

# Present State of Goods and Services Tax (GST) Reform in India

Sacchidananda Mukherjee<sup>1\*</sup>

## Abstract

To remove cascading effect of taxes and provide a common nation-wide market for goods and services, India is moving towards introduction of Goods and Services Tax (GST). Under the proposed indirect tax reform both Central and State Governments will have concurrent taxation power to tax supply of goods and services. It is expected that the proposed regime will improve tax collection and minimize leakage, as both Central and State Tax Administrations will monitor and assess same set of tax payers. There are several issues/ challenges before introduction of GST and these can be classified into two broad heads – a) GST Design and Structural issues, and b) GST Administration and Institutional issues. On design related issues, broad consensus on choice of revenue neutral rates (RNRs), harmonization of GST Rate(s) across States, harmonization of list of exempted and excluded goods and services and thresholds for mandatory GST registration across States are yet to be reached. Similarly, there are several issues involved in tax administration (between Central and State Tax Administrations and also across State Tax Administrations) which are not yet clear. Given information available in the public domain this paper attempts to provide a broad contour of the proposed GST regime and highlights major challenges which required immediate attention of the Governments.

*Key words:* Goods and Services Tax, Value Added Tax, Design and Administration of Taxation, Indirect Taxation, India.

<sup>1</sup> Associate Professor, National Institute of Public Finance and Policy (NIPFP), 18/2, Satsang Vihar Marg, Special Institutional Area (Near JNU East Gate), New Delhi – 110067. INDIA. Tel: +91-11-26852398/26569780, Mobile: +91 9868421239/ 9953978287, Fax: +91-11-26852548. E-mail: [sachs.mse@gmail.com](mailto:sachs.mse@gmail.com)/ [sacchidananda.mukherjee@nipfp.org.in](mailto:sacchidananda.mukherjee@nipfp.org.in)

\* - Comments and suggestions received from Dr. R. Kavita Rao are gratefully acknowledged. Views expressed in this paper are personal and no way reflect the official position of NIPFP.