

Book Review

Rao, M.G. (2022). Goods and Services Tax in India: Progress, Performance and Prospects. In Studies in Indian Public Finance, pp.77-110. Oxford University Press. ISSN9780192849601.

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M. Govind Rao, economist and member of the 14th Finance Commission in his book on Public Finance, with a Chapter on GST, explains the major changes and prospects in the GST regime compared to the VAT. The chapter answers the major concerns of revenue generation during GST, the diversity of taxation, high tax rates, anomalies, technological developments and, glitches. Goods and Services Tax, being a game changer and a reform of the century, thus is an important subject matter of the book. In this chapter, Govind Rao explains the progress, performance and, prospects of GST in India. The book explains the determination of exemptions and the rate structure of GST. First, the new levy should not increase consumer prices. Second, the incidence of tax should be the same before and after GST and, finally, avoidance of loss of revenue. Implementing the tax laws should be unambiguous and proper for a better GST system without any revenue loss and tax burden. The development of technology and the use of artificial intelligence provide more scope for transparent and error-free taxation procedures. The end-to-end taxation procedures are automated through the GST network, and the technology glitches impact taxation. The division of taxes vertically and horizontally with great ease and the unification of several taxes under one umbrella are portrayed as the major achievements of GST. This also helps in reducing inter-state competition and achieving harmonisation.

Rao finds a twenty per cent save in road time after GST as the check posts are eliminated. The compensation scheme helps the states for five years in order to compensate for the revenue loss. The taxes, including octroi, entry tax, and purchase tax in local levels, are also subsumed. It increases the dependency of local governments on higher levels of governing institutions. The technological glitches include the inability of the technology platforms to differentiate the original and fake invoices. These are some of the basic concepts and conditions discussed under GST. While discussing the structure of tax and revenue impact, it is said that the country identifies 148 commodities under a four-digit HSN number and many other commodities, including agricultural goods, are exempted because of varied reasons. The exemptions of goods always narrow down the tax base, and the informalisation of the economy's large exemption list also leads to reduced input tax credits and incentives. The application of Goods and Services Tax (GST) in India aims to address the "cascading effect," which was a major flaw in the previous indirect tax system, as the GST system is a single, unified tax levied on the value addition at each stage of the supply chain. The input tax credit mechanism allows businesses to offset the tax paid on inputs against the output tax liability. This eliminates the tax-on-tax effect, leading to reduced final prices for consumers. It improves supply chain efficiency, reduces compliance hassles, and smoother transaction flow. The major problems of the change

in tax regime are complex tax slabs, and exemptions can increase compliance costs and create ambiguities, leading to unintended cascading effects. High tax rates on certain goods and services can negate the benefits of GST for specific sectors and consumers. The different slabs in the GST regime also raise confusion in the market. These teething challenges are expected as unified taxation is a new initiative that is alien to the country and can be rectified with time and effort.

While GST has significantly reduced the cascading effect compared to the pre-GST era, ongoing optimisation and policy adjustments are needed to fully eliminate its residual impact and maximise its benefits for businesses and consumers. Despite a single rate, GST follows multiple rates due to societal preferences and political acceptability. This causes complicated structure and administrative compliance costs. Multiple rates can create confusion and increase compliance costs for businesses, especially those dealing with goods and services across different tax slabs. This can be particularly challenging for SMEs with limited resources. Another challenge popped up during the pandemic. Revenue collection during the pandemic was a challenge, and the autonomy of the states deteriorated. The states gave up their autonomy to achieve tax harmonisation. Thus, GST created a hindrance to the country's fiscal federalism. Many states have opinions against the IGST apportionment and the centre's control over the state's revenue. The technological glitches affected the GST collection through mistakes in IGST settlement, duplication of settlement ledgers and errors in claims of ITC. The proper technological arrangements were not done in the initial stages of the policy implementation. But with the rapid technological advancement, GSTN can extend its coverage.

In the chapter on 'Studies in Indian Public Finance', Rao raises important questions on the challenges of implementation and the consequences of the GST system. While it provides valuable insights into its potential benefits, the critical analysis on challenges prompts further reflection on the system's long-term effectiveness and potential for improvement. This thought-provoking read is essential for anyone seeking a holistic understanding of GST's impact on India. It is an answer to navigating the challenges and it lays out opportunities of the GST regime. Packed with practical tips and real-world examples, it is an invaluable resource for businesses, entrepreneurs, and anyone impacted by the new tax system. While the intricacies of GST may still appear daunting, this book empowers readers with the knowledge and tools to adapt and thrive in the transformed tax landscape. With comprehensive and nuanced analysis of the GST system, the book delves into its complexities, presenting clear explanations and insightful commentary. While some minor areas could benefit from further elaboration, this book is a valuable resource for scholars and practitioners seeking a deeper understanding of GST's impact on India's economy. The book highlights all the strengths and weaknesses of the GST whereas the role of the judiciary and the judicial conflicts are not shown in the book. The judiciary plays a pivotal role in the new taxation regime as the law is ambiguous and a bit confusing for the public. As a public financial law, GST law should mainly focus on the understandability of the public. The book should have added this part as a main point as it focusses on public finance.