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GST and Taxation Policy: A Comprehensive Analysis

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ABSTRACT

The GST has transformed indirect taxation in India and improved compliance. This article critically assesses GST's influence on India's taxation policy, including revenue generation, economic development, and administrative efficiency. It also examines implementation issues and offers policy changes to improve results. We also explore how GST reduces tax cheating, boosts company competitiveness, and promotes cooperative federalism in India. The paper also shows how GST has formalised the economy, enhanced tax collection, and rationalised tax structures to change consumer behaviour. This research examines how GST unifies India's fragmented tax structure, reduces logistical inefficiencies, and promotes tax administration transparency. It examines GST's effects on manufacturing, services, e-commerce, and SMEs. The report also discusses how technology helps with GST compliance, e-invoicing, and data analytics for tax fraud detection. It examines GST's effects on inflation, consumer expenditure, and international trade competitiveness. The paper explores how GST has affected investment decisions and capital movements in India, creating a more predictable tax environment that promotes economic stability. GST's influence on employment patterns is examined, including whether tax reforms have created jobs or changed sectors. It also examines how GST input tax credits have affected real estate and infrastructure prices and market dynamics. Additionally, the study examines how GST compliance expenses affect small firms and startups and offers ways to reduce them. The paper concludes with worldwide best practices and GST implementation suggestions for sustainable economic growth. It examines how fiscal policy aligns GST with long-term national development goals to maintain equitable and growth-oriented tax arrangements. GST policy revisions are needed to handle changing economic issues and guarantee fiscal stability, according to the study.

***Keywords**: GST, Taxation Policy, Indirect Taxation, Economic Development, Compliance, Revenue Generation, Cooperative Federalism.*

I. INTRODUCTION

A country's economic structure is greatly influenced by its tax system, which has an impact on business conditions, investment, and growth. It is the foundation of a nation's fiscal policy,

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influencing the distribution of resources and the creation of government income. Effective taxation laws support social welfare initiatives, ease infrastructure development, and maintain economic stability. Tax systems have changed throughout time to take into account trade growth, economic complexity, and the requirement for an open and effective method of collecting taxes. India underwent a dramatic transition from a convoluted indirect tax system to a single tax system on July 1, 2017, with the implementation of the GST[2]. VAT[3], Service Tax, Excise Duty, and Central Sales Tax were among the several indirect taxes that made up the fragmented Indian tax system before to the GST. This frequently resulted in inefficiencies, cascading consequences, and compliance issues. The main goals of the GST's implementation were to minimise double taxation, improve ease of doing business, and establish a smooth national market by combining several disparate levies into a single, unified system.

The purpose of this essay is to examine how the GST has affected the Indian economy by evaluating how well it has streamlined taxes, eased compliance requirements, and promoted economic expansion. The report also looks into how much money the Union and States's would make from the GST and how it may encourage investment and commerce. The report also lists the main obstacles that have arisen throughout the GST implementation process, including technical difficulties, complicated rate structures, and state income deficits. The study also looks at how GST supports economic sustainability and how it fits in with international tax changes. In order to pinpoint best practices and possible enhancements, it does comparisons with global GST models. Through the use of e-invoicing, automated tax return filing, and real-time transaction monitoring, the research also looks at how GST has aided in the digital transformation of taxes. This report provides a comprehensive understanding of how the GST has impacted India's fiscal situation by evaluating these elements and gives policy recommendations for maximising its impacts moving ahead.

II. EVOLUTION OF GST IN INDIA

The GST was initially suggested in 2000, and after more debates and legal changes, it was finally enacted in 2017. The goal was to increase economic efficiency, establish a single national market, and end the cascading impact of taxes. Prior to its ultimate implementation, the GST's impact and viability were examined by several committees and expert groups throughout the years. This section explores the legislative process and historical development of the GST, emphasising significant turning points and policy choices that influenced its

[2] Goods and Services Tax.
[3] Value Added Tax.

composition. India has long needed a thorough indirect tax reform because of the complexity of its federal and state tax laws. The creation of the empowered committee of state finance ministers in 2000 marked the beginning of the process of creating a unified tax system.

In order to simplify the indirect tax system, the Kelkar Task Force on FRBM[4] in 2003 also suggested implementing the GST. In order to create a workable GST model appropriate for India's federal system, policymakers, tax specialists, and stakeholders engaged in lengthy discussions after these proposals. The introduction of the GST by April 1, 2010, was publicly announced by the then-finance minister in the Union Budget in 2006. Its implementation was postponed, nonetheless, because of the difficulties of intergovernmental agreements and worries over revenue-sharing arrangements. A significant turning point in the legislative process was reached in 2011 with the passage of the 115th Constitutional Amendment Bill, which established the basis for a systematic GST.

Following revisions in 2014, this draft became the 122nd Constitutional Amendment draft. It was ultimately approved by both houses of Parliament in 2016, which resulted in the establishment of the GST Council, a key decision-making body in charge of GST implementation and changes. With the formal introduction of the GST on July 1, 2017, several indirect taxes were replaced with a single tax system. Widespread awareness efforts and technical developments, such as the creation of the GSTN[5] for online compliance and return filing, coincided with its implementation. GST has developed throughout time via constant improvements and revisions meant to increase efficiency and lessen compliance requirements, despite early technological and procedural difficulties. The implementation of the GST marked a paradigm shift in India's tax system by ensuring a seamless flow of goods and services, reducing state-by-state tax barriers, and uniting the national market.

Its development is still underway, though, with talks of sector-specific exclusions, rate rationalisation, and bringing real estate and petroleum items under the GST purview. This section examines prospective paths for improving the efficacy of GST while highlighting the dynamic legislative and policy events that have evolved it into its current form.

III. Structure and Framework of GST

Both the federal government and the states impose taxes under the dual structure of the GST. The CGST[6], which is imposed by the federal government, and the SGST[7], which is imposed by

[4] Fiscal Responsibility and Budget Management.
[5] Goods and Services Tax Network.
[6] Central GST.
[7] State GST.

the state governments, are the two main parts of GST. Furthermore, interstate transactions are subject to the IGST[8], which guarantees a smooth tax system across state lines. The Compensation Cess, which is levied on certain commodities like luxury and sin products to make up for possible income losses states may have suffered as a result of the GST's adoption, is another essential element. Various rates, such as 0%, 5%, 12%, 18%, and 28%, are applied to the tax, contingent on the kind of products and services. While luxury products and services like tobacco, cars, and aerated beverages are subject to higher taxes, essential goods and services like basic food items and healthcare services are either excluded or taxed at lower rates.

ITC[9] is another feature of the GST framework that enables companies to deduct input taxes from their output tax obligations. This system reduces the overall tax load on end users, increases efficiency, and lessens the cascading impact of taxes. The GST system also incorporates a number of compliance mechanisms, including quarterly return submissions, e-invoicing, and real-time tax monitoring via the GSTN. These policies seek to improve corporate transaction transparency, decrease tax evasion, and expedite tax administration. The GST Council plays an important role in resolving sectoral complaints and updating tax rates. The tax structure is frequently reviewed by the council to take budgetary concerns, industry demands, and economic realities into account. An extensive examination of the GST system, tax slabs, and their effects is given in this section.

The justification for rate difference and its effects on consumer behaviour and market dynamics are also covered. The part goes on to discuss difficulties in tax administration, such as small business compliance expenses, GSTN technological problems, and worries over the allocation of federal and state government income. The overall goal of the GST framework and structure is to provide a more effective and transparent taxing system, which will promote economic growth and formalisation. To solve current inefficiencies and guarantee a fair and balanced tax system for all stakeholders, however, ongoing improvements and policy modifications are required.

IV. IMPACT OF GST ON INDIAN TAXATION POLICY

With the introduction of the GST on July 1, 2017, India's tax system saw a significant transformation. GST simplified the tax system into a single, multi-stage, destination-based tax that applies to the provision of goods and services by displacing many indirect taxes, including VAT, Service Tax, Excise Duty, and Entry Tax. Eliminating inefficiencies, lowering tax

[8] Integrated GST.
[9] Input Tax Credit.

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cascades, improving compliance, and fostering economic expansion were the goals of this reform. The GST's ability to simplify the tax system is one of its main benefits. In the past, the federal and state governments imposed a complex web of indirect taxes that businesses had to contend with. These taxes frequently resulted in administrative expenses, tax-on-tax consequences, and inefficiencies. All of these taxes were combined into a single framework with the introduction of the GST, guaranteeing consistency throughout the nation.

The smooth flow of commodities has been made possible by the removal of interstate taxes, which has decreased company complexity and logistical expenses. Furthermore, the provision of the ITC has reduced the impact of taxes, which has resulted in cheaper prices for consumers and cost savings for enterprises. The development of the GSTN, a digital infrastructure that makes online registration, return filing, and invoice matching easier, is a significant part of GST's increased compliance and transparency. The efficiency of tax administration has grown and human intervention has decreased because to this technology-driven strategy. In an effort to curb tax evasion and fraudulent activities, businesses are now compelled to create electronic way bills for the transportation of products and use electronic invoicing for transactions that above a specific level.

Better enforcement and increased taxpayer responsibility are ensured through the use of real-time transaction monitoring, severe fines for non-compliance, and AI-driven analytics. By making conducting business in India easier, GST has also been crucial in accelerating economic growth. It has promoted a more integrated national market by removing state-to-state tax barriers, which has improved company efficiency. The elimination of entrance charges and check-post delays has helped the logistics industry in particular, resulting in improved supply chain management and quicker cargo transportation. Additionally, by offering a stable and transparent tax system and lessening the compliance burden on multinational corporations, GST has increased India's appeal as a destination for FDI[10].

GST has greatly increased government income by expanding the tax base and enhancing compliance, both in terms of revenue collection and its effect on the fiscal budget. The fact that monthly GST receipts have continuously surpassed ₹1.5 lakh crore shows how well the system works to stop tax leaks. A fair distribution of income between the federal and state governments is guaranteed by the dual GST model, which consists of the CGST and SGST. State income have been further protected with the implementation of the GST Compensation Cess, guaranteeing financial stability in the years following the GST. However, small and medium-

[10] Foreign Direct Investment.

sized businesses (SMEs) have faced difficulties as a result of the GST switch. Although the goal of the tax reform was to make compliance easier, many small firms have found it difficult to deal with the requirements for digital invoicing, frequent tax filings, and the complexity of input tax credit.

In response to these worries, the government implemented the Composition Scheme, which lowers compliance requirements and allows small firms with annual revenue under ₹1.5 crore to pay a reduced fixed tax rate. Even if there has been some respite, SMEs still struggle to manage cash flow disruptions brought on by delayed refunds and adjust to the new digital taxes system. Reducing tax evasion and fraudulent activities has been one of the GST's major accomplishments. Businesses frequently used tax evasion tactics including under-invoicing and false input credit claims prior to the GST. Such malpractices have been reduced by the use of strategies like e-invoicing, invoice matching, and real-time monitoring. In order to ensure better adherence to tax regulations, the government has also reinforced its enforcement procedures by enforcing harsh fines for non-compliance.

Additionally, the GST's anti-profiteering structure makes sure that companies don't inflate prices unfairly but instead pass on the advantages of input tax credits to customers. Different industries are affected by GST in different ways. GST has increased supply chain efficiency and reduced logistical costs in the industrial sector, increasing production's competitiveness. The unified GST rate, which replaced the previous differentiated service tax rates, has resulted in an increased tax burden for the service industry in certain places. By introducing the Tax Collected at Source (TCS) system, GST has made tax collection easier for the e-commerce sector and increased online merchants' compliance. Notwithstanding its many benefits, the GST structure nevertheless has issues. Businesses are confused due to the intricacy of submitting several returns, high tax rates for specific goods and services, and frequent policy changes.

Even though the government has made compliance easier, further changes are required to make GST more business-friendly. Reducing the number of tax slabs, broadening the tax base to include industries that are now exempt, and improving automation to reduce fraud and human error are possible future improvements. To sum up, the GST has completely changed India's tax structure, making it more effective, open, and growth-oriented. Although there were some initial implementation issues that created disruptions, they are outweighed by the long-term advantages. GST will continue to be essential to India's economic growth and fiscal stability with ongoing policy improvements, improved enforcement strategies, and increased taxpayer education.

V. CHALLENGES IN GST IMPLEMENTATION

Even though the GST offers several advantages in terms of simplifying taxes and increasing economic efficiency, there have been a number of major obstacles to its implementation in India. Businesses, consumers, and government officials are just a few of the stakeholders that have been impacted by these issues. Among the main difficulties are:

(A) Complex Rate Structure:

The numerous tax slab structure of the GST in India is one of the main points of contention. India's GST system has many slabs, including 5%, 12%, 18%, and 28%, in contrast to the uniform tax rate used in many other nations. Some necessities are either charged at a reduced rate or are not taxed at all. Because firms and tax authorities sometimes have different ideas about which slab a given product or service fits under, this intricacy has resulted in categorisation conflicts. Increased litigation and administrative challenges are the outcome of such uncertainties.

(B) Technical and IT Challenges:

It was anticipated that the launch of the GSTN, a centralised online platform for GST compliance, would make tax administration and filing easier. However, companies had a number of technological issues during the initial launch, including portal breakdowns, return filing delays, and trouble creating e-way invoices. Due to a lack of digital literacy and the difficulties in effectively filing taxes and reconciling invoices, small and medium-sized businesses (SMEs) continue to face IT-related difficulties.

(C) Revenue Shortfall for States:

The lack of income collection has been one of the main issues facing state governments since the introduction of the GST. Prior to the GST, states were free to impose indirect taxes like entertainment tax and value added tax (VAT), which gave them steady sources of income. States mostly depend on the central government to make up for their revenue losses under the GST. Economic downturns and compensation delays have made financial limitations worse, increasing reliance on borrowing and requiring budgetary reforms.

(D) Frequent Policy Changes:

Since its establishment, the GST regime has experienced a great deal of modification, revision, and procedural change. The frequent policy adjustments have caused uncertainty among taxpayers, even though some of these changes were implemented to address industry concerns and enhance compliance methods. Companies frequently find it difficult to stay on top of changes in tax rates, procedural requirements, and compliance duties, which can result in unintentional mistakes, fines, and higher compliance expenses.

(E) Compliance Burden for Businesses:

The growing weight of compliance is one of the major issues that businesses, especially micro, small, and medium-sized businesses (MSMEs), must deal with. Businesses must precisely balance invoices, complete numerous reports on a regular basis, and keep thorough records in order to receive input tax credit (ITC) under the GST structure. Small firms are further burdened financially and administratively by the necessity for copious documentation, meeting deadlines, and handling intricate reporting obligations. Additionally, companies that operate in many states encounter additional challenges in guaranteeing adherence to state-specific GST regulations. Policymakers are always working to improve and expedite GST procedures in spite of these obstacles. The implementation of automation, the streamlining of return filing procedures, and the rationalisation of tax rates are all positive moves. These challenges must be effectively overcome if the GST is to fulfil its potential of fostering economic expansion and business-friendly conditions in India.

VI. GST AND COOPERATIVE FEDERALISM

India's federal structure underwent a dramatic change with the introduction of the GST, necessitating close coordination and agreement-building between the federal and state administrations. The GST established a single taxing framework that required more intergovernmental collaboration than the previous indirect tax system, which had separate taxation and collection mechanisms at the two federal levels. The GST Council, which is made up of members from the federal and state governments, is a crucial institutional framework that makes this cooperation possible. This constitutional body is crucial to decision-making since it sets tax rates, decides on exemptions, and settles GST-related issues. Cooperative federalism is strengthened by the Council's consensus-driven approach, which guarantees that states have a say in determining tax laws. The effect of GST on state autonomy is one of the most important facets of its effects on federalism.

States have acquired a piece of a more effective, national tax system, even if they have given up part of their autonomy in levying taxes in order to adopt a unified tax structure. In order to assist states preserve their economic stability, the GST's revenue-sharing system makes sure that tax revenues are divided equally between the federal government and the states. This process has changed throughout time, with sporadic modifications made to address issues unique to each state, such compensating for revenue losses brought on by the switch to the GST.

The ways in which the GST has changed center-state relations, the difficulties in preserving fiscal balance, and the long-term effects of the GST on India's political and economic environment will all be covered in more detail in this section. In order to demonstrate how Indian federalism continues to evolve to meet the ever-changing demands of economic governance, it will also look at examples of conflict and collaboration inside the GST Council.

VII. Comparative analysis: GST in India vs. Other countries

In many economies throughout the world, the GST has become a ground-breaking tax reform that improves compliance and streamlines indirect taxes. GST has been effectively adopted in a number of nations, including Canada, Australia, and Malaysia, each with a unique structure designed to meet their unique administrative and economic requirements. In order to promote economic efficiency and unite a disjointed tax structure, India implemented the GST system in 2017. However, when it comes to tax rates, compliance procedures, revenue-sharing arrangements, and economic effect, India's GST model differs significantly from global best practices. This section offers a thorough comparison of India's GST with international models, emphasising areas for development to improve revenue management, efficiency, and simplicity of compliance.

(A) Tax Rate Structures: India vs. Global Practices

There has been much discussion about India's Goods and Services Tax (GST) tax rate structure, especially when compared to international standards. The way tax slabs are constructed has a significant impact on how people spend their money, how much inflation occurs, how competitive businesses are, and how stable the economy is as a whole. In order to account for varying economic realities, many nations have chosen different ways when it comes to the structure of their GST. Some have chosen a simplified system, while others, like India, have chosen a multi-tiered one.

The GST system in India has five main tax slabs: 0%, 5%, 12%, 18%, and 28%. It is a multi-rate structure. Additionally, there is an additional charge for some things, especially luxury and sin-related items. The goal of this tiered system is to strike a compromise between the requirement for government revenue and the concerns of various socioeconomic levels regarding cost. While non-essential and luxury products are subject to higher tax rates in order to raise more money, necessary goods and services are either excluded from GST or taxed at a lesser rate to safeguard lower-income segments of society. Nevertheless, this structure has created administrative costs for firms, complicated compliance, and classification conflicts despite its intended benefits. Multiple tax rates have resulted in numerous disputes about classification, which creates hurdle for firms to comply with tax laws and raises the danger of litigation.

On the other hand, a few of nations have implemented more straightforward GST models in an effort to facilitate commercial transactions and better tax management. For instance, the majority of products and services in Australia are subject to a 10% single-rate GST. For enterprises and tax authorities alike, this consistent tax rate guarantees simplicity of administration, streamlines compliance, and lowers categorisation conflicts. Similar to this, Singapore has a simple and predictable tax system with a single GST rate of 9% (as of 2024) and few exclusions. A single-rate system's simplicity greatly lowers administrative obstacles and improves compliance effectiveness.

In contrast, Canada uses a Harmonised Sales Tax (HST) in conjunction with a dual-rate GST system. Although the federal GST stays the same, provinces are free to set their own sales taxes, which causes regional differences ranging from 5% to 15%. This concept preserves the overall GST structure at the national level while permitting a certain amount of decentralisation. Political concerns caused Malaysia, which had previously imposed a 6% GST, to go back to a Sales and Services Tax (SST), proving that political considerations and public opinion may also affect tax policy choices.

These international approaches provide India with important information on possible reforms. A single-rate GST system, like those in Australia and Singapore, may greatly lower categorisation disputes, improve tax compliance, and foster a more welcoming business environment. Simplifying the tax system helps reduce the uncertainty brought on by frequent rate adjustments and categorisation problems. Additionally, a more stable and predictable tax system that benefits both consumers and companies may be achieved by gradually reducing the number of tax bands. By making tax compliance easier and more effective, streamlining the GST system will promote economic development in addition to making conducting business easier.

(B) Compliance Mechanisms and Digitalization: Learning from Global Best Practices

A simplified compliance process, good tax administration, and technology integration are necessary for the successful deployment of GST in order to reduce tax evasion and improve transparency. To increase efficiency and streamline compliance, nations all around the world have embraced a variety of digital technologies and best practices, and India has achieved notable progress in this area. To improve the system's business-friendliness, a few issues still need to be resolved.

The GSTN, a digital network that makes it easier to file returns, send electronic invoices, and claim input tax credits, is the foundation of India's GST compliance system. Even though this system has increased transparency and the effectiveness of tax collection, companies frequently face difficulties adhering to the system due to frequent changes in compliance criteria. The difficulty of compliance is increased by the intricacy of submitting returns, which include several forms including GSTR-1 and GSTR-3B. Furthermore, firms' operating capital is impacted by delays in input tax credit returns, which puts a burden on finances, especially for small and medium-sized organisations.

India can gain from the simpler compliance approaches that have been implemented by a number of nations worldwide. For example, most firms in Australia file their GST reports quarterly rather than monthly due to a simplified approach that lessens administrative burden. Businesses just need to submit a little amount of paperwork to Singapore's completely automated tax compliance system, which makes the procedure quick and easy. In contrast, Canada has created a system that makes it simple for companies to collect input tax credits with fewer administrative obstacles, guaranteeing a more seamless refund procedure.

Using some of these international best practices might greatly increase GST compliance in India. Compliance difficulties can be lessened by streamlining the return filing procedure, lowering the frequency of small company tax payments, and utilising automation. Furthermore, as demonstrated in several developed economies, the implementation of AI-driven risk assessments may aid in the identification of false claims and enhance tax efficiency. India can promote a more business-friendly tax climate while guaranteeing improved revenue collection and economic stability by making compliance easier and more predictable.

(C) Revenue Distribution: Federal vs. State Models

A key component of fiscal management is the allocation of revenue under the GST, particularly in federal countries where both the federal and state governments have taxing powers. Maintaining financial stability and meeting the economic demands of many areas depend on an effective and equitable revenue-sharing system. The Central GST (CGST) and State GST (SGST) in India split the country's GST income, while interstate commerce is subject to the Integrated GST (IGST). To guarantee a fair distribution of money, the IGST income is divided among the states. The government implemented the GST Compensation Cess to reimburse states for any revenue losses following the implementation of the GST. However, states have experienced financial strain as a result of compensation payment delays, which has raised questions about income predictability and financial conflicts.

Different nations have taken different tacks when it comes to allocating GST income. In order to meet local budgetary needs, certain Canadian provinces have implemented their own Harmonised Sales Tax (HST), giving them considerable latitude in collecting GST. Australia has a centralised system in which the federal government collects GST money and then distributes it to the states according to spending priorities and economic requirements. Value Added Tax (VAT) earnings are distributed among EU member states and the federal budget according to a systematic formula that guarantees equitable distribution.

In order to avoid financial conflicts and preserve fiscal stability, India must make sure that money is distributed to states in a timely and predictable manner. By tying revenue distribution to indices of development, tax compliance, and economic growth, alternative models like performance-based revenue sharing may be able to alleviate state-to-state discrepancies. A transparent and well-organised revenue-sharing system can guarantee the long-term viability of India's GST framework while boosting state-level fiscal autonomy.

(D) Impact on Business and Economic Growth

A well-designed Goods and Services Tax (GST) system is essential for influencing economic expansion, drawing in foreign capital, and promoting commerce. Business operations, tax compliance, and general economic stability can all be impacted by how the GST is formulated and put into effect.

The implementation of the GST in India has affected the economy in both positive and difficult ways. On the plus side, by decreasing chances for tax evasion, it has raised tax compliance. Additionally, GST has increased GDP growth by establishing a more streamlined tax system and removing the cascading impact of many indirect taxes. The intricacy of tax categorisation and compliance requirements, which frequently result in conflicts, still presents difficulties for firms. Additionally, corporate planning and decision-making are impacted by tax rate volatility, which makes it challenging for organisations to function with long-term financial predictability.

Following the introduction of the GST, several nations throughout the world have had varying economic results. After implementing the GST, Australia first had inflationary impacts, but eventually, it resulted in increased revenue generation and a more efficient tax administration system. Singapore has effectively used the tax system to promote economic growth and international commerce because to its straightforward and business-friendly GST framework. With its Harmonised Sales Tax (HST) approach, Canada has successfully balanced federal and provincial taxation, guaranteed revenue stability while preserving corporate efficiency.

India's economy might develop and attract more investment if GST regulations are improved to make them more business-friendly. Establishing a stable and predictable tax policy environment would give firms more confidence to make long-term plans. India can optimise the advantages of GST while enhancing its standing as a competitive and investment-friendly economy by tackling the intricacies of compliance and lowering uncertainty.

(E) Addressing GST Challenges in India: The Way Forward

Despite being a major indirect tax reform, India's GST system still has a number of issues that limit its efficacy and efficiency. India may implement the following changes, which are based on global best practices, to improve GST administration and guarantee easier compliance:

a. Rationalization of Tax Slabs:

The existence of several tax slabs in the existing GST structure is one of the main issues as it leads to misunderstanding and complicates compliance. It is possible to increase ease of doing business, decrease categorisation disputes, and improve tax compliance by shifting to a more straightforward framework with only two or three tax rates, such as a standard rate, a reduced rate for necessities, and a higher cost for luxury or sinful items. India may learn from the successful implementation of simplified GST arrangements in nations like Canada and Australia.

b. Simplification of Return Filing:

Presently, SMEs[11], who sometimes lack the requisite financial and technological capabilities, find the procedure of filing GST returns extremely difficult. Administrative hassles and compliance expenses can be greatly decreased by using a streamlined return filing system, such as permitting small firms to file their returns annually rather than monthly or quarterly. This strategy would be in line with international best practices, guaranteeing that tax compliance won't impede the expansion of businesses.

c. Faster Input Tax Credit (ITC) Processing:

Processing input tax credit claims on schedule is essential to keeping firms' cash flow stable. But there have been ongoing issues with ITC refund delays and the possibility of false claims. Automating the processing and verification of ITC claims with blockchain and artificial intelligence (AI) can speed up payouts and aid in the detection of fraudulent activity. AI-driven tax administration systems have been implemented in a number of developed economies to increase efficiency and transparency, thus India may benefit from this approach.

[11] small and medium-sized businesses.

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d. **Improved Revenue Distribution and State Compensation:**

Delays in paying states for revenue shortages are a major problem under the existing GST framework, which causes fiscal imbalances and budgetary instability. The government must set up a strong and open system for prompt GST compensation payouts in order to remedy this. Equitable revenue distribution can be facilitated by the establishment of an independent GST revenue monitoring body and improved cooperation between the federal and state governments. In this context, learning from the fiscal federalism models of nations such as Canada and Germany may provide useful answers.

India can improve the efficacy, efficiency, and transparency of its GST framework by putting these reforms into place. This would make the tax system more business-friendly and guarantee the government's continued ability to generate income. A comparison of India's GST with other global models reveals both its advantages and disadvantages. Even though the GST system in India has simplified indirect taxation and improved compliance, there are still issues with complicated tax slabs, compliance procedures, and revenue distribution. India may apply the required reforms to streamline tax administration, improve business convenience, and guarantee fiscal stability by taking lessons from the experiences of Australia, Canada, Singapore, and other countries. India can make its tax system a more effective and internationally competitive model by consistently improving and adjusting its GST rules, which would eventually support long-term economic growth and development.

VIII. FUTURE POLICY RECOMMENDATIONS

The following policy suggestions are put out to improve the efficacy and efficiency of India's Goods and Services Tax (GST) system:

(A) Rate Rationalization:

Businesses and tax administrators face difficulty as a result of the GST's current various tax slabs. In addition to making compliance easier, simplifying the tax system by lowering the number of slabs would increase the tax regime's predictability. Classification conflicts will be reduced and corporate operations will be made easier with a more consistent pricing structure.

(B) Strengthening GST Compliance:

To guarantee smooth tax filing, reconciliation, and refunds, the government should concentrate on enhancing the GST Network's (GSTN) digital infrastructure. Taxpayers will be more willing to comply voluntarily if procedural bottlenecks are reduced and compliance obligations are made simpler, such as by streamlining return filing procedures and reducing technological issues.

(C) Improving Revenue Collection:

Revenue collection will be improved by increasing the tax base by include industries that are now exempt and decreasing tax evasion through improved monitoring systems. Finding tax evaders and stopping income leaks can be facilitated by utilising blockchain technology, artificial intelligence (AI), and data analytics. Stricter enforcement actions and focused audits should also be put into place.

(D) Addressing State Concerns:

Because the GST is a destination-based tax, certain states can experience a lack of income. Maintaining fiscal stability among states will depend on making sure that compensation is paid to states on schedule and putting in place a well-designed revenue-sharing system. Re-examining the compensation plan and providing incentives to states for improved tax administration are two long-term fixes.

(E) Enhancing Awareness and Training:

Many businesses still struggle to grasp the criteria for GST compliance, particularly small and medium-sized firms (SMEs). The implementation of GST would proceed more smoothly if companies, tax experts, and government representatives participate in comprehensive training programs, workshops, and awareness efforts. To serve a broad taxpayer base, bilingual materials and digital learning tools should be created.

(F) Incentivizing Compliance:

By providing tax refunds, reduced interest rates on late payments for compliant taxpayers, or other financial incentives, companies might be encouraged to voluntarily comply with GST laws. Taxpayer morale can be raised and overall compliance rates increased by offering high-compliance taxpayers incentives like expedited refund processing or less monitoring. By putting these policy suggestions into practice, the GST system will be more successful in the long run, guaranteeing economic expansion, improved revenue mobilisation, and a more open and taxpayer-friendly tax system in India.

IX. Contribution of Judiciary in Interpreting GST Legislation

The Supreme Court considered whether the IGST on ocean freight under the RCM[12] was constitutional in the case.[13] The government's imposition of IGST on ocean freight for imported

[12] Reverse Charge Mechanism.
[13] Mohit Minerals Pvt. Ltd. v. Union of India (2022) 4 SCC 105.

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products, which required importers to pay tax on the cost of transportation when the items was arranged by a foreign supplier, was the root of the disagreement. Since IGST was already applied to the entire value of imported goods, including freight expenses, the court's main concerns were whether the RCM's imposition of IGST on ocean freight was legal under the GST system and if it led to double taxation. Since the Cost, Insurance, and Freight (CIF) value of imported commodities already contained freight charges and was subject to IGST, Mohit Minerals Pvt. Ltd. contended that the extra duty amounted to double taxation. The business argued that international shipping companies, with which they had no direct contractual relationship, were unfairly taxing Indian importers for a service rendered. Additionally, they contended that this charge lacked a legitimate legislative foundation because Article 265 of the Indian Constitution stipulates that no tax may be imposed or collected other than by the authority of law. However, the government used the IGST Act to defend the tax, claiming that since ocean freight services were used in India, they qualified for the RCM under Section 5(3) of the Act. The administration insisted that importers were responsible for paying IGST as they profited from these services. The Supreme Court rejected the IGST duty on ocean freight as unconstitutional after taking these reasons into account and ruling in favour of Mohit Minerals Pvt. Ltd. The court noted that the GST system forbids double taxation and that an extra tax on ocean freight resulted in the same transaction being taxed twice because IGST was previously applied to the CIF value, which includes freight costs. Additionally, it determined that the announcement imposing IGST on maritime freight was ultra vires (beyond legal power) due to a lack of appropriate legislative support. The court further observed that the idea of taxation based on contractual agreements was being broken by unfairly burdening Indian importers with taxes for services rendered by foreign entities. Furthermore, it was determined that the charge violated Article 265 of the Constitution, which prohibits the imposition of taxes without the required legal authorisation. This ruling established a significant precedent in GST law, reaffirming the idea that businesses shouldn't face unfair financial constraints or double taxes as a result of GST taxation. It guaranteed that Indian importers would not be unjustly charged on ocean freight and defined the Reverse Charge Mechanism's scope. The government also refunded IGST paid on ocean freight as a result of the verdict, which had a big effect on trade policy and import prices.

The Supreme Court considered the question of reimbursement of unused ITC on input services under the inverted tax structure in the case.[14] When the tax rate on inputs (raw materials) is greater than the tax rate on the final product, a buildup of unused ITC results, creating an

[14] Union of India v. VKC Footsteps India Pvt. Ltd. (2021) 6 SCC 34.

inverted duty structure. Because the GST rate on the raw materials used in manufacturing was greater than the GST rate on the finished footwear goods, VKC Footsteps India Pvt. Ltd., a footwear manufacturer, had to deal with this problem. In the event of an inverted duty structure, firms may be eligible to get a refund of unused ITC under Section 54(3) of the CGST Act, 2017. Rule 89(5) of the CGST Rules, however, limited these reimbursements to input tax credits (ITC) for products and did not include ITC for input services including consulting, transportation, and other business-related activities. VKC Footsteps India Pvt. Ltd. contested this clause, claiming that since input services made up a sizable amount of operating costs, they ought to be eligible for ITC returns as well. The business argued that it was arbitrary and unlawful to exclude input services from the reimbursement mechanism, in violation of Article 14 of the Indian Constitution (Right to Equality). They argued that the elimination of cascading taxes, which is the fundamental tenet of GST, was undermined by refusing refunds for input services, as both inputs and input services contributed to the cost of production. The Union of India responded by arguing that Rule 89(5) was a legitimate legal provision that was consistent with the legislative objective. The government said that permitting reimbursements on input services might result in revenue losses and possible abuse of the return system because ITC was utilised for a variety of commercial activities. Additionally, it contended that the prohibition under Rule 89(5) was a legislatively determined policy and that the CGST Act created a clear distinction between inputs (goods) and input services. The Supreme Court upheld Rule 89(5) of the CGST Rules and confirmed that ITC refunds under the inverted duty structure only apply to inputs (goods) and not to input services after weighing both arguments. The court noted that Rule 89(5)'s prohibition was neither arbitrary nor unlawful, and that the statute makes a clear distinction between inputs and input services. The court also underlined that unless a legislation is blatantly arbitrary or infringes upon basic rights, judicial intervention should be kept to a minimum and that taxes and refund procedures belong to the government. Additionally, it made it clear that ITC refunds are a legislative benefit that the government can define rather than an unqualified right. Businesses using an inverted duty structure were severely impacted financially by the verdict since it prevented them from obtaining reimbursements for input services, which increased their operating expenses. The idea that tax policy choices should be left to the government and shouldn't be overturned only because they establish particular classes was also reaffirmed. This decision, which clarified the eligibility for an ITC refund and the extent of the taxation policy under the GST regime, continues to be a seminal ruling in GST law.

The Supreme Court tackled the question of whether GST applies to services that clubs offer to its members in the case of ***Calcutta Club Limited v. Commissioner of Service Tax (2019) 19 SCC 107.*** The mutuality concept, which maintains that a club and its members are not separate entities but rather have a common legal identity, was at the centre of the argument. Whether transactions between a club and its members qualify as "supply" under GST legislation and subject to taxes was the main issue before the court. According to the service tax legislation and, subsequently, the GST system, the tax authorities contended that services rendered by a club to its members were to be regarded as taxable transactions. However, the club argued that any services it provides to its members are an extension of the members' own activities rather than a distinct transaction because the members jointly control the club. The Supreme Court decided in the club's favour, upholding the mutuality principle and ruling that club-member transactions are exempt from GST. The court noted that a mutual association, such as a club, does not require the involvement of two separate legal organisations in order for a transaction to be taxed. The provision of services between members and the club does not qualify as a "supply" under GST rules since they are practically one and the same. Due to their exemption from GST obligation for services rendered only to its members, clubs, cooperative societies, and similar organisations were significantly impacted by this verdict. It established that internal transactions inside a mutual organisation are exempt from GST and strengthened the mutuality theory in taxes.

The Supreme Court considered whether officials of the DRI[15] had the power to issue notifications under customs legislation in the case of ***Canon India Pvt. Ltd. v. Commissioner of Customs (2021) 9 SCC 251.*** The disagreement started when Canon India Pvt. Ltd. received a show-cause letter from the DRI claiming that imported items had been mis-declared and seeking customs tax. By claiming that only a "proper officer" is permitted to issue such notifications under the Customs Act of 1962, Canon India contested the notice's legality. Whether DRI personnel were "proper officers" under the Customs Act and whether their acts were lawful were the main questions on the court's agenda. The tax authorities said that DRI officers could issue notifications under customs legislation and had investigation authority. Canon India countered that DRI officials are not "proper officers" as defined by Section 28 of the Customs Act, which states that only officers designated as such are authorised to issue notifications. The Supreme Court decided in favour of Canon India Pvt. Ltd., concluding that DRI officials lack the ability to issue notices, which is reserved for appropriate officers under the Customs Act. Since the legislation specifically names only specific customs officers as "proper officers," the court stressed that notices issued by unauthorised authorities are illegal

[15] Directorate of Revenue Intelligence.

and that tax regulations must be properly enforced. This decision limited the ability of DRI officers and other unapproved bodies to issue notifications pertaining to taxes, which had a significant effect on GST enforcement and customs investigations. In order to guarantee due process and avoid capricious tax enforcement activities, it reaffirmed the idea that only personnel specifically authorised by law have the power to execute tax laws.

The Supreme Court addressed the question of temporary property attachment under Section 83 of the CGST Act, 2017 in the case**.**[16] This clause gives tax officials the authority to seize a taxpayer's property or bank accounts while conducting an inquiry or assessment if they think it's essential to safeguard public funds. The case did, however, raise questions about whether these powers were being used arbitrarily, without following the proper procedures, and in a way that would cause enterprises to fail. During an ongoing investigation into suspected fraudulent input tax credit (ITC) applications, GST officials temporarily attached the bank account of a business entity, M/s Radha Krishan Industries. The corporation contested this action, claiming that the attachment was arbitrary, exorbitant, and infringed upon its corporate rights. It said that Section 83 should only be used where there is a real risk of the government losing money, which their case did not show. The business further emphasised how its operations were negatively damaged by the bank account attachment, which made it unable to pay suppliers, workers, and other debts. The tax authorities, on the other hand, justified the attachment, claiming that it was an essential precaution to protect public funds. They maintained that the attachment was warranted in order to stop the dissipation of assets because the firm was being investigated for obtaining fake ITC. The Supreme Court decided in favour of M/s Radha Krishan Industries after considering the arguments, concluding that Section 83's temporary attachment must be used carefully and shouldn't be arbitrary or overly harsh. The court underlined the proportionality criterion, declaring that such authority should only be exercised in dire circumstances when there is an obvious and present danger of tax avoidance. It also made it clear that tax authorities must give a valid explanation and show that they have a reasonable suspicion that the taxpayer is trying to hide assets or avoid taxes before they may impose an attachment. The court ruled that such extreme punishment cannot be justified by mere suspicion. The ruling also acknowledged the serious consequences that attaching a bank account may have on a firm, impacting not just the business but also its suppliers, workers, and other stakeholders. The court emphasised that legitimate economic activities must not be destroyed in the sake of tax enforcement. Additionally, it restated taxpayers' right to contest such attachments in court, guaranteeing judicial supervision to stop overreaching government action. Because it

[16] M/s Radha Krishan Industries v. State of Himachal Pradesh (2021) 6 SCC 771.

established precise legal limits for the application of temporary attachment powers under tax legislation, this decision had a considerable influence on the enforcement of the GST. It strengthened the notion that government activities must be reasonable, proportionate, and consistent with due process, and it made sure that companies are not unjustly subjected to capricious tax enforcement procedures. The decision sets a significant precedent for balancing the requirement for tax compliance with the protection of taxpayers' rights against overzealous regulatory action.

The Supreme Court considered eligibility for the Input Tax Credit (ITC) on a number of manufacturing and service-related charges in the case of ***ABB India Ltd. v. Commissioner of Central Excise & ST (2020) 15 SCC 283.*** Leading electrical and automation company ABB India Ltd. attempted to claim input tax credits (ITC) on a variety of capital goods, input services, and inputs utilised in its business operations. The main point of contention was whether these costs were eligible for the Input Tax Credit (ITC) under the pre-GST tax system, specifically in light of the Central Excise and Service Tax regulations. Determining the extent of ITC eligibility and whether ABB India Ltd.'s spending may be categorised as allowable input costs for tax credit purposes were the main issues before the Supreme Court. According to ABB India Ltd., all costs associated with production and service delivery, whether directly or indirectly, ought to qualify for the Input Tax Credit. The firm stressed that a number of services, including maintenance, consulting, and transportation, were necessary to its operations and should thus be eligible for tax credits. Additionally, it made use of the non-cascading taxation concept, contending that the goal of the ITC was to avoid double taxation and enable smooth credit throughout the supply chain. However, the tax authorities argued that ITC should only be given for services and inputs that are specifically defined by the statute. They argued that ABB India Ltd. was trying to get credit for some costs that weren't directly related to the production process or taxable product. Additionally, the authorities cautioned that permitting widespread ITC claims may result in disproportionate tax credits and revenue losses. They said that not all business-related costs could be covered by ITC rules and that tax regulations clearly distinguished between inputs, capital goods, and input services. After considering the arguments, the Supreme Court affirmed the core rules guiding input tax claims and offered vital clarification on ITC eligibility. The court decided that only costs directly related to manufacturing or the rendering of taxable services are eligible for credit, and that eligibility for the ITC must be rigorously based on legislative criteria. The court also reaffirmed that companies should be permitted to claim credit on valid input expenses required for taxable output, and that the goal of the ITC is to prevent cascading taxes. It did clarify, though, that costs expended for personal, administrative, or other purposes are not eligible for ITC claims. The decision further underlined that in order to guarantee compliance with tax regulations, companies must create a direct and transparent link between their taxable supply and their ITC claims. Because it gave companies more clarity on what qualifies as a qualified ITC claim, this ruling had a big influence on tax compliance and ITC-related issues. It reaffirmed the idea that, in order to prevent double taxation, ITC should only be applied to legitimate, required costs that go towards taxable production. Additionally, it strengthened regulatory monitoring while preserving tax administration fairness by assisting tax authorities in differentiating between reasonable and disproportionate ITC claims. All things considered, the Supreme Court's ruling in this case set a significant precedent, guaranteeing that companies and tax authorities maintain the values of equitable taxation and revenue protection while adopting a fair and impartial approach when assessing ITC eligibility.

The Orissa High Court addressed the question of whether the Input Tax Credit (ITC) can be applied to goods and services used in the construction of immovable property in the case of ***M/s. Safari Retreats Pvt. Ltd. v. Chief Commissioner of CGST (2019 SCC OnLine Ori 70).*** This was especially important when the constructed property is used for commercial purposes, like leasing. The CGST Act, 2017's Section 17(5)(d) prohibiting the ITC on construction-related costs was contested by M/s. Safari Retreats Pvt. Ltd., a real estate developer that builds shopping centres and commercial complexes. The business argued that the rejection of ITC went against the core tenet of GST, which is to prevent cascading taxes, because the built mall was being utilised for taxable rental income. The petitioner contended that there was an unfair tax treatment since companies building their own buildings were not granted ITC on construction costs, yet those buying ready-built properties for lease were permitted to claim ITC on GST paid at the time of purchase. According to the corporation, the limitation discouraged companies from building their own commercial premises by forcing them to make skewed investment decisions. It further underlined that since GST was already being paid on rental revenue, denying ITC on building supplies and services led to double taxation. However, the tax authorities justified the limitation by claiming that the CGST Act's Section 17(5)(d) expressly forbids the ITC on products and services used in the construction of immovable property. They said that construction is not qualified for the ITC since it is a capital investment and does not provide immediate taxable output. They also argued that permitting ITC in these situations would result in a large loss of government income. After weighing the reasons, the Orissa High Court decided in favour of M/s. Safari Retreats Pvt. Ltd., holding that where an immovable property is utilised for commercial leasing or other business purposes, ITC should be permitted.

The court reasoned that withholding ITC on building inputs while taxing rental revenue goes against the goal of the GST, which is to eradicate cascading taxation. Even though the taxpayer won, the court recognised that the matter needed legislative clarification and was still awaiting final approval. The ruling contested the restricted interpretation of ITC laws, which had a substantial effect on ITC-related issues in the real estate industry. Although the petitioner received relief from the verdict, the government has not yet amended the pertinent CGST Act sections, therefore it did not set a legally enforceable precedent that would apply across the country. Businesses engaged in real estate construction still face uncertainty when it comes to claiming ITC on construction-related costs until more judicial or legislative clarification is given.

X. Conclusion

India's indirect taxation system underwent a paradigm leap with the implementation of the Goods and Services Tax (GST), which replaced a convoluted network of several levies with a single, cohesive framework. Enhancing economic efficiency, streamlining tax compliance, and promoting a more transparent tax system have all been made possible by this change. GST has made interstate commerce easier and helped create a more integrated national market by removing cascading effects. Its full potential is nevertheless hampered by a number of issues, despite its many benefits. Uncertainty and operational challenges are brought on by problems including the complicated tax structure with several slabs, small business compliance requirements, and frequent policy changes. In addition, issues pertaining to the allocation of state income, the effectiveness of the input tax credit system, and the requirement for increased transparency in tax administration continue to demand ongoing attention. Policymakers must concentrate on further simplifying the tax system, resolving implementation issues, and utilising technology-driven solutions like automation and artificial intelligence for effective tax compliance if they hope to optimise the advantages of GST. Increased taxpayer knowledge and the implementation of a more consistent, streamlined rate structure can improve compliance and lower litigation. GST has the potential to make a substantial contribution to India's fiscal stability and economic growth with the right and timely adjustments. GST has the potential to improve India's standing in the international economy by creating a more business-friendly atmosphere, enhancing tax collecting methods, and guaranteeing policy consistency. In addition to strengthening the tax system, a well-designed and technologically sophisticated GST framework will boost India's competitiveness abroad and promote long-term, sustainable economic growth.

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