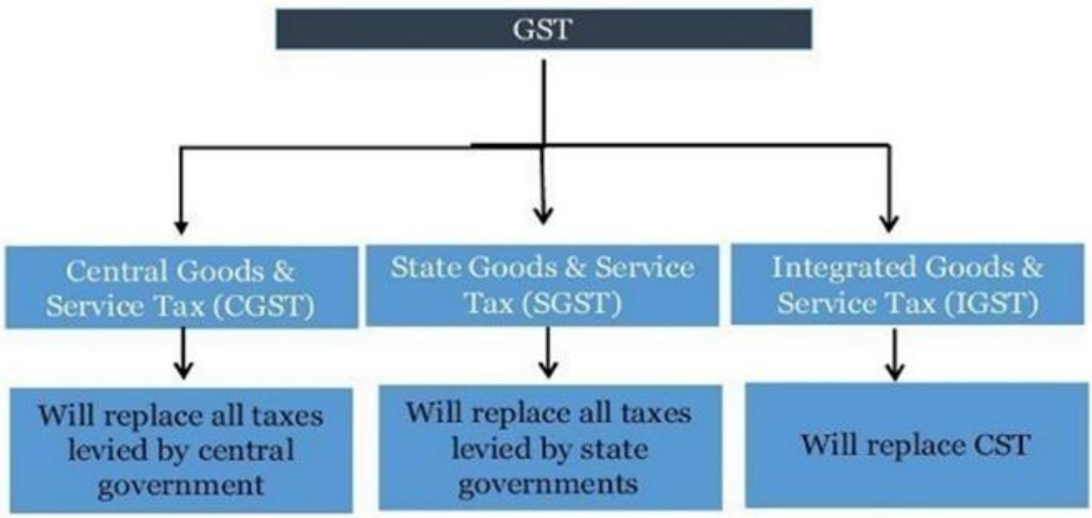
Essential Category of goods and services are charged very lower GST rate. Essential goods and services are the goods and services for necessary items under basic importance.

 Standard Goods and services for GST in India:

A major share of GST tax payers falls under this category of Standard Goods and Service. A Standard rate is charged against the goods and services under this category.

 Special Goods and Services for GST tax Levy:

Under special category of goods and services, GST rates would be high. Precious metals including luxury items of goods and services fall under special goods and services for GST rate implementations.



Types of Goods and Service Tax in India

i. **CGST (Central Goods and Service Tax): GST to be levied by the center.**

ii. **SGST (State Goods and Service Tax): The GST is to be levied by the states is State GST (SGST).**

iii. **IGST (Integrated Goods and Service Tax): Integrated GST will be levied by the center and the states concurrently.**

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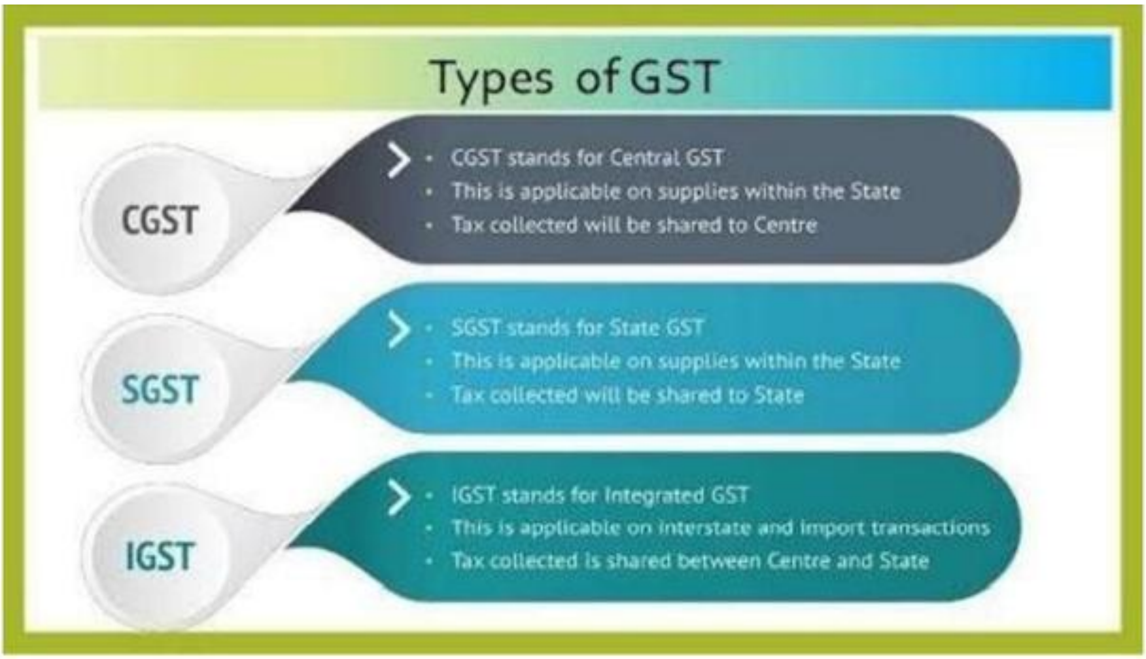

Different Taxes are Cover under GST

1. State taxes which will be subsumed in SGST :

VAT/ Sales Tax.Luxury Tax.
Entertainment Tax (unless it is levied by local bodies)Taxes on Lottery, betting, and gambling.

2. Central Taxes which will be subsumed in CGST :

Central Excise Duty. Additional Excise Duty.

Service Tax.
The Excise duty levied under the medical and toilet preparation Act.Additional Customs Duty.
Education Less. Surcharges.

3. Taxes that will not be subsumed:

Stamp Duty. Electricity Duty.
Other Entry taxes and Octroi Entertainment Tax (levied by local bodies.) Basic Customs duty and safeguard duties on import of goods in to India.

Latest Changes in GST from January 2022

i. 5% ITC is removed; the amount reflected in GSTR 2b will be only available.

Earlier, registered person used to get 5% ITC. But after as per the new rules, Input Tax Credit shall be available only if the details of invoices are uploaded by the suppliers in their Form GSTR-1 or IFF and those are then communicated to the recipient via GSTR 2B. Even in the case of ITC on debit note the rules are same discussed above. Moreover the Margin of 5% will be no longer be available, hence extra ITC of 5% is removed from 1 st Jan.

ii. Recovery proceedings in case of short payment as per the Section 75(12) amendment, the definition of self-assessed tax includes thetax payable in respect of outward supplies furnished in Form GSTR-1, but not included in Form GSTR-3B. Therefore, from 1st Jan, if a registered person has declared the tax under GSTR-1 but has not included in GSTR-3B, then this difference will be considered as “Self Assessed Tax”. Not just this, a direct recovery of such tax via recovery proceedings under section 79 of the CGST Act may be initiated by the proper officer without issuance of show cause notice.

E-way bill: 200% penalty to release goods

currently the provisions related penalty in case of E-way Bills is:

- full tax and 100% penalty is required to paid to release the goods which are seized for violation of E-way Bill related provisions and non-carrying of other documents under Section 129. But from 01.01.2022, the proceedings will be initiated u/s 129 & 130 for violations shall be independent proceedings and closure of parallel proceedings u/s 73 or 74. Amendment in the provision of section 129 & 130 as under:
- The option provided under clause (c) in terms of allowing furnishing of security equivalent to the aforementioned liabilities remains unchanged. Presently Sec. 129(2) provides for applying the provisions related to seizure and release of the goods given u/s 67(6) in the context of detention and seizure u/s 129. Hence the 17 PROJECT REPORT ON GST same often results in officers seeking another payment of tax/penalty in additionto the amounts provided u/s 129(1). The said anomaly has been corrected by way of omitting the said sub-section (2) w.e.f. 01.01.2022.Consequential amendments have been made u/s 129(3) and 129(4) to grant power to the officer to pass the order imposing the penalty mentioned in the above table and also grant a hearing to the concerned person before passing the order.

If any deficiency has been found in E way bill then penal clause as under:

Scenario	**Nature of Goods**	**Amendment made by theFinance Act 2021**
If the owner comesforward	Taxable Goods	Penalty equal to 200% of taxpayable on such goods
If the owner comesforward	Exempted Goods	Penalty 2% of the value of goodsor Rs25000, whichever is lower
If the owner doesn’t come forward	Taxable Goods	Penalty equal to 50% of the value of such goods or 200% of tax payable on such goods whicheveris higher
If the owner doesn’t come forward	Exempted Goods	Penalty 5% of the value of goodsor Rs.25000, whichever is lower

Provisional attachment scope widened

Provisional attachment powers are expanded mere intimation. Now is made applicable in all cases of proceedings of Assessment, Inspection, Search, Seizure and Arrest or Demands and recovery. Attachment includes property, like

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bank accounts, can be done not only in the caseof Show Cause Notices and investigation but also for other proceedings like Scrutiny of Returns and tax collected but not paid. Assets of the beneficiaries of bogus can be alsoattached though provisionally with suppliers and recipients assets.

iii. Changes in GST rate

- From January 2022, the GST rate on footwear's will be taxable @12 percent for all value.
- E-commerce operators (ECOs) in the food delivery business, such as Zomato and Swiggy, would be required to pay GST @5% on supplies from both registered and unregistered eateries.
- Composite supply of works contract to Govt. Entity or Govt. Authority will be taxable @18 percent
- Job Work by way of Dyeing and Printing of Textile and Textile Products will be taxable @12 percent.

iv. 25% pre-deposit for e-way bill appeals

Now pre-deposit of amount equal to 25% of penalty is to be paid, when filing appeals, before first appellate authority against order for violation of E-way bill and other provisions.

v. Department can now call for the information by the GST officer:

19 PROJECT REPORT ON GST Commissioner can issue an order and ask any person to furnish information relating to any matter connected with GST within such time, in form andin manner, as may be specified therein u/s 151.

vi. Changes in HSN codes as per HS-2022 w.e.f 01.01.2022:

The WCO has announced the New (Seventh) edition of HSN – HS-2022, due to whichchanges were made in the Finance Act, 2021. Around 351 amendments at 6 Digit level but India follow 8 digit classifications. So for aligning HS2021 and HS2022 at 8-digit level, Customs have provided a correlation document (at 8 digit level).

vii. GST on membership fee of clubs New clause got inserted in definition of 'supply' include activities or transactions by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred Payment and other valuable consideration, will effect retrospectively from July1,2017. Hence GST will be charged on membership fee.

viii. Exemption removed, hence taxable:- These will be taxable.

a. Pure services and composite supply of goods and services where goods constitute not more than 25 percent value, provided to a Govt. Entity or Govt. Authority. Non-AC contract Carriage or State Carriage or metered Cabs or Auto/e-rickshaws if supplied through e-commerce operators.

Table 1: Salient Features of Scenarios and Estimated Revenue Neutral Rates

Scenario	Scenario I (Baseline)	ScenarioII	ScenarioIII	Scenario IV	Scenario V	Scenario VI
Description of the Scenario			12 and 18% tax rates are merged into 15%	Looking for a suitable tax rate in the highest tax bracket to compensate for tax liability loss Corresponding to Scenario III (RNR: 37.55%)	Looking for a suitable tax rate in the 5% tax rate to compensate for tax liability loss corresponding to Scenario III (RNR: 8.81%)	Highest tax rate is raised to 30% from 28 per cent and look for suitable tax rate to compensate the tax liability loss corresponding to Scenario III (RNR: 8.05%)

Assumption on Tax Rate-wise Distribution of Taxable Value Corresponding to	2020-21	Q1 of 2019-20	2020-21	2020-21	2020-21	2020-21
Assumption on Tax Rate-wise Tax Liability (as % of Taxable Value) Corresponding to	2020-21	Q1 of 2019-20	2020-21	2020-21	2020-21	2020-21
Estimated Aggregate Tax Liability for 2020-21 (Rs. Crore)	3,235,637	3,995,054	3,043,007	3,235,637	3,235,637	3235637
Average Tax Liability (% of Taxable Value)	10,77	13.29	10.12	10.77	10.77	10.76538389
Gain(+)/Loss (-) in Tax Liability (Rs. Crore)		759,416	-192,630	0	0	0
Estimated Gain(+(/Loss in Annual GST Revenue (Rs. Crore)		124,904	-31,683	0	0	0
Rate Structure	Spl. Rates, 5%, 12%, 18% & 28%	Spl. Rates, 5%, 12%, 18% & 28%	Spl. Rates, 5%, 15% & 28%	Spl. Rates, 5%, 15% & 38%	Spl. Rates, 9%, 15% & 28%	Spl. Rates, 8%, 15% & 30%

Source: Estimated by author

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In the next section, we briefly discuss earlier estimates of GST base and RNRs. In section three, we present detailed methodology of the study and basic data. In section four, we assess revenue implications of restructuring GST rates under six alternative scenarios. The salient features of the scenarios and estimated revenue neutral rates (RNRs) are presented in Table 1. Based on our analysis, we draw conclusions in section five.

1.11. Conclusions

As a home buyer, it pays to know what the implementation of GST might bode for home prices moving forward.

1. With GST, there should be a once-off increase in property prices across the board

2. While developers may not bill home buyers for GST, they could transfer the costs implicitly via the sale price
3. The overall price increase for new residential properties could be marginally lower thanthat for new commercial properties.

1. The secondary home market should see a knock on effect in prices. One of the most complex areas of the tax levied by the Centre and the States is works contract and sale of property. Currently, such transactions are broken into three parts – the value of goods and materials, value of services and value of land. The States apply VAT to the goods portion and the Centre taxes the services portion, with no explicit tax on the transaction value of land.

In GST regime, there will not be any concept of manufacture, sale or service etc. There will be only one concept i.e. 'Supply'. All the supplies will be categorized as Supply of goods or Supply of Services. Construction activities will be 'works contract' which is being categorized as 'Services'. All builders and developers in India will be collecting and paying CGST and SGST (i.e. Central GST and State GST. The place of supply of the service is the location of the immovable property.

II. CHAPTER-2 LITERATURE REVIEW

Literature Review

The proposed GST is likely to change the whole scenario of current indirect tax system. It is considered as biggest tax reform since 1947. Currently, in India complicated indirect tax system is followed with imbrication of taxes imposed by unions and states separately. GSTwill unify all the indirect taxes under as umbrella and will create a smooth national market. Expert says that GST will help the economy to grow in more efficient manner by improving the tax collection is it will disrupt all the tax barriers between states and integrate country by single tax rate.

GST was first introduced by France in 1954 and now it is followed by 140 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax imposed by central and state both. In India also dual system of GST is proposed including CGST and SGST.

- **According to Tan and Chin-Fat (2000)**, Malaysian understanding regarding GST was still low. Based on study conducted by Djawadi and Fahr (2013) pointed out that knowledge about tax is important to increase the thrust of authorities and also the citizens.
- **Tulu (2007),** indicate that other factors such as taxpayers' attitude or morale found to be the result of lack of awareness has found to have little impact on taxpayers' attitude towards taxation.
- **Dr. R. Vasanthagopal (2011) ,** Conducted a study on , " GST in India : A big leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be positive step in becoming Indian economy . Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of Indirect Tax System in Asia also.
- **Khan M and Shadab (2012),** have mentioned that the significance of Products and Services Tax in India and its prospects to have healthy competition in present situation and suggests that it brings transparency in taxation and addresses global perspectives ateach state of India However, in the study made by Mukherjee, S. (2015) there are dark side of cascading effects of tax regime. Further, study has discussed on implications with the current taxation with State and Central Government with 22 PROJECT REPORT ON GST concurrent effects of taxation. Broadly, it is classified into two heads namely GST Design and Structure and GST Administration and Institutional. There are several challenges faced by Government in order to resolve issues on Tax administration between Central and State across state tax. Finally, the paper addresses the broader perspective of proposed GST regime.
- **Djawadi and Fahr (2013),** this study is pointed out that knowledge about tax is

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important to increase the thrust of authorities and citizens. The researcher used structure equation modelling to examine the relationships between tax awareness and tax knowledge and researcher found that tax knowledge has positive relationship with tax awareness. Hence, taxpayers will be more aware about tax system when they have knowledge and understanding towards the tax system..

- **Nitin Kumar (2014),** indicates that the implementation of GST in India would help to remove economic disruption prevailing indirect tax system which is unbiased tax structure which is different from geographical locations. This in fact provides opportunities to the concept of Make in India which would attract new foreign investments.
- **Jai Parkash(2014) ,** in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax set off, subsuming of several taxes in the GST and phasing out of CST.
- **Akanksha Khurana (2016),** in the similar line Pradeep Chaurasia et al (2016) havementioned that in India, the unified tax system will take the form of a Dual GST to be levied both by centre and state government. Further, study concludes that there is improvement in Indian economy in terms of Gross Domestic Product though GST is in nascent stage.
- **Govinda Rao (2009)** "Goods and Service Tax – Some progress towards clarity" the author in his article express his views on the first empowered committee report of state finance ministers of Goods and Service tax to be implemented in India. He also explains salient features, shortcomings of the proposed GST. He suggests that the proposed GST model should overcome the shortcomings of VAT system. He also throws light on the challenges faced in the implementation of GST in India.
- **Ehtisham Ahmed and Satya Poddar (2009)** studied "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simple and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.
- **(Saira et al, 2010) ,** Based on the history of the implementation by the other countries around the world, most of the countries received a positive impact in terms of their revenue, despite the success of GST implementation the Malaysian citizens still feel uncertain with the GST, (Sairaetal, 2010). The findings from the study showed that the majority of Malaysians not convinced with the GST system,
- **According to Torgler (2011),**tax morale is important to taxpayer awareness. On the other hand, research by Tekeli (2011) using multiple regression analysis show that tax morale has insignificant relationship on tax awareness. A Tekeli (2011) conclusion is supported study by regarding cause and consequences of tax morale.
- **Research by Mustapha and Palil (2011),** stated that the influence of compliance behaviour towards individuals' awareness has been proven in various researches. From the findings of Razak and Adafula (2013); Santi (2012) they found that taxpayers' awareness is significantly associated with tax compliance and this is also supported by study Jatmiko (2006).
- **Jana V. M., Sarma & V Bhaskar (2012)** "A Road Map for implementation of Goods and Service Tax", from the study it is found that the steps to be undertaken to implement the comprehensive tax system i.e., GST. The authors have thrown light on the constitutional amendment required for the implementation of GST in India.
- **Beri Yogita (2012)** "Problems and Prospects of Goods and Services Tax (GST) in India"in this article the author say that India has witnessed with number of tax reforms since Independence. The implementation of GST will become major indirect reform in India though is subsumes many existing indirect taxes like central excise duty, customs duty, service tax, additional duties etc. by implementation of GST there will be levy of central taxes both on goods and services which integrates and widen the tax base.
- **Saayed Mohd Ali Taqvi (2013)** studied the challenges and opportunities of Goods and Service Tax in India. He explained that GST is only indirect tax that directly affects all sectors and sections of our country. It is aiming at creating a single, unified market that will benefit both corporates and economy. He also explained the proposed GST model will be implemented parallel by the central and state governments as Central GST and State

GST respectively.

- **Pall et al. (2013)**, study by using multiple regression analysis, the researchers found out that there are significant relationship between awareness and tax knowledge. When individuals have knowledge related to the tax systems, people will be more willing to respect the tax systems and improved individuals' awareness. Further, Jatmiko (2006) also conclude that awareness can be developed from the knowledge and the understanding. Palil et al. (2013) and Jatmiko conclusions is also supported study by Tayib (1998) identified that individuals' awareness towards the tax system can increase when the individuals has knowledge about the tax. This makes tax knowledge and tax awareness has significant relationship and when the individuals or the taxpayers have knowledge about it and it will make it easier for them to study and follow the tax rules.
- **Agogo Mawuli (2014)** studied "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.
- **Jaiprakash (2014)** in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Responses of industry and also of trade have been indeed encouraging. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunities to introduce it when the circumstances are quite favourable and economy is enjoying steady growth with only mild inflation...
- **Nishitha Guptha (2014)** in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government.
- **SaravananVenkadasalam (2014)** analyzed the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Philippines and Thailand show significant negative relationship with their nation's development. Meanwhile, Singapore shows a significant positive relationship.
- **Girish Garg, (2014) -** "Basic Concepts and Features of Good and Service Tax in India",it is found that GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST will create a single, integrated Indian market to make the economy stronger. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. Through this it is likely to improve tax collectionsand Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate.
- **Pinki, Supriya Kamna & Richa Verma (2014)** Goods and Service Tax - Panacea for Indirect Tax System in India "it is found that the GST is India's most ambitious indirecttax reform plan, which aims at removing the cascading effect of tax. The movement of GST was declared in 2008 and supposed to be in force by 2010. Due to various reasons it could not be in force. GST has been implemented in more than 150 countries which will leads to economic growth of the country.
- **Boonyarat et al. (2014),** the researcher used Structure Equation Modelling (SEM) to examine the relationships between tax awareness and tax knowledge and the researcher found out that tax knowledge has positive relationship with tax awareness. Hence, taxpayers will be more aware about tax system when they have knowledge and understanding towards the tax system.
- **Venkadasalam (2014)**, has analyzed the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable

Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries.

- **International Journal of Scientist research and management (2014)**, Girish Gargh Assistant Professor from PGDAV College University of Delhi has published paper titled Basic Concepts and Features of good and service tax in India. In this paper he has giventhe outline of GST and what does this tax system wants to achieve with threats and challenges opportunities that the free market economy can bring.
- **Shefalidani (2015)** has suggested that GST administration is an irresolute endeavor to legitimize backhanded expense structure. Roughly more than 150 nations have executed GST idea. The legislature of India must examination the GST administration set up by different nations and furthermore their aftermaths previously actualizing GST. IT is the need of hour that, the legislature must make an endeavor to protect the huge poor populace of India, against the expansion because of execution of GST. GST will disentangle its current roundabout duty framework and shouldexpel wasteful aspects made by the current heterogeneous expense framework, just if there is a reasonable agreement over issues of edge constrain, income rate, and incorporation of oil basedcommodities, power, alcohol and land.
- **SrinivasK. R (2016**) in his article "Issues and Challenges of GST in India" mentioned that central and state governments are empowered to levy respective taxes as per the Indian constitution which is likely to change the complete scenario of present indirect taxation system. GST will be a compressive indirect tax structure on manufacture, sales and consumption of goods and services throughout India, to replace the various indirect taxes levied by the both the governments.
- **Mohammad Ali Roshidi (2016)**, conducts a study on "Awareness and perception oftaxpayerstowardsGoodsandServiceTaximple mentation.Thestudyattemptsto find out what level of awareness and perception to GST taxpayers in Malaysia. This study only consists of 256 civil service servants of the secondary school teachers in the kaulakangsar, Perak. Data collected using questionnaire. The result shows that moderate and majority of respondents give a high negative perception to the GST. The eventually causes the majority of respondents did not accept implementation of GST in Malaysia.
- **International Journal of innovative studies in sociology and humanities (2016)** , A study on impact of GST after implementation Milan-deep Kour and his co-authors Assistant Professor from Eternal University himachal Pradesh talks about the impact of GST and implementation of it, its benefit and challenges. He also emphasizes that GST is going to change things in current situation.
- **Ahamad et al. (2016)** found that the level of awareness of the GST is still not reached a satisfactory level. This is because the study involved only general questions that should be known by the respondents as end users. This cause the respondents gave high negative perception of the impact of implementation of GST. The respondents received less information and promotion of the authorities. Most of the respondents were unclear whether the goods and services are not subject to GST. Furthermore, due to the lack of information on GST, the respondents had a high negative perception. Therefore, the government must convince that GST will not have a lasting impact on the public as particularly convincing end users that no increase in prices of goods and services.
- **Poonam (2017)** in her study cleared that in the system of indirect taxation GST plays a very important role. The cascading and double taxation effects can be reduced by combing central and state taxes. Consumer's tax burden will approximately reduce to25% to 30% when GST is introduced and then after Indian manufactured products would become more and more inexpensive in the domestic and international markets. This type of taxation system would directly encourage economic growth. GST with its transparent features will prove easier to administer. With the above reviews we can assume that GSTis a tax reform which will change the scenario of the country as a support for this review study.
- **Times of India (26 July, 2017),** page no 1&17 it is stated that Sweet makers are confused

with fixing the tax for their product as the ingredients used in the sweets. are taxed separately as raw material and as finished goods the products its taxing is different ex. Plain burfi is 5% taxed but chocolate burfi is fixed with 28%. Plain burfi mixed with other dry fruits is of 12%. This taxing system makes the Sweet makers to get confused on how much GST to be fixed for which product.

- **Times of India dated (27 July, 2017),** stated that the GST implication across different places for the same product has wider differences which the consumers are unaware, resulting them in surprise. Ex A Rasamalai sold in counter at a shop is taxed with 5% but if it is served in the hotel it is taxed with 18% this has resulted in difference of consumers shopping to purchase the similar products
- **Shakwipee (2017),** a study conduct on the inquring the level of awareness towards GST among the small business owners in Rajasthan State, found that the main areas to be focused include training errors and computer software availability.
- **Vineet Chauhan (2018),** Conduct a study on "Measuring Awareness about implementation of GST." A study survey of small business unit of Rajasthan State in India. The study seeks to evaluate the awareness of the business owners about GST difficulties they face to encase of the current awareness about it. 148 small business owners were analyses in order to identify the awareness about GST from Rajasthan state and the kind and extent of relief provided and the implementation of the provision under GST Law.
- **Aurobindo Panda, Atul Patel, the Impact of GST on the Indian Tax Scene, SSRN Electronic Journal, July 201, DOI: 10.2139/ssrn.1868621.** The paper discusses on the impact of GST on Indian Tax Scenario, the need for change in tax structure from traditional to GST Model. The paper has vividly described the salient features and impact of GST in 2011. The other facets of GST include the limitation of the tazx structure, the need for GST; the Kelkar Shah Model etc have been included in the research paper whichgives a complete understanding of GST.
- **NehaKanojia, A Study on Godds and services Tax in India, the International Journal of Social science and Management, ISSN:** 22511571 the paper discusses on the benefits of GST and its current implication in India. The current system of indirecttaxes is not able to implicate tax evasion and distortion. It also indicates how GST is an improvement over VAT and Service Tax.
- **Monika Sehrawat, UpasanaDhanda, GST in India: A Key Tax Reform, International Journal of Research Granthalaya, Vol 3, No: 12(2015) 133-141** the paper focuses on the overview of GST concept, the features along with its time line of implementation in India with the challenges faced in its implementation. It includes an exploratory research. It includes implementation to threshold limit.
- **Dr. Rashi Gupta** "GOODS AND SERVICE TAX- A POSITIVE REFORM IN INDIAN TAXATION SYSTEM" Concludes that Goods and Services Tax will benefit different industries and also economy as a whole.
- **Sebaestin Saez and Arnab Bandopadhyaya** "Connecting India's states with Good Logistics" They suggested that India should focus not only on Hard Infrastructure but also soft infrastructure that is processes associated with logistics taxation and regulation.
- **Nishita Gupta Assistant Professor, UNIVERSITY OF DELHI** "Goods And Services Tax: IT'S Impact On Indian Economy: Concluded that tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. Cascading tax revenues have differential impacts on firms in the economy with relatively high burden on those not getting full offsets. This results in loss of income and welfare of the affected economy.
- **Deccan Chronicle May 15, 2016**, the ambitious GST would help the transport sector in improving its efficiency besides reducing the logistics costs. GST will help the country in two areas- logistics cost will come down and efficiency will increase both within Indiaand exports.
- **S. Ramachandran, Mayur S Nakhava & Kumar Pratik,** "Logistics in India: Challenges and Scope" The paper concludes that Logistics sector in India suffers from

lack of Infrastructure as well as Irrational Taxation.

- **According to Tan and Chin-Fat (2000)**, Malaysian understanding regarding GST was still low. Based on study conducted by Djawadi and Fahr (2013) pointed out that knowledge about tax is important to increase the thrust of authorities and also the citizens.
- **Akanksha Khurana (2016),** in the similar line Pradeep Chaurasia et al (2016) have mentioned that in India, the unified tax system will take the form of a Dual GST to be levied both by centre and state government. Further, study concludes that there is improvement in Indian economy in terms of Gross Domestic Product though GST is in nascent stage.

Conclusion

GST will swift government focus on depending direct tax (income) to indirect tax. Definitely due to small income in tax collection base, GST will be a strong boost to government revenues. Hopefully with these amount of revenue challenges that the government face in term of deficit budget and debt can be clear by 2020.

As it is a consumption tax, it appears that Malaysian GST will also act as an effective dragnet for tax evaders and illegal immigrants who pay no income tax. The payment made to BRIM recipient will offset most of the GST's impact on the poor.

GST will give some impact on consumer expenditure due to rise in goods and services price, however with increase of revenue government spending aspect to be more and firm will continue to invest as export goods will exempted from tax. GDP will increase when government spending and investment increase. Hopefully the implementation of GST can provide good platform for the country to become develop country with high-income.

III. CHAPTER-3
TAX BASE OF GST AND REVENUE NEUTRALITY

Tax Base of GST and Revenue Neutrality

In absence tax administration data (information captured through tax returns) of taxes subsumed into GST, earlier assessments of the GST base were based on macro indicators or revenue under consideration. Among the studies available in the public domain, only one considers income tax administration data to assess the GST base (Thirteenth Finance Commission 2009). The earlier estimations of GST revenue neutral rates (RNRs) vary across methodologies (Table 2). In our knowledge, the present study is the first attempt to assess the GST base based on GST administration data.

Like every tax reform, it was also envisaged that GST will be revenue neutral - that means expected revenue from GST will match the revenue from taxes that is subsumed into GST. Media reports have indicated that the effective tax rate under GST gone down from the original revenue neutral rate of 15.5 per cent to 11.6 per cent on account of multiple rate cuts since introduction of GST in July 2017. It is expected that recommendations of the GoM on rate rationalization will correct this gap through rate changes in several product categories.

In December 2015, the committee headed by the Chief Economic Adviser (CEA), Ministry of Finance, Government of India brought out the Report on the Revenue Neutral Rate and Structure of Rates for the Goods and Services Tax (GST) (hereafter CEA Report) (Government of India 2015). The report reviews the estimates GST base and corresponding RNRs based on three alternative methodologies/ approaches adopted by three alternative studies. In addition, the CEA Report also estimates the GST base and RNRs based on an adjusted Indirect Tax Turnover Approach. For easy reference, we present four alternative estimates of the GST base and corresponding RNRs in Table 1. To make the study conducted for the Thirteenth Finance Commission (2009) comparable with the study conducted by the NIPFP (Rao 2019), the CEA Report re-estimates the GST base and RNRs for 2013-14 based on Income Tax Administration Data of 2013-14.4 Except the IMF estimates which was forthe year 2011-12, all other estimates were for the year 2013-14. Leaving aside the estimates of Macro Approach adopted by the IMF, Table 1 shows that estimates of GST base vary across methodologies and so the RNRs. Since achieving revenue neutrality is dependent onthe assessment of the tax base and maintaining tax compliance at least at the level prevalent at the baseline scenario, variations in the estimate of GST base make estimation of RNRs difficult.

Table-2 Estimates of GST Base and Revenue Neutral Rates

Approach	Autho	Year	GST Base (in INR0.1 MillionCrore)	RNR(%) (Single Rate	RNR Multiple Rates (%)	Basis of Estimation of GST Base	Assumption to Estimate RNR
Macro Approach	IMF	2018-19	59.9	11.6	11-14	55 to 67% ofGDP	10 to 20% of Revenue Loss due to Tax Compliance Gap
IndirectTax Turnover Approach	NIPFP	2019-20	39.4 (Goods: 30.8, Services: 8.5)	17.69	2, 12 & 22.8	37.57% of GVA [Goods: Actual State Tax Collection & Statutory tax rates (1%, 6% & 14%) Services: Turnover data of 3.25 lakh firms (MCA Database)]	Removed input services and exempted sectors
DirectTax Turnover Approach	13th Finance Commission	2019-20	58.2	11.98	Not Specified	Income Tax Data of 2.85 million registered entities (including companies, partnership firms, and proprietary enterprises	Deduction of exempt sectors, purchases by or from exempt sectors/ exempted goods/ unregistered dealers, exemption

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							threshold.
Adjusted Indirect Tax Turnover Approach	Chief Economic Advisor Committee, MoF, GoI	2020-21	44.2-46.2	15.0 - 15.5	2-6, 12, 40, 16.9-18.9	Gain in Tax base due to compliance improvement (INR 0.2 million crore)	

If revenue protection is the objective, maintaining tax revenue at least at the level (as percentage of GDP) prevalent at the time of introduction of tax reform will be the second best approach in absence of reliable estimate of the tax base. Since the tax base of consumption taxes like GST/ VAT depends on domestic consumption expenditures on goods and services, it is expected that consumption expenditure will grow at least at the level of overall economic growth. In other words, given the level of tax compliance, annual growth in tax revenue atleast to be equal to the growth in GDP (i.e., tax buoyancy =1). However, income inequality may dampen the overall consumption growth and for a developing country like India and achieving income equality may increase tax base as well as tax revenue. If growth rate in tax revenue falls below the growth rate of GDP (tax buoyancy 1), the objective of revenue protection will be met easily. Since the demand for public expenditures is growing, it is desirable for a developing country to take all measures to achieve growth in tax collection higher than the growth in GDP, i.e., tax buoyancy would be greater than one. However, Table 3 shows that actual GST collection (as % of GVA) is lower than the expected (or desired) GST revenue (as % of GVA). The desired GST revenue in Table 3 is estimated based on 14 per cent annual (Year-On-Year) growth rate of states' revenue that is subsumed into GST in the base year of 2015-16 and assuming growth rate of the Union government's GST revenue is same as growth rate of GVA, (i.e., tax buoyancy=1). In 2018-19, the difference between expected and actual GST revenue was 0.45 per cent of GVA and it has gone up to 0.89 percent of GVA in 2019-20 and 1.8 per cent in 2020-21. This shows that every year the gap between expected and actual GST collection (as measured by the % of GVA) is doubling since 2018-19. Restructuring GST rate structure may be an option apart from reviving the economic growth, improving tax compliance, to increase GST revenue mobilization.

Table 3: Revenue Protection in GST

Year	Revenue Subsumed into GST (INR 0.1 million Crore)		Total GST Revenue (A+B) (Expected)		GVA at basic prices (INR 0.1 million Crore)#	Annual Growth Rate of GVA (%)	Actual GST Collection	
	Union Government (A)*	States/ UTs (B)**	INR 0.1 Million Crore	% of GVA			Rs. 0.1 million Crore	% of GVA
2013-14	3.28	3.69	6.97	6.73	103.63	12.61		
2015-16		3.97			125.74	9.30		
2016-17	5.41	4.53	9.94	7.12	139.65	11.06		
2017-18	6.01	5.16	11.17	7.21	155.06	11.03		
2018-19	6.65	5.89	12.54	7.31	171.61	10.68	11.77	6.86
2019-20	7.16	6.71	13.87	7.51	184.61	7.58	12.22	6.62
2020-21	6.94	7.65	14.59	8.15	179.15	-2.96	11.37	6.35

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Notes: *-For the Union government, revenue subsumed into GST excludes Customs Duties collection from Petroleum products which are under the GST. Component-wise details of Revenue Subsumed into GST for the Union Government are presented in Appendix Table A.1. For the period beyond 2016-17, growth in the Union government revenue is estimated assuming tax buoyancy = 1 or growth in tax revenue =growth in GVA.
For states, beyond 2015–16 revenue under GST is estimated based on nominal annual growth rate of 14 per cent on the base year revenue of 2015-16. All states base year (2015- 16) revenue is available at https://tutorial.gst.gov.in/offlineutilities/gst_statistics/Yearwise-Pre- GST-revenue.pdf (last accessed on 21 October 2021) #- Gross Value Added (GVA) at basic prices (at current prices, 2013-14 series) Source: Computed by the author based information from various sources.

Problem Statement

India is a federal country where Indirect Tax is levied by Federal and State Government. Value Added Tax is levied by State Governments. Every State has authority to decide the Tax rate and to control the Tax system as per their convenient. The Taxation power has been well defined in Indian Constitution. The Constitution (122nd Amendment) Bill that seeks to usher in a Goods and Services Tax (GST) regime in the country will finally be taken up for discussion in Parliament. Finance Minister Arun Jaitley has been affirming that India will implement GST from 1st April 2016. It can be looked as simplification of Taxes in country and avoiding unnecessary complexities. India is a federal country which has various Tax regimes and structure, where Tax is levied by both Governments. After the implementation of GST all the Indirect Taxes will be subsumed under an umbrella, it will be a milestone in the history of Indirect Tax reform. In this paper, an attempt has been made to examine the major features of GST. This paper has also focused on the problems likely to be faced by Central and State Governments.

GST is deemed as one of the steps in making India as a country which has a high income tax system, comprehensive, efficient, transparent and business-friendly. It is also considered the world's best tax system based on the implementation of the country which has implementedthe GST.GST has just being applied in India. The government and its crew are still in their way to spread out the information of GST in order to combat confusion among people. Sales and contracts are made almost every day and some of these transactions required people to pay the GST. It is an issue if people are still unaware or confuse with the tax system of GST and become worst when people ignore and boycott not to pay the tax. GST is a popular issue that is being discussed by people day to day, it is necessary to know whether the students are aware of the government's plan and do they have knowledge on this issue. Therefore this study makes an attempt to analyze the College Student's Awareness and Knowledge on the Implementation of Goods and Services Tax (GST) in Savakis.

The concept of Goods and Services Tax (GST) is the biggest tax reform in decades throughout the world in many countries, but India has just started implementing it to meet its target of rolling out goods & services tax (GST). The research intends to focus on understanding concept of goods and service tax and its impact on Indian economy.
Accordingly the objectives of this study are:-

- To highlight the needs of Goods and Services Tax in India
- To study the impact of GST on Indian Economy.

Tax Buoyancy in GST

GST collection in India has gone through major setback in the first two quarters of 2020-21 (Figure 1). Leaving aside the first two quarters of 2020-21, GST collection shows a positive upward trend. Figure 1 shows that GST collection from imports (Integrated GST and GST Compensation Cess) play an important role in the overall GST collection. During the first two quarters of 2020-21, imports were bare minimum which may have reduced GST collection. With gradual withdrawal of restrictions from international freight and passenger movements, GST collection improves in 2020-21. The domestic component of GST consists of CGST, SGST, IGST (domestic component) and GST Compensation Cess (domestic component). The import component of GST includes IGST and GST compensation Cess collections from imports.

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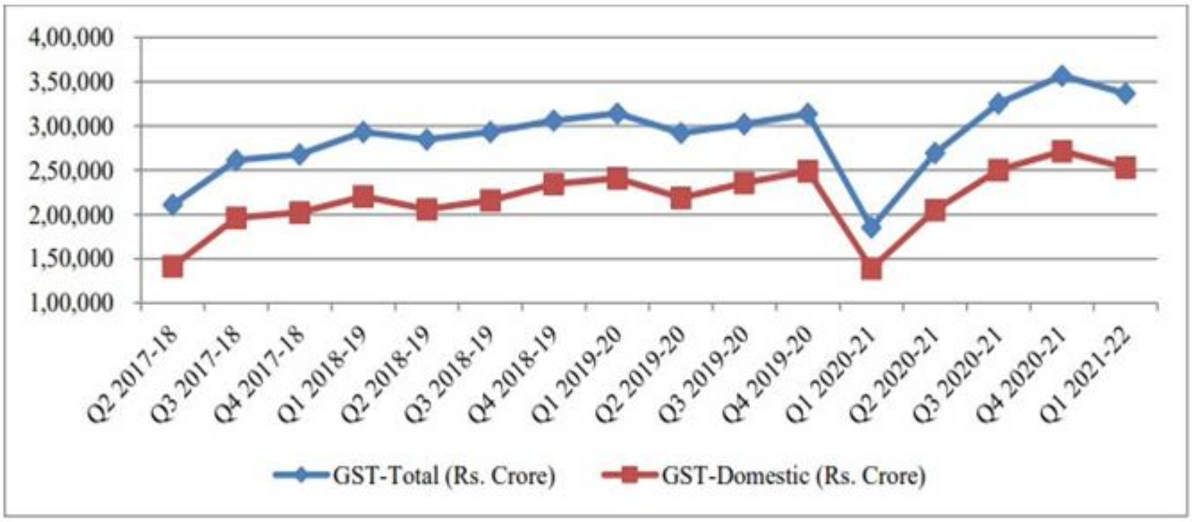
Figure 1: Quarterly GST Collection in India (Rs. Crore)



Source: Computed based on Monthly Press Releases of the Department of Revenue, Ministry of Finance, and Government of India.

Except in Q3 of 2018-19, Quarter-On-Quarter (QoQ) growth rate in the domestic component of GST collection was higher than the growth rate in overall (total) GST collection during Q2 of 2018-19 to Q4 of 2019-20, i.e., prior to the COVID-19 pandemic (Figure 2). During Q1 of 2020-21, fall in growth rate of domestic component of GST collection was higher than fall in growth rate of total GST collection. During last two quarters (Q3 of 2020-21 and Q1 of 2021- 22), growth rate of domestic component of GST is lagging behind growth rate in overall GST collection. This implies that growth rate of GST collection from the import component is higher than that of the domestic component in recent quarters. Except a few quarters, growth rate in GVA is lower than growth in GST collection (Figure 2). Volatility (as measured by the coefficient of variation or CV) in the growth rate of GST collection (CV of total GST Collection is 4.1 and CV of domestic GST collection is 3.3) is much higher than volatility in the growth rate of GVA (CV is 2.1). Given the tax base, volatility in GST collection may be due to changing tax compliance and/or changes in the processes and procedures of filing tax returns (Mehta and Mukherjee 2021).

Growth rate in total GST collection was lower than growth rate GVA during 2019-20. During Q1 and Q2 of 2020-21, fall in growth rate of GVA was lower than fall in growth rate of total GST collection. During Q3 and Q4 of 2020-21 growth rates in GVA have fallen below the growth rate in total GST collection. Similarly, prior to Q1 of 2019-20, growth rate in GVA was lower than growth rate in total GST collection. Therefore given the evidences, growth rate in domestic component of GST collection is falling behind the growth rate of import component of GST for recent quarters. Both the growth rates in GVA and GST collection are showing volatility and the volatility is relatively higher in the growth rate of GST collection than growth rate in GVA. Therefore, achieving stabilization in the structure, processes and procedures of GST system may help to achieve stability in the GST collection.

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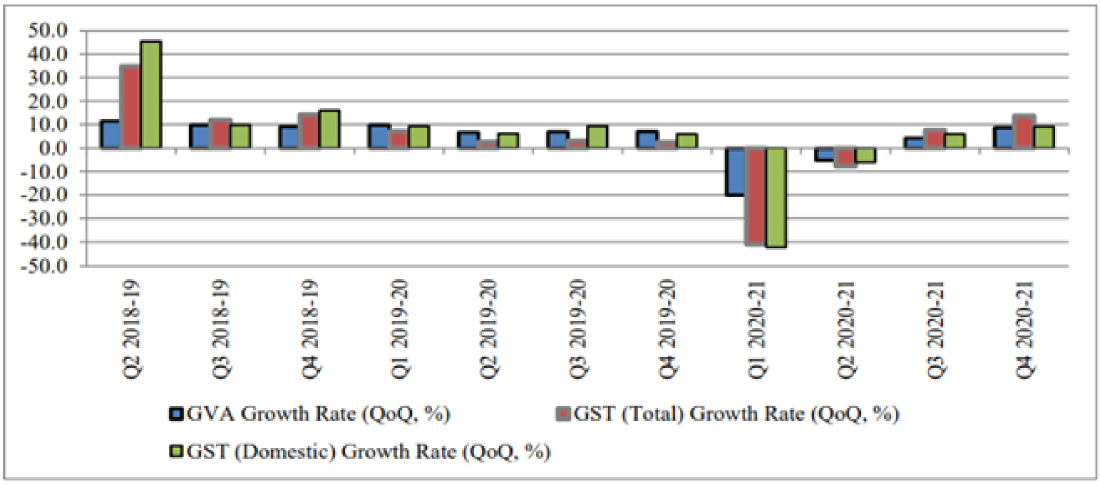
Figure 2: Quarter-on-Quarter Growth Rate in GST Collection and Gross Value Added

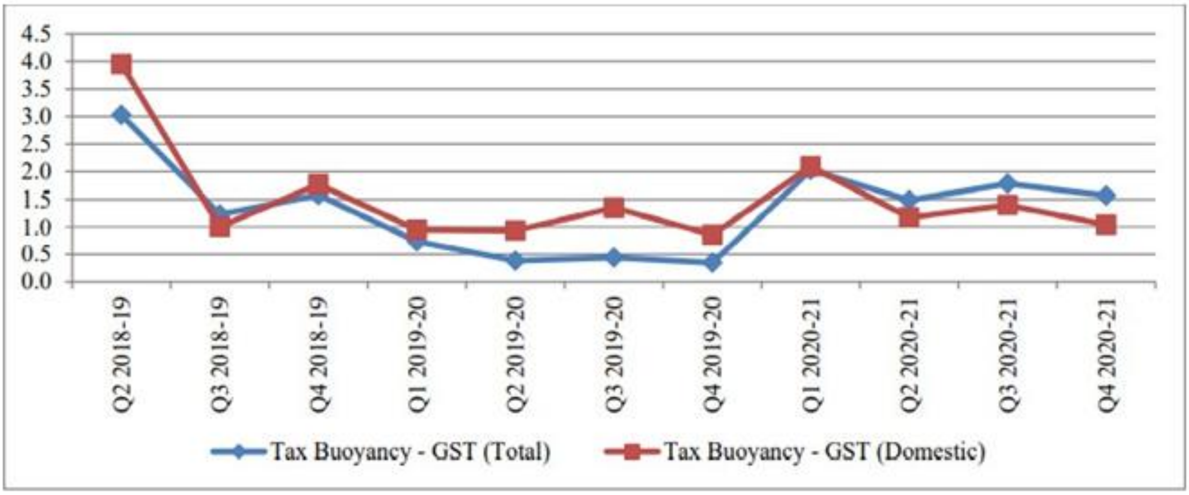


(GVA at basic prices)

Source: Computed based on Monthly Press Releases of the Department of Revenue, Ministry of Finance, and Government of India.

Like growth rate in GST collection, tax buoyancy of GST is also showing volatility (Figure 3). Even after four years of introduction, GST is evolving in many ways, e.g., structure, policies, processes and procedures, and therefore stabilization of the GST system is important to achieve stable tax buoyancy. The COVID-19 pandemic has further delayed the process of stabilization. Therefore, any projection of GST collection based on past experience of tax buoyancy may be misleading at this stage.

Figure 3: Tax Buoyancy of GST in India



Source: Computed based on Monthly Press Releases of the Department of Revenue, Ministry of Finance, and Government of India.

GST Rate-wise Distribution of Taxable Value and TaxLiability

In the GST regime, majority of taxpayers file GSTR-1 on monthly basis furnishing invoice-wise details of outward supplies and tax liability thereof.6 Therefore, for taxpayers registered under regular scheme tax rate-wise details of outward supplies(taxable value) and tax liability thereof are available from GSTR-1. Taxpayers pay the tax after adjusting available input tax credit (ITC) against inward supplies by filing GSTR-3B. 7 Being a consolidated statement, there is no provision to capture tax rate-wise taxable value (or taxable supplies/ turnover), tax liability or tax payment and availability of ITC in the GSTR-3B return. Therefore, in the analysis of restructuring of GST rate structure, we work on tax liability as reported in GSTR-1 and not on actual tax payment. ITC utilization differs across different goods and services depending on intensity of various taxable inputs use in the production of output. The coverage of tax liability in GSTR-1 is partial, as it does not capture IGST as well as GST compensation cess collections from imports. Therefore, in the present GST information system it is difficult to compile tax rate-wise all taxable value and tax liabilities based on Goods and Services Tax Network (GSTN) database. Though ITC utilization against imports is available and it is captured through GSTR-3B, corresponding taxable value of imports is not available across GST returns. When available ITC against imports are adjusted against tax liabilities, taxable value of imports is not available in the GSTR-3B. Therefore, it reduces tax liability and effective tax rate. For all India, we have access to information on tax rate-wise taxable value and tax liabilities upto November 2018 as shared by the Fifteenth Finance Commission. At all India level, there is no information available on taxable value (or turnover), tax liability, ITC utilization beyond November 2018 in the public domain. To overcome this data limitation, we depend on tax rate- wise taxable value and tax liabilities of Delhi for which we have access to data upto March 2020. The detailed methodology of adjustment of all India information using information available for Delhi is presented in Appendix I. In this study, we assume that beyond Q2 of 2018-19 change in tax rate-wise taxable value and tax liability of all India would be the same as that of Delhi. The revenue estimates presented in this paper are notional and availability of aggregate tax administration data of all India level could help us to refine the estimates. However methodology developed in this paper may help any future research on restructuring of GST rates.

We compile the information of tax rate-wise taxable value and tax liabilities corresponding to following tables (outward supplies) of GSTR-1 for all India as well as Delhi:

Table 4A: Supplies other than those (i) attracting reverse charge and (ii) supplies made through e-commerce operator

Table 5A: Outward supplies (other than supplies made through e-commerce operator)

Table 7A: Intra-State supplies Table 7B: Inter-State Supplies where invoice value is upto Rs 2.5 Lakh

Table 6A: Exports

The above listed tables capture outward supplies (taxable value/ turnover) of taxpayers registered under the GST regular scheme. It is to be noted that turnover of taxpayers under composition/ compounding schemes (paying GST on the basis of turnover) is not captured in the present study.

In the present structure of GST, there are seven different GST rates apart from 'zero' (or nil rate).8 Two special rates – diamonds and precious (semi-precious) stones attract GST rate of 0.25 per cent and gems and jewellery attract 3 per cent GST rate. 0.1 per cent GST rate is applicable for supply of goods to merchant exporters. There are three standard GST rates – 5 per cent, 12 per cent and 18 per cent and one de-merit rate of 28 per cent. The distribution of taxable value across tax rates is presented for all India as well as for Delhi in Table 4. It shows that distribution is changing over time and a part of the change in distribution is attributable to changing tax rate structure over the years since the introduction of GST. The other part may be attributed to changing structure of consumption pattern and tax compliance. Table 4 shows that on average 41 per cent taxable value is under 18 per cent tax rate. For Delhi it is 50 per cent. For all India, on average only 12 percent taxable value is under 12 per cent tax rate. Over the years, list of goods attracting 28 per cent tax rate have been pruned down. This has resulted in fall in the share of taxable value fewer than 28 per cent tax rate from 16 per cent in Q1 of 2017-18 to 6.5 per cent in Q4 of 2019-20 (Table 3).

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Table 4: Tax Rate-wise Distribution of Taxable Value of All India vis-à-vis Delhi

Period	All India (AI) / Delhi(DL)	Tax Rate (%)								
		0	0.1	0.25	3	5	12	18	28	All
Q2:2017-18	AI	9.5	0.0	0.1	6.1	19.2	11.8	37.4	15.9	100
	DL	4.3	--	0.1	8.6	15.7	16.6	44.3	10.5	100
Q3:2017-18	AI	9.0	0.2	0.3	6.9	20.4	11.9	39.5	11.9	100
	DL	3.9	--	0.1	9.4	17.6	14.9	47.2	6.9	100
Q4:2017-18	AI	8.8	0.2	0.8	5.2	20.4	12.6	42.3	9.6	100
	DL	4.2	--	0.2	7.8	17.6	14.0	51.5	4.7	100
Q1:2018-19	AI	8.8	0.2	0.9	5.6	19.8	12.1	42.3	10.2	100
	DL	4.4	--	0.2	5.5	18.5	13.7	52.8	4.8	100
Q2:2018-19	AI	9.7	0.2	1.0	6.0	18.8	12.4	43.1	8.9	100
	DL	5.2	--	0.2	6.0	17.4	14.2	53.2	3.8	100
Q3:2018-19	AI*	9.2	0.2	0.6	5.4	22.4	12.8	40.9	8.4	100
	AI**	7.2	0.2	1.3	5.4	19.4	12.8	44.2	9.4	100
	DL	3.8	--	0.3	5.4	17.8	14.6	54.1	3.9	100
Q4:2018-19	AI**	7.3	0.2	1.5	5.5	19.6	12.5	45.2	8.3	100
	DL	3.8	--	0.3	5.5	17.9	14.1	54.9	3.5	100
Q1:2019-20	AI**	7.8	0.2	0.7	10.1	18.3	13.0	41.6	8.2	100
	DL	4.1	--	0.2	10.1	16.8	14.7	50.7	3.5	100
Q2:2019-20	AI**	21.2	0.2	0.5	6.1	17.0	12.2	35.8	7.0	100
	DL	12.1	--	0.1	6.5	16.7	14.8	46.7	3.2	100
Q3:2019-20	AI**	27.0	0.2	0.8	2.7	18.6	10.9	31.2	8.5	100
	DL	16.3	--	0.2	3.1	19.3	14.1	43.1	4.0	100
Q4:2019-20	AI**	11.9	0.2	1.3	5.5	18.7	12.7	43.1	6.5	100
	DL	6.4	--	0.3	5.5	17.3	14.6	53.1	2.8	100
2017-18	AI	9.1	0.2	0.4	6.0	20.1	12.1	39.9	12.2	100
	DL	4.1	--	0.1	8.6	17.1	15.0	48.1	7.0	100
2018-19	AI**	8.2	0.2	1.2	5.6	19.4	12.4	43.8	9.2	100
	DL	4.3	--	0.3	5.6	17.9	14.2	53.8	3.9	100
2019-20	AI**	16.8	0.2	0.9	6.1	18.2	12.2	38.1	7.6	100
	DL	7.5	--	0.2	7.0	17.2	14.6	50.2	3.2	100

Note:*- Up to November 2018, **-Estimated
Source: Computed by Author based on data shared by the Fifteenth Finance Commission and the Department of Trade and Taxes, Government of NCT of Delhi.

We find that there is difference between statutory tax rates and the tax liability rate (as measured by tax liability as percentage of taxable value for each tax rate). As compared to 2018-19, tax liability rates have fallen down for 3 per cent and above tax rates. For 28 percent tax rate, the difference has gone up in 2019-20 from 2018-19 by 1.6 percentage point for all India (Table 5).

Table 5: Tax Rate-wise Tax Liability of All India vis-à-vis Delhi (as % of Taxable Value)

Period	All India (AI) / Delhi(DL)	Tax Rate (%)								
		0.00	0.1	0.25	3	5	12	18	28	All
Q2:2017-18	AI	0.05	3.36	0.24	2.92	4.92	11.82	17.08	27.57	13.29
	DL	0.08	--	0.25	2.82	4.85	11.88	17.76	27.68	13.74
Q3:2017-18	AI	0.06	0.10	0.24	2.93	4.94	11.86	17.17	27.59	12.68
	DL	0.09	--	0.25	2.94	4.94	11.87	17.75	27.71	13.22
Q4:2017-18	AI	0.06	0.10	0.22	2.96	4.93	11.91	17.41	27.61	12.68
	DL	0.11	--	0.25	2.98	4.92	11.87	17.79	27.63	13.22
Q1:2018-19	AI	1.43	0.10	0.20	2.97	5.07	11.87	17.29	27.62	12.87
	DL	0.08	--	0.25	2.95	4.94	11.89	17.77	27.79	13.44
Q2:2018-19	AI	0.09	0.10	0.20	2.98	4.94	11.89	17.30	27.59	12.49
	DL	0.13	--	0.25	2.96	4.95	11.89	17.77	27.74	13.23
Q3:2018-19	AI*	0.08	0.10	0.24	2.97	4.94	11.88	17.27	27.52	12.18
	AI**	0.15	0.10	0.20	2.94	4.94	11.93	17.30	27.65	12.75
	DL	0.21	--	0.25	2.92	4.96	11.93	17.77	27.80	13.50
Q4:2018-19	AI**	0.16	0.10	0.20	2.96	4.94	11.91	17.29	27.69	12.71
	DL	0.22	--	0.25	2.95	4.95	11.91	17.76	27.84	13.45
Q1:2019-20	AI**	0.05	0.10	0.20	2.97	4.93	11.85	17.29	27.75	12.13
	DL	0.07	--	0.25	2.95	4.95	11.85	17.76	27.90	12.84
Q2:2019-20	AI**	0.01	0.00	0.20	2.76	4.74	11.51	16.09	24.38	10.55
	DL	0.01	--	0.25	2.74	4.76	11.51	16.53	24.52	11.17
Q3:2019-20	AI**	0.02	0.00	0.19	2.71	4.74	11.14	15.97	24.89	10.06
	DL	0.03	--	0.23	2.69	4.75	11.15	16.40	25.03	10.65
Q4:2019-20	AI**	0.03	0.10	0.20	2.96	4.86	11.65	17.07	27.11	12.06
	DL	0.04	--	0.25	2.94	4.87	11.65	17.53	27.25	12.77
2017-18	AI	0.06	0.10	0.23	2.94	4.93	11.87	17.24	27.59	12.85
	DL	0.09	--	0.25	2.92	4.91	11.87	17.77	27.67	13.36
2018-19	AI**	0.47	0.10	0.20	2.96	4.97	11.90	17.30	27.64	12.71
	DL	0.16	--	0.25	2.94	4.95	11.91	17.77	27.80	13.41
2019-20	AI**	0.03	0.05	0.20	2.85	4.82	11.54	16.62	26.09	11.23
	DL	0.04	--	0.25	2.91	4.87	11.65	17.38	26.82	12.33

Notes: #-Tax Liability corresponding to Domestic GST Liability (CGST+SGST +IGST (domestic))
*-Upto November 2018. **-Estimated
Source: Computed by Author based on data shared by the Fifteenth Finance Commission and the Department of Trade and Taxes, Government of NCT of Delhi 6 shows that during Q2 of 2017-18 to Q2 of 2018-19, on average 55 percent of tax liability falls under 18 per cent tax rate for all India. In Delhi, during the same period the share of 18 per cent tax rate was 66 per cent. With the falling share of 28 per cent tax rate in tax liability, the share of 18 per cent tax rate has gone up over the years (Figure 4). The share of 12 per cent tax rate in total tax liability has increased from 12.6 per cent in 2018-19 to 13.8 per cent in 2019-20. Marginal increment in the share of 5 per cent tax rate is also observed. This shows that tax rate-wise structure of tax liability has changed over the years with the change in the GST rate structure over time.

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Table 6: Tax Rate-wise Share in Tax Liability of All India vis-à-vis Delhi (%)

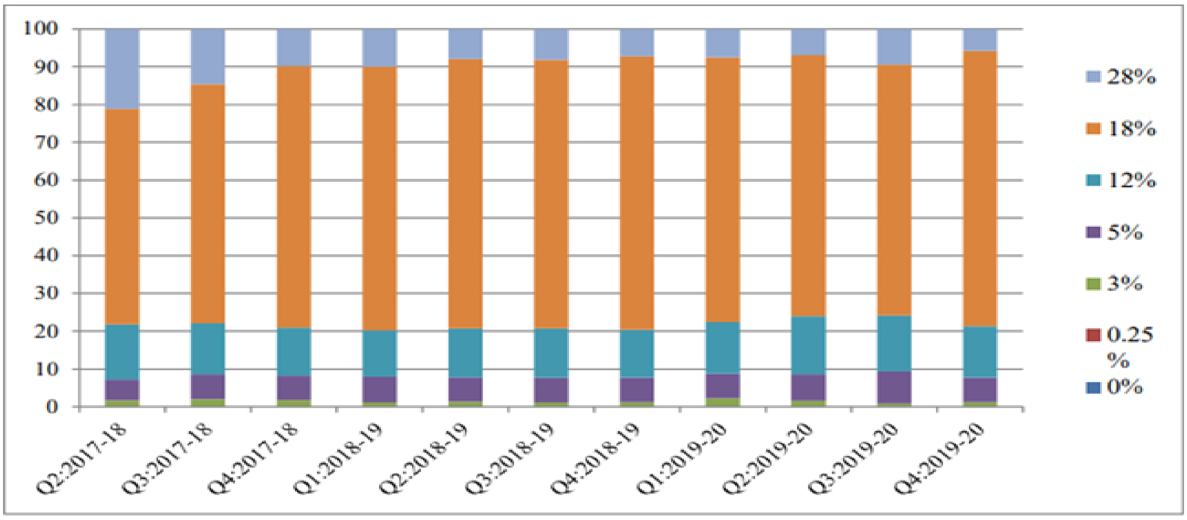
Period	All India (AI) / Delhi(DL)	Tax Rate (%)								
		0	0.1	0.25	3	5	12	18	28	All
Q2:2017-18	AI	0.04	0.00	0.00	1.34	7.10	10.47	48.06	32.99	100
	DL	0.02	--	0.00	1.77	5.53	14.39	57.22	21.07	100
Q3:2017-18	AI	0.04	0.00	0.00	1.58	7.97	11.11	53.43	25.85	100
	DL	0.03	--	0.00	2.09	6.58	13.34	63.42	14.55	100
Q4:2017-18	AI	0.04	0.00	0.01	1.21	7.92	11.87	58.06	20.87	100
	DL	0.03	--	0.00	1.76	6.55	12.57	69.24	9.84	100
Q1:2018-19	AI	0.98	0.00	0.01	1.30	7.79	11.17	56.91	21.83	100
	DL	0.02	--	0.00	1.21	6.81	12.16	69.76	10.03	100
Q2:2018-19	AI	0.07	0.00	0.02	1.43	7.42	11.76	59.72	19.59	100
	DL	0.05	--	0.00	1.35	6.51	12.77	71.42	7.89	100
Q3:2018-19	AI*	0.06	0.00	0.01	1.31	9.09	12.50	58.03	19.00	100
	DL	0.06	--	0.01	1.17	6.53	12.93	71.17	8.13	100
Q4:2018-19	DL	0.06	--	0.01	1.19	6.58	12.49	72.47	7.21	100
Q1:2019-20	DL	0.02	--	0.00	2.32	6.45	13.58	70.11	7.51	100
Q2:2019-20	DL	0.01	--	0.00	1.60	7.11	15.26	69.07	6.95	100
Q3:2019-20	DL	0.05	--	0.00	0.78	8.60	14.73	66.41	9.43	100
Q4:2019-20	DL	0.02	--	0.01	1.26	6.59	13.34	72.91	5.87	100
2017-18	AI	0.04	0.00	0.01	1.37	7.70	11.20	53.58	26.10	100
	DL	0.03	--	0.00	1.87	6.27	13.33	63.96	14.53	100
2018-19	DL	0.05	--	0.01	1.23	6.60	12.60	71.34	8.18	100
2019-20	DL	0.02	--	0.00	1.66	6.80	13.81	70.73	6.97	100

Notes: #-Tax Liability corresponding to Domestic GST Liability (CGST+SGST +IGST (domestic))

*-Upto November 2018

Source: Computed by Author based on data shared by the Fifteenth Finance Commission and the Department of Trade and Taxes, Government of NCT of Delhi

Figure 4: Tax Rate-wise Share in Tax Liability of Delhi (%)



Source: Computed by Author based on data shared by the Department of Trade and Taxes, Government of NCT of Delhi

GST Revenue Neutral Rates

Like the GST base, estimates of RNRs also vary across studies presented in Table 2. Many scholars argue in favour of single rate GST. However, the main criticism of single rate GSTis that it may make GST more regressive than multiple rates GST. A single rate GST may reduce tax administration burden (cost) as well as tax compliance cost. Moreover, single rate GST may help to minimize the classification disputes and revenue leakages by misclassification of goods in case of composite supplies, as well as difficulties associated with inverted duty structure (where inputs and capital goods are taxed at higher rates and the outputs are taxed at lower rates). A multiple rate GST is politically more acceptable than a single rate GST as it has potential to moderate the regressively of GST.5 Taxing 'sin' goods (demerit/ luxury goods) at a higher rate often create fiscal space in favour of lowering standard rate(s). Taxing semi processed or unprocessed foods and basic necessities at lower than standard rate often finds support from various quarters. On the other hand taxing high value low volume goods like precious stones, gems and jewellery at higher rate may encourage unaccounted (undisclosed) transactions and therefore revenue leakages. Therefore, often these items attract special rates. Though, there is no consensus on what will be the optimal number of tax rates, it is desirable that it should be as minimum as possible. Moreover, estimation of RNRs cannot be onetime event, especially when the rate structure is undergoing changes so as the tax compliance, processes and procedures. Therefore, it isdesirable that estimation of RNRs may be taken up by the GST council every regular interval, given the revenue needs of the governments.

IV. CHAPTER-4 RESEARCH METHODOLOGY

4.1 Research Methodology

Research is a logical and systematic search for new and useful information on a particular topic. Research methodology is a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomenon are called research methodology.

4.2. Scope of the Study

GST tax regime came with a very good effect which has removed all the cascading effectthat was arising earlier giving a good platform for the government as well as to the taxpayers. As it has been implemented with effective policies, the chances of errors arising earlier have also been resolve. So, it becomes essential to know all the formulation and policies under GST tax regime.

Objective of GST

a) One country-one tax.
b) Consumption based tax instead of manufacturing.
c) Uniform GST registration, payment and input tax credit.
d) To eliminate the case coding effect of indirect taxes on single transaction.
e) Subsume all indirect taxes of centre and state level under.
f) Reduce tax evasion and corruption

Hypothis of GST

I presumption and estimate same main things about "subject".

1. H0: I presume there is no any relation between income and spending behaviour of consumers.(H0:- Null Hypothesis)
2. H0: presume that peoples still spend their money significantly on consuming the goods and services.(H0:- Null Hypothesis)
3. H1:- Factor of buying behaviour for consumer/peoples and businessmen not differs the significantly.(H1:- Alternative Hypothesis)

Need for the Study

IDEA has good market standing and company's tariff plans and services level are good, which are largely responsible for its position. IDEA has to sustain its position against the expected stiff competition. The company has to know its telecom market share, the satisfaction level of customers and also its competitor's share in the market and problems, which are faced by the telecom industry in order to take appropriate action. Hence, the study titled "CHALLENGES OF FILING GST" has been undertaken.

Estimation of Taxable Value for 2020-21

Though we do not have access to tax rate-wise taxable value and tax liability at all India level beyond November 2018, we have aggregate taxable value and tax liabilities (as reported in GSTR-1) for all India for 2017-18 to 2018-19, as shared by the

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Fifteenth Finance Commission (Table 7). These figures are corresponding to GSTR-1 tables as listed in section 3.1. This shows that average tax liability (as % of taxable value) has gone down in 2018-19 as compared to 2017-18. We have compiled tax collection figures based on monthly press releases of the Department of Revenue.9 Table 7 shows that the ratio of Taxable Value (TV) and Tax Collection (TC) has gone down in 2018-19 as compared to 2017-18. Similarly, the ratio of Tax Liability (TL) and Tax Collection (TC) also falls in 2018-19. Based on the experience of tax collection on account of CGST, SGST and IGST (domestic component) and the average ratios of 2017-18 and 2018-19, we have estimated the Taxable Value and Tax Liability of 2020-21. The underlying formulae are as follows:

Taxable Value (TV) of 2020-21 = Average TV/TC of 2017-18 & 2018-19 x Tax Collection (TC) of 2020-21

Tax Liability (TL) of 2020-21 = Average TL/TC of 2017-18 & 2018-19 x Tax Collection (TC) of 2020-21

The estimated Taxable Value and Tax Liability of 2020-21 are Rs. 38,187,045 crore and Rs. 4,783,170 crore respectively. This is also to be noted that Tax Liability as percentage of Taxable Value shows an increase in 2020-21 (Table 7).

Table 7: Taxable Value, Tax Liability and Tax Collection in GST – AllIndia

Year	Taxable Value (TV) (Rs. Crore)	Tax Liability (TL) (IGST+CGST+SGST) (Rs. Crore)	Tax (CGST+SGST+IGST-domestic) Collection (TC) (Rs. Crore)	TV/TC	TL/TC
2017-18	28,668,423	3,606,981 (12.58)	483,772	59.260	7.456
2018-19	29,863,672	3,714,374 (12.44)	789,504	37.826	4.705
Average of 2017-18 & 2018-19				48.543	6.080
2020-21	38,187,045*	4,783,170 (12.53)	786,664 **		

Note: *-Estimated, **-Sum of CGST, SGST and IGST (domestic component) collection in 2020-21

Figures in the parenthesis show the Percentage of Taxable Value

Source: Data shared by the Fifteenth Finance Commission and Compilation of Monthly Press Releases of the Department of Revenue, Ministry of Finance, and Government of India.

As an alternative to estimates of taxable value presented above, we estimate taxable value based on macro indicators. Unlike other macro-indicators, taxable value and tax liabilities of GST are not available (or published) in the public domain. Therefore, to estimate the taxable value for 2020-21, we first try to establish a relationship between Gross Output (GO) and Gross Value Added (GVA) as available in the National Accounts Statistics 2021 (Table 8).10

We find that there is a linear relationship between GO and GVA and degree of association is strong ($R2=0.9937$) (Figure 5). 11 We have avoided any time series specific tests in this exercise, as we have only 9 data points. We use this relationship to estimate the Gross Output of 2020-21 from Provisional Estimate of Gross Value Added at basic prices (at current prices, 2011-12 series) of 2020-21. Given provisional estimate of GVA of Rs. 17,915,167 crore in 2020-21, 12 the estimated GO is Rs. 34,978,573 crore for 2020-21.

Table 8: Gross Output and Gross Value Added of India (at current prices,2012-13 series) (Rs. Crore)

	Gross Output (GO)	Gross Value Added (GVA)
2012-13	17,662,041	8,106,946
2013-14	19,800,101	9,202,692
2014-15	22,267,737	10,363,154
2015-16	24,449,014	11,504,278

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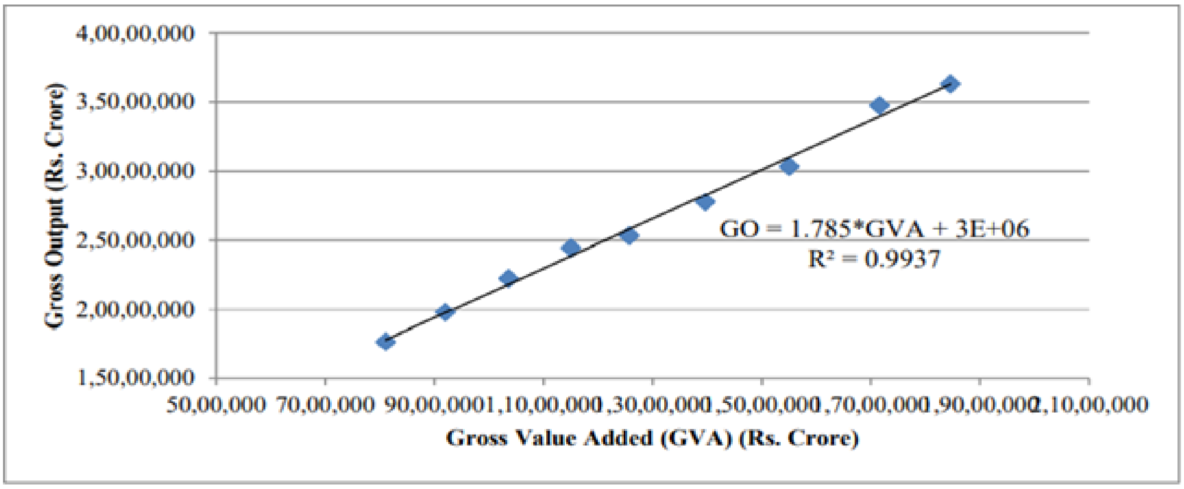
2016-17	25,312,242	12,574,500
2017-18	27,764,865	13,965,200
2018-19	30,366,427	15,505,665
2019-20	34,754,818	17,161,213
2020-21	36,302,208	18,461,343

Source: National Accounts Statistics 2021 (Table 7.1)

Figure 5: Relationship between Gross Output and Gross Value Addedof India



Source: Computed by Author

In the next step, we estimate Taxable Value (TV) for 2020-21, based on observed ratio of TVand GO for 2018-19 (Table 9). We find that the ratio of TV and GO is 0.94 in 2017-18 and 0.86 in 2018-19. Since, taxable value of 2017-18 is corresponding to the period July 2017 toMarch 2018 whereas the GO is corresponding to full financial year of 2017-18, to achieve comparability we take TV/GO of 2018-19 to estimate the Taxable Value of 2020-21 by the following formula:

Taxable Value (TV) of 2020-21 = TV/GO of 2018-19 x Gross Output of 2020-21 (estimated)

The estimated Taxable Value of 2020-21 is Rs. 30,055,937 crore (Table 9). This is Rs. 8,131,108 crore or 21.29 per cent lower than the estimated TV of 2020-21 based on Tax Collection and Tax Liability approach presented above (Table 7). In our analysis, we consider Rs. 30,055,937 crore as taxable value for 2020-21 as a case in point. Availability of actual figures for 2020-21 could help us to refine the estimates presented in this paper.

Table 9: Relationship between Gross Output and Taxable Value(at current prices)

Year	Gross Output (GO)	Taxable Value (Rs. Crore) (TV)	TV/GO
2017-18	30,366,427	28,668,423	0.94
2018-19	34,754,818	29,863,672	0.86
2020-21 (Estimated)	34,978,573	30,055,937	

Source: Compiled from National Accounts Statistics 2021 and data shared by the Fifteenth Finance Commission.

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4.7. Sample Size

For carrying out any research or study on any subject it is very difficult to cover even 10% of the total population. Therefore the sample size has to be decided for a meaningful conclusion. For designing the sample size, it was thought proper to cover a very small percentage of population in various age groups. The method used for sample technique was non probability convenience sampling method. This method is used because it is known previously as to whether a particular person will be asked to fill the questionnaire. Convenient sampling is used because only those people will be asked to fill the questionnaires that were easily accessible and available to the researcher.

Considering the constraints, it was decided to conduct the study based on sample size of 50 people in specific age groups. Scientific method is not adopted in this study because of financial constraints and also because of lack of time; also the basic aim of doing the research is academic, hence most convenient way is selected.

Sampling Technique

The location was chosen on a random basis. Even this sample was chosen by simple random sampling. A sample technique in the every elements of population of interest has an equal the probability of being included in this sample.

Limitations of the Study

- The research will be conducted in a limited area.
- The internet information can be irrelevant.
- Time will be a major constraint.
- The respondent will be limited so cannot be treated as a whole population.
- The respondent may be biased.
- Due to language problem it is possible that the respondents are not be able to understand the questionnaire and can cause misleading.

V. CHAPTER-5 DATA ANALYSIS

Analysis of Data

From the data, the above listed tables capture outward supplies (taxable value/ turnover) of taxpayers registered under the GST regular scheme. It is to be noted that turnover of taxpayers under composition/ compounding schemes (paying GST on the basis of turnover) is not captured in the present study of collected data is analysed by calculating difference scenario estimated GST tax liability restructuring tasting hypothesis analysis data.

❖ DATA COLLECTION SOURCES

- **Primary Data:** Primary data is basically the live data which I collected on field whiledoing cold calls with the customers and I show them list of question for which I had required their responses.
- **Secondary Data:** Secondary data for the base of the project I collected from intranet and from internet, magazines, newspapers etc.

Options for GST Rate Restructuring

Based on our estimates of tax rate-wise taxable value and tax liability of all India as presented above, we construct alternative scenarios of GST rate structure and estimate expected GST (domestic components only) collection. The estimated tax revenue is notional in all aspectsand may not correspond to actual GST collection. The reasons for divergence between the actual GST (domestic components) and our estimates mainly on account of differences between actual and estimated taxable value, tax liability, utilization of input tax credit (ITC), tax compliance, tax efficiency, composition of taxable value and tax liability by tax rates etc. We have not taken into account revenue impacts of increasing GST registration threshold, increasing turnover limit to opt for composition scheme etc. in our analysis. However, the methodology developed in this paper could be useful for any future analysis of restructuringof GST rate structure.

Scenario I (Baseline)

In this scenario, we assume that the tax rate-wise distribution of taxable value of 2019-20 remains unchanged in 2020-21 (Table 4). We also assume that Tax Liability as percentage of taxable value of 2019-20 remains unchanged in 2020-21 (Table 5). We estimate the aggregate Tax Liability on account of CGST, SGST and IGST (domestic component) in this scenario for the year 2020-21. We do not include GST Compensation Cess liability in any of our scenario as the proceeds of GST cess are realized into the GST compensation fund to provide GST compensation to states. The estimated tax liability in this case is Rs. 3,235,637 crore or 10.77 per cent of taxable value (Table 10). This implies that estimated average tax liabilityrate is 10.77 per cent in 2020-21.

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Table 10: Estimated Tax Liability in Scenario I (Baseline)

Tax Rate (%)	Taxable Value (Rs. Crore)	GST (CGST+SGST+IGST-domestic) Liability (Rs. Crore)
	2020-21	2020-21
0	5,052,403	1,503
0.1	69,129	35
0.25	255,475	506
3	1,836,418	52,351
5	5,461,164	263,183
12	3,669,830	423,580
18	11,439,290	1,901,747
28	2,272,229	592,731
All	**30,055,937**	**3,235,637**

Source: Computed by Author

Scenario II

In this scenario, we distribute aggregate taxable value of 2020-21 according to tax rate-wise distribution of taxable value as was prevailing during Q1 of 2017-18. Here, we assume that GST rate structure of 2020-21 is as it was prevailing during Q1 of 2017-18 (i.e., at the time introduction of GST). In this scenario we also assume that tax rate-wise tax liability as percentage of taxable value remains unchanged in 2020-21 as it was prevailing during Q1 of 2017-18. In this analysis we assume that any improvement in tax compliance, consumption habits and resultant economic growth is captured in the taxable value of 2020-21. Our estimated tax liability is Rs. 3,995,054 crore and it is Rs. 759,416 crore (or 13.3%) higher than tax liability estimated under the baseline scenario (Table 10 and 11). This means that ifthe GST rate structure prevailing at the time of GST introduction is restored again in 2020- 21, it may generate additional annual tax liability of Rs. 759,416 crore. By applying average TL/TC ratio of 6.08 as observed during 2017-19, this may generate additional annual GST revenue of Rs. 124,904 crore (Rs. 759,416 crore/6.08) in 2020-21. However, this is to benoted that the estimated revenue gain due to reinstating original GST rate structure is notional and actual revenue gain may differ depending on ITC utilization pattern across tax rates (as well as tax payers), change in the tax compliance behaviour and impacts on consumption pattern and associated changes in the output or taxable value etc.

Table 11: Estimated Tax Liability in Scenario II

Tax Rate (%)	Taxable Value (% Share)	Tax (CGST+SGST+ IGST-domestic) Liability (% of TV)	Taxable Value (Rs. Crore)	GST (CGST+SGST+ IGST-domestic) Liability (Rs. Crore)
	Q1:2017-18	Q1:2017-18	2020-21	2020-21
0	9.5	0.05	2,852,887	1,448
0.1	0.0	3.36	245	8
0.25	0.1	0.24	44,680	107
3	6.1	2.92	1,833,565	53,510
5	19.2	4.92	5,767,707	283,734
12	11.8	11.82	3,537,052	418,136
18	37.4	17.08	11,239,723	1,920,176
28	15.9	27.57	4,780,079	1,317,936
All	**100.0**	**13.29**	**30,055,937**	**3,995,054**

Source: Computed by Author

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Scenario III

This scenario is an extension of baseline scenario with seven tax rates (instead of eight tax rates prevalent at present). In the present scenario, we have merged taxable values corresponding to 12 per cent and 18 per cent tax rates into one and assumed that that the consolidated taxable value will attract a tax rate of 15 per cent.

We have observed that tax liability (as % of taxable value) is lower than statutory tax rate for all tax rates (Table 5). The difference between tax liability rate (Tax Liability as % of Taxable Value) and statutory tax rate corresponding to 2019-20 is plotted against statutory tax rates in Figure 6. Figure 6 shows that there is a polynomial relationship between two. So, we estimate the difference for 15 percent tax rate and it is -0.88 per cent. Therefore, taxliability rate for 15 percent tax rate is 14.12 percent (i.e., 15% - 0.88%). We estimate the tax liability corresponding to 2020-21 and it is Rs. 3,043,007 crore (Table 12).

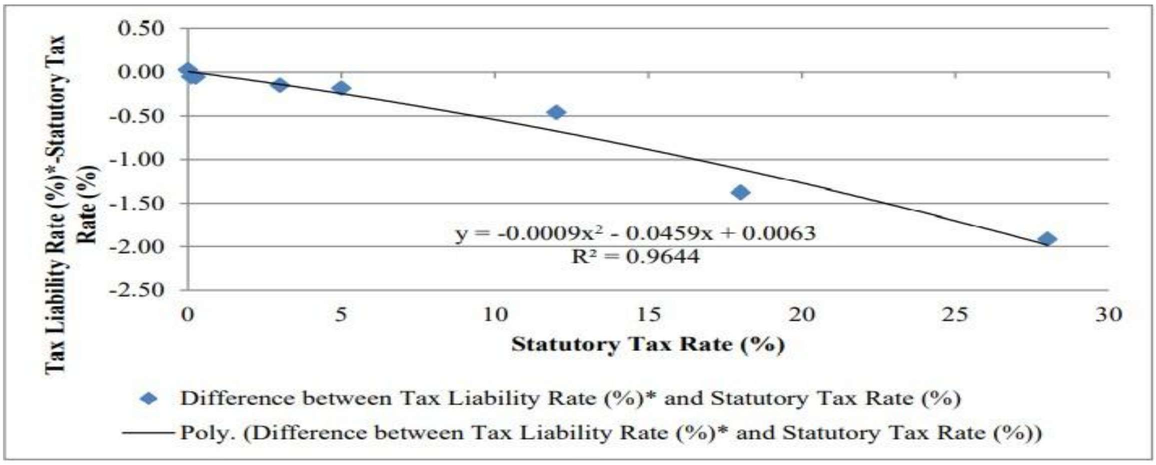
In this case tax liability is lower than baseline scenario by Rs. 192,630 crore (or 6%). If we convert it into GST revenue by multiplying by the inverse of average TL/TC over 2017-19, it would be Rs. 31,683 crore [Rs. 192, 63 crore x (1/6.08)]. Therefore, merging of 12 per cent and 18 per cent tax rates into 15 per cent (or any other tax rate lower than 18 per cent) may result in revenue loss for the governments. Since on average 41 per cent of taxable value falls under 18 per cent tax rate, any attempt to merge two tax rates into one tax rate which is lower than 18 per cent may result in revenue loss. However, this is a static exercise. Change in tax rates on goods and services may have impacts on demands (consumer behaviour effect) as well as on tax compliance. Therefore, the ultimate revenue impact of the change in tax structure may be positive or negative depending on relative strengths of alternative forces of consumer behaviour effect and tax compliance effect.

Table 12: Estimated Tax Liability in Scenario III

Tax Rate (%)	Taxable Value (Rs. Crore)	GST (CGST+SGST+ IGST-domestic) Liability (Rs. Crore)
	2020-21	2020-21
0	5,052,403	1,503
0.1	69,129	35
0.25	255,475	506
3	1,836,418	52,351
5	5,461,164	263,183
15	15,109,120	2,132,698
28	2,272,229	592,731
All	**30,055,937**	**3,043,007**

Source: Computed by the author

Figure 6: Relationship between Statutory GST Tax Rate and the Difference betweenTax Liability (as % of TV) and Statutory Tax Rate



Note: *-Tax Liability Rate = Tax Liability/ Taxable Value*100 Sources: Computed byAuthor

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Scenario IV

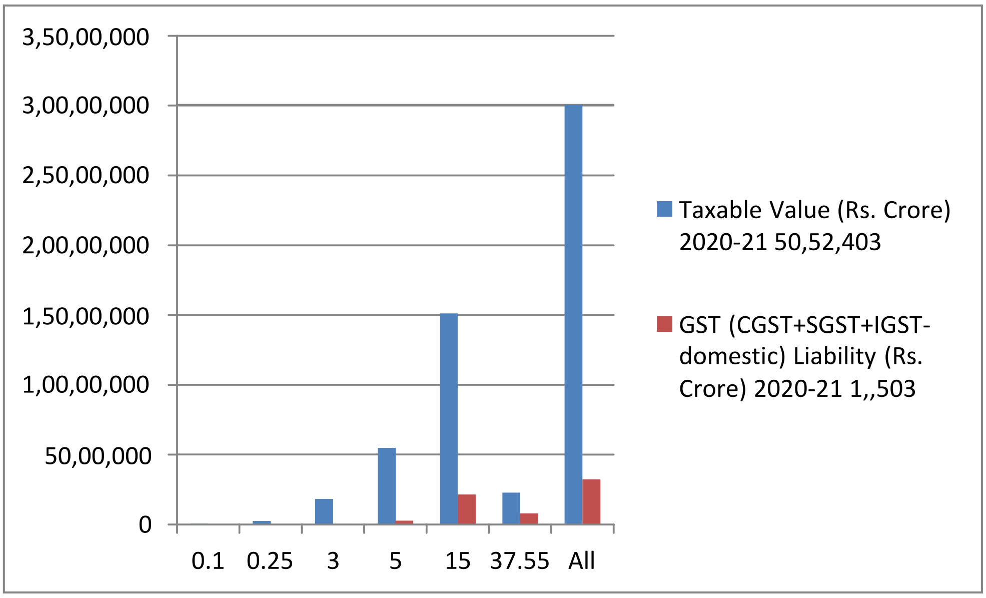
This is an extension of the scenario III. In this scenario, we look for a suitable tax rate in the highest tax rate to compensate for tax liability loss (i.e., Rs. 192,630 Crore with reference to the baseline scenario) due to merging of 12 per cent and 18 per cent tax rates into 15 per cent. In addition to the existing tax liability under 28 per cent tax rate of Rs. 592,731 (Table 12), we add additional tax liability of Rs. 192,630 crore under 28 per cent tax rate and look for a suitable tax rate which could generate the aggregate tax liability of Rs. 785,361 crore, at given taxable value under 28 per cent tax rate (i.e., Rs. 2,272,229 crore) (Table 13). It is to be noted that in this exercise we assume that the distribution of taxable value across tax rates and aggregate taxable value will prevail as it is in the baseline scenario. We find that the highesttax rate needs to be raised to 37.55 per cent (approximately 38%) to compensate for revenue loss on account of merging 12 per cent and 18 per cent tax rates into 15 per cent. At 37.55 per cent statutory tax rate, tax liability rate will be 34.56 per cent.

Table 13: Estimated Tax Liability in Scenario IV

Tax Rate(%)	Taxable Value (Rs. Crore)	GST (CGST+SGST+IGST-domestic) Liability(Rs. Crore)
	2020-21	**2020-21**
0	5,052,403	1,,503
0.1	69,129	35
0.25	255,475	506
3	1,836,418	52,351
5	5,461,164	263,183
15	15,109,120	2,132,698
37.55	2,272,229	785,361
All	**30,055,937**	**3,235,637**

Source: Computed by the author

Figue-7 this figure is estimated in scenario - IV



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Scenario V

This is an extension of the scenario III. In this scenario, we look for a suitable tax rate in the 5 per cent tax rate to compensate for tax liability loss (i.e., Rs. 192,630 Crore with reference to the baseline scenario) due to merging of 12 per cent and 18 per cent tax rates into 15 per cent. In addition to existing tax liability under 5 per cent tax rate of Rs. 263,183 crore, we add additional tax liability of Rs. 192,630 crore and look for a suitable tax rate which could generate the aggregate tax liability of Rs. 455,813 crore, at given taxable value under 5 percent tax rate (i.e., Rs. 5,461,164 crore) (Table 14). It is to be noted that in this exercise we assume that the distribution of taxable value across tax rates and aggregate taxable value will prevail as it is in the baseline scenario. We find that the 5 per cent tax rate needs to be raisedto 8.81 per cent (approximately 9%) to compensate for revenue loss on account of merging 12 per cent and 18 per cent tax rates into 15 per cent. At 8.81 per cent statutory tax rate, tax liability rate will be 8.35 per cent.

Table 14: Estimated Tax Liability in Scenario V

Tax Rate (%)	Taxable Value (Rs. Crore)	GST (CGST+SGST+ IGST-domestic) Liability (Rs. Crore)
	2020-21	2020-21
0	5,052,403	1,503
0.1	69,129	35
0.25	255,475	506
3	1,836,418	52,351
8.81	5,461,164	455,813
15	15,109,120	2,132,698
28	2,272,229	592,731
All	**30,055,937**	**3,235,637**

Scenario VI

This is an extension of the scenario III. In this scenario, we first raise the highest tax rate to 30 per cent from 28 per cent. The increase in the highest tax rate gives us an additional tax liability of Rs. 39,387 crore under the highest tax rate, at given taxable value. At 30 per cent statutory tax rate, tax liability rate becomes 27.82 per cent.

Table 15: Estimated Tax Liability in Scenario VI

Tax Rate(%)	Taxable Value (Rs. Crore)	GST (CGST+SGST+IGST-domestic) Liability(Rs. Crore)
	2020-21	**2020-21**
0	5,052,403	1,,503
0.1	69,129	35
0.25	255,475	506
3	1,836,418	52,351
8-05	5,461,164	416,426
15	15,109,120	2,132,98
30	2,272,229	632,118
All	**30,055,937**	**3,235,637**

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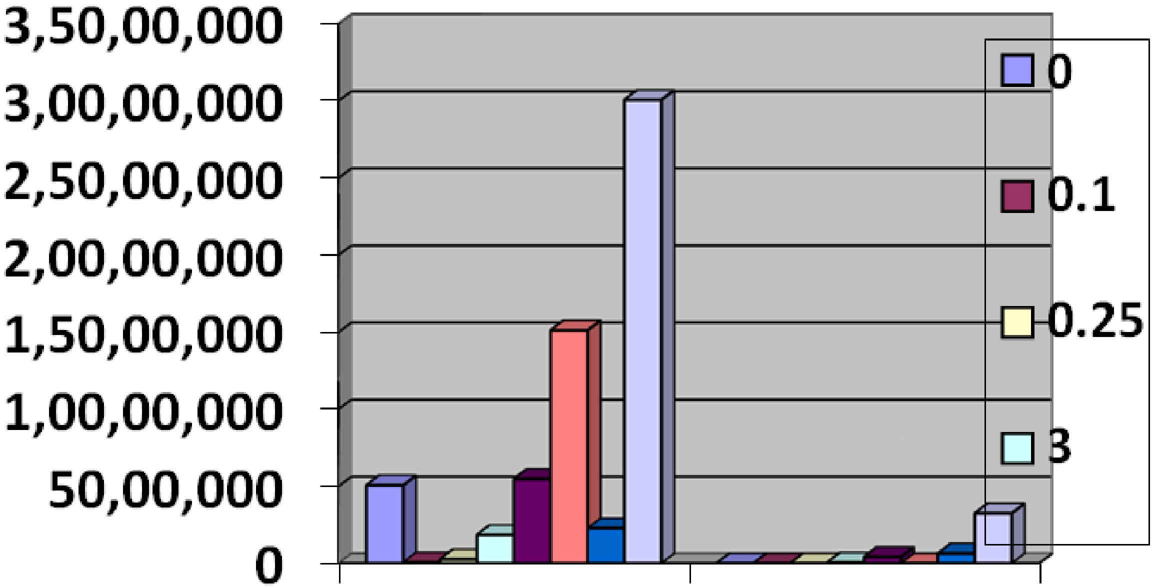
Figure-8



Source: Computed by Author

In the next step, we look for a suitable tax rate in the 5 per cent tax rate to compensate for net tax liability fall (i.e., Rs. 153,243 crore = Rs. 192,630 Crore – Rs. 39,387 crore) due to merging of 12 per cent and 18 per cent tax rates into 15 per cent and increasing the highest tax rate to 30 per cent. In addition to existing tax liability under 5 per cent tax rate of Rs. 263,183 crore, we add additional tax liability of Rs. 153,243 crore and look for a suitable tax rate which could generate the aggregate tax liability of Rs. 416,426 crore, at given taxable value under 5 per cent tax rate (i.e., Rs. 5,461,164 crore) (Table 15). We find that the 5 per cent tax rate needs to be raised to 8.05 per cent (approximately 8%) along with increasing the highest tax rate to 30 per cent to compensate the revenue loss on account of merging 12 per cent and 18 per cent tax rates into 15 per cent. At 8.05 per cent statutory tax rate, tax liability rate becomes 7.63 per cent.

VI. CHAPTER-6 CONCLUSION

Findings of the Study

After Analysis and Interpretation of the data these are followings findings were emerged.

- Majority of the respondents i.e. 46 % comes under 31—40 age group and 22%^ are comes under 41- 50 years.
- More than 34% respondents are related are completed its graduation.
- The most of respondents faces some challenges towards the GST filling and they are notaware properly GST filling process.
- 68 % respondents are that opinion GST is increases the price of various commodities.
- Most of the customer's perception that GST is very beneficial in Long Term for economy of the country and also effect of GDP.
- Maximum 50% respondents are respond GST has increased the various Legal formalities.
- Majority of the peoples have perception that they still need more clarity on GST and opened that they discuss about GST with others.
- Most of the retail customers opinion that GST filling has some difficult challenges regarding documentation , filling process , different tax rates etc.

Conclusions

Restructuring of GST rates may be an idea whose time has come to help improve revenue mobilization. In the present paper, we attempt to understand revenue implications of GST rates restructuring based on available GST administration data with us. Given data limitations, these results are indicative.

Estimates in this paper show that Merging 12 per cent and 18 per cent tax rates into any tax rate lower than 18 per cent may result in revenue loss. Since 18 per cent tax rate holds two fifth share in total taxable value (or taxable turnover) vis-à-vis 12.3 per cent by 12 per cent tax rate, if the merged tax base attract 15 per cent tax, there will be revenue loss. To compensate the revenue loss, if the GST council considers increasing the highest tax rate (i.e., 28% at present), the highest tax rate needs to be increased to 37.55 per cent (or approximately 38 per cent). Alternatively if the council considers increasing 5 per cent tax rate, it needs to be increased to 8.81 per cent (or approximately 9 per cent). Alternatively, the council may consider three rate structure of GST by adopting 8 per cent, 15 per cent and 30 per cent and it may help to achieve revenue neutrality. In all scenarios, we assume that special rates will continue as prevalent at present. Sequencing the transition to new GST rate structure will be important to minimize the costs associated with tax compliance, tax administration and economic distortions. Consultations of stakeholders would be another important aspect before introducing new GST rate structure.

Recommendations

The following are the suggestion made based on the results of the study.

Some suggestions for better administrative machinery to handle the implementation of Goods and Services Tax Act in India are:

- ➢ Standardization of systems and procedures.
- ➢ Tax relief in case of branch transfer
- ➢ well defined procedures in case of Job works
- ➢ Uniform dispute settlement machinery.
- ➢ Adequate training for both tax payers and taxes forcers.
- ➢ Re-organization of administrative machinery for GST implementation.
- ➢ Building information technology backbone – the single most important initiative for GST implementation.
- ➢ Uniform Implementation of GST should be ensured across all states (unlike the staggered implementation of VAT) as many issues might arise in case of transactions between states who comply with GST and states who are not complying with GST

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