

# AN INCOMPLETE REFORM: ON SIX YEARS OF THE GOODS AND SERVICES TAX

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[India's tryst with the Goods and Services Tax \(GST\)](#), launched at a special midnight Parliament session with unusual fanfare, completed six years this month. Marking the occasion, [Finance Minister Nirmala Sitharaman emphasised](#) that the GST has moved the country towards a unified market from a situation where each State mandated different indirect tax structures and procedures, while inter-State borders were marked by bottlenecked check posts that added to logistics costs and subtracted from Indian goods' competitiveness. Introduced soon after the demonetisation shock, the GST was viewed as [another disruptor for the informal economy](#) and its initial technical, structural and procedural challenges took a while to sort out. That all businesses with annual turnover of 5 crore will have to generate e-invoices starting this August, and that there has been no ostensible pushback from smaller businesses over this, indicates that firms have gradually embraced the change. The Revenue Department's crackdown on fake invoicing and other techniques deployed by tax evaders may compel the few outliers to fall in line too.

Tightening compliance and the post-pandemic rebound in economic activity have helped improve revenues from the GST, which Ms. Sitharaman had suggested were underwhelming as of late 2021 when the Council set up a ministerial group to rationalise the unwieldy multiple rate structure and enhance tax inflows. This June, GST revenues crossed 1.6 lakh crore, only the fourth such occasion in its 72 months' existence, lifting the average collections in the first quarter of this year to nearly 1.7 lakh crore — a healthy 12% over last year's kitty. The recent revenue buoyancy, even if it may face a blip if consumption growth falters amid a slowing global economy, bodes well for States that were worried about their fiscal capacity after five years of assured revenues through GST compensation expired last July. For taxpayers and consumers, however, much remains to be done till the GST can be considered a Good, Simple Tax. GST Compensation cess levies have been extended till at least March 2026, instead of the initial five-year tenure, due to the transitory shock of COVID-19 lockdowns on revenues. Dispute resolution remains a pain point for industry, with GST appellate tribunals still not set up. There is no road map in sight on the rate rationalisation exercise or the inclusion of excluded items such as electricity, petroleum and real estate, without which the efficiency gains from the GST remain constricted. The GST Council needs to meet more often and turn its to-do list into a must-do list expeditiously.

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