THINK INDIA (Quarterly Journal)

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

Goods and Services Tax in India– Some Challenges

Anuradha Singh
Research Scholar, Department of Applied Economics & Commerce
Magadh University, Bodh-Gaya, Bihar

Abstract

Sound tax policies of a nation are an indication of strong governance and sustainable development. The Goods and Services Tax (GST) a historic tax reform, has come into effect from July 1, 2017 which aims at complete transformation in the field of indirect taxation in the country involving both central and state levies. The biggest tax reform after independence, GST will pave the way for realization of the goal of 'One Nation – One Tax – One Market' and is expected to benefit the entire stakeholders. But this GST has several challenges to business, manufacturers and large enterprises, exporters, government, consumers and GSTN. This paper highlights the challenges of GST to different stakeholders to the society.

Keywords: GST,CGST, SGST, IGST, GSTN

I. Introduction

Sound tax policies of a nation are an indication of strong governance and sustainable development.[1] Apart from being a source of revenue and growth, tax also plays a key role in making the state accountable to its tax payers. Effective taxation ensures that public finances are sustainable in the long term to support objectives and promote economic development. Complexities of the Indian tax system have however, always perplexed the best minds in taxation world. With the centre, state and local bodies having the powers to levy a plethora of taxes, every single person ranging from common man to the manufacturers and traders have felt the burden multiple taxes. Taxes were collected at various levels right from the place of origin of the goods to the final destination. The new regime aims to transform the tax scenario of the country by streamlining the system through a single tax for supply of all goods and services across the country.

The Goods and Services Tax (GST) a historic tax reform, has come into effect from July 1, 2017 which aims at complete transformation in the field of indirect taxation in the country involving both central and state levies. The biggest tax reform after independence, GST will pave the way for realization of the goal of 'One Nation – One Tax – One Market' and is expected to benefit the entire stakeholders viz. consumer, trade and industry and the government.[2]

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

II. Challenges of GST

GST is the single biggest tax reforms considering the concept of "One Nation, One Market, One Tax". But this GST has several challenges to business, manufacturers and large enterprises, exporters, government, consumer and GSTN. The various challenges to different stakeholders are mentioned below:[3]

Challenges to Small Business

(1) **No Proper Awareness:** Majority of Indian businesses are not well aware of about the GST. They suffer from proper awareness about GST.
(2) **Various Changes**: The new GST System seeks a lot of changes viz. change from manual accounting to electronic accounting entry of invoice in GST system, etc. while traders especially small are not having computer and computer literacy.
(3) **Burden of Compliances:** Smaller traders will face burden of filing multiple returns as they have been classified into different groups.
(4) **Return Filing Procedure:** Return filing procedure under GST is very complex and it is out of reach of a common person.
(5) **Multiple Tax Rates:** Multiple tax rates on various products will create problem and confusion among small traders. They will also feel difficulty in understanding CGST, SGST and IGST.

Challengers to Exports

(1) **Refund:** In the previous indirect tax system, exporters were enjoying certain exemptions which are most available in present GST. Now they are procuring goods and services on payment of GST they will claim as refund in future.
(2) **Requires More Working Capital:** In GST regime, the working capital of exporters will be booked because they are not enjoining the previous upfront exception. This creates problem in refund.
(3) **Tedious and Time Consuming Process:** There are various requirements as far as input tax credit is concerned. It is very much difficult to communicate with several vendors and ensure that they all are paying GST because in care of unregistered vendor, the company has to pay GST along with raising the tax invoice and payment voucher which is a tedious and time consuming process.

Challenges to Government

(1) **IT Infrastructure and its Preparedness:** There is no proper IT infrastructure and its preparedness equally in almost all the states and union territories of India. These are also not having sufficient manpower to

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

implement it. Except few states, most of the states are not fault aware with even manual VAT returns which are in vogue.[4]

(2) Officers Training: Officers' training is another important challenge before centre and hints. All central and state government officers will have to learn the provisions and implications of GST. There is a proper training of IT because GST is heavily based on IT.

(3) Dual Burden: In GST, there is dual control by centre and state Government which results in additional burden on administration in terms of duplication and cost.

(4) Pending Cases of Past Disputes: There are several disputes pending in central and state at different stages like adjudication or appellate level. In the light of this fact, the adjudication / appellate authorities, courts, tribunals are over burdened with pending cases. It these authorities, courts and tribunals would be preoccupied, they would not have proper time to solve the problems of new GST Laws.

Challenges to Large Enterprises and Industries

(1) Administration Cost: Administration cost under GST is expected to increase because there are various types of expenditure in GST.

(2) Transitional Issues: There are various transitional issues which need to be addressed. There are various concerns relating to registration, carry forward of credit, taking new credits, pending refunds, rebate claims, review of contract, pending assessments, job work transactions, treatment of stock in hand, filing of returns, etc. The need for smooth transition is imperative for success of GST.

(3) Multi-State Registration: Various big companies and service sectors operate in different states and they require different registration in different states which is a massive task.

(4) Higher rate on Various Services: Service sector will suffer in the initial period as they will face the higher rate of taxes.

Challenges to Consumers

(1) Inflated Cost: It is expected that the prices of goods will be increased with introduction of GST due to hike in prices of raw materials and other components.

(2) Lesser Choices: The implementation of GST will restrict micro, small and medium enterprises (MSMES) and other small traders from the business due to their inability to comply with GST norms which will result in lesser choice to consumers.

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

(3) **Input Tax Credit:** Consumer has to pay the GST on the final price of the product. Consumer will not avail the input tax credit as the manufacturer, wholesaler and retailer avail in supply chain.

Challenges to GSTN

(1) **Problem to Log In:** There is a problem in logging in to the portal and filing their returns. Many traders who have transitioned to GST with their temporary numbers are facing problem due to busy network.

(2) **Technical Problems:** Technical problems will create procedural and network problems which will result in delay in making payment and filing of returns by traders.

(3) **Recurring Breakdowns:** Recurring breakdowns in the GSTN system will create a lot of problems for exporters.

III. Conclusion

Thus, it may be concluded that GST i.e. Goods and Services Tax has been much-awaited tax and is the biggest tax reforms in India since independence and it came into existence with effect from 1st July 2017. The concept of one nation, one tax, one rate has been introduced in India to overcome the shortcomings existed during pre-GST regime and previous system of Indirect Taxes like cascading effect, various exemptions and concessions, lack of transparency, multiple tax slab rates, tax evasion, etc. and now it has become one of the most crucial indirect tax reforms in India.

GST is a destination based tax as against principle of origin based taxation and is levied at the time of consumption of goods or services by the ultimate consumer. It has various advantages to different stakeholders of the economy. Apart from the various benefits, it has some major challenges also. India has made provisions for penalties/punishments under GST, regularly restructuring its structure and necessary amendments for its successful implementation in the country. The implementation of GST in effective manner will help in idea of Make in India, Startup India and Digital India.

****

REFERENCES

1. Yojna (2017), "Towards Destination Tax", Chief Editor's Desk, August, p.5.
2. Goyal, Arun (2017), GST Regime – A Fillip to Make in India, Yojna, August, p.7
3. Swain, A.K. and G.P. Agrawal (2018), GST – Concepts and Applications, Himalaya Publishing House, Mumbai, pp. 23-26.

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

4. Reddy, Devaraja M. (2017), “GST: Transitional Challenges Ahead”, Yojna, August, p. 48.

