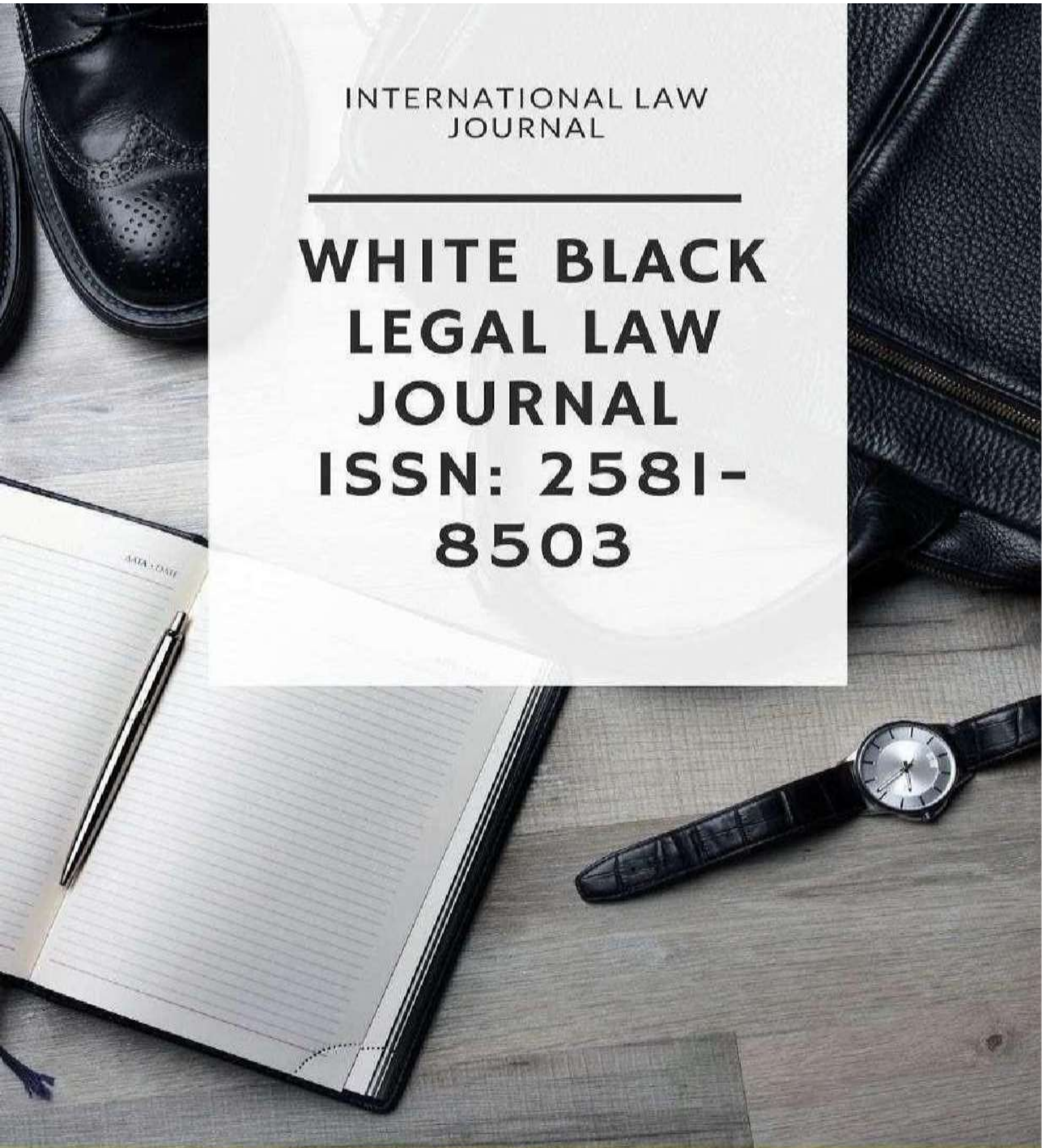

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BBA. LL.B. (Hons.) (Amity University, Rajasthan); LL. M. (UPES, Dehradun) (Nottingham Trent University, UK); Ph.D. Candidate (G.D. Goenka University)

Subhrajit did his LL.M. in Sports Law, from Nottingham Trent University of United Kingdoms, with international scholarship provided by university; he has also completed another LL.M. in Energy Law from University of Petroleum and Energy Studies, India. He did his B.B.A.LL.B. (Hons.) focussing on International Trade Law.

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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

COMPARISION OF INDIRECT TAX BEFORE AND AFTER GST?

AUTHORED BY - SHIVI AGARWAL
AMITY UNIVERSITY, NOIDA
BA/ LL.B

ABSTRACT

The Goods and Services Tax (GST) was introduced in India, and this study looks at how the country's indirect taxation system changed before and after its implementation. Examining the legislative and developmental procedures involved in implementing GST, understanding the progression of indirect taxes before and after its implementation, assessing the impact and efficacy of GST after its implementation, and comparing the efficiency and compliance of tax systems before and after its introduction are all part of the objective. The study integrates a wide variety of sources using a content analysis method. These include scholarly journal articles, official documents, economic surveys, and expert opinions. The research delves into the GST system's administrative and legislative aspects by examining reports, papers, blogs, and official documents. An in-depth understanding of the contrast of indirect tax systems before and after GST introduction is provided by this technique, which is based on secondary research. Examining how GST has altered India's tax system and economy is the focus of this study.

Keywords:
Indirect taxation, legislative process, Goods and Services Tax (GST), impact assessment, content analysis, secondary research, tax regime evolution, VAT (Value added text) etc.

CHAPTER 1: INTRODUCTION

1.1 Background of Indirect Taxation

A complex and multi-tiered structure characterized India's indirect taxes prior to the introduction of GST. There was a domino effect known as tax-on-tax since taxes were imposed at the federal and state levels. Value-Added Tax (VAT), Central Excise Duty, Service Tax, and other charges were all a part of this system. For goods and services, the state government imposed the Value Added Tax (VAT). In contrast, the manufacturing of products was subject to the federal Excise Duty that was imposed by the federal government. In addition, all services were subject to the Service Tax, which was a national tariff. [1]A lack of transparency and clarity throughout the whole tax system, problems with complying with tax legislation, and repeated taxation of the same firm were common outcomes of taxation's subdivision into smaller components.

When the GST went into effect on July 1, 2017, it completely changed the way indirect taxes work. To eliminate many indirect taxes and establish a single, comprehensive tax system, the Goods and Services Tax (GST) was enacted. This adjustment was made to ensure that tax credits could be transferred smoothly throughout the supply chain, to streamline the tax procedure, and to eliminate the cumulative effect of taxes. Two main components make up the Goods and Services Tax (GST) system. One component, the Central Goods and Services Tax (CGST), is responsible for taxes inside a state. The other component, the Integrated Goods and Services Tax (IGST), is responsible for taxes between states and on imports.

Motives for implementing GST included reduction the overall tax burden on products and services, creating a unified countrywide market, and making the tax system more efficient. The system's stated goals were to improve revenue acquisitions, increase tax base size, and simplify compliance. [2]Representing a unique collaboration between the federal and state governments, the GST Council was created as a constitutional body to supervise the implementation and administration of GST. With the goals of fostering collaborative federalism and streamlining the indirect tax structure, this reform represented a major shift in the Indian tax system.

1.2 The Genesis and Implementation of GST

Redesigning the complex and multi-tiered indirect tax structure that was common in many countries

[1] Shah, A. (2017). "The Journey to GST: A Historical Perspective". Economic and Political Weekly, 52(25), 55-60.
[2] Kumar, N., & Singh, A. (2018). "GST in India: A Key Tax Reform". International Journal of Financial Management, 8(2), 32-41.

was the impetus for the creation of GST. Multiple federal and state taxes, including sales tax, service tax, value-added tax (VAT), and excise duty, were a part of this system. Consumers ended up paying more due to a cascading effect of taxes caused by the disjointed tax structure, which meant that previously taxed items were subject to even more taxes. The GST was implemented with the intention of creating a unified national market for goods and services. This was in reaction to the growing need for a more straightforward and consistent tax system. By consolidating several indirect taxes into a single system, the products and Services Tax (GST) aimed to ease the free movement of products and services throughout the nation. As a result, tax administration would be more efficient.[3]

1.3 Development and Legislative Process

A great deal of research, stakeholder participation, and careful legislative processes went into implementing GST. In other countries, like India, the process began with the formation of a task force to develop a model for Goods and Services Tax (GST). Subsequently, state and federal officials deliberated and negotiated until they reached a consensus. As part of the process, constitutional amendments granting GST authority to the federal and state levels were often enacted. The GST law, representing a huge and historic shift in the tax system, was therefore successfully passed by the relevant parliamentary bodies.

1.4 Objectives of the Study

- To Understand the Evolution of Indirect Taxation Pre-GST
- To Analyze the Legislative and Developmental Process of GST
- To Evaluate the Impact and Effectiveness of GST Post-Implementation
- To Compare Pre and Post GST Tax Regimes in Terms of Efficiency and Compliance

1.5 Methodology

This research made use of content analysis using the correct keywords. A comprehensive literature search including scholarly journals, official documents, economic polls, and expert opinions. This will provide the groundwork for comprehending the GST, both theoretically and empirically. Examining previously released materials such as reports, articles, blogs, and government documents. An all-encompassing strategy for comprehending and assessing the pre- and post-GST comparability

[3] Patel, V. (2019). "GST Implementation in India: Issues and Challenges". Journal of Taxation and Economic Policy, 13(4), 201-215.

of indirect tax, this technique is based on secondary research.

CHAPTER 2: HISTORICAL OVERVIEW OF INDIRECT TAXATION

2.1 Evolution of Indirect Taxes Pre-GST

India was one of the nations with a complicated and multi-tiered indirect taxation structure before the GST was implemented. As a result of shifting administrative priorities and economic needs, this structure evolved gradually over many decades. Multiple federal and state levies once dominated the indirect tax system. Taxes on the provision of services and central excise duties on the manufacturing of goods were in place. Sales tax and Value Added Tax (VAT) had a major role at the state level. To avoid unnecessary tax buildup, value-added tax (VAT) was instituted to substitute sales tax. But there was a lack of uniformity because of the wide range of approaches used by different governments when implementing VAT.

Municipal octroi/entry taxes, the Central commerce tax (CST) for interstate trade, and luxury and amusement taxes added another layer of complexity to this system. Companies were subject to a web of compliance requirements as a consequence of the disjointed tax system, which made it easy for them to evade taxes and cause inefficiencies.

2.2 Various Forms of Indirect Taxes Before GST

Several indirect taxes existed prior to the implementation of the GST, each with its own regulations and administrative processes. Items made in India were subject to the federal Excise Duty, a significant sources of tax revenue for the Indian federal government. In 1994, the federal government imposed a new tax on service providers known as the Service Tax. The use of value-added tax (VAT) in the early 2000s to replace sales tax was a significant development towards a more uniform tax structure on the state level[4]. On the other hand, it kept running into problems with different states having different rates and laws. At the state level, there were additional fees such as the entertainment tax, luxury tax, lottery tax, and betting tax.[5] When goods were sold between states, the states were required by the federal government to collect a levy known as the Central Sales levy (CST). The imposition of this tax was a substantial obstacle to the establishment of a unified national market since it deterred interstate commerce on account of tax implications. Here's a breakdown of the different

[4] Shome, Parthasarathi. (2013). "GST in India: Design and Implementation Challenges." In Ehtisham Ahmad and Giorgio Brosio (Eds.), Handbook of Multilevel Finance. Edward Elgar Publishing.

[5] Rao, M. Govinda, and Rao, R. Kavita. (2016). "Goods and Services Tax in India: An Assessment of the Base." Economic and Political Weekly, 51(10), 55-60.

types of indirect taxes in India:

1. **Service Tax**: Imposed on services provided by entities, service tax was accumulated by the Government of India from service providers and deposited with the authorities. It applied to a wide range of services, including telecommunications, hospitality, financial services, etc.

2. **Excise Duty**: Excise duty was enforced on goods manufactured within India. Manufacturers paid this tax on the goods they produced, and the burden was often passed on to consumers through higher prices. Excise duty was a significant source of revenue for the government and was applicable to various industries, such as automobiles, tobacco, electronics, etc.

3. **Value Added Tax (VAT)**: VAT was a state-level tax imposed on the sale of goods within a state. It replaced the earlier sales tax system and aimed to tax the value addition at each stage of production or distribution. VAT consisted of Central Sales Tax (taxed by the central government on inter-state sales) and State VAT (collected by state governments on intra-state sales).[6]

4. **Customs Duty**: Customs duty was taxed on goods that were imported into India from foreign countries. It aimed to regulate imports, protect domestic industries, and generate revenue for the government. Customs duty rates varied based on the nature of goods and international trade agreements.[7]

5. **Stamp Duty**: Charged by state governments, stamp duty was applicable on the transfer of immovable property (such as land, buildings) within a state. It was also levied on various legal documents, including agreements, deeds, leases, etc.

6. **Entertainment Tax**: State government-imposed entertainment tax on various entertainment-related activities, including movie tickets, amusement parks, sports events, etc. It aimed to generate revenue from leisure and entertainment sectors.

[6] Arora, Bimal N., and Bansal, Supriti. (2017). "GST in India: A Key Tax Reform." International Journal of Law and Management, 59(6), 1028-1043.
[7] Poddar, Satya, and Ahmad, Ehtisham. (2009). "GST Reforms and Intergovernmental Considerations in India." Working Paper, IMF.

7. **Securities Transaction Tax (STT)**: Imposed on the trading of securities (stocks, derivatives, equity mutual funds) through Indian stock exchanges, STT was designed to curb speculative trading and generate revenue for the government.[8]

2.3 Challenges and Limitations of the Pre-GST System

The tax structure prior to the implementation of GST had several inherent issues and restrictions. The primary factor contributing to this issue was the domino effect of taxes, resulting in an ineffective Indian tax structure and increased expenses for the final consumer. The main cause of this impact was essentially the incapacity to offset taxes paid at various points in the supply chain against one another. The free flow of products across state boundaries was hindered, especially in the case of inter-state business, due to the existence of entrance and octroi levies, together with the Central Sales Tax (CST), which acted as obstacles. This not only escalated the expenses of commodities but also intricately convoluted the administration of supply chains for enterprises. Tax evasion and fraud were significant issues in the period before the implementation of GST. [9]

The government suffered enormous financial losses due to loophole exploitation caused by the complex tax system and the large number of tax collecting locations. Many felt the method was ineffective and difficult to understand. An unstable business climate was produced by the proliferation of taxes and the disparity in rates among states, which discouraged investment and stifled economic growth. A comprehensive tax reform was necessary in India due to the pre-GST system's many complicated problems and limits. The complex web of indirect taxes levied at various stages of production and distribution by federal and state governments was the primary source of confusion in the tax system. Because of its intricate design, the system caused taxpayer confusion and administrative inefficiency. Additionally, a fragmented tax system with various regulations, rates, and payment methods has resulted from the plurality of taxes, which includes octroi, entrance tax, service tax, central excise duty, CST, VAT, and others.[10]

The accumulation of taxes, which added levies at every stage of distribution, was an additional, significant hurdle. Products and services saw price increases as a result, putting a significant burden

[8] Shah, A., & Purohit, B. (2019). Impact of Goods and Services Tax on Revenue Collection in India: An Empirical Study. Journal of Financial Management and Analysis, 32(2), 46-60.
[9] Das, Gurudas, and Kumar, Rupak. (2018). “GST in India: An Analysis of Policy Impact on Business.” International Journal of Research in Finance and Marketing, 8(4), 1-13.
[10] Kumar, A., & Mishra, P. (2017). Goods and Services Tax in India: A preliminary assessment. Indian Journal of Economics and Business, 16(1), 1-12.

on customers' budgets. Not to mention that state-specific fees like CST and entry tax made it harder for goods to travel freely between states and added extra compliance burdens for businesses. Due to the complex structure of the system and the existence of several taxes, extensive tax evasion and compliance challenges were prevalent in the pre-GST system. The government lost money because taxpayers often used loopholes. A great deal of paperwork was required of both taxpayers and tax authorities due to the high volume of registrations, filings, audits, and enforcement concerns.

CHAPTER 3: THE ADVENT AND STRUCTURE OF GST

3.1 Conceptual Framework of GST in India

The Goods and Services Tax (GST) represents a sea shift in the approach to indirect taxes, simplifying and unifying a system that had previously relied on a patchwork of different levies. A united national market, tax simplification, and the elimination of tax cumulative impacts were the driving forces for the paradigm change.[11]

Legal Framework and Acts

1. **Central Goods and Services Tax Act (CGST Act)[12]**: This legislation regulates the imposition of tax on the provision of goods and services within a certain state or union area. It serves as the primary element of the GST, imposed by the Central Government.
2. **Integrated Goods and Services Tax Act (IGST Act)[13]**: The IGST Act governs the cross-border trade of services and goods, including both imports and exports. The tax collected according to this legislation is distributed between the federal and state governments.
3. **State Goods and Services Tax Act (SGST Act)[14]**: Every state and union territory in India has its own State Goods and Services Tax (SGST) Act, which is accountable for the gathering of tax on the supply of goods and services inside the same state. The money generated from the SGST is the property of the respective state government.
4. **Union Territory Goods and Services Tax Act (UTGST Act)**: The UTGST Act is applicable to the union territories of India that possess a legislative assembly, much as the SGST Act. It serves as a supplement to the CGST for certain regions.

Administrative Bodies and Council

- **GST Council**: This constitutional entity plays a crucial function in the context of the GST. The committee consists of the Finance Ministers from both the national and state

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[11] Gupta, R., & Singh, Y. (2021). Long-term effects of GST on Indian revenue collection: An analytical study. Journal of Indian Tax Research, 7(1), 34-49.

[12] https://www.indiacode.nic.in/handle/123456789/15689#:~:text=An%20Act%20to%20make%20a,connected%20therewith%20or%20incidental%20thereto.

[13] Goods & Service Tax, CBIC, Government of India :: The Integrated Goods and Services Tax Act. (n.d.). Cbic-Gst.gov.in. Retrieved January 26, 2024, from https://cbic-gst.gov.in/hindi/IGST-bill-e.html#:~:text=An%20Act%20to%20make%20a

[14] SGST - State Goods and Service Tax | Features & Examples of SGST. (n.d.). Groww. Retrieved January 20, 2024, from https://groww.in/p/tax/sgst

governments. Its primary responsibility is to make important decisions about GST rates, exemptions, and modifications to the GST legislation.[15]

Tax Rate Slabs and Exemptions

- In India, the GST is divided into several tax rate slabs, namely 5%, 12%, 18%, and 28%. In addition, necessities are subject to a 0% tax rate, but luxury and vice products are taxed at higher rates, frequently coupled by an additional levy known as a cess.

Input Tax Credit (ITC)

- The Input Tax Credit system is a prominent aspect of GST, enabling companies to get credit for the GST amount they have paid on their purchases. This technique mitigates the domino impact of taxes and encourages adherence to tax regulations.

Technological Infrastructure

- **GSTN (Goods and Services Tax Network)**: GSTN serves as the fundamental technology framework for the GST infrastructure in India, enabling activities such as registration, return filing, and processing.

- **GST Identification Number (GSTIN)**: Everyone who is registered as a taxpayer under the GST system is allocated a unique and exclusive 15-digit GSTIN. This GSTIN is of utmost importance for ensuring adherence to regulations and facilitating tax-related procedures.[16]

Thresholds and Special Schemes

- **Threshold Limit for Registration**: Small firms with a revenue below Rs. 20 lakhs (Rs. 10 lakhs for special category states) are not necessary to register for GST, which reduces the cost of compliance for these businesses.

- **Composition Scheme**: This system is specifically tailored for individuals or businesses with modest tax liabilities, enabling them to remit GST at a predetermined rate, without the advantage of Input Tax Credit (ITC). It streamlines regulatory adherence for small enterprises.

Compliance and Movement of Goods

- **E-way Bill**: To transport high-value items, it is necessary to establish an electronic waybill that guarantees the monitoring and compliance of the commodities' transit.

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[15] Understanding the Goods and Services Tax: Lessons from Around the World - International Monetary Fund
[16] GST: Concept, Significance, and Impacts - ResearchGate

- **GST Returns**: Different categories of reports, such as GSTR-1 for reporting outbound supplies and GSTR-3B as a consolidated return, are submitted at regular intervals, based on the characteristics and scale of the firm.[17]

3.2 Features of GST

To strike a balance between the fiscal autonomy of the federal government and the states, the GST system often uses a dual model in federal countries. By dividing up tax revenue in this way, the federal government is able to keep its fiscal house in order.

- The Goods and Services Tax (GST) simplifies and unifies the tax system by combining multiple levies into one. This helps with both government management and company compliance.
- The Input Tax Credit mechanism of GST prevents taxes from building up, which lowers product and service prices and encourages fair business practices.
- Streamlining the process, enhancing transparency, and decreasing the chance of tax evasion, technology solutions like the GST Network (GSTN) in India have drastically changed tax compliance.
- Flexible and adaptable, GST systems allow for the periodic change of tax slabs and rates to match economic needs and government objectives.[18]

3.3 Implementation Process of GST

Taxpayer Registration and Migration: A primary goal of the implementation was to ensure that all taxpayers who were already registered under various indirect tax regimes would be transferred to the GST system. In order to keep business as usual, a seamless changeover process was required.

Harmonization of Tax Structures: In order for a country to implement GST, its several tax systems have to be harmonized. An integrated tax system free of disparities in the taxation of goods and services was achieved via the harmonization of tax rates, thresholds, and exemptions.

Compliance Mechanisms and Enforcement: To prevent tax evasion and ensure compliance with GST laws, robust compliance mechanisms were required. Among these changes were the implementation of automated billing systems, real-time reporting tools, and stringent enforcement policies to deter

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[17] Goods and Services Tax (GST) in India: An Overview - PwC India

[18] • GST Explained: Rates, Structure, and Impact - National Institute of Public Finance and Policy

noncompliance.[19]

Transitional Provisions and Relief Measures: Governments often include transitional provisions and relief measures to mitigate any adverse impacts that businesses may experience as a result of the change to GST. Companies may be eligible for financial assistance, input tax credits, or short-term exemptions to help them weather the financial storm.

Cross-Border Trade and Interstate Transactions: Implementing GST necessitated resolving intricacies associated with cross-border commerce and interstate transactions, especially in nations with federal systems or notable regional disparities. The introduction of mechanisms like Integrated GST (IGST) aimed to enable smooth transportation of goods and services across state boundaries while guaranteeing tax neutrality.

Continuous Monitoring and Evaluation: The effectiveness of GST legislation, improvement opportunities, and new problems or loopholes could only be assessed with continuous monitoring and assessment mechanisms put in place after their implementation. Improving the GST structure and ensuring higher compliance included performing periodic audits, evaluating data, and developing avenues for stakeholder feedback.[20]

CHAPTER 4: COMPARATIVE ANALYSIS: PRE-GST VS POST-GST

4.1 Impact on Revenue Collection

For India's budgetary policy, the enactment of the GST was a watershed event. A notable outcome after the introduction of GST has been the considerable increase in tax revenues. In the first year after its implementation, GST collections surpassed 7 lakh crores, showing a significant 9% increase in comparison to the money received under the previous tax system. A number of factors may be considered in order to understand the rise in income:

1. **Broadening of the Tax Base**: Recognitions to GST's all-encompassing design, a significant portion of the economy that was either not taxed at all or just partially so is now part of the tax base. Through the elimination of redundancies and complexity, GST streamlined the prior tax system by merging several federal and state taxes into a single framework. In consequence, this broadened the area that could be taxed.[21]

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[19] The Implementation of Goods and Services Tax in India: A Case Study - International Journal of Business and Management Invention

[20] GST Rollout - A Case Study on the World's Largest Tax Reform - Ernst & Young

[21] GST Explained: Rates, Structure, and Impact - National Institute of Public Finance and Policy

2. **Inclusion of Key Economic Sectors**: Many businesses and economic sectors that had been exempt or had relatively low tax rates before were now subject to a much higher rate of taxation. A more equitable distribution of tax revenue across sectors was assured by including this component, which in turn raised the volume of taxable transactions.

3. **Simplified Tax System Enhancing Compliance**: A key factor in improving compliance was the simplification of the tax system under GST. Better adherence and more money were the outcomes of a system upgrade that simplified taxpayer administrative duties and reduced uncertainty.

The higher annual growth rate in total indirect tax income further emphasizes the impact of GST on India's tax collection. Revenues received by the federal and state governments from indirect taxes have increased at a steady pace of fifteen percent each year since the GST was put into place. Prior to the implementation of the GST, the total revenue collected from indirect taxes in the 2016–17 fiscal year was 8.84 lakh crores rupees. In 2019–20, the figure jumped to 11.77 lakh crores. This dramatic increase demonstrates how well GST is working to boost tax revenue for the government.[22]

4.2 Comparison of legal position on Business Law of VAT and GST

Feature	VAT	GST
History	Prevalent before July 2017, state-specific laws	Implemented July 2017, unified national system
Taxation	Multi-stage, cascading effect, different rates across states	Single tax on supply of goods and services, multiple rates
Registration	Threshold for turnover	Threshold for turnover or specific interstate supplies
Returns	Filed with state tax authorities	Filed online with central government portal
Input Tax Credit	Limited credit for earlier stage taxes	Credit for GST paid at earlier stages
Scope	Applied to a narrower range of goods and services	Applied to a broader range of goods and services

[22] Gupta, R., & Singh, Y. (2021). Long-term effects of GST on Indian revenue collection: An analytical study. Journal of Indian Tax Research, 7(1), 34-49.

Tax Structure	Origin-based (taxed at each stage)	Destination-based (taxed at final consumption)
Compliance	Complex procedures, varied across states	Unified filing system, simplified procedures
Current Status	No longer applicable	Current indirect tax system

4.3 VAT vs GST: Comparative analysis[23]

Parameter	VAT	GST
Structure	Central taxes included custom duty, surcharge, central excise duty, and cesses. State taxes included entertainment tax, VAT, luxury tax, etc.	Subsumes all central and state taxes except for motor spirit, natural gas, petroleum, and high-speed diesel.
Basis of Levy	Levied at the place of manufacturing or trade of goods or services.	Destination-based tax, imposed at the place of consumption.
Registration	Decentralized registration under state and central authorities.	Uniform e-registration based on the PAN of the entity.
Validation	Partly validated by the system, with full verification by state or central authorities.	System-based validation with consistency checks on input credit, tax payments, and utilization.
Filing of Returns and Collection of Tax	Central excise and service tax were standard, while value-added tax differed from state to state.	Uniform process with common dates for tax depositing, collection, and filing returns.
Service Tax	Levied by the center on a list of services.	State GST subsumes service tax based on Place of Supply rules.

[23] How GST Has Helped The Government To Increase Tax Revenue? – CaptainBiz Blog. (2023, November 26).

State VAT	Taxed on all commodities except those exempts.	Subsumed by State GST.
Excise Duty	Levied up to the point of manufacturing.	Replaced by Central GST, levied up to the retail level.
Basic Customs Duty	Charged on imports under a separate act.	No change under GST.
Special Additional Duty	Charged separately on imports.	Subsumed by State GST.
Entry Tax	Slapped with fees by various states for transfers across states.	Extra 1% tax on specific goods' interstate supply; otherwise, it does not apply.
Central Sales Tax (CST)	Subject to a flat charge of 5% to 14.5 percent for all C-Form transactions between states.	Subsumed by Integrated GST.
Tax on Export of Commodities and Services	Exempt from tax.	No change under GST.
Tax on Inter-State Transfer to Agent/Branch	Exempt against Form F.	Levied, but with access to full credit.
Cross Set-Off of Levy	Excise duty and service tax may be set off.	The Central GST and the State GST cannot be set off against each other.
Tax on Transfer to Agent/Branch	Generally exempt, depending on state procedures.	Could be imposed if the taxpayer identification numbers of the transferor and the transferee are not different.
Disallowance of Credit on Certain Items	Non-creditable items under VAT and CENVAT rules.	No disallowance unless specified by the GST Council.

Disallowance on Inputs in Exempted Goods/Services	Not permitted.	No disallowance unless specified in the Negative List by GST Council.
Cascading Effect	Service tax and excise duty may be credited, but VAT cannot be set off.	The whole amount of taxes paid up to the store may be refunded.
Threshold Limits for Levy of Tax	The federal excise threshold is 1.5 crore rupees, the value-added tax threshold is 5 lakh to 20 lakh rupees, and the service tax threshold is 10 lakh rupees.	State GST threshold ranges between Rs.10 lakh to Rs.20 lakh.
Levy of Tax on NGOs and Government Bodies	Certain bodies covered.	No changes under GST.
Exemptions	Areas like the North-East enjoy exemptions.	There will be no special cases, yet certain areas may be eligible for a new investment refund scheme.

The shift from the Value Added Tax (VAT) system to the GST framework represents a substantial advancement in India's indirect tax structure. Although both VAT and GST share the goal of simplifying taxes and minimizing complications, their distinct structures and operating processes highlight a fundamental change in the approach to indirect taxation.

A two-tiered system consisting of federal and state taxes was VAT's essential character. In addition to federal taxes like customs and excise duties, state taxes such as value-added tax, entertainment tax, and luxury tax were also applied. Due to the existence of two distinct entities, registration processes had to be established and dispersed across several state and federal institutions. Businesses with operations in many areas faced administrative hurdles as a consequence. Production or sale location dictated VAT imposition, with system authentication and subsequent verification by state or central agencies providing partial validation. The expense of compliance was driven up by the fact that different states had different filing and tax collection systems.

Meanwhile, GST represents a major shift towards a unified tax system, bringing together various federal and state taxes under one roof, except for a few items like natural gas and petroleum. Tax administration and compliance are both made easier with the move to a destination-based tax system. The use of uniform electronic registration procedures based on organizations' PANs makes this feasible. To further guarantee accuracy and consistency in tax credits, payments, and use, system-based validation techniques are implemented. In addition, nationwide timelines for filing tax returns and collecting taxes will be uniform when GST is in place. Businesses and government agencies alike benefit from this streamlined process.

By merging many taxes into one, GST mitigates the VAT system's cascading impact. All the way down to the merchant level, this ensures that credit is readily available throughout the whole tax chain. This reduces the financial burden on end users and increases efficiency in the logistics network. Furthermore, small businesses are supported by the adoption of GST, which guarantees a greater adherence to tax rules and sets specified bounds for the application of taxes. However, industries that were used to the old tax system would have to make certain adjustments and adaptations to accommodate the new GST.

Removal of certain exemptions and the introduction of an Investment Refund Scheme for designated regions are two examples of how the GST framework may simplify and rationalize tax policy. Although there were some challenges during the initial stages of implementation, the long-term benefits of GST, including more efficient taxation, increased economic growth, and a more unified domestic market, are going to have a profoundly positive impact on India's indirect tax system.

CHAPTER 5: CONCLUSION AND POLICY IMPLICATIONS

In conclusion, the transition from India's pre-GST era to the post-GST era represents a massive and revolutionary shift in the country's indirect taxation structure. Compare and contrast the two systems to see how GST is so different and how far-reaching its implications are for taxation, compliance, and efficiency in the economy. In the years leading up to the implementation of GST, the Indian government faced the formidable task of coordinating a patchwork of indirect taxes imposed by several levels of government at the federal and state levels. Enterprises faced significant challenges due to the many taxes, compounding effect, and onerous compliance requirements, which impeded economic growth and efficiency. Further exacerbating the pre-GST system's shortcomings and impediments to interstate trade and business operations were administrative hurdles and restrictions. However, a new era of tax restructuring began with the installation of GST, which unified many federal and state taxes into one system to facilitate uniformity, reduce tax duplication, and ease trade throughout the country. Company operations, tax efficiency, and the convenience of doing business in India have all been enhanced by the Goods and Services Tax (GST), which has a destination-based tax system, uniform tax rates, and simpler processes. With GST in place, policies have been better aligned, taxes are more transparent, and administrative processes are more efficient, all of which contribute to a more business-friendly regulatory environment. The introduction of data-driven governance, digitization, and automation in the tax industry has been made easier by the adoption of GST, which has also fostered technological development in tax administration. Yet, there have been problems with GST implementation, such as initial problems, complex transitional procedures, and challenges in fulfilling compliance requirements; these problems have required careful supervision and interventions from the government. To make the most of the new tax system, it's important to keep working to fix implementation problems, strengthen the Goods and Services Tax (GST), and attend to sector-specific concerns. Despite all the changes and challenges that came with establishing GST, the benefits of a unified tax system are undeniable in the end. The adoption of GST in India is a major milestone in the country's tax history. It shows that the government is committed to simplifying and modernizing the tax system to promote inclusive development, boost economic growth, and encourage investment. All of the revolutionary tax reform's potential will be realized as officials work to improve GST's implementation and address new challenges. This will propel India's economy towards a more resilient and competitive future.

Policy Implications and Recommendations

There are substantial policy implications to the impending change from India's VAT system to the GST framework, necessitating careful consideration and deliberate action. As the country moves through the implementation phase and the advantages of the GST are solidified, officials will face substantial challenges and seize chances if they want to fully use the reform's transformative potential. Listed below are several suggestions and policy implications:

1. **Simplify Compliance Procedures**: The procedures for complying with GST rules are still complex, particularly for SMEs, despite the move towards a unified tax structure. Improving taxpayer education and help channels, simplifying compliance requirements, and expediting registration processes should be policymakers' main priorities.

2. **Promote Tax Policy Harmonization**: A significant opportunity to promote consistency, transparency, and efficiency in the tax system by standardizing tax policies across states and sectors is presented by the adoption of GST. The adoption of steps to standardize tax rates,

thresholds, and exemptions should be prioritized by policymakers. This would help decrease differences and provide fair competitive conditions for enterprises. It may be necessary to work closely with state governments in order to harmonize tax policies, simplify tax rates, and address differences in how different states are taxed.

3. **Strengthen Tax Administration and Enforcement**: Ensuring compliance with GST rules and avoiding tax evasion requires efficient tax administration and enforcement. Improving tax administration infrastructure, strengthening data analytics capabilities, and utilizing risk-based audit procedures may help enforce tax regulations and deter non-compliance. Policymakers should invest resources towards these goals.

4. **Monitor Economic Impact and Policy Outcomes**: Authorities should carefully track the economic effects and policy outcomes of GST as its implementation continues to assess how well it achieves its objectives. Important indicators to keep an eye on include changes in tax revenue, business competitiveness, investment patterns, and customer habits.

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