

## AIR Spotlight - GST: One Nation, One Tax

AIR Spotlight is an insightful programme featured daily on the All India Radio Newsonair. In this program, many eminent panelists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, the topic of discussion is India's goods and services tax regime.

### Participants:

- Manish Sinha, CEO of Goods and Services Tax Network (GSTN).
- Ruchika Chitravanshi, Journalist.

### Context:

Goods and Services Tax (GST) has completed four years of its implementation.

### What is GST?

- GST stands for [Goods and Services Tax](#) which is levied on the supply of goods or services or both in India. GST has subsumed a number of indirect taxes levied by the Centre and State Governments including Central Excise duty, Service Tax, VAT, Purchase Tax, Central Sales Tax, Entry Tax, Local Body Taxes, Octroi, Luxury Tax, etc.
- GST is one indirect tax for the whole nation, which was introduced with the objective to make India a unified common market. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer.
- Post-independence, GST is the largest indirect tax reform that India has undertaken.
- The 'one nation, one tax' reform as proclaimed by the then Finance Minister, Arun Jaitley, took 16 years in the making as it was initially proposed by the then Prime Minister of India, Atal Bihari Vajpayee, back in 2000. The unified tax came into effect on July 1, 2017.

### Advantages of GST:

As GST is considered the largest tax reform, its success can be seen from the perspective of its long-term benefits besides short-term benefits. The benefits that GST has brought to the country are discussed below:

- India has become one integrated market which effectively is like a free trade agreement between the centre on one side and the state on the other.
- It has brought transparency to the notice of the taxpayers and the government as to what are the tax rates because the hidden taxes that were cascading, got removed.
- The effective tax rates for many large numbers of household goods came down which in turn increased the household savings.

### Priority areas under GST:

The Covid-19 pandemic has made things critical and hence, the [GST Council](#) in the recent meetings has taken various decisions to deal with the crisis. The immediate priority areas are:

- **Small taxpayers:** The Council decided to reduce the compliance burden of small taxpayers and medium-sized taxpayers and recommended an amnesty scheme for reducing late fees payable, to provide relief to small taxpayers.
- **IT Network:** The GST IT portal where taxpayers used to experience some problems have now been removed and the hardware as well as the software are updated.
- GST compliance has been made easier on the portal to ease the lives of taxpayers.

#### The problems of the small business and their solutions:

- **Technology update challenge:**
  - When compliance is done on a digital platform, the digital divide comes into play. Here, the hand holding comes into operation and they are helped through a robust system of call centres wherein the businesses are helped to negotiate the portal.
  - Similarly, when a new functionality comes, it is the objective to make them available in regional languages.
- **Quarterly Return Filing and Monthly Payment Scheme (QRMP):**
  - To simplify the process of filing returns for small business taxpayers, the QRMP scheme has been launched by the Indian government.
  - Brought into effect from 1st January 2021, the Quarterly Returns Monthly Payment (QRMP) scheme is one that allows registered taxpayers with an aggregated turnover of up to INR 5 crores in the previous financial year to file returns on a quarterly basis and make tax payments on a monthly basis.
  - Approximately, 40,00,000 taxpayers are availing the benefit of this scheme.
- **Pre-filled return:**
  - Pre-filled tax forms and greater transparency requirements have been implemented since January 2021.
  - Monthly GST returns of businesses giving a summary of all transactions in the GSTR 3B form will be automatically populated from the details given in the sales returns of the company, as well as its suppliers filed earlier in the month in form GSTR 1.
  - Information about input tax credit (ITC) is being made visible every month.
  - The effort is to make all information available in a transparent manner and more and more information be given in the pre-filled form to make GST filing easier.

#### Feedback mechanism to improve GST compliance:

- There is a consultative committee on trade that discusses various measures to ensure ease of compliance.

- There is also an internal mechanism to look into various aspects of the GST and measures are taken to rectify the issues.
- Various technologies related to hardware and software are being constantly upgraded.
- Inputs are also taken from tax administrators.

#### **Impact of COVID on GST:**

- By looking at the numbers of e-way bills the worst of GST is over now. Now, we are back to the normal GST collection level which was in April 2020 (before the pandemic level).
- During the second wave, the impact on GST collection was less due to several measures such as compliance relief given by the GST council, use of technology such as EVC (electronic verification code), OTP, etc.

#### **Lessons learned during the pandemic:**

- Remote filing facilities should be strengthened by technological interventions such as EVC.
- Make more and more data available to businesses in a pre-filled manner so that compliance becomes easier.
- On policy measures, the government took several measures such as lowering tax rates on COVID-related medicines and medical instruments. Read more on this in [AIR Spotlight – 44th GST Council Meeting and its Outcomes](#).

#### **Issues of states:**

- States have expressed their difficulties in managing their fiscal positions. They have demanded that the centre step in.
- There was also some news of a trust deficit between the centre and states over GST. However, these have been exaggerated in the media. In the GST council, states and the centre discussed many issues, and consensus was reached on most of them.
- The Centre and states are committed to find a solution to any contentious issue in an amicable manner.

#### **Way forward:**

- Four years have been passed since the GST law was enacted.
- The GST law is dynamic and needs to be updated frequently. Many changes have been made in GST laws to make rules related to GST smooth and effective.
- The effort is to make compliance easier for small businesses and make data more and more available to them.
- There is also a need to strengthen the IT infrastructure related to GST.