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Review on total revenue from taxes before and after the implementation of GST

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ABSTRACT: *The introduction of GST is a very significant step in the field of indirect tax reforms in India. GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far.GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. GST is applicable on supply of goods and services. It replaced the current taxes of excise, VAT and services tax. In past times, there are different VAT laws in different states. Most businesses has to pay and comply with three different taxes – excise, VAT and services tax. This paper presents throw light on structure on GST, levy and tax collection, and before & after GST implementation collection of taxes.*

KEYWORD**: **Tax structure in India, structure of GST, Levy and tax collection, Collection of taxes before and after GST implementation

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I. INTRODUCTION

The word 'tax' is derived from the Latin word 'Taxo'. Tax is the compulsory financial charge levied by the government on income, commodity, services, activities or transactions. Taxes are the basic source of revenue for the government, which are utilized for the welfare of the people of the country. Taxes in India are levied by the central government and the state governments. Some minor taxes are also levied by the local authorities such as the Municipality. Article 265 of the Constitution states that no tax shall be levied or collected except by the authority of law. Therefore, each tax levied or collected has to be backed by an accompanying law, passed either by the Parliament or the State Legislature. Indian tax system is designed primarily to raise sufficient revenue to meet the requirements of the government for public expenditure, administration and allied services. Taxation is used as an instrument for reducing private consumption and transferring resources to the government to enable it to undertake large-scale public investment. It is also used as a tool to reduce inequalities in respect of income and wealth.

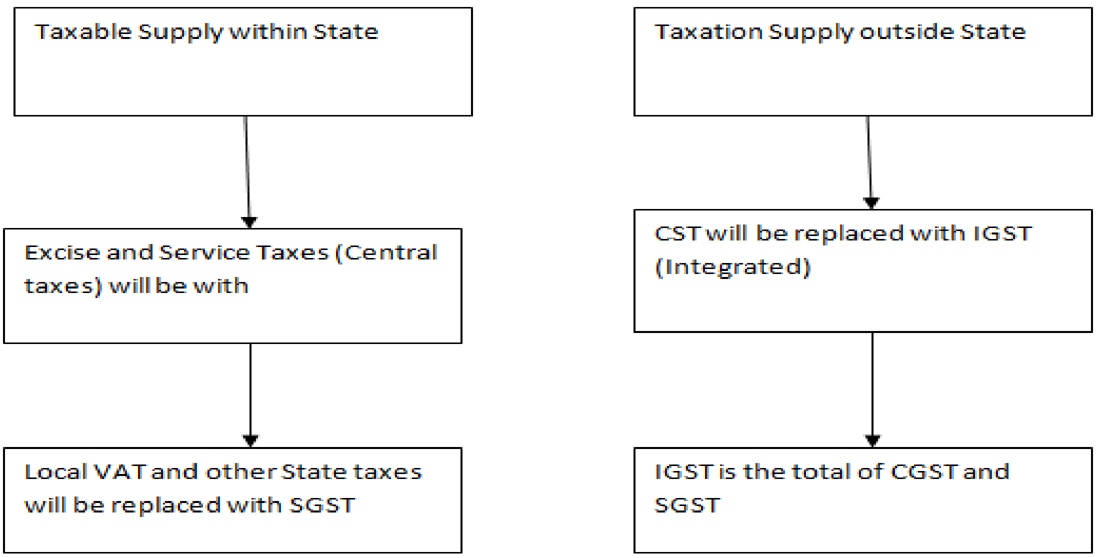
II. REVIEW OF LITERATURE

Burgess owes and Stern (1995), in their study on value added tax options for India analyzed that the pressure of aggregate revenue, the requirement of a reduced role for customs duties for the Liberalization of the economy, and the complexity and strains of the current system together point clearly towards the desirability of tax reform in India. Since domestic indirect taxes provide the major source of revenue, they deserve special attention. They argued that India would benefits from moving toward a system of value added taxation (VAT) and focused on the way in which a VAT can be best introduced into India given the country's federal structure. Three different options are distinguished: a central VAT, dual VAT, and states VAT. Finally, they argued that the first is politically infeasible, that the second represents the best way forward in the short-term, and that the third deserves consideration as a long run option. Special attention is paid to the problems that would arise under either a state's or a dual VAT with regard to taxing inter-state trade. **Rao (2005**), in his research paper on tax system in India: **achievement and challenges ahead focuses on the union & state level reforms**. In addition, he states that reforms are just the beginning & considerable distance in reforming the tax system is yet to be covered. **Kumat (2014**) ,in his research paper on taxation laws of India-overview & fiscal analysis focuses on the overview of India tax system and challenges ahead. According to him, their should be coordinated consumption tax system. He also states that improving the productivity of Indian tax system continues to be major challenges in India.**Jayakumar and Elavarasan (2015**) this paper concerns about Impact of Tax Reforms among Salaried Assesses in Tamilnadu. The aim of the paper is find out "whether and how the tax reforms affect" the level of salaried assesses. Conveyance non-random sampling method was used and 100 tax payers were returned and usable in the pilot study. This study data were analyses descriptive statistics, chi-square test and Anova test the formulated hypothesis and the significant relationship between assesses personal information and opinion level of tax allowances. This study shows that, overall the assesses have been negative opinion towards Impact of Tax Reforms made tax system in India**Boadway and song (2016**),examine analytically certain extension to the Deaton(1979a) model. They investigate a two – good model where one good is a necessity and the other is a luxury. They find that if income tax (linear and non linear) is less progressive than optimal, then the necessity should be taxed at a lower rate than the luxury. Furthermore, another conclusion presented in their paper is that if a linear income tax function is optimal, but low- income household are unable to afford luxury goods, it may be optimal to tax necessity goods at lower rates than luxuries.**Rajat Deb (2017)**, in his research paper on “Tax reforms and GST”. His study based on the tax reforms and GST to synthesize the research findings and to direct the future research avenues. Literature on tax reforms has attained momentum in developing countries for the last two decades and in India when it has decided to implement SST from 2017-18. As a consequence,results have documented the tax reforms that have been executed globally with multiple objectives; it has admitted with few limitations.

III. TAX STRUCTURE IN INDIA

Tax structure in India is a three tier federal structure. The central government, state governments and local municipal bodies make up this structure. Taxes are classified under two categories namely direct taxes and indirect taxes. The largest difference between these taxes is their implementation. Direct taxes are paid by the assesses while indirect taxes are levied on goods and services. In the last decade, Indian taxation system had undergone reforms tremendous. For better compliance, ease of tax payment and better enforcement, the tax rates have been rationalized and tax laws have been simplified. Effect of the above the process of rationalization of tax administration is ongoing. Indian taxation system is classified in two segments namely direct taxes and indirect taxes. Taxation is the only tool to achieve growth and economic development in the long run of any country and it is very important to understand the components of tax which are to be targeted in order to attain economic growth.

Structure of GST:



The tax structure of GST, Goods and Service Tax Taxation Structure comprises
CGST: Central Goods and Service Tax
SGST: State Goods and Service Tax
IGST: Integrated Goods and Service Tax (CGST+SGST)

The GST has the potential to enhance India’s GDP. With the implementation of GST, the taxpayers will respire as they are likely to get free themselves from the requirement of multiple compliances filling under various states. GST regime provides for a single registration and a single return. Further, it provides major impetus to MAKE IN INDIA initiative of Government of India by attracting new foreign investment and by reducing manufacturing cost in the form of reduced compliance cost and taxes.With the implementation of GST, we have already witnessed a number of positive changes in the fiscal domain of India.Cascading effect of tax is a situation wherein the end-consumer of any goods or service has to bear the burden of the tax to be paid on the previously calculated tax and as a result would suffer an increased or inflated price.Under the GST regime, however, the customer is exempted from the tax they would otherwise pay as a result of the cascading effect.

IV. COLLECTION OF TAX

Taxes in India are levied by the Central Government and the State Government .Some minor taxes are also levied by the Local authorities such as the Municipality. Collection of tax means the point of time for payment of tax. Though Liability to pay tax arises as soon as Taxable Event occur but for administrative convenience, tax is collected monthly or Quarterly. So that assessee need not to file return and pay tax every time as and when taxable event takes place.

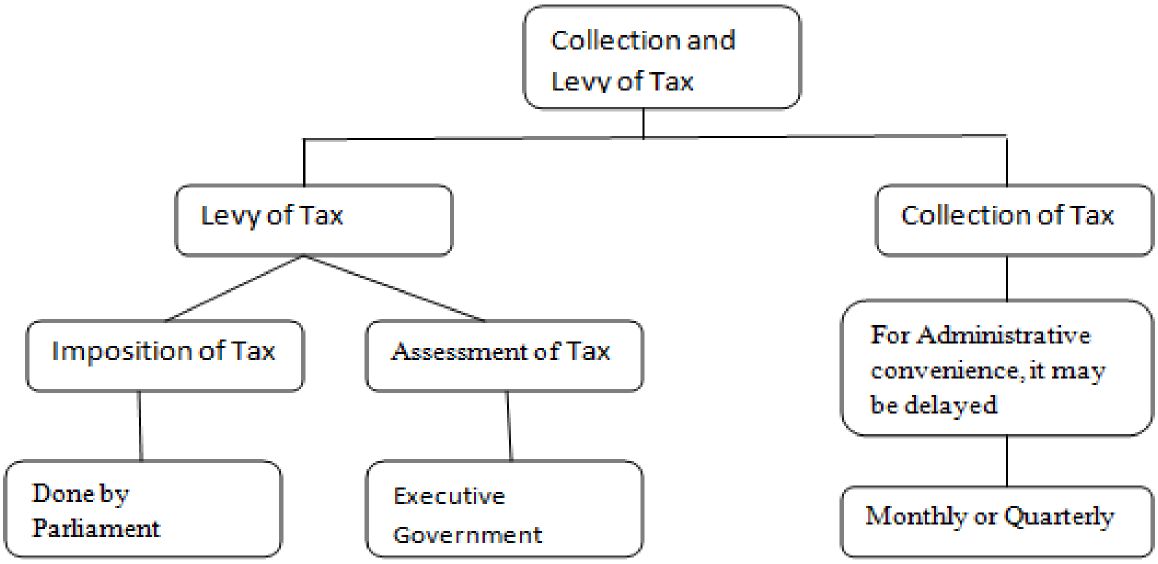


Table 1 The total tax collected by the Indian Government from 1990-2010.

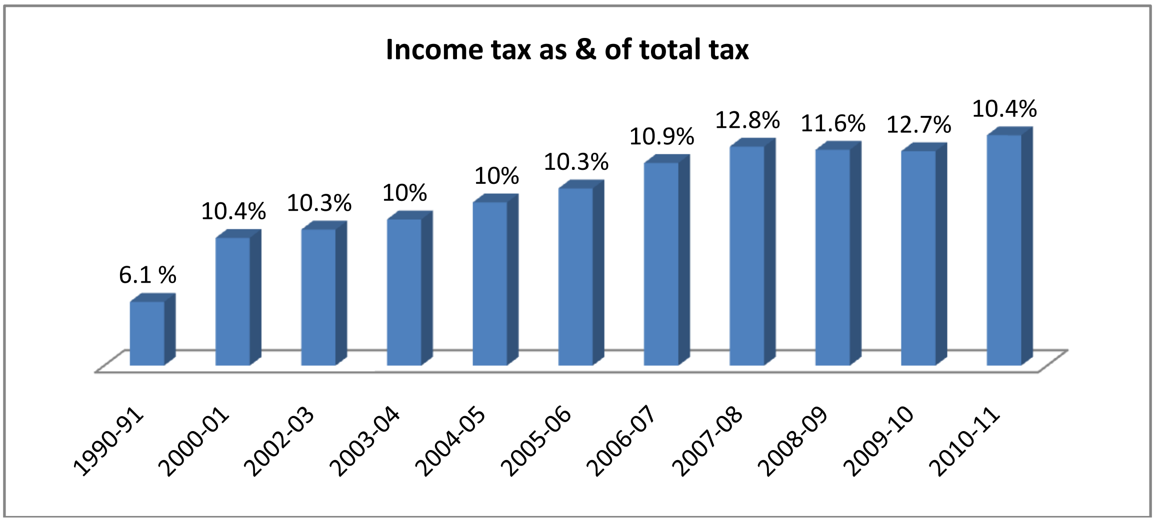
Year	Direct Tax	Indirect Tax	Total
1990-91	123	755	878
2000-01	718	2336	3054
2002-03	871	2695	3566
2003-04	1095	3046	4141
2004-05	1371	3573	4944
2005-06	1676	4201	5877
2006-07	2314	5053	7367
2007-08	3188	5515	8703
2008-09	3280	5875	9155
2009-10	3883	5992	9875
2010-11	4318	7285	11603

Table 2Growth of Tax and Income Tax Revenue

Year	Total Tax (1990=100)	Income Tax (1990=100)
1990-91	100	100
2000-01	348	591
2002-03	407	606
2003-04	472	770
2004-05	564	916
2005-06	670	1130
2006-07	840	1495
2007-08	992	2080
2008-09	1044	1973
2009-10	1126	2325
2010-11	1323	2243

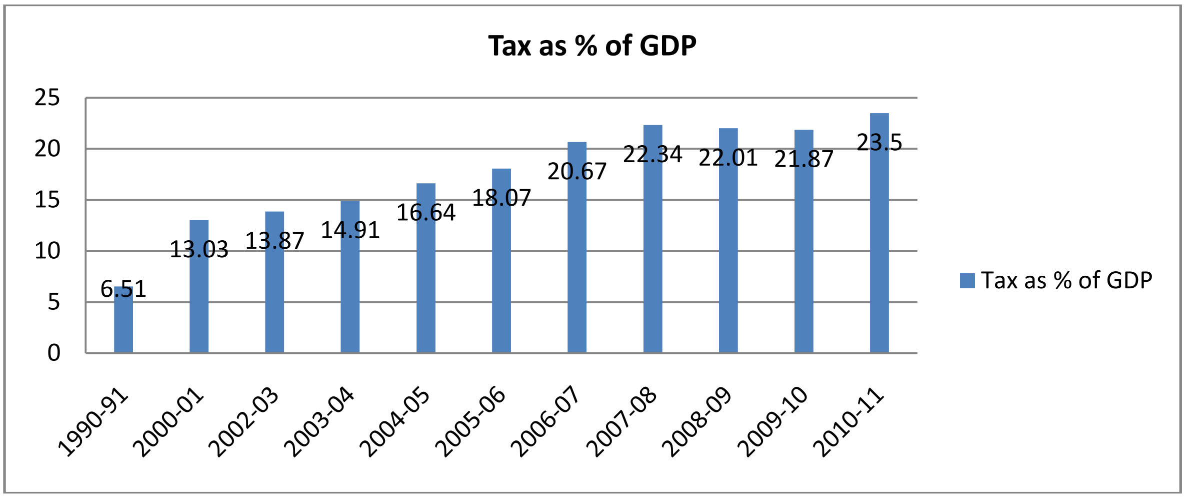
Indian Tax Revenues have increased 13 folds in the last 20 years whereas the income tax revenues have increased 22 fold.Naturally the share of income tax revenues to total revenue has also increased from around 6% in 1990 to more than 10% in 2010

Table 3 Table of Income tax & Total Tax



Lastly,one more important parameter (Tax/GDP ratio) has shown substantial improvement in the past 20 years.

Table 4 Tax as % of GDP



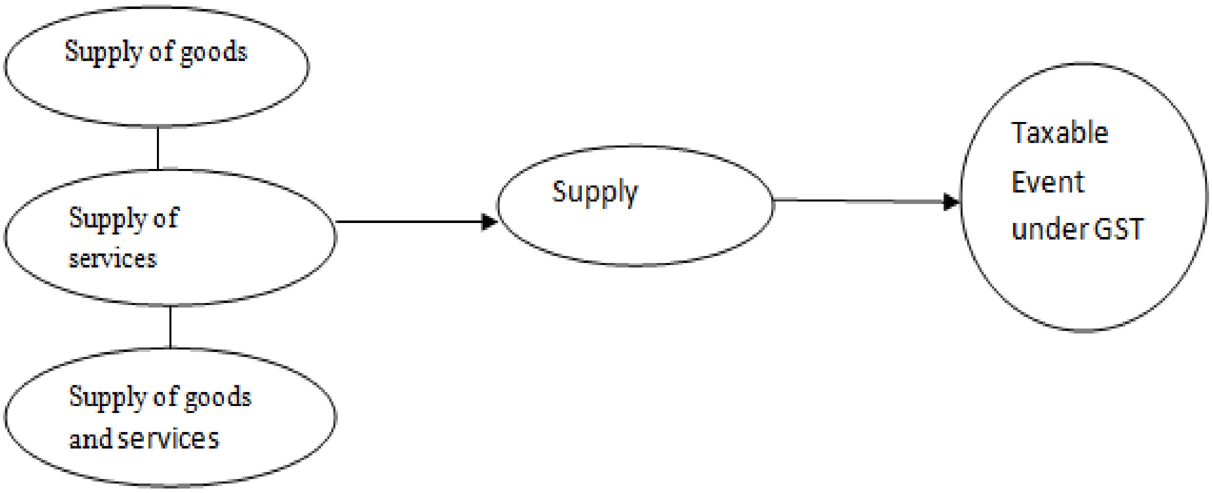
Source: GDP data-page on Planning Commission

Levy of Tax

Levy of Tax means the imposition of taxes as well as assessment of tax but it does not include collection of Tax. In other words, the Levy of GST means imposition of GST and then determining the amount of tax. Levy of taxes occurs soon as taxable event takes places i.e .supply of Goods and Services whereas in Collection of tax is done at the later stage i.e. either monthly or quarterly for administrative convenience.

Taxable event Under GST

Taxable event is the event on the happening of which the tax Liability arises. Under GST, taxable event is the supply of Goods and Services or both.



Earlier, Under old taxation system, there were multiple taxable event.

Taxes	Taxable Event
• Excise Duty	Manufacturing/production of Goods in India.
• Service Tax	Services provided or agreed to be provided
• Central Sales Tax	Transfer of Property in Goods in Inter-State Sale
• VAT	Transfer of Property in Goods in Intra State sale

Tax Revenue collection (2013-2018)

Table no. 5 shows that corporation tax is the major contributor in direct tax revenue collection followed by income tax, land revenue, agricultural tax and hotel receipt tax. While other taxes contributed Rs. 8189 crores in direct tax revenue collection in 2017-18.

Table No. 5 Direct Tax Revenue Collection (Rs. in Crore)

Types	2013-14	2014-15	2015-16	2016-17	2017-18
Corporation Tax	394678	428925	453228	493924	538745
Income Tax	237870	258374	280323	345779	433494
Estate Duty	0	0	1	0	0
Interest Tax	8	6	5	0	0
Wealth Tax	1007	1086	1079	0	0
Gift Tax	1	0	0	0	0
Land Revenue	9021	8773	10798	12109	15543
Agricultural Tax	149	90	99	102	113
Hotel Receipts Tax	64	73	83	91	100
Expenditure Tax	1	1	4	0	0
Others	6160	6170	6612	7476	8189

Source: Indian Public Finance Statistics 2017-2018, Ministry of Finance.

Table no.6 shows that general sales tax is the major contributor in indirect tax revenue collection followed by union excise duties, service tax, custom duty and state excise duty. While other taxes contributed Rs. 15008 crores in indirect tax revenue collection in 2017-18.

Table No.6 Indirect Tax Revenue Collection (Rs. in Crore)

Types	2013-14	2014-15	2015-16	2016-17	2017-18
Customs	172085	188016	210338	217000	245000
Union Excise Duties	169455	189038	287149	386415	405920
Service Tax	154780	167969	211414	247500	275000
State Excise Duty	85557	94178	106598	117925	134173
Stamp & Registration Fees	80528	87050	96203	96388	107804

General Sales Tax	475131	506106	550987	632474	710798
Taxes on Vehicle	37471	40927	46842	53581	62766
Entertainment Tax	2198	2385	2731	2905	3428
Taxes on Goods & Passengers	19578	19614	23373	26584	17023
Taxes & Duty on Electricity	22485	25733	31093	33112	36330
Taxes on Purchase of Sugarcane	163	1148	1532	3242	2493
Others	10745	14354	14990	14841	15008

Source: Indian Public Finance Statistics 2017-2018, Ministry of Finance.

Table no.7.3 shows that on an average direct tax to GDP, indirect tax to GDP, total tax to GDP ratios are 5.66, 11.38 and 17.04 respectively. This means that indirect tax is the major contributor in GDP of India than direct tax.

Table No.7: Tax-GDP Ratio

Year	Direct Tax	Indirect Tax	Total
2013-14	5.78	10.95	16.73
2014-15	5.64	10.72	16.36
2015-16	5.46	11.50	16.96
2016-17	5.59	11.93	17.52
2017-18	5.83	11.79	17.62
Average	5.66	11.38	17.04

Source: Indian Public Finance Statistics 2017-2018, Ministry of Finance.

Before GST implementation (2016-17)

Before the implementation of GST, indirect taxes constituted service Tax, Central Excise, and customs duties. Post GST implementation, except for petroleum products service tax and duties concerning Central Excise were replaced with GST. On petroleum products, levy of central Excise continued; on tobacco, both GST as well as Central Excise were levied.In comparison to FY 2016-17, the union Government 's overall revenue collection increased by Rs 6,41,999 crores in FY 2017-18. As per the total revenue receipts, the portion of indirect taxes has remained nearly constant and accounts for 38.76% in FY 2017-18, in comparison to 38.95% in FY 2016-17.With regards to indirect taxes, the growth rate dipped to 5.80% in FY 2017-18 when compared to FY 2016-17.During FY 2016-17, the growth rate was 21.33%.

In FY 2017-18, the centre's revenue concerning goods and services saw a 10% decline after GST implementation (exclusive of Central Excise on tobacco and petroleum).Also a short transfer worth Rs 6,466 crore in the form of GST compensation Cess was initiated to the public Account during FY 2017-18.As on February 28,2019 the count of Pan – India registrations under GST was 1.20 crore. Out of the 1.20 crore registrations, composition taxpayers accounted for 14.63% , and normal taxpayers were around 84%.
Take a look at how the GST revenue collection has been before and after the GST implementation:

Before GST implementation

Tax Component Type		FY 2016-17 (Before GST) (In crores)
A. Total revenue receipts		
	Direct Tax Receipts	8,49,801
	Non –Tax Receipts	5,06,721
	Grants-in-aid & contributions	1,299
	Indirect Tax Receipts	8,66,167
B .Miscellaneous Capital Receipts		47,743
C. Public Debt Receipts		61,34,137
D .Recovery of Loans and Advances		40,971
Receipts of Government of India (A+B+C)		84,46,839

Direct Tax and Indirect Tax Collections

The details of total Direct Tax and Indirect Tax collected over the last three years along with the different component-wise are as under:**Direct Tax**

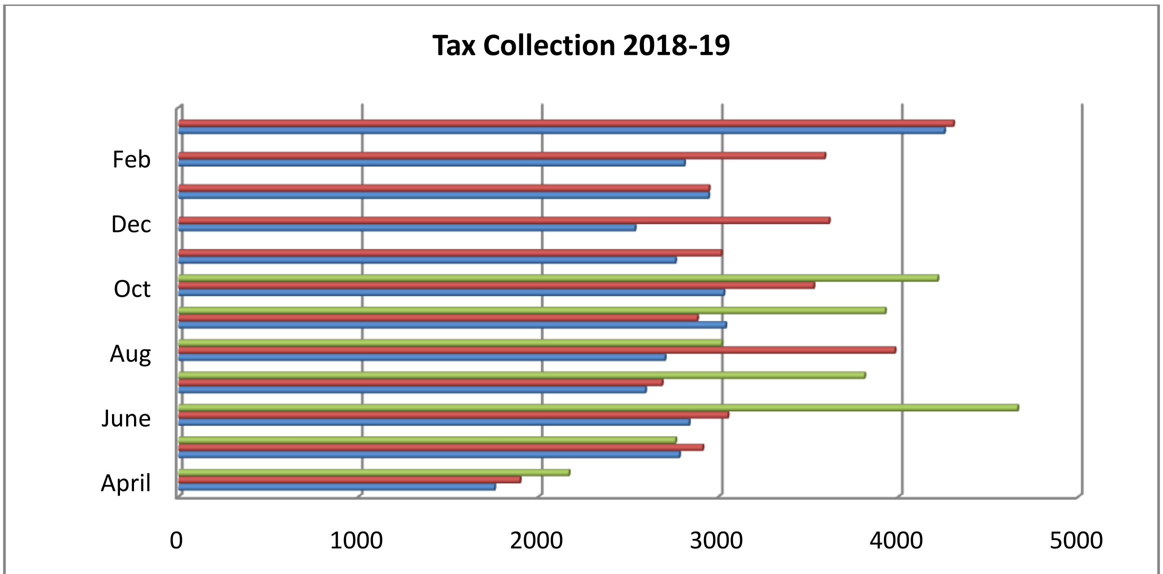
			(Rs. in crore)
Financial Year	**Corporation Tax**	**Taxes on Income**	**Total**
2015-16	453228	288717	741945
2016-17	484924	346789	849713
2017-18	571202	431539	1002741

After GST implementation

Tax Component Type		FY 2017-18 (After GST) (In crores)
A. Total revenue receipts		
	Direct Tax Receipts	10,02,738
	Non –Tax Receipts	4,41,383
	Grants-in-aid & contributions	3,582
	Indirect Tax Receipts	9,16,445
B .Miscellaneous Capital Receipts		1,00,049
C. Public Debt Receipts		65,54,002
D .Recovery of Loans and Advances		70,639
Receipts of Government of India (A+B+C)		90,88,838

(Source: https://news.cleartax.in.)

As per June 2018, the revenue collected was netted to 95,610crore. But as per GST, government is expecting to exceed the revenue collection more than 1.1 lakh crore monthly. And approximately 13 lakh crore this 2018 fiscal year.The collection of money which is collected by government of india is totaly depends on the income if the income is high then government will get high collection of money or if the income is lower government will get lower collection of money. After two months of negative growth, GST revenues witnessed an impressive recovery with a positive growth of 6% in November, 2019 over the November, 2018 collections. During the month, the GST collection on domestic transactions witnessed a growth of 12%, highest during the year. The GST collection on imports continued to see negative growth at (-)13%, but was an improvement over last month's growth of (-)20%.This is the eighth time since the inception of GST in July 2017 that monthly collection has crossed the mark of Rs one lakh crore. Also, November 2019 collection is the third highest monthly collection since introduction of GST, next only to April 2019 and March 2019collections.



	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March
2018-19	2168.	2760.	4661.	3810.	3017.	3925.	4217.					
2017-18	1896.	2911.	3051.	2685.	3979.	2881.	3528.	3014	3613.	2946.	3589.	4304.
2016-17	1755	2781.	2836	2593.	2702	3038.	3028.	2760.	2535.	2944.	2809.	4254.

The gross GST revenue collected in the month of Nov,2019 is Rs 1,03,492 crore of which CGST is Rs 19,592 crore, SGST is RS 27,144 crore, IGST is Rs 49,028 crore (including Rs 20,948 crore collected on imports) and Cess is Rs 7,727 crore (including Rs 869 crore collected on imports).

V. CONCLUSION

Goods and Service Tax, with end-to-end IT enabled tax mechanism, is likely to bring good amount of revenue to government. It is expected that the nasty activity of tax theft will be drastically reduce under GST regime in order to benefit both governments and the consumers. In reality, that extra revenue that the government is expecting to generate would come from the reduction of tax theft instead from the consumer's pocket. Though the structure of GST might not be a perfect one but once it is placed, this tax structure will make India a better economy advantageous for foreign investments. GST avoid with multiple tax rates by central and states Tax collection in India is dependent on indirect taxes. Corporation tax is the major contributor in direct tax revenue collection. General sales tax is the major contributor in indirect tax revenue collection. The contribution of indirect tax in GDP is more than that of direct tax. Government should try to increase the share of direct tax in total tax revenue collection and for that structural reforms should be brought by the government. There is high need to consolidate and simplify the tax laws.

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