



International Journal of Commerce and Economics

Online ISSN: 2664-7540; Print ISSN: 2664-7532; Impact Factor: RJIF 5.42

Received: 28-04-2020; Accepted: 19-05-2020; Published: 30-05-2020

www.commercejournal.in

Volume 2; Issue 2; 2020; Page No. 45-47

## Challenges after implementation of GST

Shailendra Kumar<sup>1</sup>, Dr. Prabhu Nath Singh<sup>2</sup>

<sup>1</sup> Research Scholar, Faculty of Commerce, B.N. Mandal University, Madhepura, Bihar, India

<sup>2</sup> Associate Professor, P.G. Department of Commerce, B.N. Mandal University, Madhepura Bihar, India

### Abstract

Goods and service tax (GST) is very complex by nature. It is a comprehensive tax levy on manufacture, sale and composition of goods and service at a national level under which no distinction is made between goods and service for levying of tax. It will mostly substitute all indirect taxes levied on goods and services tax by state and central government in India. GST greater tax reform in India since independence. Most of the countries have unified GST system. The research presents an overview of GST, it's advantages, features, and challenges of GST implications on various industries.

**Keywords:** GST, range of GST, challenges after implementation of GST, disadvantages and advantages of GST

### Introduction

GST stands for goods and services tax. GST is meant to simply by the indirect tax regime of India by replacing a host of taxes by a single unified tax. The main purpose of GST is to bring about the single uniform system of taxation in the sale, manufacture and consumption of goods and services. The GST is said to reduce the level of tax evasion and corruption. Goods and services tax (GST) is also a game changer for the Indian economy. The GST system in India tries to minimize the complexity by applying a common base and rate across the country. However, the multiple rate structure and an enforcement framework using onerous reporting requirements for business place a huge compliance burden on business especially SMES by providing a longer transition period for them to be a part of the full GST requirement.

### Objectives of the study

- To know the concept of GST and their range.
- To study the major challenges faced by tax payer in India.
- To study the advantages and disadvantage of GST.

### Methodology

The present study is based only on secondary data. The data have collected from books, Google, Journals, website etc.

### Conceptual Framework

1. **GST (Goods and Services Tax):** - GST is an indirect tax used in India on the supply of goods and services. It is comprehensive, multistage destination-based tax.
2. **Challenges and Implications:** - The challenges after Implications of GST is to bring all the indirect taxes under one roof which is the biggest feature of GST.

### Silent features of GST (Goods and Services Tax)

1. All transaction on goods and services will be covered up except exempted goods and services.

2. Meaning of taxable person, taxable events, measure to levy tax etc. would be same in CGST and SGST.
3. Pan card based identification number would be allotted to the taxpayer to facilitate tax payment and return.
4. Tax return to be filled separately to the central and state government.
5. Input credit can be claimed from respective department where GST paid.
6. GST would be applicable if there is an import of goods and services.
7. The union government will compensate the states for a period of 5 years or more on recommendation of GST council for the loss of revenue arising out of GST implementation.
8. Administration of CGST will be controlled by Central Government and administration of SGST will be controlled by respective State Government.
9. The power making law on taxation of goods and services lie with both Central and State government. A law imposed by central government on GST will not overrule state GST law.
10. Integrated goods and services tax (GST) also known as interstate goods and services tax. It is a component of GST which is charged on supply of goods and services in the course of interstate trade and is collected by central government and distributed to imported states as destination based tax.

### Range of GST

1. It is applied to all taxable goods and services except the exempted goods and services and an transaction below threshold limit.
2. Exempted goods and services include alcohol for human consumption, electricity, custom duty and real estate.
3. Petroleum products (crude oil HSD high speed diesel motor) spirit, natural gas etc. are initially exempted from

GST till the GST council announces date of their inclusion.

4. Tobacco products are include in GST along with central excise tax.

### Challenges after Implementation of GST

GST or Goods and Services Tax is a comprehensive indirect tax on manufacture sale and consumption of goods and services throughout India, to replace taxes levied by central and state government. GST was introduced as the constitution Act 2016, following the passage of constitution 122<sup>nd</sup> amendment bill. GST will be biggest reform in Indian taxation since 1947 but various challenges has been estimated after its successful implementation. The following challenges faced after implementation of GST in India.

1. **Consent of states:** - For implementing it is critical the GST bill is passed by respective state Government state assemblies so as to bring majority this is a herculean task.
2. **Revenue Neutral Rate (RNR):-** It is one of the prominent factor for its success. We know that GST regime, the government revenue would not be same, we compared to current system Hence, through RNR government is to ensure that its revenue remains the same despite of giving tax credits.
3. **Threshold limit in GST:** - While achieving broad based tax structure under GST, both empowered committee and central government must ensure that lowering of threshold limit should not be a taxing burden on small businessmen in the country.
4. **Robust IT Network:** - Government has already incorporated goods services tax network (GSTN) GSTN has to develop GST portal which ensure technology support for registration, return fill tax payment, IGST settlement etc. Thus there should be a robust IT backbone.
5. **Extensive Training to Tax Administration Staff:** - GST is absolutely different from existing system. It therefore requires that tax administration staff at both central and state to be trained properly in terms of concept, legislation and procedure.
6. **Number of enactments of statutes:-**There will be 2 types of GST laws, one at a central level called central GST (CGST) and other one at state level- state GST (SGST). As there seems to have different tax rated for goods and services at the central level and at the state level, and further division based on necessary and other property based on the need, location, geography and resources of each state.
7. **Additional levy on GST:** - The purpose of additional levy is to compensate state for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make India as one state where inter-state movement of goods is common. In this situation, It would defeat the very purpose of GST in the country.
8. **Clubbing Taxes:** - The biggest challenge of GST implementation is bringing all the Indirect taxes under one roof, which is the biggest feature of GST. There has been opposition asking to including purchase tax by a few states. other states are reluctant about alcohol, tobacco products coming under GST. This is due to the fact that a major chunk of state revenue is derived from these products.
9. **Statutory Requirements:** - As the imposition of GST will be delegated to both state and central government the constitution has to grant powers to both through an amendment. It is seen as a different task as the law expects at least two third majority form the members of the parliament and that is not easy given the current political scenario of the country.
10. **Make shift Arrangements:** - State government are demanding compensation from the central government as they foresee a major dent in the revenue due to GST losses, this is asked for the first 5 year after implementation of GST, for which the central government has agreed to 3 years.
11. **Framework for Tax disputes:** - There has to be a uniform legal procedure for tax disputes and litigation to avoid any confusion.
12. **Defining Interstate Transaction:** - With the transportation services available everywhere the place of scale and consumption may not be the same. This make it difficult to go forward with revenue allocation. Hence, it becomes important to define procedure to tackle such problems.
13. **Infrastructure for the collection process:-** Infrastructure has to be designed to track the movement of goods and services between states, collection and monitoring revenue identify defaulters.
14. **Determining GST Rates:-** This is a major step in ensuring the success of GST. Arriving at rates which are conducive to both government and publics will be a daunting task.
15. **Numerous offence and penalties under GST:-** There are numerous penalties and offences under GST, principles of which are also mentioned by law. There are many other offences and penalties, which can hinder its popularity in India. The general penalty under GST for any offence for which it is not specifically mentioned will be liable to a penalty extending Rs 25000.
16. **GSTR 3B Issues:** - Under this there is no modification or amendment facility available and in case the changes are to be made then there is a lengthy one month period time for the amendment making it interest liability issue.
17. **Refunds are time taken in GST regime:** - It was assured that 90 % of the refunds of GST would happen in seven days at the time of GST implementation. But on the layer term, it did not happen. The recent unearthing of fake invoices and fraudulent practices to corner input. Tax credit may only lead to more scrutiny and more delays.
18. **Reconciliation in GST:-** The reconciliation process in GST is not new to any taxpayer as this was a common practice in earlier VAT and excise regime. After reconciliation a taxpayer needs to match the data between the books of accounts to complete the process.

### Advantages of GST after Implementation

1. **GST eliminates the cascading effect of tax:** - GST is a comprehensive indirect tax that was designed to bring the

indirect taxation under one umbrella. More importantly it is going to eliminate the cascading effect of tax that was evident earlier.

2. **Composition schemes for small business:** - Under GST small business can benefit as it gives an option to lower taxes by utilizing the composition schemes. This move has brought down the tax and compliance burden on small business.
3. **Simple and easy online procedure:** - The entire process of GST is made online and it is super simple. This has been beneficial for start-up especially, as they do not have to run from pillar to post to get different registrations such as VAT, excise and service tax.
4. **The number of compliance is lesser:** - Earlier there was VAT and service tax, each of which had their own return and compliances under GST, there is just one, unified return to be filled. Therefore the no. of returns to be filled has come down.
5. **Defined treatment for E-commerce operators:** - E-commerce brands were treated as facilitators or mediators by states like Kerala, Rajasthan and West Bengal which did not require them to register for VAT.

#### Disadvantages of GST

1. **Increased costs due to software purchase:-** Business has to either update their existing accounting or ERP software to GST compliant one or buy a GST software so that they can keep their business going. But both the options lead to increase cost of software purchase and training of employees for an efficient utilization of the new billing software.
2. **Being GST compliant:-** Small and medium sized enterprise (SME) who have not yet signed for GST have to quickly grasp the nuances of the GST tax regime. They will have to issue GST Compliant invoices, be compliant to digital record keeping and of course, file timely returns.
3. **GST will mean an increase in operational costs:-** As already established the GST is changing the way how tax is paid, businesses will now have to employ tax professionals to be GST compliant. This will gradually increase cost for small businesses as they will have to bear the additional cost of hiring experts.
4. **SMES will have a higher Tax burden:** - Smaller business, especially in the manufacturing sector will face difficulties under GST. Earlier, only businesses whose turnover exceeded Rs. 1.5 crore had to pay excise duty. But not any business whose turnover exceeds Rs. 20 lakh will have to pay GST.
5. **GST is an online taxation system:** - Unlike earlier businesses are now switching from pen and paper invoicing and filing to online return filing and making payments. This might be tough for smaller businesses to adopt to.
6. **Many goods and Services are not cornered under GST:** - Certain items like petroleum products Petrol and diesel do not come under GST ambit. This is being seen as a major disadvantage for oil companies who are unable to get input tax credit. On fuel products as those are not

taxed under GST.

#### Conclusion

The GST system is basically structured to simplify current indirect tax system in India. A well designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation. Also government has promised that GST will reduce the compliance burden. At present there will be no distinction between imported and Indian goods and they would be taxed at the same rate. GST will face many challenges after its implementation and will result in giving benefits. In overall GST plays a dynamic role in growth and development of our country.

#### References

1. Brijesh Patel, Kirit Chavda. "Rural Entrepreneurship in India: Challenges and Problems", International Journal of Advanced Research In Computer Science and Management Studies. 2013; 1(2):28-37,
2. The Economic Times. Featured Article from the Economic Times, 2009.
3. Kothari CR, "Research methodology" New Age International.
4. Bare act- GST-goods and services tax, K.M. Publisher panbazar Guwahati
5. Sankar R. GST: Impact and Implications on various industries in Indian economy. Journal of internet Banking and commerce, 2017, 22.
6. www.google.com
7. www.gstindia.com