

## Is GST Makes Financial Growth ? - A Case Study Based on Kerala State

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### ABSTRACT

India contains so many tax rules. Some of them are happens as routine and others are on the basis of the occurrence of the situations. This research problem shows that the growth depends upon the introduction of a unified tax system in India called Goods and Services Tax. In this research the problem should only study about the financial growth level before and after the introduction of GST and its relevance. This study mainly have some drawbacks which are limited the study into certain specific areas. The study shows that it could be only evaluating the collection wise report of VAT and GST. However, this study finds that with the help of the valuable information the problem states that there is a high rate of financial growth by the implementation of GST.

**Key Words :** Financial Growth , Comparison of Tax system

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### I. INTRODUCTION

India offers a well structured tax system for its population. Taxes are the largest source pf income for the government. This money is deployed for various purposes and projects for the development of the nation. Taxes are mainly of two heads. They are the direct tax and indirect tax.

Goods and Services Tax (GST) is an indirect tax or consumption tax imposed in India on the supply of goods and services. It is a comprehensive multistage, destination based tax. Comprehensive because it has subsumed almost all the indirect taxes except few.

A value Added Tax, known in some countries as a goods and services tax, is a type of tax that is assessed incrementally. Like an income tax, it is based on the increase in value of a product or service at each stage of production or distribution. However, a VAT is collected by the end retailer and is usually a flat tax and is therefore frequently compared to a sales tax.

## **1. STATEMENT OF THE PROBLEM**

**Goods and Services Tax (GST)** is a comprehensive multistage, destination based tax: comprehensive because it has subsumed almost all the indirect taxes except few; multi-staged as it is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer. However there are certain problems by the implementation of GST. This study shows whether there is any financial growth with the implementation of GST, and its impact.

## **2. THEORETICAL FRAMEWORK**

### **INTRODUCTION OF GOODS AND SERVICES TAX AND VALUE ADDED TAX IN INDIA**

#### **VAT (Value Added Tax)**

On 1st April 2005 the government announced the introduction of a state VAT in 21 of the 29 Indian States. The new state- level VAT system replaced local sales taxes and was initially scheduled to commence on 1st April 2001. Simultaneously, the introduction of a centralised VAT system proved to be challenging for the central government and it continues to undergo constant modification.

#### **GST (Goods and Services Tax)**

GST is India's most ambitious indirect tax reform plan, which aims to stitch together a common market by dismantling fiscal barriers between states. It is a single national uniform tax levied across the country on all goods and services. The indirect tax system is currently mixed in multi-layered taxes levied by the centre and state governments at different stages of the supply chain, such as excise duty, octroi, service tax, countervailing duty, luxury tax, entertainment tax, entry tax, purchase tax, central sales tax, value added tax, among others. In GST all these will be subsumed under a single regime.

#### **GST Rate Slab**

The GST council has fitted over 1300 goods and 500 services under four tax slabs of 5%, 12%, 18% and 28% under GST. This is aside the tax on gold that is kept at 3% and rough precious and semi-precious stones that are placed at a special rate of 0.25% under GST.

## **II. TYPES OF GOODS AND SERVICES TAX IN INDIA**

**There are mainly three types of goods and Services tax in India. They are**

CGST ( Central Goods and Services Tax) CGST is a part of Goods and Service Tax (GST).CGST means Central Goods and Service Tax, one of the three categories under Goods and Service Tax (CGST, IGST and SGST) with a concept of one tax one nation. CGST falls under Central Goods and Service Tax Act 2016.

For easy understanding, when CGST is being introduced, the present central taxes of Central Excise Duty, Central Sales Tax CST, Service Tax, Additional excise duties, excise duty levied under the medical and toiletries preparation Act, CVD (Additional Customs duty – Countervailing Duty), SAD (Special Additional Duty of customs) surcharges and cesses are subsumed.

CGST is charged on the movement of goods and services of standard commodities and services which can be amended time to time by a separate body. The revenue collected under CGST is for Centre. However, input tax credit on CGST is given to states and such input tax could be utilized only against the payment of Central GST.

is a part of Goods and Service Tax (GST)

- **SGST ( State Goods and Services Tax)**

SGST is a part of Goods and Service Tax (GST).

SGST means State Goods and Service Tax, one of the three categories under Goods and Service Tax (CGST, IGST and SGST) with a concept of one tax one nation. SGST falls under State Goods and Service Tax Act 2016.

For easy understanding, when SGST is being introduced, the present state taxes of State Sales Tax, VAT, Luxury Tax, Entertainment tax (unless it is levied by the local bodies), Taxes on lottery, betting and gambling, Entry tax not in lieu of Octroi, State Cesses and Surcharges in so far as they relate to supply of goods and services etc. are subsumed. The revenue collected under SGST is for State Government.

- **IGST ( Integrated Goods and Services Tax)**

The IGST full form under GST law is Integrated Goods and Service Tax. It is called as IGST Act 2017. The scope of IGST Model gives meaning to the GST Act of which IGST is one of the component. The IGST Act clarifies that Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services.

The seller making supply outside the state will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. And the exporting State will transfer to the Centre the credit of SGST used in payment of IGST.

On the other hand, the Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will then transfer to the importing State the credit of IGST used in payment of SGST.

The relevant information will also be submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds

### **Types of Value Added Tax in India**

Tax paid for capital goods is allowed or not is the fundamental question in the study of types of VAT. There are three types of VAT, they are:

- Consumption type
- Income type
- Gross National Product (GNP) type

#### **1. Consumption Type VAT**

Under consumption type VAT, all capital goods purchased from other firms, in the year of purchase, are excluded from the tax base while depreciation is not deducted from the tax base in subsequent years. The base of tax is consumption since investment is relieved from taxation under this type.

## 2. Income Type VAT

The income type VAT does not exclude capital goods purchased from other firms from the tax base in the year of purchase. This type, however, excludes depreciation from the tax base in subsequent years. The tax falls both on consumption and net investment. The tax base of this type is the net national income.

## 3. GNP Type VAT

Under this type, capital goods purchased by a firm from other firms are not deductible from the tax base in the year of purchase. It also does not allow the deduction of depreciation from the tax base in subsequent years. Tax is levied both on consumption and gross investment. The tax base of this type is gross domestic product.

Consumption type VAT is widely used. So, by the term 'VAT' we basically mean the consumption type VAT.

### **III. REVIEW OF LITERATURE**

Milandeep Kaur(2016) studied, Impact of GST after its implementation and concluded that GST play a dynamic role in the growth and development of our country.

Shefali Dani (2016) studied, Impact of GST on Indian economy and concluded that GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.

### **IV. OBJECTIVES OF THE STUDY**

- To study the impact of financial growth in the light of GST.
- To determine whether the VAT or GST is made more financial growth in kerala

### **V. RESEARCH METHODOLOGY**

Research in common parlance refers to a search of knowledge. One can also define research as a scientific and systematic search for pertinent information on a specified topic, in fact, research is an art of scientific investigation. Dictionary meaning of research is a careful investigation or inquiry specially through search for new facts in any branch of knowledge.

Research is an academic activity and as such the term should be used in a technical sense. According to Clifford Woody, “ research comprises of defining and redefining problems, formulating hypothesis is or suggested solutions; collecting, organising, and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis”.

### **VI. RESEARCH DESIGN**

A research design is the set of methods and procedures used in collecting and analysing measures of the variables specified in the research problem. The functions of a research design is to ensure that the evidence obtained enables you to effectively address the research problem.

The research design used in this study are descriptive in nature. The purpose of this research is to describe the existing or past state of affairs.

### **Sampling Techniques**

After deciding what research design is to be adopted, the next step is collection of data. The need for adequate and reliable data in any study is of paramount importance. There are two ways to collect the required information or data: Census and Sampling

- **Census Method**

It is also known as complete enumeration survey method. In this method, data are collected from each and every unit of the population or universe. Population or the universe is the complete set of items which are of interest to the study.

- **Sampling Method**

In the sampling method instead of every unit of the population, only a part of the population is studied and conclusions are based on the data collected from that part of the population.

### **Collection of Data**

Data can be collected from two important sources depending upon the source. The data will be primary and secondary.

- **Primary Data**

Primary data are collected directly by the researcher from the original sources. In primary data collection, the data are collecting depending upon the research needs.

- **Secondary Data**

When an investigator uses the data which have already been collected by others, such data are called secondary data. The secondary data can be obtained from magazines, journals, reports, government publications, project reports, etc.

### **Tools and Techniques Used in this Study**

- **Trend Analysis**

The financial report may be analysed by computing trends of series of information. This method determines the direction upwards or downwards and involves the computation of percentage relationship that each statement item bears the to the same item in the base year

- **Bar Diagrams**

A bar diagram a chart or graph that presents categorical data with rectangular bars with height or lengths proportional to the values that they represent. The bars can be plotted vertically or horizontally.

### **VII. LIMITATIONS OF THE STUDY**

- Financial growth can be only considered on the basis of tax collection.
- The study only taken into account of five year statement of VAT and two year statement of GST.
- Time for the preparation of the Study is less. So that accurate information cannot be obtained with much accuracy.

<b>Year</b>	<b>Amount</b>	<b>Trend Percentage</b>
2013-14	13860.96	100%
2014-15	15075.49	109%
2015-16	16229.15	117%
2016-17	17854.36	129%
2017-18	7103.36	51%

**Analysis and Interpretation**

TREND PERCENTAGE ( VAT)

( Base Year 2013-14= 100)

(Rs.in crores)

TREND PERCENTAGE ( GST )

( BASE YEAR 2017-18=100 )

(Rs.In Crores )

**Interpretation**

The trend percentage of VAT and GST shows that there is distinction between the two types of tax rates. In the year 2013-14 to 2016-17 shows that there is an increase in the collection of VAT. But it is not a high rate of growth. At the last year 2017-18 the quarterly is based on VAT and the half yearly collection was only at 51%. Which is a big reduction in the VAT collection.

By the implementation of GST, there is a big increase in respect of VAT. The study trend shows the increase of collection amount of one full year depending upon the financial statement. The study also shows that half yearly collection report of GST is Rs.14302.11 and VAT is Rs.7103.71 , here the GST collection is two times extra than VAT. Which shows that the growth rate of GST is comparatively higher than the growth rate of VAT.

**Table showing the monthly VAT collection report for the year 2013-2018**

Month	Tax head	Realised(2016-2017)	Realised(2017-2018)
August	GST	0	1168.21
	VAT	1437.32	0
September	GST	0	1570.51
	VAT	1673.83	0
October	GST	0	1563.12
	VAT	1640.74	0
November	GST	0	1411.66
	VAT	1378.6	0
December	GST	0	1396.46
	VAT	1296.21	0
January	GST	0	1519.9
	VAT	1536.39	0

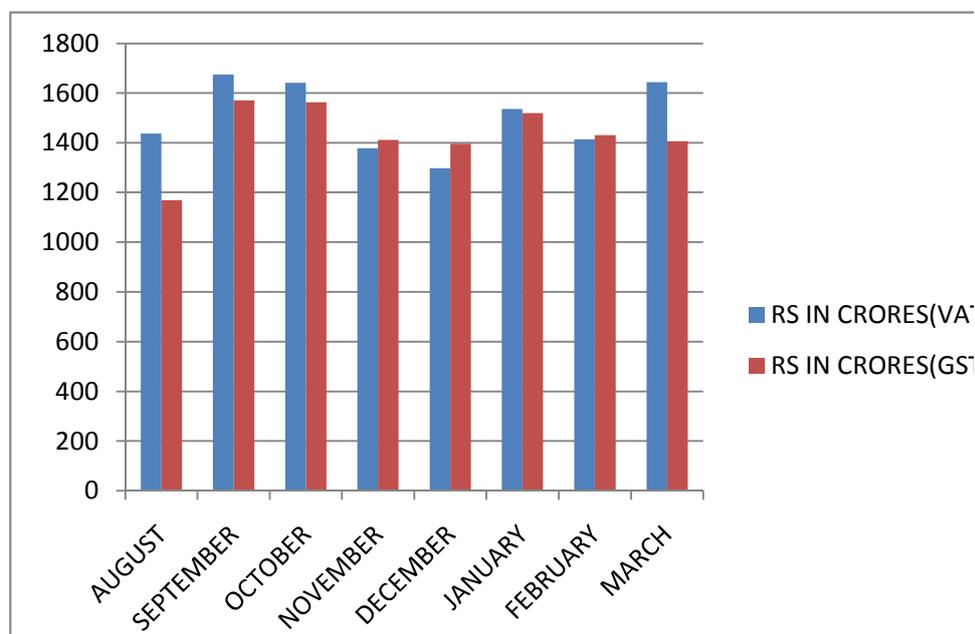
Year	Amount	Trend Percentage
2017-2018	14302.11	100%
2018-2019	24650.91	172%

February	GST	0	1430.73
	VAT	1414.28	0
March	GST	0	1407.03
	VAT	1643.58	0

### Interpretation

The above table shows the collection report of VAT and GST for the year 2016-2017 and 2017-2018. From this table, it is found that there is a slight growth for VAT in the year 2016-2017. In case of GST collection has increased in a decreasing way. Finally, there is a growth for VAT compared with GST.



### VIII. FINDINGS OF THE STUDY

- The study finds that there is a high growth rate for GST in comparison with VAT.
- The study shows that the GST is relevant than VAT.
- GST and VAT reports are only in the form of collection wise.

### Suggestions

- To increase the financial growth, the GST structure could be kept more flexible.
- GST should more improve by way of providing commodity wise reports.

### IX. CONCLUSION AND RECOMMENDATION

The research study helps to understand the introduction of new tax system in India called Goods and Services Tax. It is also known as “one tax one nation”. The VAT and GST has its own importance. GST helps in providing a certain percentage of tax for particular products in respect of every person with no discrimination in income. So it helps the people in India to pay a common tax for everyone. But VAT could not provide that much facility. To conclude that there is a financial growth in Kerala by the introduction of the new tax regime called GST.

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