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**An Examination of Interrelationship between Central and States Taxes in India before and after Implementation of GST: A Johansen Cointegration Approach**

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**Abstract**

GST in India has been introduced with effect from 1st July 2017 as an integrated nation wise tax under the notion of ‘one tax, one country’. Its taxing mechanism is based on a dual model where both the Centre and the States levy taxes on the same transaction, at the same rate and on the same tax base. It has brought a complete shift from origin based taxation to destination based taxation. This paper seeks to examine the interrelationship of the Central taxes with the States taxes in both pre-GST and post-GST period in India. For study purposes, data for 38 years from 1980-81 to year 2018-19 has been selected and analysed by applying Johansen-Juselius cointegration model. The results indicate a weak association between the Central and the States taxes in India in pre-GST period, which was thus providing room for tax evasion practices. However, after implementation of GST, the scattered Central and States taxes have been converted into one unified whole and an efficient taxing system has emerged which is curbing evasion practices not only in indirect taxes but also in direct taxes domain.

**Keywords:**

Origin based tax; Destination based tax; Dual GST; CGST; SGST; IGST; Input tax credit.

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