

GOODS & SERVICES TAX – LENDING THE RIGHT DIRECTION



CMA Debasis Ghosh
Cost Accountant

As the nation enters into the fifth year of its largest tax reform, it is time to introspect on the benefits accrued from the substitution of the erstwhile indirect tax regime by Goods and Service Tax (GST).

The biggest achievement of GST has been the upholding of the spirit of cooperative federalism which is the edifice of our political structure, by way of implementation of Dual GST and introducing a single indirect tax rate for a particular commodity across the nation, bringing the central and state governments as well as the union territories into the fold of a harmonized system of functioning through setting up of the GST Council. In fact, the GST Council is the body for discussion under a federal template that decides on the rates, exemptions and other related matters. The manner in which the GST Council has been functioning has been exemplary for addressing of tax issues from the perspectives of national interest, in the process, keeping the principle of cooperative federalism intact.

A major rationale that had prompted the ushering in of GST was the attained economic wisdom that it is only GST that could alter for better the fiscal landscape of our country. This could happen based on the concept of destination-based tax, elimination of the cascading effect of tax on tax and incidence of tax based on supply. A major obstacle to the attainment of these objectives has been the pandemic. However, encouraging trends are again being witnessed as the economy is leaping back and forth on the way to recovery. In the month of April 2021, the net GST collection was Rs 1.12 crore excluding the IGST and cess on imports. This collection was the highest of all times. The overall increase in the GST collection of states in the financial year 2020-21 as compared to 2019-20 grew by almost by seventeen percentage points.

Closer monitoring against dummy invoicing to reduce fraudulent availment of input tax credit, deep data analytics using data from multiple sources and effective tax administration has enabled plugging of revenue leakages to a considerable extent. The amount of revenue evaded as detected in anti-evasion drives has increased from rupees thirty eight thousand crores approximately in the financial year 2017-18 to about rupees sixty six thousand crores in the financial year 2018-

19 thereby registering an improvement in the detection of tax evasion by almost 72%. Through effective use of artificial intelligence, the authorities are able to trail the connections and establish links with the source entity. As a result, forced realization is gradually dawning on the tax evaders that 'old sins have long shadows'.

Therefore, there remains no doubt that GST has put the country on the right track of a positive economic and fiscal journey. The coming years will witness further improvements by way of further reforms, greater degree of digitization that will lead to increased tax compliance with consequent increase in revenue collection, stabilization of prices of goods and services eventually resulting in higher economic growth for the country.