



Celebrating GST Day: A Milestone in Economic Reform

Collections Hit 20.18 Lakh Crores in 2023-24, Benefiting MSMEs, Consumers, and Logistics

(Ministry of Finance)

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Introduction

On the historic night of 1st July 2017, India embarked on a transformative journey in its tax landscape with the implementation of the Goods and Services Tax (GST). Introduced by Prime Minister Narendra Modi as "a path-breaking legislation for New India," GST replaced a fragmented and complex indirect tax regime that burdened businesses and consumers alike. Before GST, the tax framework consisted of numerous levies such as excise duty, service tax, VAT, CST, and others, each with its own set of compliance challenges and inefficiencies. This multiplicity not only increased the cost of doing business but also hindered seamless interstate movement of goods due to tax barriers.

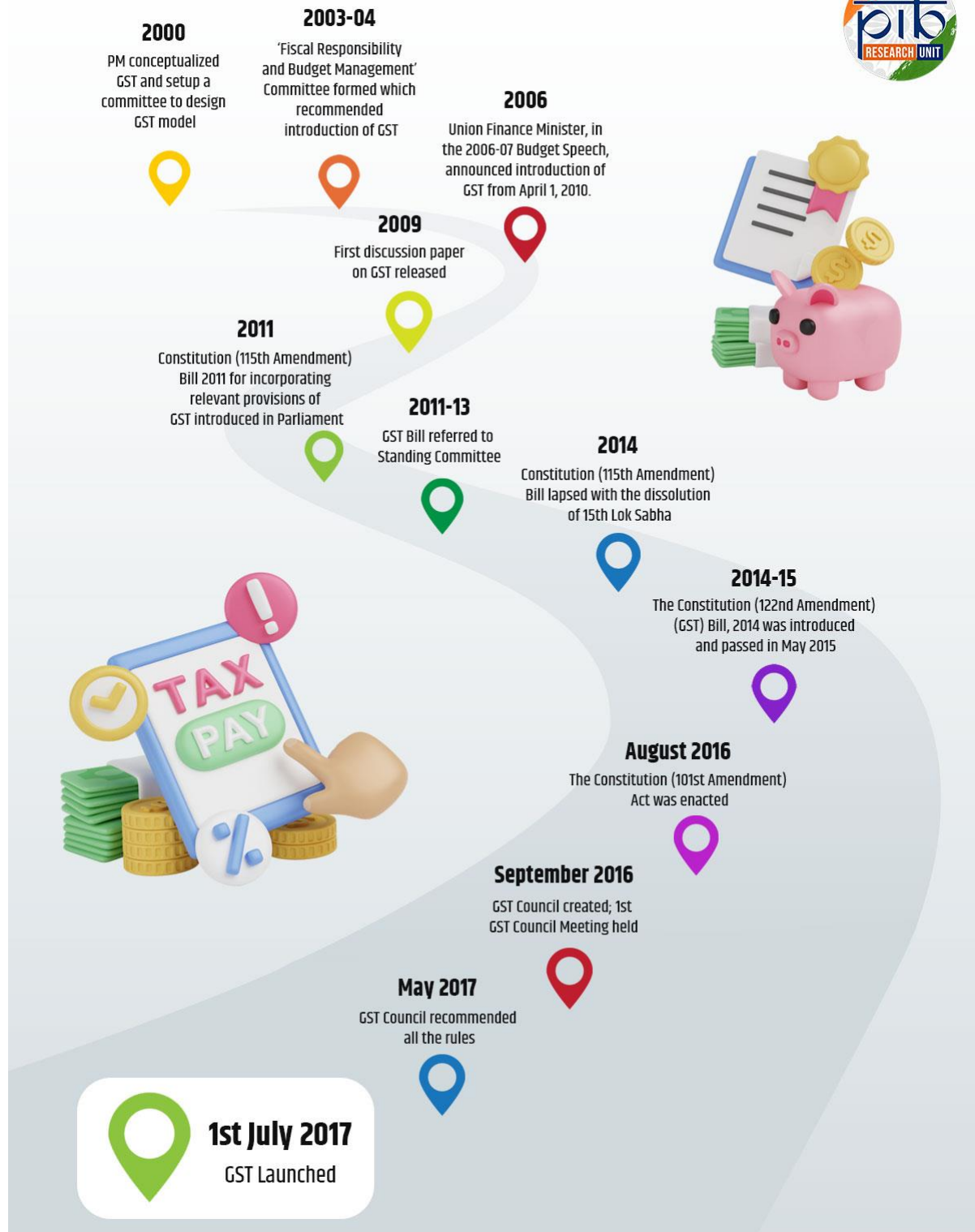
GST unified India's tax system, creating a single market that removed interstate barriers and boosted operational efficiency. It ended tax cascading by allowing businesses to claim input tax credit across the supply chain, reducing overall tax



burden and simplifying compliance. This reform also enhanced transparency, accountability, and economic growth by rationalizing rates and standardizing procedures, aligning with India's vision of 'Ek Bharat – Sreshtha Bharat'.

As we commemorate GST Day on July 1st each year, it serves as a reminder of India's commitment to economic reform and its journey towards a more integrated and competitive economy on the global stage.

The Journey to GST – Timeline



Salient Features of GST

- ❖ **One Nation, One Tax:** GST replaced multiple indirect taxes levied by the Central and State Governments, such as excise duty, service tax, value-added tax (VAT), and others. It brought uniformity in the tax structure across India, eliminating the cascading effect of taxes.
- ❖ **Dual Structure:** Includes Central GST (CGST) and State GST (SGST), with Integrated GST (IGST) for interstate transactions.
- ❖ **Destination-Based Tax:** Levied at each stage of the supply chain, ensuring seamless credit flow and reducing end-consumer tax burden.
- ❖ **Input Tax Credit (ITC):** Businesses can claim credit for taxes paid on inputs, avoiding double taxation.
- ❖ **Threshold Exemption:** Small businesses below a specified turnover threshold are exempt from GST, easing compliance burdens.
- ❖ **Composition Scheme:** The composition scheme is available for small taxpayers with a turnover below a prescribed limit (currently 1.5 crores and 75 lakhs for special category state). Under this scheme, businesses are required to pay a fixed percentage of their turnover as GST and have simplified compliance requirements.
- ❖ **Online Compliance:** GSTN portal for registration, returns, and payments, enhancing ease of compliance.
- ❖ **Anti-Profiteering Measures:** To ensure that the benefits of GST are passed on to the consumers, the government established the National Anti-Profiteering Authority (NAA). The NAA monitored and ensured that businesses do not engage in unfair pricing practices and profiteering due to the implementation of GST.
- ❖ **Increased Compliance and Transparency:** Digital processes curb tax evasion, increasing transparency in the tax system.
- ❖ **Sector-Specific Exemptions:** Certain sectors like healthcare and education have exempt or reduced GST rates for affordability.
- ❖ **Account Settlement:** Ensures seamless transfer of credits between Centre and States to maintain tax balance.

Significance of GST

The Goods and Services Tax (GST) has brought transformative changes across various sectors in India since its implementation. For MSMEs, GST has simplified compliance, increased thresholds, and opened new financial avenues. Consumers have benefited from lower average tax rates and reduced costs on essential items, while the logistics sector has seen enhanced efficiency, reduced transport times, and significant investments. These reforms collectively contribute to a more streamlined, transparent, and economically vibrant India.

Benefits to MSMEs

- ❖ Previously, VAT exemption and composition scheme thresholds were very low.
- ❖ The GST threshold was initially set at Rs 20 lakh and later increased to Rs 40 lakh for goods.
- ❖ GST introduced a composition scheme allowing small businesses to pay a fixed rate on their turnover with minimal paperwork.
- ❖ The composition threshold is Rs 1.5 crore annually for goods and Rs 50 lakh for services, easing compliance for small businesses.
- ❖ GST has opened new avenues for quick bill discounting and loans to MSMEs through the Trade Receivables e-Discounting System (TReDS). This system allows entrepreneurs to access credit based on upcoming receivables from identified corporates and Central PSEs. Already, about 500 such companies and 170 CPSEs are registered with TReDS, benefiting thousands of MSMEs.
- ❖ The compliance burden for MSMEs has significantly reduced, with the option of quarterly return filing for taxpayers with an annual turnover of up to Rs 5 crore.

Benefits of GST to Consumers

- ❖ GST is a pro-people reform. Hence, consumer is at the centre of this reform.
- ❖ Average tax rates in GST have come down. This has been made possible as tax base expanded on rollout of GST and compliance improved. Taxpayers' number has doubled from earlier 60 lakhs to about 1.2 crore.
- ❖ The Government has progressively lowered tax rates on essential and daily use items.
- ❖ A Finance Ministry study suggested that consumers saved at least four per cent on their household monthly expenses on an aggregate after GST.
- ❖ Thus, consumers now spend less on daily consumables like cereals, edible oils, sugar, sweets and snacks.

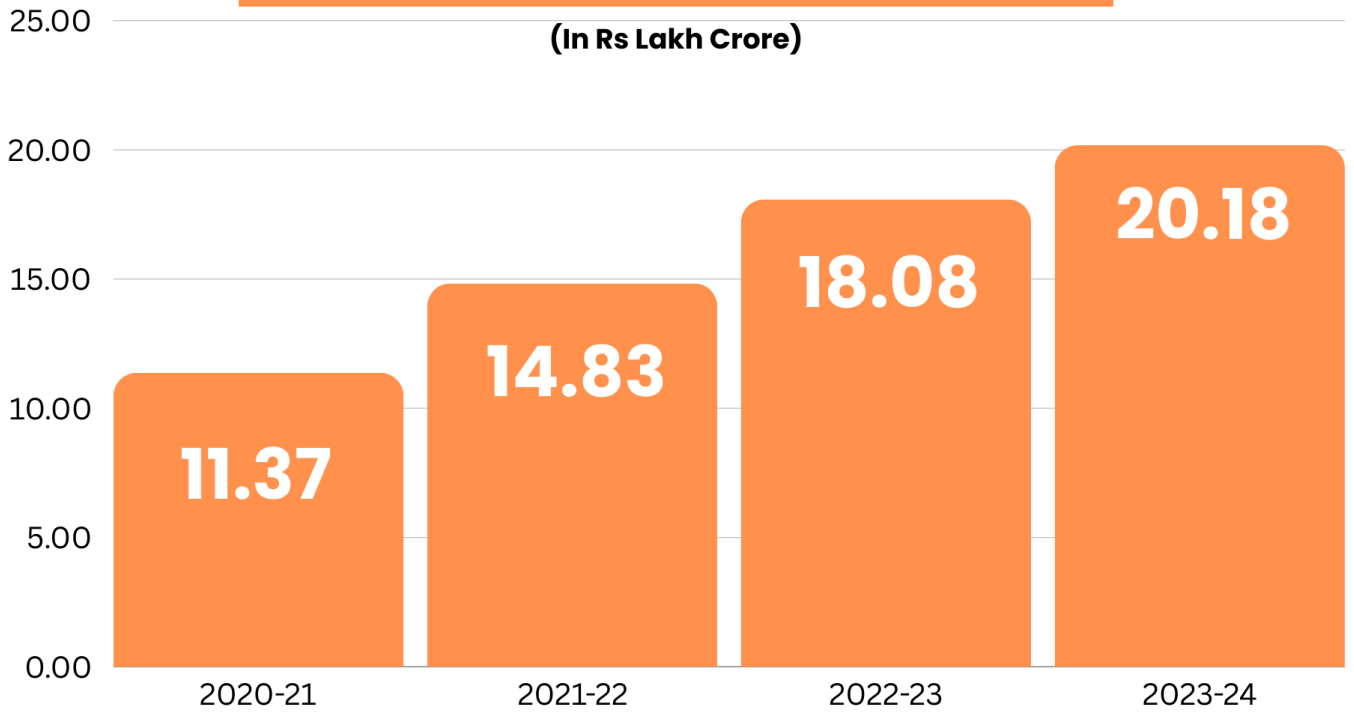
Benefits to Logistics Sector

- ❖ GST ended long queues of trucks and goods carriers at highway toll plazas, facilitating free movement of goods across states.
- ❖ Corruption-prone checkpoints (nakas) that restricted and slowed goods movement disappeared.
- ❖ Credible studies show over a 33% improvement in transport time post-GST implementation.
- ❖ Significant savings in petrol and diesel have been realized, and arterial roads have been decongested.
- ❖ Before GST, companies maintained warehouses in every state due to different taxation slabs. GST eliminates this need, creating a leaner and smarter logistics chain.
- ❖ This reform has encouraged increased investment in the sector. In the first two years of GST, global players and pension funds invested \$1.5 billion in India's warehousing business.
- ❖ GST is expected to boost demand for high-tonnage trucks, further improving logistics efficiency.
- ❖ An efficient logistics sector reduces pollution and increases employment.
- ❖ The E-way bill system, introduced under GST, captures transport details automatically, with information even furnished via mobile.
- ❖ The E-way bill system also facilitated the monitoring of essential commodities and medical supplies during the COVID-19 lockdown.

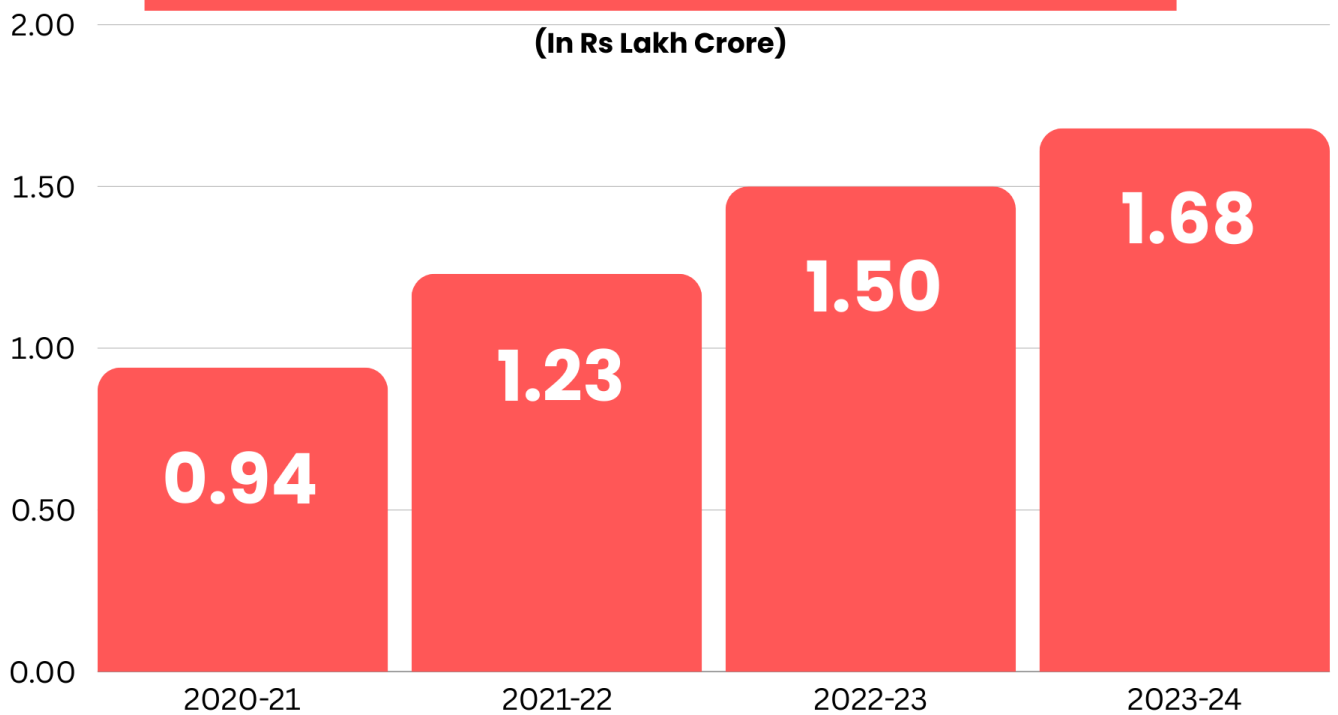
Accomplishments of GST

The Goods and Services Tax (GST) in India has demonstrated remarkable progress and effectiveness in revenue collection since its implementation. In the fiscal year 2020-21, the total collection was 11.37 lakh crores, with an average monthly collection of 0.95 lakh crores. This figure saw a substantial increase in the following years, with collections reaching 14.83 lakh crores in 2021-22 and an average monthly collection of 1.24 lakh crores. The upward trend continued in 2022-23, with total collections of 18.08 lakh crores and a monthly average of 1.51 lakh crores. In the current fiscal year 2023-24, the GST collection has further surged to 20.18 lakh crores, with an impressive average monthly collection of 1.68 lakh crores. These accomplishments reflect the successful implementation and growing compliance under the GST regime, contributing significantly to India's economic growth and stability.

GST Collection – Last Four Years



Average Monthly GST Collection – Last Four Years



Conclusion

The implementation of GST on 1st July 2017 marks a significant milestone in India's tax history, ushering in an era of unified taxation and economic integration. Over the years, GST has simplified compliance, reduced tax cascading, and promoted transparency across sectors. With progressive reforms and increasing compliance, GST continues to play a pivotal role in driving economic efficiency, consumer benefits, and sectoral growth across the country. As we celebrate GST Day on July 1 each year, we reaffirm our dedication to building a robust and equitable tax regime that supports India's aspirations for a vibrant and competitive economy on the global stage.

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