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# The 53rd GST Council Meeting: Highlights and Economic Impact on India

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## ABSTRACT

*The introduction of the Goods and Services Tax (GST) in India in 2017 marked a significant shift in the country's tax system, inspired by the GST model first implemented by France in 1954. This paper explores the historical context leading to GST's adoption in India, beginning with the initial proposal by Union Finance Minister P. Chidambaram in 2006 and the subsequent formation of the "Empowered Committee of State Finance Ministers" to design the Value Added Tax (VAT) system. The implementation of GST aimed to consolidate various central and state taxes into a single, unified tax structure, simplifying compliance and enhancing economic efficiency.*

*The relationship between GST and India's Gross Domestic Product (GDP) is examined, highlighting the positive effects on consumer spending, business expansion, and employment. The GST system, with its streamlined tax rates and reduced transaction costs, has encouraged economic activity and increased exports, contributing to higher GDP growth despite some initial fluctuations. The paper also addresses the changes introduced in the 53rd GST Council Meeting, including rate revisions and compliance simplifications, aimed at further optimizing the tax structure and boosting government revenue.*

*Additionally, the paper analyzes the impact of GST on inflation through the Consumer Price Index (CPI), noting an initial rise in inflation rates post-implementation. Despite this, the overall benefits of GST in terms of economic growth, job creation, and revenue generation are significant. The recent adjustments in GST rates and structures are discussed, emphasizing the ongoing efforts to refine the system for sustainable economic progress. This study concludes that GST has been instrumental in transforming India's tax landscape, fostering a more business-friendly environment and contributing to the nation's economic development.*

***Keywords****: Goods and Service Tax, Double taxation, Target-based tax, GST Council Reforms, Gross Domestic Product (GDP).*

## I. INTRODUCTION

The first country to adopt "Goods and Service Tax" was France in the year 1954, and then it

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stretched to many countries all over the globe.[3] GST came into force in India in 2017 when the government of India decided to have "Dual Tax System".

GST came into force on 2017. It has a great history before it was introduced. The Union Finance Minister P. Chidambaram in his budget speech on 2006-07 broached the concept of GST. Later in 2010 the proposal for the same was introduced.

Earlier the design of Value Added Tax was done by the committee named "Empowered Committee of State Finance Ministers". This committee was assigned the task of designing the basic structure of GST.[4] This committee with various groups of all the officers of state representatives and the central representatives structured the taxation system by considering various aspects of GST and drew all the required reports of threshold limits and exemptions for various taxes implied on the people and released its first discussion paper in November, 2009.[5]

They determined the federal structure of India and laid the system of GST accordingly by dividing into centre and states. The merging of Central and State taxes into one tax had its own advantages that contributed in an enormous was to the countries' Gross Domestic Product which in turn increased the standard of living of the people in the country and the country got its recognition too.

## II. Relation between GST and GDP

Following the implementation of GST, the Gross Domestic Product (GDP) of India underwent significant changes. Hypothetically, if the GDP increases, the standard of living for people in the country should also improve. This is because an increase in purchasing power means consumers are buying more goods and services, which indirectly suggests higher earnings.

As consumer spending rises, producers expand their businesses to meet the demand, thereby creating more employment opportunities. This increase in employment helps alleviate poverty, as more people gain access to income. With higher incomes, families can afford better education for their children, addressing educational disparities and enhancing the country's future prospects. Therefore, by measuring GDP, we can gauge improvements in critical economic factors such as poverty, unemployment, and education.

The introduction of GST had a notable impact on India's GDP. The GDP growth rate was 8.95%,

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[3] Clear, *History of GST Explained With Timelines* (Dec. 1, 2022), https://cleartax.in/s/historyofgst#:~:text=Brief%20history%20of%20GST%20Bill%20and%20GST%20Act%20in%20India,-

[4] Ministry of Finance (Goods and Service Tax Council), *Brief History of GST*, https://gstcouncil.gov.in/brief-history-gst.

[5] Ministry of Finance (Goods and Service Tax Council), *Brief History of GST*, https://gstcouncil.gov.in/brief-history-gst.

experiencing a 15.54% increase initially, followed by declines of 10.33% in 2019, 2.72% in 2018, and 0.34% in 2017.[6] Despite these fluctuations, the overall trend shows significant growth in GDP following the implementation of GST.

This growth was primarily due to the removal of various tax rates on single transactions and the introduction of a uniform taxation system, which simplified tax implementation across states. The cost of transactions decreased as GST replaced over ten types of taxes previously levied on single transactions, alleviating the burden on individuals and businesses. This simplification encouraged business expansion and economic activity. Although the total tax amount paid before and after GST did not differ significantly, the streamlined process of paying a single tax instead of multiple taxes made it easier for people to comply, fostering a more business-friendly environment.

The implementation of GST led to an increase in the manufacturing of goods and services within the country, which in turn boosted exports. An increase in exports can result in a trade surplus, indicating that a country's output from its manufacturers is high. This surge in manufacturing and exports contributes to higher employment rates, as more jobs are created to meet the increased demand.

Moreover, increased exports bring more funds into the economy, which supports economic growth. The influx of funds helps strengthen the country's economic position and can improve exchange rate relationships with other nations. A strong domestic currency, resulting from healthy economic growth and trade surplus, can make imports cheaper and positively affect international trade relationships. This can enhance diplomatic and economic ties between countries, promoting mutual economic benefits and stability.

Because GST replaces multiple other taxes, exemptions on various taxes for different transactions are eliminated. This consolidation of taxes results in increased government revenue. The additional income generated for the government from this streamlined tax system contributes to the overall increase in the country's GDP.

## III. GST RATES AND STRUCTURE IN INDIA

India's GST framework is divided into several primary rate slabs for regular taxpayers: 0% (nil-rated), 5%, 12%, 18%, and 28%. Additionally, there are a few less commonly applied rates such as 3% and 0.25%.

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[6]Macrotrends, *India GDP Growth Rate 1961-2023*, https://www.macrotrends.net/countries/IND/india/gdpgrowth_rate.

For composition taxable persons, the GST is levied at lower or nominal rates such as 1.5%, 5%, or 6% on their turnover. The GST system also incorporates the concepts of Tax Deducted at Source (TDS) and Tax Collected at Source (TCS), with respective rates set at 2% and 1%.

GST rates for interstate supplies are consolidated under IGST, while intrastate supplies involve the combined rates of CGST and SGST. The GST amount on a tax invoice is calculated by multiplying the applicable rate by the assessable value of the supply.

Additionally, GST law imposes a cess on certain items, such as cigarettes, tobacco, aerated water, petrol, and motor vehicles, with rates ranging from 1% to 204%.

For detailed information on GST rates for specific consumable products, you can refer to the HSN code and GST rates finder.

### (A) The GST Rates in India 2024

In 2024, the 53rd GST Council meeting happened after the Lok sabha elections and due to this, there was a delay in holding the meeting. Quite a few rate revisions were announced. More are expected in the upcoming meetings. Some revisions were made to address the prevailing inverted tax structure, while others were aimed at increasing revenue. The following sections summarize the changes to GST rates in India, including the new GST rates for 2024.

**Changes in GST rates at 53rd GST Council Meeting**

The following table summarises the GST rate revisions:

| **Particulars** | **New GST Rate/Exemption** |
|---|---|
| Extra Neutral Alcohol used for the manufacture of alcoholic liquor for human consumption | Exempted |
| Imports of parts, components, testing equipment, tools, and tool-kits of aircraft, irrespective of their HS classification, are used to boost the MRO activities subject to specified conditions. | 5% IGST |
| Parts of Poultry keeping Machinery | 12% |
| All milk cans (different materials), irrespective of use | 12% |

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|---|---|
| All carton boxes and cases of both corrugated and non-corrugated paper board | 12% |
| All types of sprinklers, including fire water sprinklers | 12% |
| All solar cookers, whether or not single or dual energy source | 12% |
| Services provided by Indian Railways to common man for sale of platform tickets, cloak rooms, and battery operated car services are exempted, including intra railway supplies | Exempted |
| Service by way of hostel accommodation is currently not exempted if outside educational institution upon satisfying the conditions that the rent limit is up to Rs. 20,000 per person per month, and the service is rendered for a continuous period of 90 days | Exempted |
| Corporate guarantee if in case it is for services or goods where whole ITC is available | Exempted |
| Services provided by Special Purpose Vehicles (SPV) to Indian Railway by way of allowing Indian Railway to use infrastructure built & owned by SPV during the concession period and maintenance services supplied by Indian Railways to SPV | Exempted |
| Imports of specified items for defence forces | IGST is exempted for five years till 30th June 2029 |
| Imports of research equipment/buoys imported under the Research Moored Array for African-Asian-Australian Monsoon Analysis and Prediction (RAMA) programme subject to specified conditions | IGST is exempted |

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|---|---|
| Imports in SEZ by SEZ Unit/developers for authorised operations with effect from 1st July 2017 | Compensation Cess is exempted |
| Supply of aerated beverages and energy drinks to authorised customers by Unit Run Canteens under the Ministry of Defence | Compensation Cess is exempted |
| Import of technical documentation for AK-203 rifle kits imported for the Indian Defence forces. | Ad hoc IGST exemption provided |

## IV. Highlights from the 53rd GST Council Meeting

### (A) Simplifying Tax Compliance for Taxpayers:

1. **GSTR-4 Due Date Extension:** The due date for filing GSTR-4 by composition taxable persons has been extended from April 30th to June 30th, starting from the fiscal year 2024-25.
2. **Reduction in TCS Rate:** The Tax Collected at Source (TCS) rate for Electronic Commerce Operators (ECOs) is recommended to be reduced from 1% to 0.5%, divided equally between CGST and SGST or under IGST.
3. **DRC-03 Circular:** A circular will prescribe a mechanism for adjusting any demand amount paid through DRC-03 against the amount payable as a pre-deposit for filing a GST appeal.
4. **Amendment to Section 122(1B):** This amendment will apply retrospectively from October 1, 2023, clarifying that the penal provision is only for e-commerce operators required to collect TCS under Section 52, not for other e-commerce operators.
5. **Modification to Section 16(4):** The deadline to avail ITC for invoices or debit notes in any GSTR-3B filed by November 30, 2021, is considered November 30, 2021, applying retrospectively from July 1, 2017. Section 16(4) is relaxed for returns filed within thirty days of the revocation of the cancellation of registration.
6. **Amendments to GSTR-1:** The GST Council has introduced a new form, GSTR-1A, which allows taxpayers to add or amend details in GSTR-1 for the current tax period or IFF for the first and second month of the quarter before filing GSTR-3B.
7. **B2C Supply Reporting:** The threshold for reporting Business-to-Consumer (B2C) interstate supplies in Table 5 of GSTR-1 has been lowered from Rs. 2.5 lakh to Rs. 1 lakh.

8. **Amendment to CGST Rule 88B:** No interest will be charged on the amount available in the electronic cash ledger on the due date of filing GSTR-3B if it is debited while filing the return late.
9. **New Section 128A:** The GST Council has waived interest and penalties for demand notices issued under Section 73 of CGST for fiscal years 2017-18, 2018-19, and 2019-20, in non-fraud cases if the full amount is paid by March 31, 2025.
10. **Changes to Sections 73 and 74:** A unified time limit will be set for issuing demand notices and orders under these sections. The time limit for taxpayers to benefit from a reduced penalty by paying the demanded tax with interest is extended from 30 to 60 days.
11. **Mandatory GSTR-7 Filing:** GSTR-7 must be filed even if no TDS is deducted, with invoice-wise reporting, and no late fee will be charged for nil filing.
12. **GSTR-9/9A Filing Exemption:** Taxpayers with an annual turnover of up to Rs. 2 crore are exempted from filing the annual return in GSTR-9/9A for the fiscal year 2023-24.
13. **Sunset Clause for Sections 109 & 117:** A sunset clause is added for pending anti-profiteering cases, with the hearing panel shifting from CCI to the principal bench of GSTAT. The sunset date for receiving new anti-profiteering applications is set for April 1, 2025.
14. **Time Limit for Filing Appeals Before GSTAT:** Section 112 will be modified to provide a three-month period for filing appeals before the GST Appellate Tribunal, starting from a yet-to-be-announced date, likely August 5, 2024.
15. **New Section 11A:** This section allows for the regularization of non-levy or short levy of GST due to common trade practices.
16. **IGST Refund Mechanism:** A system is being implemented for claiming refunds of additional IGST paid due to upward price revisions after exports.
17. **Monetary Limits for GST Appeals:** The monetary limits for the department to file appeals are set at Rs. 20 lakh for the GST Appellate Tribunal, Rs. 1 crore for the High Court, and Rs. 2 crore for the Supreme Court.
18. **Amending Sections 107 and 112:** The maximum pre-deposit amount for filing appeals before appellate authorities is reduced to Rs. 20 crore each under CGST and SGST. For appeals before the GST Appellate Tribunal, the pre-deposit is reduced to 10%, with a maximum of Rs. 20 crore under CGST and SGST.
19. **No IGST Refund in Specific Cases:** IGST will not be refunded where export duty is

payable, modifying Sections 16 and 54. This applies to exports and supplies to SEZ units/developers, with or without tax payment.

20. **Biometric-Based Aadhaar Authentication:** Biometric-based Aadhaar authentication for GST registration will be rolled out across India in phases.

## V. Impact of GST on Inflation with the help of Consumer Price Index

The impact of GST can be assessed by examining the Consumer Price Index (CPI). When GST was introduced in India, the CPI was projected to be around 3.24%. The government anticipated that consumers' purchasing power would increase since they would be paying a single unified tax instead of multiple taxes on goods and services. However, the actual CPI turned out to be 4.61%, indicating an increase of 1.37%.[7]

While the CPI is not the sole measure of GST's economic effects, it suggests a possible decrease in consumers' purchasing power. GST has generated substantial revenue for the government both directly and indirectly, but the data indicates an impact on consumer purchasing power and rising inflation rates. Nevertheless, these effects are influenced by various factors, not solely GST. Despite some negative impacts, GST has provided numerous benefits to the economy and proven effective in several areas.

## VI. Conclusion

Since its inception in 2017, the Goods and Services Tax (GST) has fundamentally transformed India's taxation landscape by harmonizing multiple taxes into a single, streamlined system. This transition has not only simplified tax compliance but has also significantly boosted the country's Gross Domestic Product (GDP). By reducing the tax burden on businesses and consumers, GST has stimulated economic activity, increased exports, and created new employment opportunities, thereby contributing to overall economic growth.

The 53rd GST Council Meeting introduced several key revisions aimed at further enhancing the efficiency and effectiveness of the GST system. These changes, which include adjustments in tax rates and compliance procedures, are designed to address existing challenges and optimize revenue collection. The council's efforts to refine the GST framework demonstrate a commitment to continuous improvement and responsiveness to economic needs.

Despite initial challenges, including a temporary rise in inflation as measured by the Consumer Price Index (CPI), the long-term benefits of GST are evident. The system has succeeded in

[7] GeeksforGeeks, *Impact of GST on Inflation* (Aug. 8, 2022), https://www.geeksforgeeks.org/impact-of-gst-on-inflation/.

reducing transaction costs and increasing transparency, making it easier for businesses to operate across state boundaries. The resulting increase in government revenue from a more comprehensive tax base supports the country's development goals.

Overall, GST has proven to be a pivotal reform in India's economic policy, fostering a more conducive environment for business growth and economic stability. As ongoing adjustments and refinements are made, GST is poised to continue playing a crucial role in India's journey toward sustainable economic prosperity.

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