



The evolution of GST in India

Pradip Chandra Neogi¹, Dr. Ruma Bordoloi²

¹ Research Scholar, Department of Law, Mahatma Gandhi University, Meghalaya, India

² Guide, Department of Law, Mahatma Gandhi University, Meghalaya, India

Abstract

The demand of the Indirect Tax reform was started by the then Finance Minister Shri V. P. Singh in 1986 in the Rajiv Gandhi's cabinet and then a Modified Value Added Tax (MODVAT) was introduced in India. The Prime Minister Shri Atal Bihari Bajpayee proposed GST in 1999 and accordingly a committee was formed to discuss about the design of a model of GST in India under the Chairman of Asim Dasgupta, Finance Minister of West Bengal. In 2003, a task force was formed by the Atal Bihari Bajpayee Government under the Chairman of V. L. Kelkar who recommended the implementation of GST in its report. In 2004, UPA Government came to power and Manmohan Singh became the Prime Minister and Shri P. Chidambaram became the finance minister. The Value Added Tax (VAT) in state level was introduced w.e.f. 1st April, 2005. Shri P. Chidambaram proposed GST in Dr. Manmohan Singh's government in February, 2006 and declared that GST would be implemented by 1st April, 2010. An empowered committee was formed in 2008 with the state finance ministers. In 2011, the Left Front Government of West Bengal was defeated by the Trinamool Party under the leadership of Smt Mamata Banerjee. Shri Asim Dasgupta of the Left Front party resigned as the head of GST Empowered Committee though a major portion of the work has been completed by him and Shri K. M. Mani the Finance Minister of Kerala took charge as the Chairman of the Empowered Committee. The Empowered Committee submitted its report to the Government. The UPA Government introduced 115th Constitution Amendment Bill on the 22nd of March, 2011 in the Lok Sabha but the Bill was referred to the Standing Committee on finance on 29th March, 2011 whose chairman became Yashwant Sinha after having objection from the opposition party BJP led NDA. In 2014, BJP led NDA came to power. The new Finance Minister Shri Arun Jaitley declared that GST would be implemented w.e.f. 1st April, 2017. The 122nd Constitution Amendment Bill was passed in both Lok Sabha and Rajya Sabha and also the Bill was ratified by 23 states as per the Constitutional provision. The President Shri Pranab Mukherjee gave his assent on the 8th September, 2016 and then it became Goods and Services Act, 2016 after the Constitution (101st Amendment) Act, 2016. Finally, the GST was implemented in India w.e.f. 1st of July, 2017.

Keywords: Amendment, goods and services tax (GST), value added tax (TAX), central value added tax (CENVAT)

Introduction

The tax system was a very complicated part in the India's economy. It was not a hassle-free task for a common man in the country. There are mainly two types of taxes i.e. Direct Taxes and Indirect Taxes. Direct taxes are levied to a person on the basis of his or her income and it is called progressive. On the other hand, Indirect Taxes are levied on goods and services by the government and it is regressive in nature. The examples of Indirect Taxes are Excise duty, Custom duty, Service Tax, Central Sales Tax (CST), Central Value Added Tax (CENVAT) etc. under the jurisdiction of the

Central Government and Sales Tax, Value Added Tax (VAT), Entry Tax, Entertainment Tax, Luxury Tax etc. under the jurisdiction of the State Government. The Goods and Services Tax (GST) was first launched in France in 1956 followed by more than 160 countries of the world till now. All Indirect Taxes are merged together under GST. But in India, all Indirect Taxes are clubbed together under GST other than petroleum products and alcoholic liquor for human consumption. The VAT is levied on the petroleum products and alcoholic liquor for human consumption which varies from state to state in India.

Genesis of GST in India

February 1986	Finance minister Vishwanath Pratap Singh proposed a major overhaul of the excise taxation structure in the budget for 1986-1987.
2000	PM Shri Atal Bihari Vajpayee set up a committee headed by the then West Bengal Finance Minister Shri Asim Dasgupta to draft GST model for the country.
2003	The Vajpayee Government form a Task Force under Vijay Kelkar then advisor to the Finance Ministry to recommend tax reforms.
2004	The Kelkar Task Force concludes GST must be implemented to improve current tax structure.
28 th February, 2006	Announcement by the then Union Finance Minister Shri P. Chidambaram during budget of 2006-2007 that GST would be introduced from 1 st April, 2010. He said that the empowered committee of finance ministers of states would prepare a road map for GST.
2008	Empowered Committee of State Finance Ministers constituted.
30 th April, 2008	The empowered committee submits a report titled: 'A Model and Roadmap Goods and Services Tax (GST) in India' to the government.
10 th November, 2009	The Empowered Committee submits a discussion paper in the public domain on GST.
2009	Shri Pranab Mukherjee the then Union Finance Minister announces the basic structure of GST as designed by Asim Dasgupta Committee will retain 2010 deadline.
2009	The BJP along with Mr. Narendra Modi opposed the basic structure of the GST announced by the then

	finance minister Shri Pranab Mukherjee.
22 nd March, 2011	UPA-II tables 115 th Constitution Amendment Bill in the Parliament for GST.
2011	Asim Dasgupta the then Finance Minister of West Bengal resigned from empowered committee as his party was defeated in West Bengal and he was replaced by K M Mani the then Finance Minister of Kerala.
November, 2012	P. Chidambaram the then Union Finance Minister holds meeting with State Finance Ministers and decided to resolve all issues by 31 st December, 2012 for GST rollout.
February, 2013	The UPA (United Progressive Alliance) government declared to introduce GST. Shri P. Chidambaram in his budget speech kept provision for Rs 9,000 crore to compensate states for the loss incurred because of GST.
June, 2013	Sushil Kumar Modi, the then Finance Minister of Bihar resigned as Chairman of the Empowered Committee of State Finance Ministers looking into the implementation of the proposed GST.
August, 2013	Parliamentary Standing Committee submits report of suggesting improvements. GST bill was ready for introduction in Parliament.
October, 2013	Shri Narendra Modi the then Chief Minister of Gujrat opposed GST Bill and stated that State would incur a loss worth Rs 14,000 crore every year due to GST.
2014	GST Bill is cleared by Standing Committee but Parliament is dissolved and BJP led NDA Government came to power.
18 th December, 2014	Union Cabinet approves 122 nd Constitution Amendment Bill of GST.
19 th December, 2014	122 nd Constitution Amendment Bill was introduced in the Parliament and was passed.
6 th May, 2015	GST Constitutional Amendment Bill was passed in Lok Sabha.
14 th May, 2015	The GST Bill is forwarded to the joint Committee of Rajya Sabha and Lok Sabha.
August, 2015	The GST Bill is not passed in Rajya Sabha.
August, 2016	The Congress Party and BJP both are agreed to pass the Bill.
3 rd August, 2016	The Amendment Bill was passed in Rajya Sabha with two-third majority and finally the Constitution (101 st Amendment) Act was enacted in August, 2016.
8 th September, 2016	23 States ratified GST Bill. The Hon'ble President Shri Pranab Mukherjee gave assent to the Bill.
12 th September, 2016	Union Cabinet approved the formation of GST Council.
22 nd and 23 rd September, 2016	First GST Council Meeting was held in New Delhi.
16 th January, 2017	Shri Arun Jaitley the then Finance Minister announces that 1 st of July as GST rolls out deadline. Centre and States agree on contentious issue of dual control and taxing rights on goods at high sea.
18 th February, 2017	GST Council finalizes draft compensation bill providing to make good any revenue loss to states in first five years of GST rollout.
4 th March, 2017	GST Council approves CGST and Integrated-GST bills.
20 th March, 2017	Union Cabinet approved CGST, IGST, UTGST and Compensation bills.
27 th March, 2017	Shri Arun Jaitley tables CGST, IGST, UTGST and Compensation bills in the Parliament. Both the Lok Sabha and Rajya Sabha pass all the four GST bills i.e. CGST, IGST, SGST and UTGST.
March, 2017	GST Council recommends CGST, SGST, IGST, UTGST and Compensation Bill. The four Central GST Legislation were passed in Lok Sabha.
April, 2017	The above 4 Central GST Legislation received assent of President and Bills turned into an Act.
18 th May, 2017	GST Council approves over 1200 goods in one of the four tax slabs of 5%, 12%, 18% and 28%. More than 80% of goods of mass consumption either exempted or taxed under 5% slab.
19 th May, 2017	GST Council decides on 5%, 12%, 18% and 28% as service tax slabs.
21 st June, 2017	All states except Jammu and Kashmir pass SGST law.
28 th June, 2017	Trinamool Congress leader Smt Mamata Banerjee announced her party's decision to skip midnight launch of GST.
29 th June, 2017	Indian National Congress party and Left parties decided to skip the midnight launch of GST.
30 th June midnight, 2017	GST was set to roll out.
1 st July, 2017	Finally, GST came into effect w.e.f. 1 st July, 2017.

Structure of Goods and Services Tax (GST)

There are four categories of GST as mentioned below:

Central Goods and Services Tax (CGST): It subsumes all the central indirect taxes which were levied by the Central Government for the intrastate movement of goods and services. Intrastate means within the same state. The levy and collection of CGST are ruled by the various provisions of the CGST Act, 2017 as amended from time to time whenever it is necessary.

State Goods and Services Tax (SGST): The levy and collection of SGST are governed by the State's SGST Act, 2017 as amended from time to time. It subsumes all the State indirect taxes such as entertainment tax, luxury tax, entry tax etc. Though the value-added tax and the taxes on petroleum products are not subsumed under GST. The same amount of SGST as CGST is levied on intrastate supplies of

good and services by a particular state government where the product sold or consumed.

Union Territory Goods and Services Tax (UTGST): The GST is applicable on the goods and services supply which takes place in Andaman and Nicobar Islands, Dadra and Nagar Haveli, Chandigarh, Lakshadweep and Daman and Diu. The levy and collection of UTGST are governed by the State's SGST Act, 2017 as amended from time to time.

Integrated Goods and Services Tax (IGST): IGST is a tax levied on all interstate supplies of goods and services. The levy and collection of SGST are governed by the State's IGST Act, 2017 as amended from time to time. The IGST is applicable on any supply of goods and services in both cases of import into India and from India. The IGST directly goes to the Centre and later splits between the Centre and States or the Centre and Union Territories.

The Salient Features of GST

The salient features of GST are hereby mentioned below:

- Supply is the base
- Destination Based Tax
- Dual GST
- Inter-State Supply
- Applicability
- Input Tax Credit
- Electronic Filing of Returns
- Refund
- Anti-Profiteering Clause
- Exports
- Efficiency
- Reduction in Tax Evasion
- Dynamic Common Market
- Elimination of Cascading Effect
- Benefits to consumers

Taxes Subsumed under GST

The following indirect taxes at both Central and State levels subsumed under GST are:

Sl. No.	Central Level	State Level
1	Central Excise Duty	Subsuming of State VAT/Sales Tax other than VAT on petroleum products and liquor for human consumption.
2	Additional Excise Duty	Entertainment Tax other than the tax levied by local bodies, Central Sales Tax (CST).
3	Service Tax	Octroi and Entry Tax
4	Additional Custom Duty or Countervailing Duty	Purchase Tax
5	Special Additional Duty of Customs	Luxury Tax. Taxes on Lottery, Betting and Gambling.

The taxes on Petroleum products are also the indirect taxes but these taxes are not subsumed under GST. The Direct Taxes such as Income tax, Corporation tax, Property tax are not subsumed under GST. The goods like petroleum products and alcohol which is for human consumption do not fall under GST as per the GST Act, 2017 but they fall under VAT.

4. Sury MM. History of Taxation in India: Ancient India to Modern Times. New Delhi: New Century Publications, 2022.
5. The Gazette of India, Ministry of Law and Justice (Legislative Department), New Delhi. The Constitution (One Hundred and First Amendment) Act, 2016. Bhadra 17, 1938 (Saka), 2016.

Conclusion

The new era of GST is a revolution in the history of Indirect Taxes. It is expected that the tax evasion will be totally stopped but unfortunately some issues of tax evasion still exist in India. It is a fact that the indirect taxation system has achieved a new direction and expected that India will boost in its economy. It may not be out of place to mention that a large section of people lives below the poverty line in the country and with this current indirect tax policy, these economically weaker section of the population are also have to pay the same amount of GST on the goods and services as the rich people pay. This type of question arises among the citizens and it is expected that a constructive mechanism of GST will take our socio-economic system in a positive direction. It may be mention that GST replaces VAT therefore the petroleum products and alcoholic liquor for human consumption must be under GST.

References

1. Report (73rd) of the Standing Committee on Finance (2012-13), 15th Lok Sabha, Ministry of Finance (Department of Revenue), The Constitution (One Hundred Fifteenth Amendment) Bill, 2011. New Delhi: Lok Sabha Secretariat, August 2013. Sravana, 1935 (Saka).
2. Report of the Select Committee on the Constitution (One Hundred & Twenty-Second Amendment) Bill, 2014. Presented to the Rajya Sabha on 22nd July, 2015. New Delhi: Rajya Sabha Secretariat, 2015 Jul 22. Ashadha, 1937 (Saka).
3. Sinha Y, Srivastava VK. Indirect Tax Reform in India: 1947 to GST and Beyond. New Delhi: SAGE Publications Pvt. Ltd, 2020.