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A COMPREHENSIVE ANALYSIS OF GOODS AND SERVICES TAX IN INDIA AND ITS IMPACTS

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ABSTRACT

Goods and service ACT has came into effect in the year of 2017 by means of 101st amendment of Indian constitution 1950. The articles have been inserted in the significant of ACT. GST law has been classified into three ways that consist of central goods and service ACT, state goods and service ACT and integrate goods and service ACT. ITC is an essential key feature of the GST. 50 GST council meetings have been conducted by the itself up to 2025. Unified taxing regime also has been inserted.

METHODOLOGY

This research paper has drafted by the helps of doctrinal method. Various journal articles have been used to prepare this research paper.

Objectives:

This research paper is helping to understand what is the concept of GST.

This research paper is helping to observed the what are the key features available.

Significant of studies:

This research paper has analysed as to what extent to levy able to the central government.

This research paper has been analysed as to ITC.

INTRODUCTION

Goods and service tax ACT has implemented in the year of 2017 for the sake of promotion of the Indian economy. Goods and service tax has practiced around 130 countries in the world. Indian constitution has allowed to collect the tax and levy the tax from the citizen of India. Tax has sources of income for the government to govern the welfare of the people, welfare of the country and maintained the stability of the government. The Indian constitution has hereafter considered as significant ACT of India within the research paper.

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India is being tried to promote the competitive federalism and it has been practising as a cooperative federalism, so, the unique taxation is required. Before dive in too deep about what is the Goods and service tax? And why it an essential? You need to understand that what meant by cooperative and competitive federalism. Competitive federalism is that the country has been following certain norms that need to achieve them respective goals.²

The goals which are unique like others but the competition is required to achieve their goals. The factor is that competition is an essential tool to compete each other. For example, A, B, C states are there. Those three states are carrying on the competitive federalist form of activities. Those three states are trying to promote them static. So, they need to introduced lots of law to regulate in order to achieve their goals. If A state need to develop their infrastructure means that they should have some financial resources, the competitive federalism is helping to attaining to reach their goals. Therefore, if the tax has collected by the appropriate government and it need to shared to the respective governments in order to enable the various features in those respective states. Competition is a key object in the competitive federalism. If one state has developed their policies, another state also required to develop their policies. If not do so the state would not have stabilised, rather it would have been shown like undeveloped state. Cooperative federalism is an essential tool to regulate multiple state over single state within the territory. Cooperation is very an important in the respective features. States have obligations to obey the central government for the purpose of implementing the various legislative features. So therefore, goods and service tax are depending up on the both features as mentioned above that are cooperative and competitive federalist form of government.

FEATURES OF GOODS AND SERVICE TAX

Various remarkable changes were occurred in Indian economy after an introduction of the said ACT in the year of 2017. GST has an aim to simplify the taxing system in order to prevent vague or unclear taxing system. Indian significant law of land also has been permitting to collect and levy the tax in their respective jurisdiction. Here jurisdiction has referred as either may be state government, or central government, or local Self government. Main an aim of this ACT lays down in the said ACT as to one tax and one nation. Multiple taxing system has also been abolished. Significant law of land also amended in order to implement as one tax. It has been helping to remove the system which belonging to imposed the tax on tax. Not only occurred said remarkable an effect, value added service also have been abolished by Indian government. The

² Goods and Services Tax: An Exercise in 'Controlled Federalism'? Author(s): ALOK KUMAR PRASANNA Source: Economic and Political Weekly, Vol. 51, No. 34 (AUGUST 20, 2016), pp. 10-11 Published by: Economic and Political Weekly/ last last visited: 02-march-2025.

taxing system which has classified into few ways on the bases of trade or business occurred in India. The term trade and business both have defined in the income tax ACT 1961, hereafter it has called as supreme tax law of land. Section 2(13) has defined as what meant by business. The term trade also has been defined in the supreme law of land. Trade and business both are two sides of coin. So, the tax which cannot levy or collect from any of the person if there is no trade or business occurred within the territory. The tax regime which has not been varied from place to place, it should constant. Even it has constant, the nature of regime of the tax has to changed on the bases of consumable goods and utilizable services. So it has shown that ensured unified system which has to be levied or collected by the appropriate government. Value added tax has abolished by means of an introduction of the goods and service tax ACT 2017. The system which clearly indicating that the relationship of government has maintained equally without any discriminations. Competitive and cooperative forms of government have been stimulated by means of strengthen the ACT as already said within the research paper. The new taxing system has been helping to develop welfare of the people those who have consumed the goods and utilized service within the territory of India. The new taxing system has reformed 17 time before has come into existences, which means thus remarkable change has been taken 17 years to implement as a law in order to govern the consumable goods and utilizable services. Because it has shown like a revenue source of government, whether may differ states to states, it has been functioning on the bases of population. If there has low population therein means that the generation of revenue will have been leisure when compare to the high populated states. The autonomous power has given by the ACT to each state in order to propose them fabulous ideas. Even though autonomous power has given by the ACT, they have been restricting within the levels. The new kind of taxing system as shown being transparent by means of providing the invoice. Vague and complex system has been abolished as it has shown multiple taxing system has removed.

Multiple tax has included that VAT, CST, excise duty,

INPUT TAX CREDIT

Input tax credits also one of the features of an essential tax law of land. ITC has been motivating the business activities in India. It has been helping to pay leisure tax to the government under the three kinds of taxing system. Three kinds of taxing system also one of the key features of the essential GST of land, and has referred as to state goods and service tax (SGST), central goods and services tax (CGST), and integrate goods and service tax (IGST).

GST is a big basket, which contained various few legislations in order to govern or regulate the taxing system therein. We need to come back to the input tax credit. It is a kind of incentives is

that only can claimed if they are doing business, otherwise nobody can claimed as credits of inputs tax. Chapter three of the IGST ACT 2017 has clearly stated that certain criteria must be satisfied by the person in order to utilize the credits of input taxes. The concept of credits of input tax as explained below.

If suppose, a person who is carrying business or trade or commerce is that time they are purchasing the raw materials for the purpose of establish new business is that time they need to pay tax as usual. The purchaser of the raw material who need to assume as a manufacturer and he has intended to sell the goods or provide the services to any of the dealer is that time the purchaser of the raw materials who has been assumed like a manufacturer as he has rights to claim his amount out of his sold goods or services to others. For instances, the person A who has been considering as a manufacturer, and he purchased the raw materials for an amount of 20000 and has converted in to goods, thereafter, which have been sold by him in an amount of 50000, so therefore, if need to calculate the credits of input taxes means that they need to subtract from purchased raw materials and sold goods to others.³

In other term that need to understand by easily in order to get good ideas regarding credits of input tax as stated below. Purchased raw materials – sold goods are being referred an amount of 20000 and 50000 respectively. Therefore $50000 - 20000 = 30000$.

All these details are being ensured as to establish the new business in order to promote the Indian economy among the developed nations. The condition has mentioned in that respective legislation for the purpose of prevent the illegal tax credits back to the manufacturer. Every person can claim input tax credit other than those who use for personal usages or get by way of fraud is that prohibited. Sections 16 to 21 have been dealing about the credits of input tax under the ACT integrate goods and tax 2017. Not only governed regarding matters of credits of input tax. Input which has referred to that as to whatever raw materials have used for the purpose of making goods or preparing the services.

EXPLORATION OF GST WITH THE AID OF INDIAN CONSTITUTION

Supreme law of the land has several regulations in order to prevent the misuse of powers by authorities those who have been coming under this purview. The supreme law of the land SLL stated that no person shall be levied or collected the tax other than authority of law is that means the tax can be levied or collected by the state government or central government with the aid of

³ Input Tax Credit (ITC) under GST/ Annapoorna/ Feb 6th, 2025/ cleartax.in/ last visited: 02-march-2025.

any of the specific legislation as either may Indian constitution 1950, or may goods and service tax ACT 2017, or may income tax ACT 1961. Above the statement has clearly pointed out that any one of legislation can impose the tax and it has been giving the power to the authorised person in order to collect as already discussed within the research paper, even though the three legislations have prevailed in order to impose the tax or give the instruction to the authorised person to collect it, the Indian constitution 1950 has been played supreme law of the land. So, it has powers to impose the tax 101st amendment of the supreme law of land SLL has determine as to what the powers have to be given and what powers have not to be given by whom. 101st amendment has been aiding to insert the following articles for purpose of enable the goods and service ACT 2017. The three essential articles are stated below

Article 246A, article 269A, and article 279A. those articles have been playing vital role in the Indian finance system. Those three article having different kinds of nature in order to implement the taxing system in India.⁴

Not only supporting said articles to GST law, article 285 also one of the feature of the 101st Indian constitution 1950.

India is a largest country, so it could have been difficult to implement it by easily. So therefore, lots of changes had occurred, eventually, the various essential features have been inserted in the supreme ACT. Article 246A explained as to the power of taxing authority has given to the central as well as state government. But state government has no exclusive power on it. Central government has exclusive power therein. Central and state government both who have power to an enacting as the law for the purpose of collecting and imposing the tax within them jurisdiction. If suppose state government who has prepared the specific law in order to generate revenue for the purpose of maintaining the welfare of the people is having rights to implement as such law within their jurisdiction. If in case central government which also has been going to implement any law that would be become supreme has may prevail over an essential power of parliament. It could be applicable also to the GST legislations. article 246A has clearly stated that what are all the powers have given to the GST law for the central and state government is mandatorily follow, whereas article 269A which explained as to what the manor has to be follow in order to collect the central and state government. above said statements only can be done by the GST council. the GST council has added in the article 279A by the help of 101st amendment of supreme law of land in the year of 2017. the council can be set up by various members are consist of chair

⁴ Political Weekly , Aug. 14-20, 2004, Vol. 39, No. 33 (Aug. 14-20,2004), pp. 3682-3683 Published by: Economic and Political Weekly last visited: 02-march-2025.

person, states representatives. it is body to framing the rules and regulations for the purpose of remove the complexity of government when the government is collecting the tax over the goods and service ACT. Article 246A has determined as to the powers which have been only used for the generation of the revenue by the state government and central government. But it should not violate the basic structure of the significant of ACT. Above the statements lays it down that as to it has to be follow the rules and regulations has framed by the GST council as it has mentioned in the article 269A. the collection of tax process, which has mentioned in the article 269A of the significant of land. Collection of process mean, if either state government or central government need to implement any laws in order to collect the tax from the people means, which way has to be follow in order to obtained is that alone mentioned in that relevant article of significant of ACT.

As a reader, you need to understand as to what about the following two articles have been determined in the significant of ACT. Article 246 and 254 of the significant of ACT has clearly pointed out that the central government which has supreme power in related to making the legislation for the purpose of remove the contradiction has ensure the quasi federal structure of India. Quasi federal structure form of government is only depending upon the parliament when the law has made by the state government. Federal structures forms of government means that the government has been functioning like separately without any hindrances. But sometimes the state government has been depending on the union government while making the law, so it neither federal structure or unitary structure, rather I has been considering quasi federal structure. Article 254 has determined that about doctrine of repugnancy. If any law has violated to the central government law when the law has made by state government means, the central government law only prevail in order to remove the contradiction. Above all the statements which have been ensured that parliament only having the supreme power to enacting the law with respect to making the laws or implement.⁵

Article 246A neither function like article 246 of the significant of land or like article 254 of the significant of land, rather it has been played distinguishable key role in the Indian economy. Central and state government those who have equal power in order to implement the laws for the purpose of imposing the taxes or collecting the taxes from the citizens. So, the central and state government could have been creating an essential law in order to maintained the finance stability, so, therefore

⁵ Article 246 of the Indian Constitution/ Naveen Talawar/ July 23, 2022/ blog.ipleaders.in/ last visited: 05-march-2025.

the law couldn't override the state law by parliament. So it clearly showed that federal form structures of government has directed in the article 246A of the significant of land.⁶

Article 269A which contained the following features in order to ensure the competitive federal structure forms of government. It has been discussing as to interstate supply, suggestion of the GST council, and revenue shall be divided and shared to respective states. Apart from above mentioned statement also lays down in the supreme law of ACT. The tax can be collected and levied by the central government. Although tax has collected and levied by the central government means that they need to divide the revenue into equally without any discrimination. it has been motivating as competitive federal structure. As a reader you may asked questions that what interstates supply, yes this research paper has disclosed as to what is mean interstates supply. If any goods or services transfer from one state to another states means that known as interstates supply. So, the central government can get the revenue directly from the person those who is carrying the business between states to state. Even though the revenue has generated by the central government by means of imposed the tax despite of basic structure of the significant of ACT has shared to the all the states government as like mentioned in the article 269A of significant of land. But it has to be functioned on the bases of recommendations have been made by the GST council as it has mentioned in the article 279A of the significant ACT.⁷

Article 279A of significant ACT is clearly lays down as to that the GST council as how could set up such council in order to framing the recommendation for the purpose of promote the welfare of the people. GST council which is a part of primary body among the essential bodies which constituted in India. It is also known as constitution body. Classification of goods and services under the customs and tariff ACT 1975 has explained in the next chapter.

50 meetings have been conducted by the GST council. Last meeting has conducted in the year of 2025. Various remarkable changes have inserted to effect up coming days for the purpose of promote the Indian finance system. It has also been motivating new ideas and new innovations. For instance, the GST rate has been increased from 12 to 18% for used or old motor vehicle, if it is going to sale by owner to another means that they need to pay tax 18% tax as it is being used or old motor vehicles. Above said statements are clearly lays down that old or used motor vehicle strictly prohibited to sale or purchase from any of the person. Alternatively they need to purchase the new goods that made by recently.

⁶Article 246A/ Indian constitution/ 1950/ indiankanoon.org/ last visited: 05-march-2025.

⁷ Article 269A/ Indian constitution/ 1950/ Indian parliament/indiankanoon.org/ last visited: 06-march-2025.

So, GST council only having power to recommend that all suggestion as prescribed in the article 279A of significant ACT of land.⁸

Article 286 of the significant ACT 1950 has been directing as no power has available to the states to impose the tax or collect the tax while either goods or service transferred from one state to another state is that time the union government who has power to impose or collect the tax from the people. Initially, goods alone restricted under this umbrella after an introduction of the 101st amendment of the Indian constitution service also has inserted. So states have no absolute power. It need to reform.⁹

CUSTOMS AND TARIFF ACT

The goods have been classified in to several types on the bases of scientific term. It has been recognizing by the world custom organization for the purpose of remove vague system as already practiced in the world wide. After the 1988, the convention of harmonized commodity description and coding system has came into picture in order to classify the goods and services throughout world. Customs and tariff ACT has came in to effect in the year of 1975 in India. It has been taking to referable ACT to impose the tax on the goods and services under the ACT of GST 2017. Thus ACT has contained 21 section and 98 chapters to classified as to goods in order to find exempted goods and which not exempted goods under the GST law. 5000 goods have grouped in to the 21 section is linked in to the 98 chapters in the customs and tariff ACT 1975. Initially the goods alone disclosed in this. Afterwards service also included in this ACT.

8 digit identification numbers also adapted by India in the year of 2003.¹⁰

GST council has been playing vital role to what extent to levy the tax by the either central government or state government for goods and service on the bases of classified as to goods as mentioned in the custom and tariff ACT. GST council has already discussed in previous chapter in order to understand roles and obligations of such body. If you need to better understand means that you need to go to refer the previous chapter of this research paper.

MY FINDINGS

GST is not a new concept is already practicing several countries, and it has been trying to implement in the year of 2000.

⁸ What is Article 279A/ byjus.com/ last visited: 10-march-2025.

⁹ ARTICLE286/ Indian constitution 1950/ Indian parliament/ constitutionofindia.net/ last visited: 10-march-2025.

¹⁰ Comprehensive Guide to Classification of Goods and Services under GST/ 18 July, 2024/ taxmann.com/ last visited: 10-march-2025.

It has been removing the tax on tax.

Unified taxing system has introduced.

Input tax credit is key feature of new innovations.

A term Services which have also added in the article 286 of the Indian constitution 1950.

MY SUGGESTION

This research paper has suggested as to decrease the % of the GST rate.

Lay man couldn't understand as to what is mean GST, so, the awareness programs also have to be conducted by the government.

ITC value has to be increase by the government on the recommendation of the GST council.

CONCLUSION

101st amendment of the significant of act which has ensure the following article shall be inserted. Article 246A, 269A and 286. Not only above said articles article 286 also amended and service also inserted in that provision. This research paper concluded that GST is good idea, because it has helped to remove the multiple taxes. Moreover, ITC is a suitable taxing regime to motivate to the manufacturer. This research paper has directing the government to conduct GST awareness programs for the better understanding those who considered as lay man.