



# GST vs Old Tax System: A Comparative Study

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**Abstract** – Goods and Service tax is universally known as GST which is consumption tax currently used in on the supply of goods and service. It is comprehensive tax because it has subsumed almost all the indirect tax except a few state taxes. Before this tax model there are two types of tax in India which is levied by the government in different way. Old tax system of India is lengthy and complex, to file tax individual has suffered some paper work which is typical for common man. This paper compared current GST Framework and old taxation system and describes its impact on Indian economy in brief. However researcher observed also earlier studies. More than 160 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and after having much discussion with different party it was passed on Aug 4, 2016 by the Rajyasabha. Finally India had implemented GST from 1 July, 2017. Goods and Service Tax, a significant breakthrough and the next logical step towards a comprehensive Indirect tax reform in India. This paper gives an overview of GST and further discusses how the mechanism reduces the tax burden and other cascading effects. Brief description is given on the history of tax, GST background, introduction, salient features and illustration of reducing tax burden. GST is the new story of VAT to be implemented in India decision on which is pending. It aims at creating a single and unified market benefiting both corporate and economy because this is the only Indirect tax that directly effects all sectors of economy, it enables widespread setoff for Input Tax Credit(ITC) and subsuming of many indirect taxes having a dual concept model operating at centre(CGST) and state(SGST) to maintain commonality. Therefore this paper focuses on the overview and reducing tax burden through GST. With an aim of simplifying tax structure in India, GST proposes to remove the geographical obstacles for trading, and transforming the entire nation to ‘One Common Market Place.’ While it is believed that the ‘One Nation- One Tax’ regime is paving path towards a better economy of our country, questions related to how is this reform going to be any better than the earlier tax transformations India has seen over the past years (VAT-Service Tax-Excise), is a matter of concern. How is the new tax structure going to effect the consumer and the impact it will have on various sectors? We de-code this myth by listing down key differences between GST and the previous tax structure.

**Keywords** – Goods and Services Tax (GST), Indirect Tax, Indian Economy, Tax Reform, Old Tax System, Input Tax Credit, CGST, SGST, One Nation One Tax, Tax Burden, Cascading Effect, VAT, Economic Impact.

## I. INTRODUCTION

Ministry of Finance rolled out GST regime on 01 July 2017 and this change in taxation system turned the calculations of business entities upside down as the organizations were expecting a kind of delay in implementation of GST. Most interesting fact is that, along with firms, the government officials themselves were not prepared enough and there was a need of an entirely a new syllabus and training required to deal with the situation arise under GST regime, and to bring both entity at a common platform.

According to Madrecha (2017), the actual problem was faced by the real estate developers and construction organizations as they were having no information to manage the chorus financial activities such as payment to contractors, and taxes on works contract. The new taxation system was not equipped enough to deal with such challenges and also the users were not having such great level of understanding of the new taxation.

With time, things related GST regime has been settled down under different accounting application system and the organizations have also digested up to certain level. The overall analysis of situation shows that, GST application system and its related accounting was not abnormal at any level but the actual problem arose because of lack of preparedness from both the sides, i.e. government officials related to GST and the accountants of organizations.

According to Vishwanathan (2019), the GST is implemented in order to simplify the different tax processes such as VAT, Service Tax etc. The GST implementation activity brought a drastic change in accounting concept of Works Contracts and this change could be better explained with help of tax calculation before and after implementation of GST regime. The Works Contract is actually an agreement which involves of providing services and also transfers of goods. In construction industry, the builders outsource a number of works under work contract system such as construction of building, fabrication work, electrification and interior work etc.

The Government needs money to preserve law and order in the country and to carry out certain welfare step to bring the balanced evolution of the state. The government's most important source of revenue is tax. The tax is divided into two types depending on its prevalence and impact. One is direct tax and another is indirect tax. Direct tax is a form of income tax wherein its impact and burden is on the same person such as income tax. Income tax Act was first introduced in India in February, 1860 by James Wilson who becomes India's first Finance Member. It was divided into 21 parts consisting of no less than 259 sections.

Now presently the Act runs into 23 chapters, 298 sections and 14 schedules. Indirect tax is a type of tax that is not levied directly from the consumer. Taxation is the only utensil to achieve growth and economic development in the long run of any country and it is very significant to understand the constituent of tax which are to be targeted in



order to attain economic growth. Generally the personal income tax has little or no effect on economic growth in turn corporate income tax had extensive impact on economic growth.

In order to attain the long term economic growth, it is absolute necessary to know targeted revenue sources and it is also very important to understand which tax components are important in context to attain long run economic growth. GST, is a unified tax which is levied on the value added for the delivery of goods and services. GST was implemented in accordance with GST bills passed by the government. The government enacted th four bills on 12 April 2017 such as CGST, SGST, UGST, and IGST.

### **Work Contract Under Old– Gst Regime**

Under pre-GST regime, the work contract was managed under two different taxation process which includes Supply of Goods treated under VAT and Supply of Services treated under service tax. The Work Contract activity was treated under different taxation law and this inclusion of different taxation system was making confusion in terms of treatment of taxability and the contractors themselves were having sometimes confusion related to percentage applicability of tax under work contract.

### **WORK CONTRACT UNDER New – GST REGIME**

The implementation of GST made the entire process more simplified and now required clarification has been issued to eliminate the uncertainty of the taxation legislature. Now, the application of GST has eliminated all the confusion regarding the treatment to the taxation as now the entire contract will be treated as supply of services under GST. In GST regime the works contract is restricted to immovable property. There must be supply of both goods and services. Works contract in GST is supply of services under composite supply.

### **Purpose Of The Study**

In this study, the focus is solely on analysis of Taxes Works Contract in Pre-GST and Post- GST tax regime in construction industry. GST has been formed after clubbing of different taxation processes which include of VAT and service tax as the same was charged under works contract system. The manufactured material used in works contract is also passed through one additional tax of Excise Duty. However, the implementation of GST in Works Contract has actually simplified the complex taxation process and now the accounting has also become sorted.

The current research has been conducted with aim of analyzing the complexity in calculation of taxes in Works Contract agreement in construction industry. The study is made by showing two different calculations in Pre – GST regime and subsequent Tax on Post– GST regime in Works Contract. There was difference in calculation of value of service tax in VAT and service tax rules. The study will help to discover that whether the tax amount paid is lower or higher as compared to previous tax rates and also to know the complexity involved in calculation of Taxes in Works

Contracts in Pre GST regime and simplicity in GST. In this study, the subject industry, i.e. construction industry has been chosen from Uttar Pradesh because of which the previous tax calculation will be made on basis of UPVAT and Service Tax.

### **Objectives Of The Study**

The objectives of the study have been shown below:

- To ascertain the difference between the tax amount to be paid on Work Contract in
- To identify the complexity of tax to be calculated on Work Contract before GST construction industry Pre – GST and Post – GST. And simplicity after implementation of GST.

### **Background Of The Study**

Although India's indirect tax policy has been slowly moving toward the VAT principle since 1986, the Kelkar Task Force on the implementation of the FRBM Act, 2003 had noted that the current system of taxing goods and services still has several issues. Between the federal government and the states, the tax base is dispersed. Services, which account for 50% of the GDP, are not properly taxed. The current tax system has a variety of cascading impacts. These issues cause a low tax-to-GDP ratio in addition to a number of economic inefficiencies. The Kelkar Task Force had proposed a comprehensive Goods and Services Tax (GST) based on the VAT basis in this situation.

The Atal Bihari Vajpayee government in India first proposed the introduction of GST in 2000. According to a task force led by the finance ministry's advisor Vijay L. Kelkar, the current tax system has a number of problems that the GST system will be able to address. In 2005, P. Chidambaram, the finance minister, stated that the government's medium- to long-term objective was to enact a unified GST structure across the nation, spanning the entire production-distribution chain. Pranab Mukherjee, India's new finance minister, unveiled the GST system's fundamental structure in 2009. Jaitley stated in his budget speech in February 2015 that the government aims to implement the GST system by the first of April 2016. The Lok Sabha passes the Constitution Amendment Bill. The Atal Bihari Vajpayee government in India first proposed the introduction of GST in 2000.

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## II. REVIEW OF LITERATURE

Shinde (2019) defined the works contract under GST regime as any contract in relation to an immovable property where services are provided along with transfer of Goods. The researcher state that, the GST has been developed after elimination of three taxes, i.e. VAT, Service Tax and Central excise. The works contract tax is applicable for immovable property only and separate work account has to be created for each sub-contractor.

Shinde (2019) mentioned that there is no abatement is applicable in case of works contract and the time of supply of contractual service in normal cases should be „Date of issue of invoice / Date of provision of service / Date of receipt of payment“. There are usually two GST rates are applicable in case of works contract tax, i.e. GST 18% and GST 12%. In the clause 2(107) of the draft Model GST law of June 2016 Movable and Immovable property both were included. To make it clear and specific in revised draft of Model GST law in November 2016 clause 2 (110) the word movable was deleted. Piyush (2019) defines, the concept of immovable property as such Degree of permanency of the attachment to the earth, intent of the use of the goods /property is essentially of immovable nature, non-detachable without substantial loss and or loss of identity after removal.

Sudipta, Abhishek and Rishabh (2019) stated that degree and the intendment and also object or intention behind the attachment to be seen to determine the immovable property. Piyush (2019) state that, the GST concept is not entertaining the aspect of nature of expenditure in terms of „Capital“ or Revenue“. If the location of supplier, recipient and immovable property is in three different state then place of supply will be location of immovable property. If the supplier and recipient are in India and location of property is outside India then place of supply will be location of recipient. In the Works Contract Service, the Input tax credit could only be availed if works contract service is further supplied in same line of business. The study of Mishra (2019) has specifically focused his study with respect to determining the „Location of the Supplier of Services“.

The author mentions that, the supplier is supposed to get the firm registered with GST after attaining the stipulated limit of aggregate turnover. As far as supply of product and services is concerned then it has to be ensured that the organization must be registered with GST of principle place. He has stated that a taxable person providing the works contract service should take registration from where he is providing services. He further stated that destination“ is not relevant for registration. However, this does not exactly fit as per act. This may result in loss of tax credit. Sudipta, Abhishek and Rishabh (2019)has stated that from practical perspective the contractor should be registered in the state from where the project is executed i.e. immovable property is situated.

G. Garg (2014) has been examined how the GST would affect the tax system in India. He attempted to draw attention to the goals of the proposed GST plan as well as any opportunities and potential difficulties it may present. He came to the conclusion that the GST is the most reasonable step toward a thorough reform of indirect taxes in our nation since independence. All sales of goods and services, as well as their combinations, are subject to the GST tax. GST will have an influence on all economic sectors, including the service sector, business, and government agencies. GST will have a direct impact on all economic sectors, including large, medium, and small scale businesses, intermediaries, importers, exporters, merchants, professionals, and consumers. The Goods and Service Tax (GST), one of India's most significant tax changes, is planned to harmonise state economies and accelerate national growth.

GST will consolidate the Indian market and strengthen the economy. By removing tax obstacles between States and unifying India through a unified tax rate, experts predict that the GST will increase tax revenues and boost India's economic growth. Through a lower tax rate, a larger tax base, and fewer exemptions, GST will evenly distribute the tax burden between manufacturing and services. A study was undertaken by Khurana & Sharma, Saravanan Venkadasalam, M. Sherawat, and Dhanda in 2016 with the aim of examining the different advantages and opportunities of GST by shedding light on its history, the goals of the proposed GST plan, and its effects on the Indian tax system. They came to the conclusion that the introduction of the GST would undoubtedly benefit both producers and consumers, even though doing so would demand concentrated efforts from all parties involved, especially the federal and state governments.

The concept of GST, the need to adopt it in India, the challenges to doing so, and solutions to these challenges have all been examined by Pinki et al. (2014) in the study. The advantages of implementing GST as soon as possible are also covered in the report. The possibilities for implementing a dual GST in India— concurrent dual GST, national GST, or state GST—have been examined by the authors. The alternative that applies GST to both products and services under the contemporaneous dual GST was preferable. The other option explored was whether the Central GST would be on goods and services but state GST would be only on goods since state to collect GST in services is difficult to determine. The other option considered was whether the Central GST would apply to both goods and services but state GST would only apply to commodities because it is challenging to predict whether states will be able to collect the GST on services. One return with information on both the CGST and the SGST as well as PAN-based registration was also advised under this choice.

The constitutional adjustments that must be made in order for GST to ever be implemented have also been covered by the writers. Without these amendments, it is not possible to



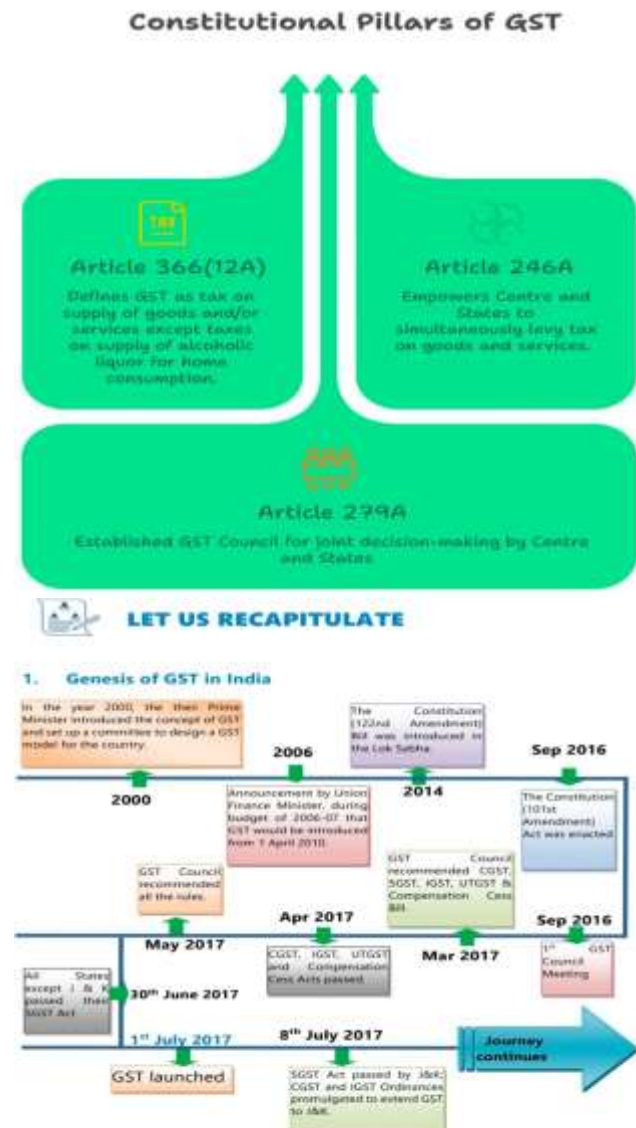
tax both commodities and services with a single tax. The study also discusses the problems with the CGST/SGST model's credit mechanism, which is challenging to practically implement in terms of determining the location at which services are taxable. The lack of a robust IT network, infrastructure, and programmes, as well as disagreements over other elements like the basic threshold, exemptions for products and services, rates to be used, etc., are among the major difficulties with the adoption of the GST in India that have been highlighted.

Since it is planned to implement GST in Malaysia in 2015, Pinki, Kamna S. and Rashid Verma et al. (2014) investigate the implications of GST in Malaysia. The primary goals of the GST's implementation are to boost government revenue collections and close the budget deficit. The authors have investigated how the introduction of this GST has affected specific indicators including the structural balance and consumer price index. To do this, it is important to research how these factors and the GST relate in Singapore, Thailand, and Indonesia so that the Malaysian government may apply the best practises.

The study suggests adopting GST transparently, reviewing its rates and base after five years, and making corrections in light of the lessons learned during that time. According to N. Kumar, 9 (2014), GST will aid in eliminating economic distortion caused by the current Indian tax system and is anticipated to promote fair tax structures that are unconcerned with geographic regions. Through a more thorough and wider coverage of input tax set-off and service tax setoff, the subsumption of several taxes in the GST, and the gradual elimination of CST, Jaiprakash (2014) noted that the GST at the Central and State level are expected to give more relief to industry, trade, agriculture, and consumers. Shaik et al. (2015) conducted research on the GST idea and its effects on the Indian economy. The study also concentrated on a few GST model components. The benefits and operation of GST were also explored in this study.

The analysis came to the conclusion that the GST framework in India will result in business benefits that were unaffected by the VAT system and would ultimately lead to economic growth. In 2015, Sehrawat & Dhanda did a study on the benefits and implementation difficulties of GST for India. They came to the conclusion that the Indian economy needed a straightforward and transparent tax system. Pointing out the numerous benefits, they claimed that GST will provide India a worldclass tax structure and a seamless tax system, but the success of its implementation will determine this. Munde and Chavan (2016) did a study to analyse the benefits and drawbacks of the GST and offer recommendations on how to reduce loopholes and improve its efficiency. They came to the conclusion that if the potential loopholes are addressed effectively, tax payers will accept the change brought about, and if the GST procedures prove to be straightforward and guarantee the participation of all stakeholders, then it will undoubtedly lead to economic growth and price rationalisation. In their

article, "Goods and Services Tax in India - A Positive Reform for Indirect Tax," in 2016 Khurana and Sharma has outlined the goals of the GST and changes made to India's indirect taxation structure. And to sum up, with the introduction of GST, input taxes can be easily recovered by manufacturers, wholesalers, and retailers in the form of tax credits.



Krishnan (2019) provided the information regarding Input Tax Credit (ITC), Tax Deducted at Source (TDS) and its applicability in case of GST under Works Contract. The author is duly mentioning that works contract is applicable only in case of immovable property and this law has been implemented in order to eliminate the process of segregating the good and service in contract. The author further mention that ITC cannot be availed by the contractor in case of immovable property until output is also works contract service. The concept of TDS was not applicable earlier but during 2018 the concept of TDS has also been introduced and now the uniform rate of TDS is 1% throughout the contract value. Manojit (2019) defines works contract as where there is transfer of goods with



supply of services for contract related to immovable property.

The author also supports the statement of Shinde (2019) by stating that, earlier works contract tax included of three different taxation categories, i.e. VAT, Service Tax and Central excise. The work contractor is supposed to obtain registration at any one state in case the aggregate turnover exceeds 20 lakhs and the works contractor can also apply for registration in different states. Manojit (2019) further state that, composite scheme and abatement are not available under GST regime. The works contract rate 12% and 18% are applicable in case of separate set of construction and contract activity.

### Research Methodology

“Historical research” methodology will be used in this study and one of the prominent real estate company of Noida, Uttar Pradesh will be used for the study. Prior permission from project manager has already been obtained to use the data but the name of project could not be revealed because of privacy issue. The construction project is taken for study where the works contract tax before and after implementation of GST is applicable. Earlier, when the taxes on works contract was calculated under VAT and service tax then at that time, 70% of the cost was allocated to goods and rest 30% of the cost was allocated to services under UPVAT when the complete details of materials and services was not available.

Further, when service tax was to be paid then as per service tax rules 40% service tax to be paid when complete details of materials and services not available. Now, the GST is calculated on the entire amount with uniform rate of GST. GST was implemented by Government of India on 1 July 2017 and before that, a separate set of complex calculation was supposed to made while making payment for VAT and Service tax under prior tax regime. The calculation of taxes on works contract has been made by obtaining the first hand data from the project site after requesting project manager of a prominent construction company. The calculation includes of quantity and cost of the material along with service expenses.

### Research Design Type of Study:

- **Descriptive Study:** To describe the differences and characteristics between the old-GST and new-GST systems.
- **Comparative Study:** To compare key parameters like business costs, compliance rates, tax revenues, and consumer prices.

### Approach:

- **Quantitative Research:** Involves analyzing numerical data like tax revenues, economic growth rates, pricing data, etc.
- **Qualitative Research:** Involves interviews or surveys with business owners, tax professionals, and consumers to understand the broader impact of GST.

### Research Gap

Impact on Small and Medium Enterprises (SMEs)

- **Old-GST SMEs** faced challenges in dealing with multiple state-level taxes, leading to increased compliance costs and complexity.
- **New-GST** Although the introduction of a single tax regime aimed to simplify taxation, its impact on SMEs needs deeper investigation. Some questions to explore:
- Has GST simplified the tax burden for SMEs, or are they still facing challenges in compliance?
- How have SMEs adapted to the input tax credit system under GST?
- What has been the impact on the growth and competitiveness of SMEs post-GST?

### Effectiveness of GST in Reducing Tax Evasion and the Informal Economy

- **Old-GST** The tax structure before GST was fragmented, leading to a higher level of tax evasion and a large informal economy.
- **New-GST** One of the goals of GST was to reduce tax evasion and bring the informal economy into the tax net.
- Has GST effectively reduced the size of the informal economy and increased tax compliance?
- What are the challenges in ensuring compliance, particularly for small businesses and sectors traditionally not subject to taxes?

### Sectoral Impact Analysis

- **Old-GST** Different tax rates applied to goods and services, and sectors had varied tax implications.
- **New-GST** The uniformity introduced by GST has affected industries differently.
- How have specific sectors such as e-commerce, manufacturing, agriculture, real estate, and services been impacted post-GST?
- Have industries such as hospitality and retail benefited or faced new challenges post-GST in terms of pricing, compliance, or sales growth?

### Objectives of Study

- The primary focus of the study is to access the impact of goods and services tax on tax revenue of India in general. The paper also focuses on annual growth of GST revenue based on the historical data.
- To understand the impact of digitalization on government indirect tax revenue.
- To comparative study of Indirect tax revenue before and after GST

### Hypothesis

**H1:** There is no significant impact of GST on increase in Indirect tax revenue.

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### Nature of Study



The study is analytical in nature and based on purely secondary data. It covers 10 years spreading from 2013 to 2022. All the data have been collected from the official website of the central board of indirect taxes and customs, India, Press Information Bureau, Government of India and Commissionerate of CT and GST, Government of different state governments.

### GST and Inflation

- **Old-GST:** Multiple taxes led to cascading effects, which might have contributed to inflation.
- **New-GST:** GST was introduced with the idea of reducing cascading taxes and simplifying tax administration.
- Has there been a significant reduction in inflationary pressures due to the simplification of the tax structure?
- What has been the real impact of GST on prices of goods and services, especially in the consumer sector?

### Data Collection Methods

#### Primary Data:

- **Surveys/Questionnaires:** Collect data from businesses (pre and post-GST), consumers, and tax professionals.

#### Examples of questions:

- How has the introduction of GST affected your pricing strategy?
- What were your main challenges in adapting to the new tax system?
- **Interviews:** Detailed interviews with stakeholders, including economists, tax experts, and business owners.
- **Case Studies:** In-depth studies of specific industries, e.g., manufacturing, retail, or services, to observe the change in tax burden or business practices.

#### Secondary Data:

- **Government Reports and Publications:** Tax revenue data, economic reports, reports from the Ministry of Finance or the GST Council, etc.
- **Industry Reports:** Reports from trade associations, business chambers, or consultancies analyzing the economic effects of GST.
- **Academic Research Papers:** Studies done by scholars comparing Pre-GST and Post-GST environments.

### Data Analysis Techniques

#### Quantitative Analysis:

- **Descriptive Statistics:** Measures of central tendency (mean, median) and dispersion (standard deviation) for economic variables.
- **Comparative Analysis:** Use of tools like paired t-tests or ANOVA to compare pre- and post-GST data on business revenues, consumer prices, or tax revenues.
- **Regression Analysis:** To understand the relationship between GST implementation and economic variables like GDP growth or tax compliance.

#### Qualitative Analysis:

- **Thematic Analysis:** Analyzing responses from interviews or surveys to identify common themes in how businesses and consumers perceive GST's impact.
- **Content Analysis:** Reviewing government or industry reports to identify key trends or issues related to GST.

#### Assumptions & Limitations Of Study

The construction phase of a real estate project takes a time duration of 2 to 3 years and during this entire period, different sub- contractors may be engaged by construction company to carry out the work, such as electrical contractor, plumbing contractor, painting and white washing contractor, sanitary contractor etc. The sub-contracting may be for supply of material or for job work. This will have impact on tax calculation.

For example, in case of painting and whitewashing contract, the paint and whitewash used have been treated as goods which was considered as 70% of the entire contract and charged under VAT whereas 30% of the cost belongs to service charge of painting job and was charged under service tax. There will be difference of tax impact if the entire work is done by the contractor by purchasing the material and employing the labour and on other hand the complete work of white washing is subcontracted. But now, after implementation of GST, the entire 100% of the amount is charged under GST at flat tax rate. The tax rates may be changed due to some political interference under special circumstances or requirements in a particular state. The prices of raw material may change over a period of time which will have impact on tax also. In this study, it is assumed that, there is no significant impact of change due to any reason.

#### Expected Outcomes

- A comparison of economic indicators such as tax revenue, GDP, inflation, and consumer prices before and after the GST implementation.
- Insights into how GST has simplified or complicated the tax system for businesses, and whether it has led to greater compliance and reduced evasion.
- Recommendations for policymakers on improving GST implementation based on research findings

#### Conclusion

The conclusion will summarize the findings and answer the initial research questions, based on the analysis conducted. It will also provide suggestions for future research on the topic.

### III. ANALYTICAL FRAMEWORK

A Conceptual Framework on old-GST and new-GST would focus on the changes in the Indian taxation system brought about by the Goods and Services Tax (GST) introduced on July 1, 2017. This framework typically compares the tax structures, processes, and principles before and after the implementation of GST, highlighting the key differences,



benefits, challenges, and overall impact on businesses, government revenues, and the economy.

### Overview of Taxation System old-GST (Before July 2017)

Before the introduction of GST, India had a multi-layered indirect tax system with both Central and State taxes. This created complexities for businesses operating across different states and sectors.

Old-GST Tax Structure:

#### 1. Central Taxes:

**Central Excise Duty:** Levied on manufacturing of goods.

**Service Tax:** Applied on services.

**Custom Duty:** Imposed on imports and exports.

#### • State Taxes:

**VAT (Value Added Tax):** Applied on the sale of goods.

**Sales Tax:** Levied by states on the sale of goods.

**Entry Tax:** Levied on the entry of goods into a state for sale or use.

**Luxury Tax, Octroi, and others:** Varying by state.

### Key Issues with old-GST System

**Multiple Taxes & Complex Compliance:** Businesses had to comply with various tax regimes at both the central and state levels, leading to increased complexity.

**Tax Cascading:** VAT was not applicable on the input tax credit for service tax, leading to cascading tax effects, where businesses paid tax on tax.

**Interstate Barriers:** Different tax rates and policies across states created barriers to interstate trade.

**Increased Transaction Costs:** The multiplicity of taxes meant higher administrative and compliance costs.

### Overview of Taxation System new-GST (After July 2017)

The Goods and Services Tax (GST) replaced the multiple indirect taxes with a single unified tax structure, simplifying the tax system and ensuring smoother interstate trade.

#### New-GST Tax Structure

**GST Structure:** A single tax for goods and services, with dual control (Central and State Government) under the Goods and Services Tax Act (2017).

• **CGST (Central Goods and Services Tax):** Levied by the central government on intra-state supplies of goods and services.

• **SGST (State Goods and Services Tax):** Levied by the state government on intra-state supplies of goods and services.

• **IGST (Integrated Goods and Services Tax):** Levied on inter-state supplies of goods and services. Collected by the central government but apportioned between the Centre and the State.

### Key Features of GST

1. **Single Tax for Goods & Services:** A unified tax rate applicable to both goods and services.

2. **Input Tax Credit (ITC):** Allows businesses to claim credit for taxes paid on inputs, reducing cascading tax effects.

3. **3. Online Filing & Transparency:** Taxpayer services, returns, and compliance have been simplified with an online platform.

4. **Threshold Limits:** Smaller businesses with lower turnover are exempt from GST or subject to a simplified scheme.

5. **Unified Tax Administration:** Both central and state governments share control and revenue.

### Advantages of GST Over old-GST System

#### Economic Efficiency

**Elimination of Cascading Taxes:** GST ensures that businesses can set off taxes paid on inputs, making goods and services cheaper by removing the cascading effect.

**Unified Market:** GST created a unified national market by removing barriers to interstate trade. This reduced the cost of doing business and made it easier for businesses to expand across states.

**Boost to Formalization:** GST incentivizes businesses to formalize operations, as registered businesses can claim input tax credits, benefiting both suppliers and consumers.

#### For Businesses

1. **Simplified Compliance:** The process of filing taxes and maintaining records has been simplified with the online GST portal.

2. **Input Tax Credit (ITC):** Businesses can claim input tax credits for taxes paid on inputs, reducing their overall tax liability.

#### For Government

1. **Increased Tax Revenue:** GST increased the tax base and reduced tax evasion, as it is a transparent system that tracks the movement of goods.

2. **Simplified Administration:** The shift to a unified tax system has made tax administration more efficient, leading to a reduction in the cost of compliance for the government.

### Challenges and Criticisms of new-GST

Despite its advantages, the implementation of GST has faced several challenges:

1. **Initial Hiccups in Implementation:** The transition was initially rough, with businesses struggling to understand the GST framework, and there were issues with the GST portal, which led to delayed filings.

2. **High Compliance Costs for Small Businesses:** While large corporations benefited from the input tax credit system, small businesses with limited resources often struggled to comply with the GST regime.

3. **Inconsistent Rates and Complex Exemptions:** Different GST slabs and exemptions across various sectors created confusion and increased compliance costs for some businesses.



4. **IT Issues:** The online filing system and technical glitches in the GST portal led to delays and challenges for both businesses and government officials.

### IV.COMPARISON BETWEEN OLD VS NEW GST SYSTEM



The comparison of company profiles old-GST regime versus New-GST regime typically revolves around how businesses were structured, operated, and taxed before and after the implementation of the Goods and Services Tax (GST) in India. The GST, implemented on 1st July 2017, replaced multiple indirect taxes such as VAT, service tax, excise duty, and others with a unified tax system. Here’s a breakdown of how company profiles evolved from the pre-GST regime to the post-GST regime:

#### Old-GST Regime (Before July 2017)

##### 1. Tax Structure

###### Multiple Indirect Taxes:

- VAT (Value Added Tax) for goods.
- Service Tax for services.
- Excise Duty for manufacturing and production of goods.
- Central Sales Tax (CST) for interstate sales.
- Entry Tax, Luxury Tax, etc.

**Complex Compliance:** Each tax had its own compliance requirements (returns, filings, and payments). Businesses needed to manage different tax laws at state and central levels.

**Cascading Effect:** There was a tax-on-tax effect due to the inability to offset taxes between different tax types. For example, VAT could not be set off against excise duty, leading to higher costs.

##### 2. Supply Chain

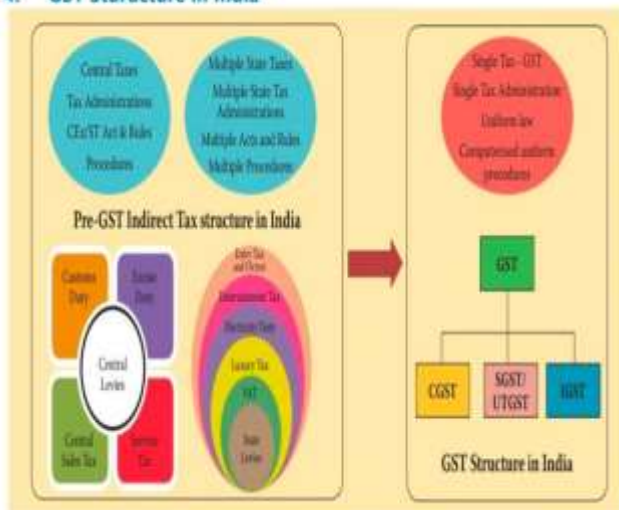
- **Interstate Trade Complications:** Businesses faced difficulties in managing interstate trade due to CST and the need for cumbersome documentation.
- **Inventory Management:** Due to the complexities of tax laws, businesses often kept separate inventories for interstate and intra-state transactions.
- **Tax Arbitrage:** Businesses sometimes sought to optimize their tax liabilities by choosing certain locations for manufacturing or sales.

#### Conclusion

The Old-GST system was a complex and fragmented system of taxation that led to inefficiency, increased transaction costs, and confusion for businesses. In contrast, the New-GST era introduced a more streamlined and unified tax regime, leading to better compliance, easier interstate trade, and economic efficiencies. However, challenges in implementation and compliance, especially for small businesses, highlighted areas where the system can improve.

The conceptual framework helps to understand the impact of GST on the Indian economy by contrasting the pre- and post-GST systems, demonstrating the transition toward a simplified and efficient indirect taxation system.

#### 4. GST Structure in India



#### Compliance

- **Multiple Returns:** Companies had to file separate returns for VAT, service tax, excise duty, and other taxes, resulting in increased administrative costs.
- **State-specific Regulations:** Different states had different tax rates, exemptions, and rules, making it difficult for businesses with national operations.

#### Cost Structure

- **Higher Costs Due to Cascading Taxes:** The inability to set off taxes between different levies resulted in higher costs for businesses, which they had to pass on to consumers.
- **Complex Pricing:** Pricing was complicated due to multiple taxes applied at different stages in the supply chain.



## Post-GST Regime (Post July 2017)

### 1. Unified Tax Structure

**Single Indirect Tax:** GST replaced multiple taxes (VAT, excise, service tax, CST, etc.) with a single tax system applicable to both goods and services.

**Three-Tier Tax System:** GST is categorized into:

- CGST (Central Goods and Services Tax)
- SGST (State Goods and Services Tax)
- IGST (Integrated Goods and Services Tax for interstate transactions).

**Dual Tax Structure:** For goods and services, GST was divided into CGST (Central) and SGST (State) when transactions occur within a state, and IGST when transactions happen across state borders.

**Input Tax Credit (ITC):** Companies can offset taxes paid on inputs (purchases) against taxes charged on outputs (sales), effectively removing the cascading effect.

### 2. Supply Chain

**Smooth Interstate Trade:** GST made interstate trade easier by eliminating CST and providing seamless credit across state lines.

**Simplified Inventory Management:** Since businesses can now claim ITC for inter-state purchases, inventory management became more streamlined and cost-effective.

### 3. Compliance

**Standardized Compliance:** A unified compliance system for all goods and services across India. Businesses need to file a single GST return, reducing complexity.

**E-invoicing:** Companies are required to generate e-invoices, making tax reporting more transparent and efficient.

**GSTN Portal:** A centralized platform (GST Network) is used for all filings, reducing administrative burdens and facilitating easier compliance.

### 4. Cost Structure

**Lower Tax Burden:** With the removal of cascading taxes, businesses benefited from lower costs, which were passed on to consumers in the form of lower prices for goods and services.

**Transparency:** GST has reduced tax evasion and led to more transparent pricing.

### Sector-Specific Impact

- **Manufacturing:** Generally benefited from ITC, reducing effective tax rates.
- **Services:** The services sector also benefited from ITC, which was not available under the previous tax regime.
- **E-commerce:** E-commerce companies are now required to collect taxes at the source and comply with GST rules, which ensure better tax collection.

### 5. Technology & Automation

**Increased Use of Technology:** Post-GST, companies had to invest in GST-compliant accounting systems, enterprise resource planning (ERP) software, and automation tools to ensure accurate reporting and filing.

**Data Analytics:** With the requirement for more detailed reporting, businesses started adopting data analytics tools to track sales, purchase, and tax records more efficiently.

#### 6. Products on which GST Council to decide the date from which GST will be applicable



#### 7. Within GST or Outside GST?



Aspect	Pre-GST Regime	Post-GST Regime
Tax Structure	Multiple taxes (VAT, Service Tax, Excise, CST)	Single tax structure (CGST, SGST, IGST)
Interstate Trade	CST and complicated compliance	IGST facilitates smoother interstate trade
Input Tax Credit (ITC)	Limited or no ITC across different tax types	ITC available across goods and services
Compliance	Multiple returns for different taxes	One consolidated return (GSTR) for GST
Tax Burden	Cascading taxes leading to higher costs	Lower costs due to the removal of cascading taxes
Pricing	Complex pricing due to multiple taxes	Transparent pricing due to ITC and uniform tax rates
Inventory Management	Complicated due to state-specific taxes	Simplified with uniform GST rates
Technology	Less reliance on technology	Increased reliance on automation and ERP systems

### Conclusion

The shift from the Old-GST to the New-GST regime has been a game-changer for companies operating in India. While the Old-GST regime was marked by a fragmented and complex tax system that hindered business efficiency, the New-GST regime brought in a unified and transparent tax structure. This resulted in smoother interstate commerce, reduced compliance costs, and improved cash flow management through input tax credit. The overall impact has been positive for most businesses, though there have been challenges, especially in terms of the learning curve and initial transition.



## V. DATA EVALUATION AND ASSESSMENT

### Data Evaluation

Data Evaluation entails that the investigator breaks down the data to constituent parts to obtain answers to research problem and to test hypotheses and interpretable form so that the relations of research problems can be studied and tested and conclusions to be drawn. To analyse the data, CAGR and Paired T-test is being used. From the result reported in analysis of variance summary tables, it is evident that there are significant differences among them and hence more specific inter comparisons have been made among the means by using t-critical ratio. Editing, classifying and tabulating are used to manage the data.

Editing implies checking of gathered raw data for accuracy, usefulness and completeness. Classification refers to divide the data as per norms of the scale and variables of the study. Tabulation performed by the tabulating procedure to transfer classified data from data gathering tools to the tabular form for systematic scrutiny. Furthermore, mean values for different levels of three variables as well as for different cells involved in significant interaction effects have been calculated. The computed means are given in different tables. Main effects and interaction effects have also been presented. From the below table and graph it can be found that there is a significant growth in GST collection over the period of time due to digitalization and other macro-economic indicators.

### Commutative Annual growth Rate of GST in India

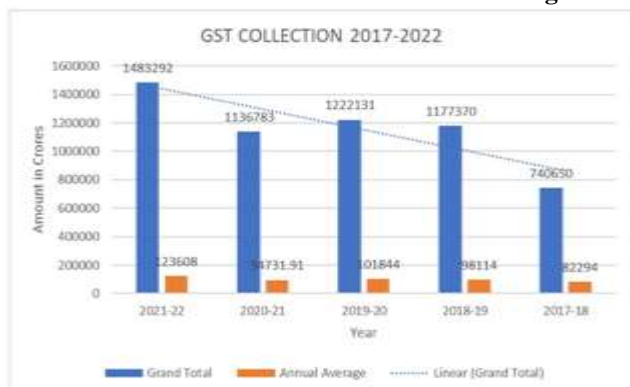
Month	2021-22	2020-21	2019-20	2018-19	2017-18	CAGR
	Collection	Collection	Collection	Collections	Collections	
April	139708	32294	113865	103459	NA	0.00
May	97821	62009	100289	94016	NA	0.00
June	92800	90917	90938	95610	NA	0.00
July	116393	87422	102083	96483	21572	439.56
August	112020	86449	98203	93960	95633	17.14
September	117010	95480	91917	94442	94064	24.39
October	130127	105155	95380	100710	93333	39.42
November	131526	104963	103491	97637	83780	56.99
December	129780	115174	103184	94726	84314	53.92
January	140986	119875	110818	102503	89825	56.96
February	133026	113143	105366	97247	85962	54.75
March	142095	123902	97597	106577	92167	54.17
Grand Total	1483292	1136783	1222131	1177370	740650	100.27
Annual Average	123608	94731.91	101844	98114	82294	50.20

\*All the values in Crores

NA \*As GST came in to Existence in 1st July'17

Source :Budget documents of the Government of India and the State Governments

### GST Grand Collection and Annual Average



### Indirect Tax collection Before and After GST

Indirect Tax collection Before and After GST			
YEAR	AFTER GST	YEAR	BEFORE GST
2017-18	1856945	2012-13	1036732
2018-19	2032864	2013-14	1119772
2019-20	2161306	2014-15	1217289
2020-21	2441371	2015-16	1466981
2021-22	3173782	2016-17	1662518

\*All the values in Crores

\*As GST came in to Existence in 1st July'17

Source :Budget documents of the Government of India and the State Governments

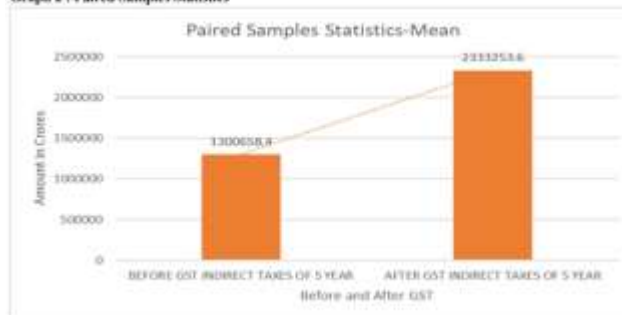
### Paired T-Test

The paired sample t-test, sometimes called the dependent sample t-test, is a statistical procedure used to determine whether the mean difference between two sets of observations is zero. In a paired sample t-test, each subject or entity is measured twice, resulting in pairs of observations. Common applications of the paired sample t-test include case-control studies or repeated-measures designs. Here we are interested in evaluating the Impact of GST in indirect tax revenue of Indian government. So we have taken data of 5 year before GST and after GST so it could be to measure the performance of GST collection in indirect tax revenue, and analyze the differences using a paired sample t-test.

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	BEFORE GST INDIRECT TAXES OF 5 YEAR	1300658.40	5	258811.26	115743.91
	AFTER GST INDIRECT TAXES OF 5 YEAR	2333253.60	5	515957.15	230743.05

Source : Based on Researcher calculations from secondary data

Graph 2 : Paired Samples Statistics



From the above table it can be analysed that indirect tax revenue has been drastically increased after the Implementation of GST.

## VI. CONCLUSION

Throughout this report, we have delved into the intricate dynamics of taxation in the construction industry of India, both before and after the implementation of the Goods and Services Tax (GST). The following are the main conclusions and revelations from our analysis:



**Old-GST Tax Structure Complexity:** Value Added Tax (VAT), Service Tax, and Central Excise Duty were just a few of the numerous indirect levies that characterized the pre-GST tax structure. Businesses involved in works contracts were subject to a substantial tax burden and a laborious compliance process as a result of this intricate structure.

**Limitations on the Input Tax Credit and the Cascade Effect:** The cascading effect—where taxes were imposed on top of taxes at different levels of production and distribution—was a defining feature of the pre-GST economy. Moreover, restrictions on Input Tax Credit (ITC) led to increased costs for businesses and hindered their competitiveness in the market.

**Transition to GST:** By substituting a single, unified tax system for the prior, convoluted framework, the GST was intended to simplify the tax system. The implementation of GST resulted in a reduction of the cascade effect and an ease of doing business by bringing uniformity to tax rates across states and facilitating the smooth flow of Input Tax Credit.

**Benefits of GST:** Businesses in the construction sector have benefited from the GST regime in a number of ways, including easier tax compliance, more clarity on tax status, and cost savings through the use of Input Tax Credit. The efficiency and transparency of tax administration have been significantly improved by the digitization of tax filing and recordkeeping.

**Transitional Challenges:** Although the Goods and Services Tax (GST) has resulted in favorable modifications, enterprises encountered preliminary difficulties during the shift from the pre-GST period. These included comprehending the compliance obligations and acclimating to the novel tax structure. But over time, the majority of firms have benefited from and adjusted to the GST regime.

**Effect on Construction Costs:** Depending on variables including project size, contractual agreements, and the use of input tax credits, the effect of GST on construction costs varies. Although the GST theoretically lowers taxes, the real financial effects may vary depending on the specific situation.

The introduction of GST has undoubtedly been a significant reform in the Indian taxation landscape, particularly for the construction industry. Tax structure and compliance procedures have undergone significant modifications as a result of the shift from the preGST to the GST regime. Nonetheless, a thorough assessment of GST's efficacy in the building sector is necessary due to a number of reasons, including:

**Simplified Tax Structure:** For companies with works contracts, tax compliance has been made easier by the amalgamation of several taxes into a single GST. The provision of Input Tax Credit and the removal of the

cascade impact have both helped to lower the overall tax burden on construction-related activities.

**Uniformity in Tax Rates:** GST has brought about uniformity in tax rates across states, which has facilitated ease of doing business and minimized tax-related complexities for construction firms operating pan-India. This consistency has improved openness and decreased disagreements about tax treatment and classification.

**Enhanced Efficiency through Digitalization:** The digitalization of tax processes under GST has enhanced efficiency and transparency in tax administration. Businesses now have less administrative load and simpler compliance procedures thanks to the advent of internet platforms for tax filing and record-keeping.

**Opportunities and Challenges:** Although GST provides many advantages, there are nevertheless difficulties, especially with regard to the first transition period and continuing compliance obligations. Nonetheless, these obstacles also offer chances for companies to improve their competitiveness in the market, adopt digital technology, and streamline their processes.

**Need for Continuous Improvement:** Although the GST has resulted in considerable improvements, the tax system still needs to be improved, especially in terms of addressing unique issues that the construction industry faces. This entails clearing up certain tax treatment-related ambiguities, tackling industry-specific problems, and further streamlining compliance processes.

In conclusion, the implementation of GST has been a transformative step in the taxation system of India, with positive implications for the construction industry. Even though there are still issues, it is clear that GST is generally efficient in cutting taxes on works contracts in the construction industry, increasing transparency, and streamlining tax procedures. In order to tackle obstacles, seize chances, and improve the efficiency of GST in the construction sector, the government and industry participants must work together in the future.

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