



# Central Board of Indirect Taxes & Customs

Department of Revenue, Ministry of Finance, Government of India



## **GST: A Transformative Journey**

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VAISHALI MALHOTRA, IRS  
ADDITIONAL COMMISSIONER  
CGST HYDERABAD

# Agenda

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- Why Transformative ?
- Taxation & Constitution
- Tax Structure
  - Pre GST
  - Post GST
- GST : Snapshot
- Challenges along the way
- Future Outlook...

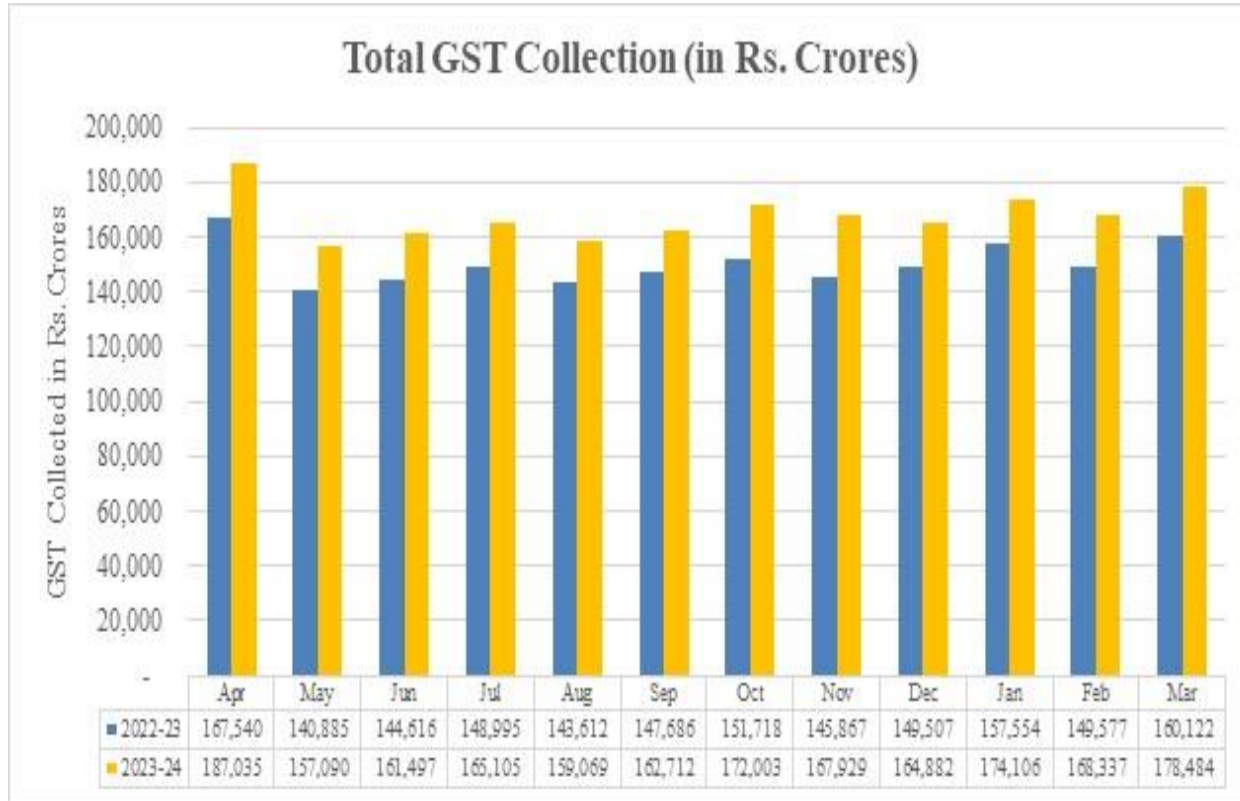


# Why Transformative ?

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- **Increase in Tax base:** Registered entities increased from 67.8 lakh at inception to 1.48 Cr.
- **Revenue Buoyancy:** Ratio of change in tax revenue in relation to change in gross domestic product or GDP of an economy.  
*/measures responsiveness of taxation policy to growth in economic activities/*
- **Operational impact:** Competitive pricing-GST's greatest business operational benefit (up from 56% in 2022 and 61% in 2023)
- **Increase in Compliance/ Self Regulation :** Automation, e-invoicing, e-way bills
- **Transparency and formalization of economy**
- **Growing confidence in GST:** Positive perception paving the way for further reforms/simplification (GST 2.0)

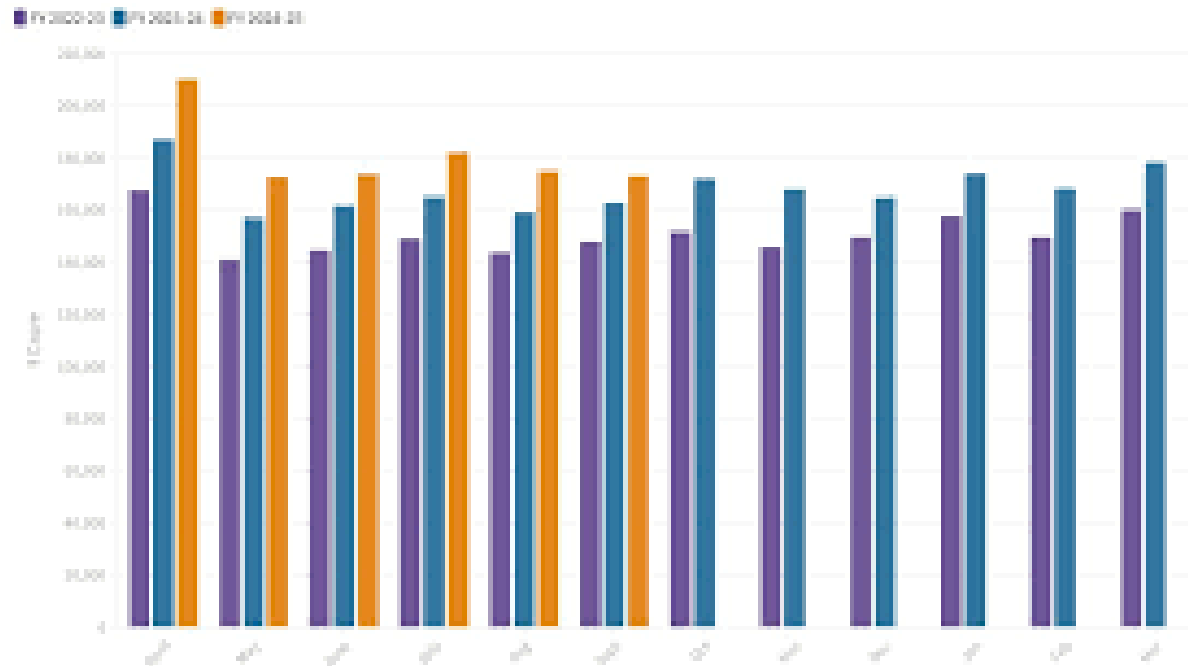
# Why Transformative ?



FY 2023-24 : Gross revenue ₹20.18 lakh crore; 11.7% growth

# Why Transformative ?

GST collection



Source: Ministry of Finance | The Hindu Analytics

FY2024-25 Revenue  YOY Growth 

# Why Transformative ?

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## Some key facts :

- Improved tax buoyancy from 0.72 (pre-GST) to 1.22 (2018-23).
- Despite compensation ending, state revenues remain buoyant at 1.15.
- Without GST, states' revenue from subsumed taxes from FY19 to FY24 would have been Rs 37.5 lakh crore.
- With GST, states' actual revenue is Rs 46.56 lakh crore
- The effective weighted average GST rate has steadily decreased.
- Revenue Neutral Rate : 15.3%, the actual rates : 14.4% (2017); 12.2% (2022)

# Taxation & Constitution

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*Federal* Structure : Levy & Collection governed by the Constitution of India

*Both* Centre and States have powers of taxation (7<sup>th</sup> Schedule of the Constitution)

**entry 84** in the **Union List** grants power to the Centre to levy Central Excise Duty

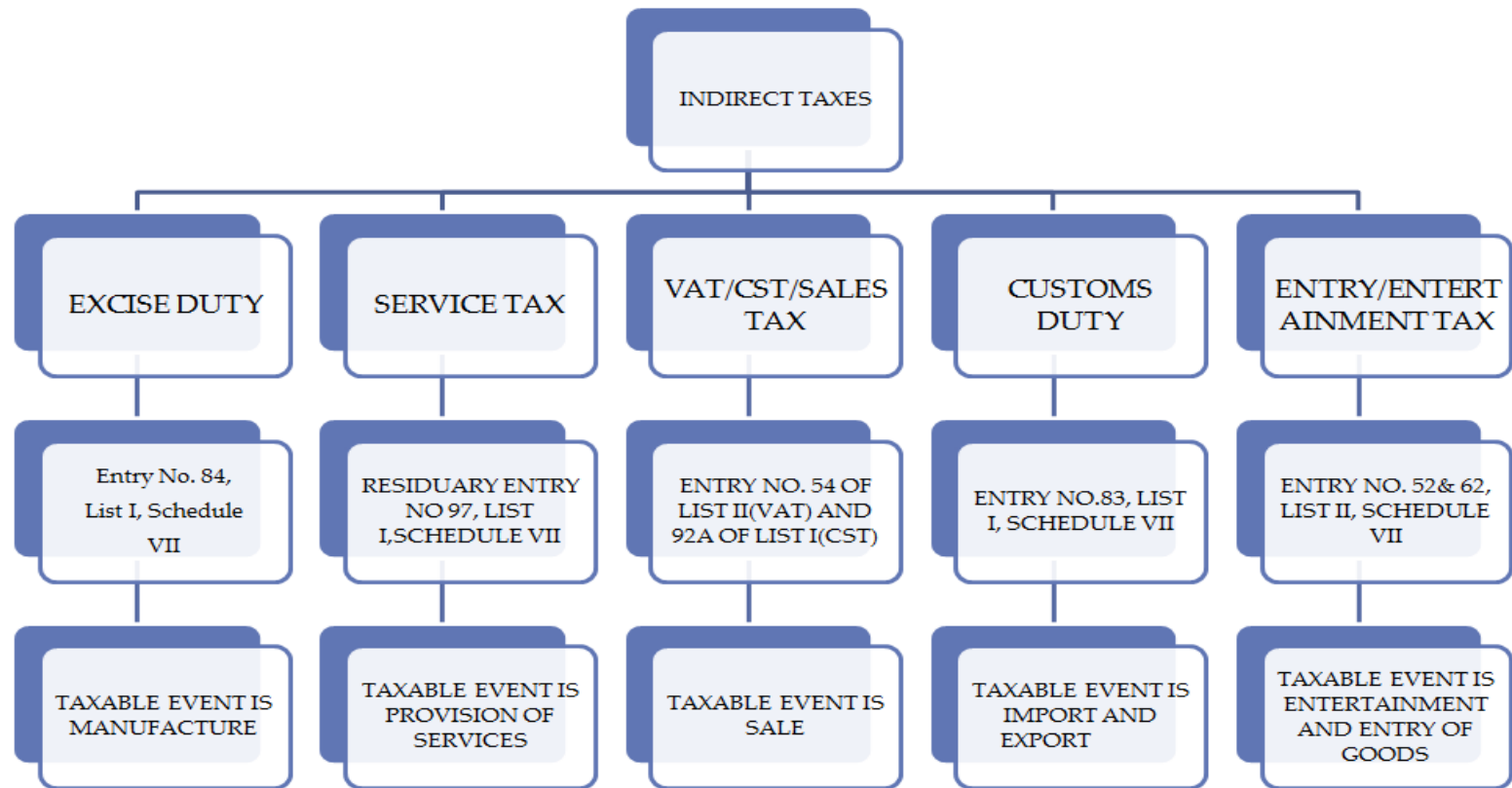
**entry 54** in the **State List** grants power to the State to levy tax on sale or purchase of goods other than newspapers

Basic Customs Duty, CE duty, Addl CE Duties, ST, CVD, SAD, Surcharges & Cesses

VAT, Luxury T, Entertainment T, T on gambling, betting, lottery, Entry T, S&C

# Pre GST :: Tax Structure

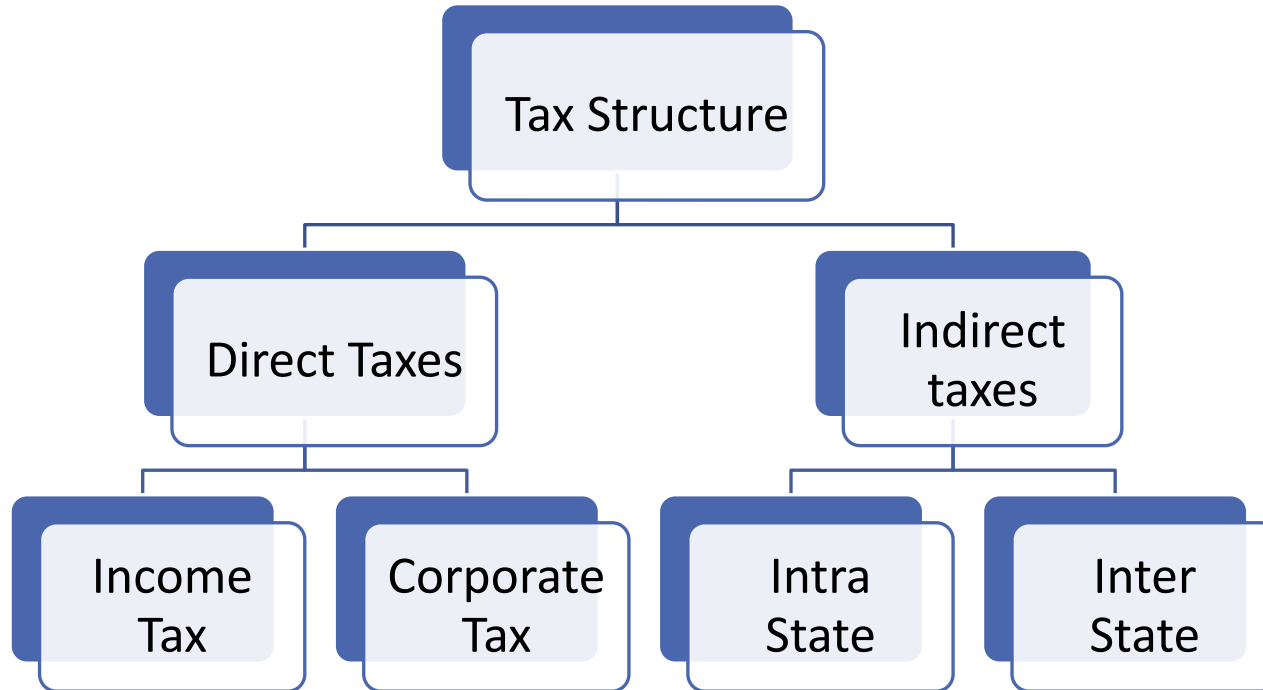
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# Post GST : Tax Structure

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CGST: Centre  
SGST: State

IGST : Centre

# GST and the Constitution

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**Article 245** : No tax shall be levied or collected except by authority of law.

- Necessitated amendment to the constitution for parliament and state governments to levy and collect tax on the same subject

**Article 246A** enabled concurrent levy by the Parliament and state legislatures

- Parliament has exclusive powers to make to laws w.r.t GST in course of inter state trade

**Article 269A** GST on supplies of interstate trade-by the Parliament. Tax apportionment between union and states- manner provided by parliament by law on the recommendations of GST Council.

# GST and the Constitution

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Constitution (122<sup>nd</sup> Amendment) Bill introduced : 16<sup>th</sup> LS on 19.12.2014.

Passed by LS in May'15 and referred to Select Committee of RS.

Bill ratified by required number of States and Presidential assent on 8<sup>th</sup> September 2016

Select Committee Report July' 15.  
Bill passed with amendments in RS & LS in Aug'16.

GST first discussed in Parliament 2006-07

**101<sup>st</sup> Constitutional Amendment Act – Implementation of GST w.e.f 1<sup>st</sup> July 2017**

# GST : Overview

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Article 366(12A) defines

**“Goods and services tax”** means any tax on **supply of goods, or services or both** except taxes on the supply of the alcoholic liquor for human consumption

**Goods** - All materials, commodities and articles (Article 366(12))

As per **section 2 (52) of CGST Act**, Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of land which are agreed to be severed before supply or under contract of supply

**Services** – Anything other than goods (Article 366 (26A))

# GST : Components

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➤ Dual GST : CGST and SGST/UTGST

➤ What is IGST?

- on inter-state supply
- Imports/exports

Parliament to have exclusive power to levy IGST  
(IGST=CGST+SGST)

➤ What are outside GST ??

- Petrol, high-speed diesel, natural gas, aviation turbine fuel(ATF), crude oil (GSTC to decide date)
- Electricity(exempted)
- Alcohol used for human consumption(with states)
- Entertainment tax levied by local bodies.

# GST Council (GSTC)

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- Constituted u/Article 279A : institutional framework for GST Admn
- A Constitutional Body with Union Finance Minister as Chairperson and Minister of State (Revenue) and State Finance Ministers as members
- recommends GST rates, exemption and thresholds etc.
- Quorum: One half of the total number of members of GSTC
- Decision in GSTC would be taken by a majority of not less than three-fourth of weighted votes cast
- Centre 1/3rd weightage
- Centre and minimum of 20 states would form majority

# Benefits of GST

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- Simplified Tax Regime
- Reduction in Multiplicity of Taxes
- Consumption and destination-based Tax
- Abolition of CST
- Exports to be Zero Rated
- Protection of Domestic Industries

Decrease in  
Inflation

Poorer States to  
Gain

Make in India

# Benefits of GST

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- Reduction in Cascading of Taxes
- Overall Reduction in Prices
- Common National Market
- Benefits to small taxpayers
- Self-Regulating Tax System
- Non-Intrusive Electronic Tax System
- Uniform law and procedures
- Anti profiteering mechanism

Ease of compliance  
in doing Business

Reduction in “Black  
Transactions”

Consumer  
Protection



# GST : Important Concepts

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- Supply chain wide - Single tax applicable to supply of goods & services (manufacture / sale/ rent/ lease/ barter etc.)- applicable only on value addition
- PAN based registration and it is state specific - GSTIN 15-digit number/one GSTIN per state.
- Tax Slabs 0%(agriculture/handicrafts etc.), 5 %, 12%, 18%, 28% (non merit/luxury)
- Concept of Input Tax credit(ITC)
- Zero rated supply- entire value chain of supply is exempt from tax - so output is exempt from tax, no bar on availing credit on inputs (exports)

*ITC concept at heart of GST -> of most frauds also*

# GST : Important Concepts

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- Reverse charge mechanism....liability to pay tax is on recipient of supply.
- TDS/TCS : when buyer of goods or services, such as government departments, makes payments under a business contract and tax collected/deposited by e-com operator for supplies by its website
- E-Way Bill- for movement of goods (needed to transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/bill/delivery challan).Unique E-way Bill Number (EBN) is allocated- available to supplier/recipient/transporter.
- National Anti Profiteering Authority (CCI since 2022)
  - 5-member committee
  - Chairman (Secretary to Gol) & and 4 technical members
- GSTN–non-profit, non-government organization which manages the entire IT system of the GST portal

# GST: Concept of ITC

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Concept of input tax credit (ITC) was there in VAT, CE and ST, also in CST

Example :

A supplier makes purchases worth Rs.500000. GST is 10%

= tax paid is Rs.50,000

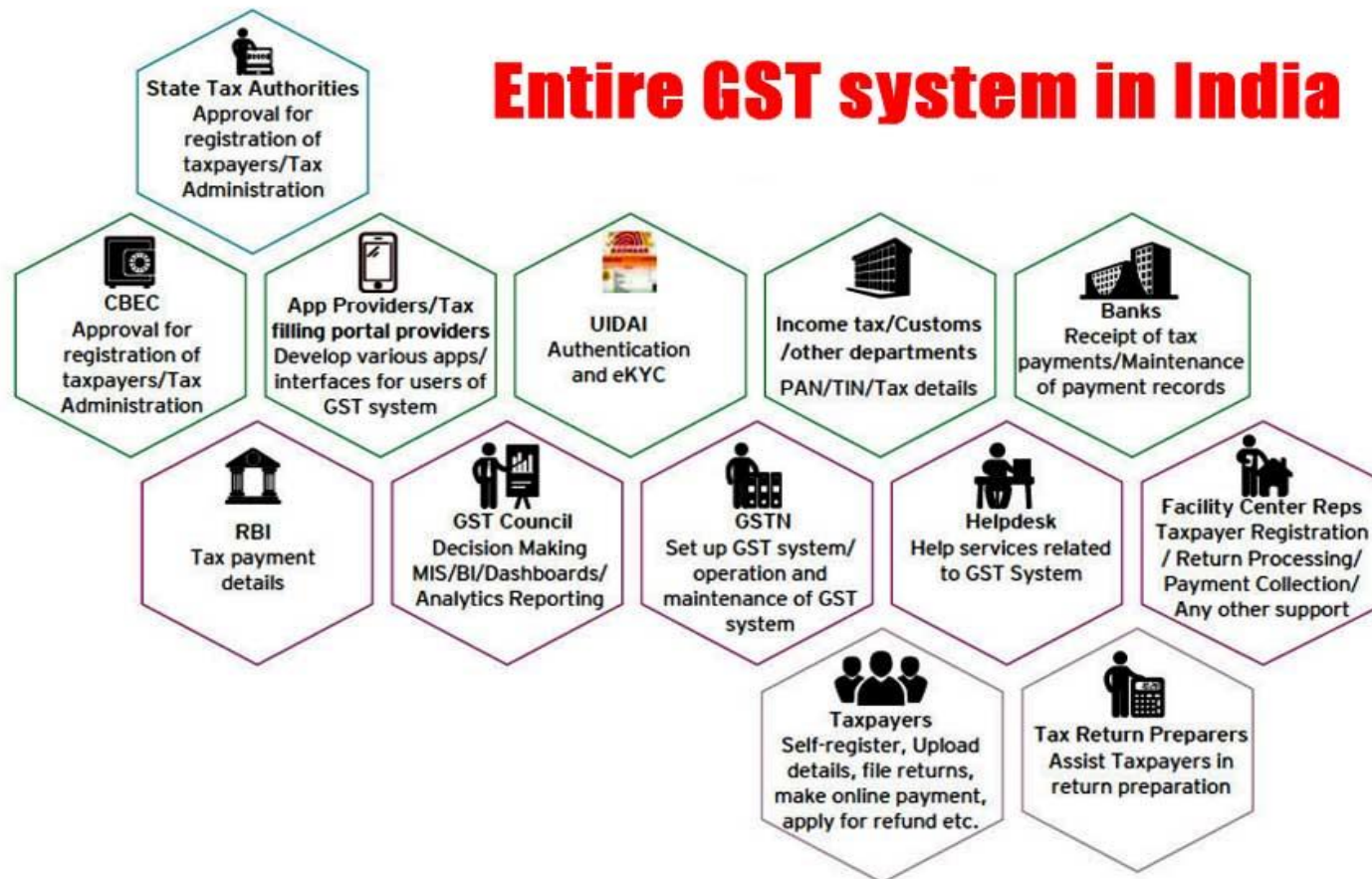
He has sales worth Rs 900000. GST is 10%

= tax payable is Rs.90,000.

If no credit of taxes paid on inputs (Rs 50000 in this case)- then taxes will add up to his cost thereby making goods cost higher(By Rs. 50000)to consumers.

If credit is available, then tax liability on supplies is reduced (to Rs. 40000). Supplier uses credit(ITC) of Rs. 50000 to discharge tax liability and remaining Rs. 40000 is paid by cash. ( hence, Anti-Profiteering mechanism)

# GST Ecosystem



# GSTN...

## IT backbone for the GST system

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- Integrated the disparate IT systems of 36 States /UTS & Centre into one common portal.
- Great load in initial months saw it struggling; it has scaled-up the since then. Stabilized now with average monthly collections at ₹1.67 lakh crore in FY24,
- Handled ~144 crore returns since inception, processed ~2000 crore B2B invoices and ~80 lakh crore of tax payment till date.
- Data generated from the GSTN is useful in checking tax evasion, detecting fake invoices etc.
- GST collections registering a year-on-year growth of 11 per cent.

# GST today...

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**1.48 Cr.**

Registered Tax Payer



**144.50 Cr.**

Total Returns filed \*



**526.66 Cr.**

E-Way Bill \*



**2153 Cr.**

Total Invoice upload \*



**79.95 Lakh Cr.**

Payment through the portal \*



**36.45 Cr.**

Total no. of payment transactions \*



**24.85 Lakh**

Highest Returns Transactions in a day



**9.55 Lakh**

Highest Payment Transactions in a day

GSTN .. Data Mammoth..

She- तुम मुझे कभी नहीं समझोगे!

Me- क्यों? तुम GST हो?

— Axay

YourQuote.in

THEN .....

BusinessToday.In

### EXTRACT FROM CAG REPORT OF 2019

The complexity of return mechanism and the technical glitches resulted in roll back of invoice-matching, rendering the system prone to ITC frauds. Thus, on the whole, the envisaged GST tax compliance system is non-functional. The deficiencies in the GST system also point to a serious lack of coordination between the Executive and the developers.

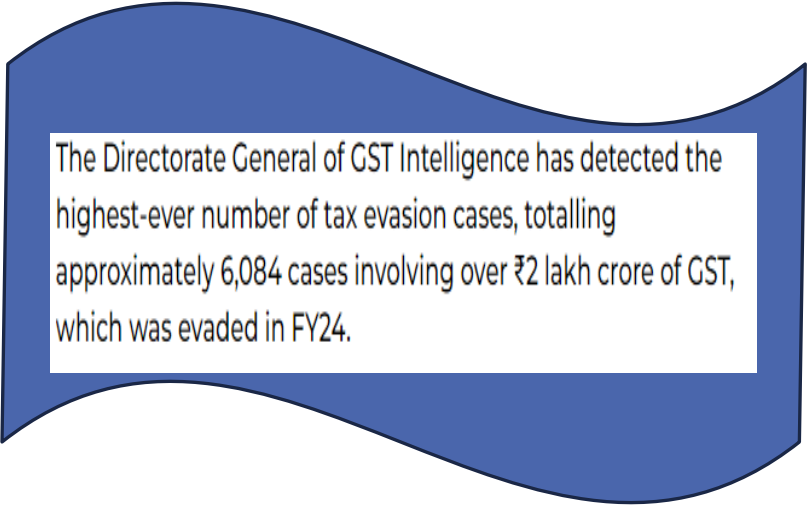
NOW ...

A Deloitte India survey "GST @ 7 Years"  
companies have reported that their confidence in the reform has significantly increased from 59% in 2022 to 84% in 2024.

# Challenges :

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- Complexity of Law & Procedures
- Taxpayer Education
- Mounting litigation
- IT Robustness
- Economic Downturn
- Fraud Analytics
- Fake invoices/Circular Trading
- Self Regulating System ?



The Directorate General of GST Intelligence has detected the highest-ever number of tax evasion cases, totalling approximately 6,084 cases involving over ₹2 lakh crore of GST, which was evaded in FY24.



What Next ??

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**IT'S NOT AN  
ENDING.  
IT'S JUST THE  
POINT IN THE  
STORY WHERE  
YOU TURN  
THE PAGE.**

*PictureQuotes.com*

<https://www.cbic.gov.in/>

<https://www.gst.gov.in/>

<https://www.gstn.org.in/>

# GST 2.0 Economic Resilience & future Outlook

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A phase poised to bring further rationalization and efficiency to the system by :

- Simplify the tax structure : Rate/Slab Rationalization
- Reduce the burden on businesses : New Simplified Returns
- Enhance dispute resolution mechanisms : Amnesty Schemes
- Removal of input tax credit restrictions : Invoice matching
- Introduction of faceless assessment : System driven
- Vendor compliance rating systems : Self Regulating System
- Ease of doing business : Adjudication and Audit proceedings
- Removal of parallel and multiple proceedings
- Restraining expansive legal interpretation
- Leveraging GST data for unlocking business insights
- Analytics for businesses and the Government,
- Informed decision-making Data driven policy formulation
- Measures to boost Sectoral Growth
- Unlocking liquidity by allowing cross utilization of CGST Credit for multi state units?

**Simplicity, Equity, Transparency, Efficiency & Administrative Ease  
while raising Govt revenue**

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**Thank You**  
For Your Attention!

Any Questions



[malhotra.vaishali@gov.in](mailto:malhotra.vaishali@gov.in)