Environment & Ecology · GS - III

Enumerate the indirect taxes which have been subsumed in the goods and services tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017.

EXAM YEAR	PAPER	SUBJECT
2019	GS - III	Environment & Ecology

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Subsumed indirect taxes; Central and State levies; GST revenue trends; tax compliance; revenue neutrality; compensation to States; challenges and reforms

Model Answer

Introduction

The Goods and Services Tax (GST), introduced on 1 July 2017, replaced multiple indirect taxes with a unified destination-based tax system.

Indirect Taxes Subsumed

- **Central taxes:** Central excise duty, service tax, additional customs duties, special additional duty of customs, excise duties on medicinal and toilet preparations, and specified cesses and surcharges.
- **State taxes:** VAT/sales tax, purchase tax, entry tax, luxury tax, entertainment tax (except local-body levies), taxes on advertisements, taxes on lotteries and betting, and state cesses and surcharges relating to the supply of goods and services.

Revenue Implications

- GST widened the tax base through registration and invoice matching.
- E-way bills, e-invoicing and digital returns have improved compliance and transparency.

- However, initial implementation difficulties, rate changes, exemptions and economic slowdowns affected collections.
- States experienced revenue uncertainty, necessitating compensation arrangements during the transition.
- Multiple tax slabs and refund delays have also created administrative challenges.

Conclusion

GST has strengthened tax integration and formalisation, but stable revenue growth requires simpler rates, timely refunds, stronger compliance and cooperative Centre–State fiscal relations.

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