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ROLE OF GST IN INDIAN ECONOMY: AN ANALYSIS

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ROLE OF GST IN INDIAN ECONOMY: AN ANALYSIS

Manjit Singh* & Sahibpreet Singh**

[Abstract: *This paper is a comprehensive study of India's economic metamorphosis and the transformative journey of its taxation system, with a special emphasis on GST framework. India, an emerging economy, has welcomed dynamic economic catalysts, including demographic dividends, urbanization, and globalization. Despite its promising growth trajectory, India wrestles with challenges that call for improved economic governance and inclusive growth. Taxation, a critical aspect, has evolved from ancient levies to the modern British colonial era, culminating in the current constitutional taxation system outlined in the Seventh Schedule of the Indian Constitution. The advent of GST in 2017 was a landmark event, designed to alleviate the cascading effect of taxes and promote cooperative federalism. Its bifurcated structure, encompassing CGST, SGST and IGST for intra and interstate transactions, respectively, seeks to simplify tax laws and enhance the ease of doing business. However, persistent challenges such as technical glitches, compliance burdens for SMEs, and revenue shortfall necessitate ongoing refinement. This paper explores the diverse impact of GST across various sectors like retail, agriculture, IT, banking, and tourism. It also highlights the crucial role of GSPs in facilitating taxpayer compliance through digital platforms. Moreover, it sheds light on the promising intersection of AI and GST, elucidating AI's potential in data analysis, fraud detection, policy formulation, and taxpayer assistance. Despite its potential, the integration of AI in GST requires a balanced approach, taking into account data quality, security, ethics, accountability, resource readiness, and stakeholder education. In summary, this exposition traverses the historical, operational, and technological dimensions of GST's impact on India's economic landscape, advocating for a harmonious synergy between technological advancements and regulatory imperatives in the realm of taxation.]*

Keywords: Indian Economy, GST Evolution, Taxation Reforms, GST Implementation, Technology Impact

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Introduction

India has the fastest major growing economy around the globe. It has a GDP¹ of 3.73 trillion USD as of 2023. In terms of nominal GDP, India is the fifth largest economy, whereas the third largest in PPP² terms.³ A diverse pool of population with a high degree of regional variation is one of the main characteristics of the Indian economy. The economy has been driven by demographic dividend, globalization, urbanisation and other reforms.⁴ However, the country is experiencing problems of its own in its journey towards economic development. India needs to improve its economic governance. It must also enhance human capital and promote inclusive and sustainable growth.⁵

A tax is a compulsory payment made to the government for using public goods and services. In the process of economic development within a country, tax plays a vital role.⁶ Taxation policies affect various factors like allocation of resources, income distribution, price stability, and balance of payments. Taxes also influence the behavior of consumers, producers, and investors.⁷

Tax can be classified broadly into two categories:

1. Direct Tax
2. Indirect Tax

Levying a tax on the income of a person or an entity is known as a direct tax while indirect taxes are levied at different points in the chain of production and distribution. Examples of direct taxes include

¹ Gross Domestic Product.

² Purchasing Power Parity.

³ Economy of India - Wikipedia, https://en.wikipedia.org/wiki/Economy_of_India (last visited Dec 28, 2023).

⁴ The Top 10 Largest Economies in the World in 2023, FORBES INDIA, <https://www.forbesindia.com/article/explainers/top-10-largest-economies-in-the-world/86159/1> (last visited Dec 28, 2023).

⁵ NITI Aayog: Transforming India's Development Agenda, Prime Minister of India, https://www.pmindia.gov.in/en/major_initiatives/niti-aayog-transforming-indias-development-agenda/ (last visited Dec 28, 2023).

⁶ N. Kaldor, *The Role of Taxation in Economic Development*, in PROBLEMS IN ECONOMIC DEVELOPMENT: PROCEEDINGS OF A CONFERENCE HELD BY THE INTERNATIONAL ECONOMIC ASSOCIATION 170 (E. A. G. Robinson ed., 1965), https://doi.org/10.1007/978-1-349-15223-0_8 (last visited Dec 28, 2023).

⁷ MD Joynal Abdin, *Relationship between Taxation and Economic Development of a Country*, (2018), <https://papers.ssrn.com/abstract=3295458> (last visited Dec 28, 2023).

corporate tax, income tax and capital gains tax. Indirect taxes are related to consumption or production of services and goods like sales tax, VAT⁸, excise as well as customs duties among others. The choice of tax structure is primarily based on degree of development of the economy overall.

Direct Tax	Indirect Tax
Progressive- Based on capacity to pay.	Distortionary- Reduces the incentive to work, save, and invest.
Equitable- Reduces income inequality.	Evasive- Liable for tax evasion and avoidance.
Transparent- Easy to monitor and evaluate.	Costly- Requires a high administrative and compliance cost.
Flexible- Can be adjusted as per the dynamics of the economy.	Rigid- Can create fiscal rigidity and instability.

Table 1.1 Differences between Direct & Indirect Tax

GST is known as Goods and Services Tax. It falls under the categorization of indirect taxation. It subsumes various central and state indirect taxes. GST is implemented through a dual structure. Intra-state transactions consist of CGST⁹ and SGST¹⁰. For interstate transactions, an IGST¹¹ is applicable. GST is levied at four rates in India: 5%, 12%, 18% and 28%. It also has some exemptions and higher rates for some luxury & sin goods.

II

Historical Background

Taxation in India has a long-dated history. In ancient times, different forms of taxes were imposed by the rulers. The British colonial era led to the evolution of the modern taxation system in India. A system was introduced to compensate for the losses suffered by Britishers during the revolt of 1857. James Wilson enacted the first ever Income Tax legislation in 1860.¹² During British colonial reign, he was India's premier Finance Minister. He also cited Manu's authority for

⁸ Value Added Tax.

⁹ Central Goods & Services Tax.

¹⁰ State Goods & Services Tax.

¹¹ Integrated Goods & Services Tax.

¹² Income Tax – An overview of History, Constitution, treaty and scheme, https://nja.gov.in/Concluded_Programmes/2020-21/P-1235_PPTs/2.Income%20Tax.pdf (last visited Dec 29, 2023).

imposition of income tax in India.¹³ Income Tax Act, 1886 replaced the old act of 1860. It was subject to some changes in the categories and rates of taxation. The new categories included net salaries and profits from businesses. Further revisions were made in the coming years, which expanded the scope of income tax.¹⁴ Britishers imposed various other taxes that were quite oppressive and arbitrary in nature. This led to various movements against the British. For example, the Salt March of 1930.¹⁵

The system of taxation dealt with some changes after independence. Indian Constitution became operative in 1950. It clearly stated the responsibilities of the governments, both at the state and the central level. The Indian Constitution contains the subjects related to taxation by central and state governments.¹⁶ At the union level, the government is exclusively capable of levying taxes on income other than i) agricultural income, ii) customs, iii) excise, iv) corporation tax, and v) estate duty. While the governments of different states enjoy the exclusivity to levy taxes on: a) agricultural income, b) land revenue, c) stamp duty, d) sales tax, and e) entertainment tax. Both union and state governments have the concurrent power to levy taxes on income from: i. lotteries, ii. betting, iii. gambling.¹⁷

The taxation structure has evolved over time. Some reforms in India:

- a. **Taxation Enquiry Commission (1953-54)**- Dr. John Mathai was the head. The commission recommended rationalization and simplification of the tax structure. Various reductions, exemptions, and improvements were made.¹⁸

¹³ Evolution and History of Taxation in India, <https://taxguru.in/income-tax/evolution-history-taxation-india.html> (last visited Dec 29, 2023).

¹⁴ History of Taxation in India – Tax Structure from Past to Present., <https://www.levare.co.in/articles/history-taxation-india> (last visited Dec 29, 2023).

¹⁵ Salt March, WIKIPEDIA (2023), https://en.wikipedia.org/w/index.php?title=Salt_March&oldid=1189393018 (last visited Dec 29, 2023).

¹⁶ Seventh Schedule.

¹⁷ Diganth Raj Sehgal, *Law of Taxation and the Constitution of India*, IPLEADERS (Aug. 28, 2020), <https://blog.ipleaders.in/law-taxation-constitution-india/> (last visited Dec 29, 2023).

¹⁸ GOVERNMENT OF INDIA, REPORT OF THE TAXATION ENQUIRY COMMISSION 1953 - 54 (1956), <http://archive.org/details/dli.ministry.21748> (last visited Dec 29, 2023).

- b. **Direct Taxes Administration Enquiry Committee (1971)**- Mahavir Tyagi headed it. It worked on improving the effectiveness of direct tax administration.¹⁹
- c. **Indirect Taxes Enquiry Committee (1977)**- L. K. Jha headed the committee. It proposed the reformation of an indirect system of taxation.²⁰
- d. **Long-Term Fiscal Policy (1985)**- The Ministry of Finance laid down the fiscal policy objectives. It aimed to achieve fiscal stability along with tax equity. It also advocated for broadening the tax base. It also emphasized other improvements in administration.
- e. **Tax Reforms Committee (1991-93)**- Raja Chelliah headed the committee. The suggestions were based on the economic liberalization, privatization & globalization policy.
- f. **Kelkar Task Force (2002-04)**- Vijay Kelkar headed the task force. It reviewed direct and indirect tax policies. It also suggested modernization of the tax administration and information technology.²¹
- g. **Thirteenth Finance Commission (2007-10)**- It was also led by Vijay Kelkar. It recommended the introduction of GST.²²
- h. **Goods and Services Tax Council (2016-present)**- The Union Finance Minister heads it. It governs the implementation of GST. It also takes care of the administration part. It is responsible for making recommendations on various aspects of GST.²³

¹⁹ CHAIRMAN K. N. WANCHOO ET AL., DIRECT TAXES ENQUIRY COMMITTEE: FINAL REPORT, DECEMBER 1971 (1972), <http://archive.org/details/dli.ministry.11978> (last visited Dec 29, 2023).

²⁰ CHAIRMAN L. K. JHA ET AL., REPORT OF THE INDIRECT TAXATION ENQUIRY COMMITTEE OCTOBER, 1977 (1977), <http://archive.org/details/dli.csl.539> (last visited Dec 29, 2023).

²¹ Tax Reforms in India - GKToday, <https://www.gktoday.in/tax-reforms-in-india/> (last visited Dec 29, 2023).

²² R. Vasanthagopal, *GST in India: A Big Leap in the Indirect Taxation System*, INT. J. TRADE ECON. FINANCE 144 (2011).

²³ GST Council, Goods and Services Tax Council, <https://gstcouncil.gov.in/gst-council> (last visited Dec 29, 2023).

III

Need For GST

GST was needed to streamline tax laws in India. GST was aimed at eliminating the cascading effects of tax, improving tax compliance, and accelerating exports. The indirect tax system previously in force had multiple taxes at different stages by both union and different state governments. This resulted in cascading of taxes. In turn, the price of production and consumption increased and hampered the economy's competitiveness. GST is categorised as a value-added indirect tax.²⁴ It includes several central & state taxes. GST aims to enhance ease of doing business and broaden the tax base. It's aimed at eliminating tax-induced distortions and fostering cooperative federalism. GST also affects production, consumption, and investment. Some key attributes of this system are:

- i. **Dual structure**- It consists of CGST and SGST for intra-state transactions. IGST for interstate transactions. The dual structure preserves fiscal autonomy and ensures a harmonized tax regime.
- ii. **Four-tier structure**- The rate of taxation is primarily divided into four slabs. It intends to bring uniformity in taxation while reducing the cascading effect of taxes. This promotes the ease of doing business.
- iii. **Destination-based**- The tax is charged at the place of consumption rather than the place of production. This ascertains that tax revenue accrues to the respective state where goods/services are consumed. This helps to avoid interstate tax distortion. This helps in making exports more competitive in the international market as no GST is charged.
- iv. **Value added principle**- At every stage of supply chain, only the added value is subject to tax. On inputs on which taxes have been paid, there exists a provision for claim of input tax credit. This avoids the double taxation. Tax invoices clearly show the tax paid at every stage, improving the system's transparency. At last, the final consumer bears the burden of taxation.

²⁴ Dr Harshal Anil Salunkhe & SSBT's Coet, *A Study of Goods & Services Tax (GST) & Its Impact on India: Review* (2017).

- v. **Coverage of GST**- It includes most goods and services. Except for the following items: a. Alcohol, b. Petroleum Products, c. Electricity, d. Real Estate.
- vi. **Digitalization of GST**- This includes registration, filing, payment, and refund components of GST via GSTN²⁵. This helps with hassle-free execution of the process. This network also provides online and offline tools for further assistance.
- GST also has several issues and challenges as well. They are as follows:
1. **Technical glitches**- There can be operational difficulties in the GSTN. There can be several delays, errors, and inconveniences for the taxpayers as well as the tax officials. It has faced server downtime, slow response, mismatch of data, incorrect calculation of tax liability, and denial of input tax credit. This negatively impacts the filing of returns, payment of taxes, and refund claims. The grievance redressal mechanism has also been set up to address the technical difficulties.
 2. **Cost for taxpayers**- SMEs²⁶ must comply with multiple registrations, returns, and audits under this regime. Taxpayers from different states must register at the place of business. They also have to file the returns, issue invoices, and maintain the records for audit.
 3. **Revenue shortfall**- GST has resulted in declining state tax collection. There is also a delay in compensation for the loss of revenue due to GST at the union level of governance. The GST system has tried to address this issue by allowing the states to borrow from the market. Other measures include the extension of the compensation period and rationalization of cess.
 4. **Rate rationalization**- The multiple rate structure of GST creates disputes among taxpayers and tax authorities. This negatively impacts the efficiency of the system. The GST system needs optimization regarding the rate structure by minimizing exemptions and concessions.
 5. **Dispute resolution**- It involves the resolution of conflicts between union & state governments and among different state governments. GST system has a federal structure that requires the cooperation of the

²⁵ GST Network.

²⁶ Small and Medium Enterprises.

governments and the GST Council. It is essential for hassle-free administration of GST.²⁷

IV

Impact of GST on Indian Economy

The GDP can have potential increments with the applicability of GST. Its actual ramifications on GDP growth are contingent upon its application and efficient administration.²⁸ The following channels can explain its positive impact:

- a) **Cascading effect of taxes**- GST helps eliminate double taxation. This, in turn, lowers the cost of production. This helps increase the competitiveness of both the producers and consumers. This creates a positive supply-side effect on the economy. It helps increase the output and employment factor. It also helps reduce the inflation and trade deficit.
- b) **Simplification of tax system**-GST has a positive demand-side effect on the economy. It increases disposable income. It also enhances tax compliance and revenue.
- c) **Integrated market**- Free flow of services & goods increases the economies of scale.²⁹

Some negative impacts of the same are explained as follows:

- i. **Increased tax burden**- Under GST, some sectors of the economy face a relatively higher tax rate than the previous structure. This creates a negative supply-side effect on the economy. It reduces the output. This increases inflation and trade deficit.
- ii. **Operational difficulties**- GSTN may cause certain delays & errors. This becomes quite disruptive for the end users.
- iii. **Transitional challenges**- Shortfall in revenue creates a negative external impact on the economy. This negatively affects the fiscal stability.³⁰

²⁷ Arun Kumar Deshmukh, Ashutosh Mohan & Ishi Mohan, *Goods and Services Tax (GST) Implementation in India: A SAP-LAP-Twitter Analytic Perspective*, 23 GLOB. J. FLEX. SYST. MANAG. 165 (2022).

²⁸ Subhamoy Banik, *GST in India: Impact and Challenges*.

²⁹ Ranjan Kumar Mohanty, *Fiscal Deficit and Economic Growth Nexus in India: A Simultaneous Error Correction Approach*, 18 J. QUANT. ECON. 683 (2020).

³⁰ Esha Bansal, *A Study on Impact of GST on Indian Economy*.

GST can impact inflation, both in a negative or positive sphere. It can affect the inflation rate by:

1. Change in relative prices of services & goods
2. Cost of production and consumption
3. Demand and supply conditions
4. Monetary and fiscal policies³¹

GST can also influence fiscal deficits by affecting tax revenue and expenditure.³²

101st Constitutional Amendment Act, 2016, introduced GST in the Constitution. It came into force on the first of July 2017.³³ GST impacts different industries depending on various factors. Some sectors have benefited from GST, while others faced challenges. The following are the major sectors that were affected by the introduction of GST:

- i. Retailers & Manufacturers-** GST has simplified the tax structure. It increased the competitiveness of the domestic market. GST has also increased these sectors' compliance burden and working capital requirements. The tax rates vary across different product categories. Some products have become costlier due to GST.
- ii. Agricultural Sector-** It has narrowed the tax-burden on the agricultural sector. The implementation exempts most of the agricultural products from GST. It eliminated the interstate barriers, which enabled free movement across the country. GST also increased the input costs for the farmers. It also affected the allied sectors such as dairy, poultry, and fisheries by imposing higher tax rates on some of their products.
- iii. Textile Sector-** GST has brought the textile sector under the tax net. It has also enabled input tax credits for the textile sector and curbed tax evasion and corruption. Nonetheless, it has increased the tax liability for the sector. The profitability of SMEs, as well as the unorganized sector, is also affected.
- iv. IT Sector-** GST has created a common market for the IT sector. GST has also reduced the tax complexity. It has also reduced litigation issues in the IT sector. GST has also enabled the sector in seamless flow of credit.

³¹ Banik, *supra* note 29.

³² R. K. Pattnaik, *Indian Fiscal Federalism: A Study of Factors Affecting Resource Position of the State Governments*, 21 J. SOC. ECON. DEV. 191 (2019).

³³ Impact Of Goods and Services Tax on Various Sectors of Indian Economy, <https://blog.ipleaders.in/sectoral-impact-gst/> (last visited Dec 31, 2023).

The implementation of GST also impacts the pricing and invoicing of software products.

- v. **Banking Sector**- GST has increased the tax liability for the banking sector. It increased the operational challenges for the banking sector. GST has created a level playing field and a uniform tax system for the banking sector.
- vi. **Hotel and Tourism Sector**- There has been a tax rate cut in this sector. It increased the attractiveness of the Indian tourism industry. GST has also affected the demand and the growth of this sector.
- vii. **Entertainment Industry**- Tax burden for this industry has been cut short too. This eliminated the multiple taxes. GST has also affected the profitability and the viability of the entertainment industry.³⁴

V

New Age Technology and GST

The application of new-age technology has aided the implementation of GST. Following is some of the technological instruments that are deployed for the same:

- i. GSTN³⁵
- ii. E-way bill system
- iii. GST portal
- iv. GSPs³⁶

These technological tools have enabled the seamless functioning of certain processes involved with GST. They have also reduced the cost and time of tax administration. Also improved the transparency and accountability of the tax system. This improves the parameter of ease of conducting business in India.

- i. **GSTN**- The GSTN is a key component of the GST system. Following is an analysis of the same:
 - 1. **Vision and Objectives**- GSTN aims to provide a single online digital platform for all GST compliance activities, such as registration, tax

³⁴ Khatabook, *Impact of GST on Different Sectors*, KHATABOOK, <https://khatabook.com/blog/impact-of-gst-on-different-sectors/> (last visited Dec 31, 2023).

³⁵ Goods and Services Tax Network.

³⁶ GST Suvidha Providers.

payment, return filing, refunds, and appeals. It also allows tax officers to perform all statutory functions. The key objectives include easy integration with other departments/agencies/banks, paperless processes, minimal human interface, and using GST data for policymaking and GDP estimation.

2. **Architecture Principles-** The GSTN follows a platform approach, developing every function/module (like GST Registration, Return Filing, Payment, Assessment, etc.) as a service, which can be used by the GST portal as well as by third-party applications. This is almost identical to the open, scalable architecture followed by Aadhaar, Facebook, Google, etc.
 3. **Openness and No Vendor Lock-in-** The GSTN adopts open API, open standards, and open-source products. It is designed using the loose coupling principle, so underlying service-providing software can be replaced with minimal effort and without vendor lock-in.
 4. **Security and Privacy-** The GSTN ensures the privacy and security of taxpayers' data both at rest and in motion.
 5. **Scalability-** GSTN is designed to be modular and scalable. It uses data sharding and parallel processing and allows for horizontal scaling of compute, network, and storage.
 6. **Manageability and Reliability-** The GSTN uses automated deployment of applications and completely automated monitoring of applications and infrastructure for quick identification and resolution of issues.³⁷
- ii. **E-way bill system-** The e-way Bill system is a significant component of GST framework. Its key aspects are hereunder:
1. **Purpose-** This is designed for GST-registered individuals or enrolled transporters. It is used in generation of e-Way Bill. It is generated electronically when the value of displaced goods exceeds Rs. 50,000. This could be in regard to supply, for reasons other than supply, or due to inward supply from an un-registered person.³⁸

³⁷ GST Technology Architecture.pdf, <https://www.gstn.org.in/assets/mainDashboard/Pdf/GST%20Technology%20Architecture.pdf> (last visited Dec 30, 2023).

³⁸ Eway Bill – What is Eway Bill? E Way Bill System, Rules and Generation Process Explained, CLEAR TAX, <https://cleartax.in/s/eway-bill-gst-rules-compliance> (last visited Dec 30, 2023).

2. **Content-** It contains details such as the origin & destination of the goods. It also contains the type and quantity of goods being transported and the mode of transportation, along with the GST identification numbers of the parties involved.³⁹
 3. **Generation Process-** A GST-registered person isn't allowed transporting goods, in a vehicle without an e-way bill, of price exceeding Rs. 50,000. It is generated on the ewaybillgst.gov.in website. It can be generated or canceled through SMS, Android App, etc. too.
 4. **Benefits-** This instrument facilitates faster mobility of goods and eliminates state boundary check posts. It serves as a digital interface. It ensures 100% tax compliance and facilitates the monitoring and tracking of goods during transit.⁴⁰
- iii. **GST Portal-** The GST Portal is an important aspect of the GST system. The key aspects of the GST Portal are as follows:
1. **Application-** It is designed for GST-registered persons to perform all activities related to GST compliance online. This includes registration, filing of returns, refunds, and reply to notice.⁴¹
 2. **Composition-** The portal contains details such as the GST identification numbers of the parties involved, the type and quantity of goods being transported, and the mode of transportation.
 3. **Generation Process-** It facilitates the generation of various GST returns. Every registered dealer is required to file the GSTR-1 return for each month/quarter as applicable. The return contains details of all outward supplies made during that particular tax period.
 4. **Benefits-** The GST Portal facilitates faster and more efficient GST compliance. It accelerates processes by allowing for online registration, refund processing, filing of returns and reply to notice. It ensures tax compliance. It also helps monitor and track the goods.
 5. **Limitations-** When the number of sales invoices is more than 500, then the GST Offline Utility needs to be downloaded. The return file is generated from this offline utility.⁴²

³⁹ What Is An E-Way Bill? Definition, Rules, And Generation Process, (Feb. 3, 2023), <https://whitebooks.in/blog/what-is-e-way-bill-eway-bill-rules-generation-process/> (last visited Dec 30, 2023).

⁴⁰ Simplified Provisions of E-Way Bill, <https://taxguru.in/goods-and-service-tax/simplified-provisions-e-way-bill.html> (last visited Dec 30, 2023).

⁴¹ Goods and Services Tax (GST) What is GST in India? Indirect Tax Law Explained, CLEAR TAX, <https://cleartax.in/s/gst-law-goods-and-services-tax> (last visited Dec 30, 2023).

iv. GSPs (GST Suvidha Providers)

1. Outline of GST Suvidha Providers

- i. A GST Suvidha Provider (GSP) is an enabler/authorized intermediary for businesses to access GST portal services.
- ii. GSPs help with legal compliance through their GST Software applications and APIs.⁴³
- iii. GSPs are ITES⁴⁴, IT⁴⁵, & BFSI⁴⁶ companies that provide a convenient web-based platform for taxpayers as well as other stakeholders involved.
- iv. The platform helps stakeholders to comply with the essential requirements, like filing of returns, uploading details of invoice, GST-registration application, etc.⁴⁷

2. Role of GST Suvidha Providers

- i. GSPs enable a GST taxpayer to check all procedural provisions of the legal compliance, through its web platform.
- ii. They provide innovative methods or means of an effective interactive platform for taxpayers to access GST portal services ranging from registration and invoicing to completion of GST return filing.
- iii. GSPs need not only be ERP⁴⁸ companies. Startups or financial technology houses, with expertise in creating web-applications for filing GST returns, can also be suited.⁴⁹

3. List of GST Suvidha Providers

- i. GSTN has authorized many GSPs to develop a platform that enables tax-payers to comply with GST.

⁴² Guide on GSTR 1 filing on GST Portal, CLEAR TAX, <https://cleartax.in/s/guide-to-gstr1-filing> (last visited Dec 30, 2023).

⁴³ GST Suvidha Provider: Everything You Need to Know, CORPBIZ (Aug. 11, 2021), <https://corpbiz.io/learning/gst-suvidha-provider/> (last visited Dec 31, 2023).

⁴⁴ Information Technology Enabled Services.

⁴⁵ Information Technology.

⁴⁶ Banking, Financial Services and Insurance.

⁴⁷ GST Suvidha Provider (GSP): All You Need to Know - QuickBooks, <https://quickbooks.intuit.com/in/resources/gst-center/gst-suvidha-provider/> (last visited Dec 31, 2023).

⁴⁸ Enterprise Resource Planning.

⁴⁹ GST Suvidha Kendra Registration, GST Suvidha Center, Apply Now GST Seva Kendra - Alankit GST, <https://www.alankit.com/gst-suvidha-provider> (last visited Dec 31, 2023).

- ii. The APIs enable all functions of this system, such as registration, filing of returns, tax payment, and invoicing.
- iii. GSTN manages all GST filings.
- iv. Some of the GSPs include Abhipra Capital Limited, Acme Infovision Systems Pvt Ltd, Adaequare Info Private Limited, Alankit Limited, Amazon Seller Services Pvt. Ltd., and many more.⁵⁰

VI

Role of AI and GST

One-of-the emerging technologies that have the prospects to further improve the effectiveness of GST is artificial intelligence (AI). Computer systems or algorithms that can perform tasks demanding human intellect are said to be AI (artificial intelligence).⁵¹ AI can be applied to various aspects of GST, such as:

- a. **Data analysis-** AI can help analyze the large amounts of data generated by the GST system. Various payments, invoices, etc., can be analyzed using this.⁵²
- b. **Fraud detection-** It can identify the patterns and anomalies in the data. It can help with discrepancies, too. It has the ability to flag potential cases of tax evasion and fraud. This can help tax authorities to monitor the GST transactions more effectively. This, in turn, prevents revenue leakage.⁵³

⁵⁰ GST Suvidha Provider (GSP) – An Overview, CLEAR TAX, <https://cleartax.in/s/gsp-gst-suvidha-provider> (last visited Dec 31, 2023).

⁵¹ NITI Aayog, Responsible AI for All, 2022, https://www.niti.gov.in/sites/default/files/2022-11/Ai_for_All_2022_02112022_0.pdf (last visited Dec 25, 2023).

⁵² A peep into how generative AI is integrating into GST management in India, <https://indiaai.gov.in/article/a-peep-into-how-generative-ai-is-integrating-into-gst-management-in-india> (last visited Dec 30, 2023).

⁵³ e commerce fraud: How Artificial Intelligence can help detect e-commerce fraud - The Economic Times, <https://economictimes.indiatimes.com/news/how-to/how-artificial-intelligence-can-help-detect-e-commerce-fraud/articleshow/93203636.cms> (last visited Dec 30, 2023).

- c. **Taxpayer assistance-** AI can help provide personalized and timely assistance to taxpayers. It can answer queries, provide guidance, and resolve certain issues.⁵⁴
- d. **Grievance redressal-** AI can automate and simplify GST filing, payment, and refund processes. This can reduce the errors and delays in the process. This way, taxpayers can better comply with GST rules and regulations.⁵⁵
- e. **Policymaking-** It can provide insights and feedback to policymakers based on the available data, such as the impact and effectiveness of the GST rates, exemptions, etc.
- f. **Policy evaluation-** AI can also help simulate the outcomes of various policy scenarios. It has the capacity to suggest optimal and evidence-based solutions. In this manner, policymakers can design as well as implement policies more effectively.⁵⁶

Thus, technology can seemingly enhance the utility of GST in India. But, certain risks are also associated in using AI. They are as follows:

- i. **Data quality-** AI relies on the availability of the data. The accuracy relies upon the quality of data provided to the system. Thus, it is essential to make sure that the data is reliable.
- ii. **Data security-** Data should be guarded from unauthorized access. Otherwise, data security might be compromised, and the data could be misused. It usually contains confidential information of the end users.
- iii. **Ethics-** AI is based on complex algorithms which aren't fully transparent. So, it becomes important to ensure that the AI system is ethical enough to ensure stakeholders' interests.

⁵⁴ Govt. To Use AI and Analytics For Monitoring GST Tax Evasion, <https://analyticsindiamag.com/budget-2021-govt-to-use-ai-analytics-for-monitoring-gst-tax-evasion/> (last visited Dec 30, 2023).

⁵⁵ GS SCORE, *Launch of AI-Powered Grievance Management Application - GS Score*, <https://iasscore.in/current-affairs/prelims/launch-of-artificial-intelligence-powered-grievance-management-application> (last visited Dec 30, 2023).

⁵⁶ AI-generated GST evasion notices stir human versus machine debate, <https://www.moneycontrol.com/news/business/economy/ai-generated-evasion-notices-stir-human-versus-machine-debate-in-gst-11889841.html> (last visited Dec 30, 2023).

- iv. **Accountability-** It should be subject to human oversight and intervention. There must be clearly defined SOP's in relation to the work to be done by the human and machine agents.
- v. **Capacity-** AI requires the availability of necessary infrastructure and resources to function. It is sometimes quite expensive to deploy and maintain the system.
- vi. **Readiness-** It is important to provide adequate training and education regarding the use of technology. The stakeholders must be made fully aware of the AI system.

Hence, it is imperative to adopt a balanced approach. This will help leverage the benefits and mitigate the risks associated with the technology. This becomes important to ensure that the AI system is aligned with the requirements of the GST system.

VII

Conclusion

In conclusion, GST stands as a pivotal reform. It brought about significant changes in the tax structure and administration. GST has also considerably impacted the Indian economy, affecting various macroeconomic indicators. Because of GST, a transition from a complex tax structure to a unified and streamlined system was made possible. It catalyzed the taxation reforms.

The genesis of GST traces back to historical tax reforms, evolving through a series of committees and commissions aimed at rationalizing India's taxation structure. Post-implementation, GST ushered in a dual structure, fostering cooperative federalism while striving to mitigate the cascading effect of taxes, enhance tax compliance, and streamline the movement of goods and services across state boundaries.

However, this growth hasn't been without challenges. Technical glitches within the GSTN, the diverse impact on different sectors, and operational hurdles faced by businesses, particularly SMEs, underscore the complexities in its seamless adoption. Yet, amidst challenges, GST has engendered positive effects, reducing tax barriers in some sectors

while optimizing compliance procedures and reducing tax evasion potential through its robust digital infrastructure.

The GSPs facilitate offering an interactive platform for accessing GST services, which further underscores the critical role of technology in bolstering the efficiency of the GST regime. The GSPs facilitate taxpayer compliance. Moreover, it gives opportunities for enhanced data analysis, fraud detection, taxpayer assistance, and policy formulation within the GST framework. It is sometimes accompanied by challenges such as data quality, security, and ethical considerations. Hence, the journey of GST in India reflects a paradigm shift in taxation. It is necessary to have a balanced approach. The holistic perspective aims to leverage the transformative potential of GST.