Polity & Governance · GS - II

Explain the salient features of the constitution(One Hundred and First Amendment) Act, 2016. Do you think it is efficacious enough ‘to remove cascading effect of taxes and provide for common national market for goods and services’?

EXAM YEAR	PAPER	SUBJECT
2017	GS - II	Polity & Governance

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Goods and Services Tax; cooperative federalism; destination-based taxation; input tax credit; common national market; implementation challenges

Model Answer

Introduction

The Constitution (One Hundred and First Amendment) Act, 2016, introduced the constitutional framework for the Goods and Services Tax (GST), which came into effect on 1 July 2017. It sought to unify India's indirect tax system.

Salient Features

- **Article 246A:** Empowers Parliament and State Legislatures to make GST laws, with Parliament having exclusive power over inter-State supplies.
- **Article 269A:** Provides for levy and collection of GST on inter-State trade and commerce, with proceeds apportioned between the Union and States.
- **Article 279A:** Establishes the GST Council to recommend tax rates, exemptions and other important GST matters.

- **Subsuming indirect taxes:** GST replaced multiple central and state indirect taxes, including central excise duty and State VAT on most covered supplies.
- **Destination-based tax:** Revenue generally accrues to the jurisdiction where goods or services are consumed.
- **Input tax credit:** Tax paid on eligible business inputs can be credited against tax liability, reducing cascading.

Has It Achieved Its Objectives?

GST has created a more integrated national market, improved the tracking of transactions and reduced tax-on-tax effects for compliant businesses. However, multiple rates, classification disputes, compliance costs, technology-related difficulties and the treatment of certain products outside GST have limited full uniformity.

Conclusion

GST is a major structural tax reform and has substantially advanced market integration. Simplifying rates, improving compliance systems and strengthening Centre–State cooperation can make it more effective.

BECOME IAS
AI POWERED UPSC PREP