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Issues Arises after Implementation of GST in India

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Issues Arises after Implementation of GST in India

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I. Introduction

GST which is called by Government of India is a game changer is considered as biggest tax reform since 1947. GST was first introduced by France in 1954 and now it is followed by 140 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed by central and state both. In India also dual system of GST which is including CGST, SGST and IGST.

As expected Goods and Services Tax (GST) Act, 2017 has changed the Indian tax system fundamentally and as it is the biggest tax reform since Independence because it has replaced the various complicated taxes like Value-Added Tax (VAT), Central Sales Tax, Central Excise, Service Tax, Purchase Tax, Entertainment Tax, Entry Tax and other indirect taxes.

One Tax, One Market and One Nation policy of the Government of India thereby exerting a positive impact on the GDP and increasing the size of formal economy in the Country. No doubts it brought integrity across the country by merging all the duties into one tax and allowed full input tax credit from inputs and capital goods on procurement which is set against GST output liability.

II. Literature Review

*Ehtisham Ahmed and SatyaPoddar (2009)*studied that "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simplier and transparent tax system which will increase efficient taxation system and will take an important part in India's economic development.

*Dr. R. Vasanthagopal (2011)*studied that GST from current complicated indirect tax system in India will be a positive step in Indian economy. Success of GST will lead to its acceptance by many Asian countries.

Nitin Kumar (2014) studied that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

*AgogoMawuli (May 2014)*found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

*Pinki, SupriyaKamma and RichaVerma (July 2014)*concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Anushuya and Narwal (2014) concluded that both GST & CGE are very popular all over the world but GST is a powerful concept in the field of indirect taxes.

Sehrawat and Dhanda (2015) concluded that due to dissilent environment of India economy, it is demand of time to implement GST.

Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

III. Objective of the Study

1. To find out the various completed issued appeared after implementation of GST.
2. To find out the various solutions to overcome these issues.

IV. Research Design

The inductive research design is used for the analysis and it is essentially a fact finding approach.This study is planned to be carried out on the basis of secondary data collected from authentic source like news agencies, various business communities' representatives and professional experiences.

V. Statement of the Problem

After implementation of GST on 1st July 2017 there are several issues arises in this these are broadly three categories-

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1. Design issues
2. Infrastructure issues
3. Operational issues

a) Design Issues

Though the broad design of the GST is firmed up, specific issues like threshold limits for goods and services, exemptions, definition of supply, determining the place of supply of goods and services, transition provisions for existing exemptions etc.

i. Higher Tax Burden for Manufacturing SMEs

Small and Medium Enterprises (SMEs) which is the biggest source of recruitment in India and also contribute 40% of export in our country is under the crisis of GST.Under the excise laws, only manufacturing business with a turnover exceeding Rs. 1.50 crores had to pay excise duty. Whereas, under GST the turnover limit has been reduced to Rs. 20 lakh, thus increasing the tax burden for many SMEs. However, SMEs with a turnover of upto 75 lakhs can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. But the biggest disadvantage is that then it will not be able to claim any input tax credit. The choice of selection between higher taxes or the composition scheme (and thereby no ITC) will be both are loss situation for up growing/emerging SMEs because it increases cost burden of the manufacturer.

ii. No Clarity on Tax Holidays

Before implementation of GST many manufacturers (textile, pharmaceutical, FMCG industries) enjoy tax holidays and state tax benefit schemes. There is still no notification regarding these benefits. This has increased costs for these industries, which will ultimately pass on to the consumers.

iii. Different Rates for Different Locations

Goods which deliver from one state to another state in such cases IGST applicable but the prices of some products are changing due to changes in the location because of logistics cost and dealer margins for different places. Same products are selling different states at different prices. So there is no relief from the earlier situation.

iv. GST on Local (GST Exempted) Goods

According to GST rules, clothing and footwear below Rs. 500 are exempted from GST. But many Retail chains are still mentioning GST rate of 5% in their bills for such items. People are confused whether this rule is applicable only for local products from local market purchases or also on same products purchased from big shops. Shopkeepers producing computerized bills and having an AC in the shop are allowed to charge GST on all their goods.

v. Policy Change during the Middle of the Year

For the financial year 2017 18 after three month policy changed and the different tax structure has created so many complexities while maintaining accounting records and various compliance issues will arises at the time of annual return submission.

b) IT Infrastructure Issues

i. Complexities of Filing GST Return

Monthly every assessee has to file 3 returns and 1 annual return which makes total 37 return to be filed annually. This process has increased the workload and major cause of a headache for small businesses.

ii. Change in Business Software

Now a day's most businesses are using accounting software or ERPs for filing tax returns. The transition to GST from older software requires businesses to change their ERPs, too; either by upgrading the software or by purchasing new GST-compliant software. It leads increased costs of buying new software and training employees on how to use it.

iii. Online Procedure

GST compliance, return filing and payments all these have to be done via online. Many small businesses are not tech-savvy and do not have the resources for fully computerized compliance. Even as the rest of the nation gets ready to go digital, businesses in small cities across India face a huge technology problem in the days ahead.

iv. The Goods and Services Tax Network (GSTN) server jam due to huge pressure of customers visits and data uploading

GSTN the IT infrastructure provider for GST. Over 25-odd glitches, which had led to the GST-Network portal crashing on at least two occasions in the very first month of filing, relate largely to payments and registration. Many people face problems of Log in IDs, ID Password forget issues, Security Password issues, digital signature, PAN based verification, HSN codes etc. But insufficient number of helpdesk support also creates obstackles in the services.

c) Operational Issues

i. Shopkeepers Struggling with Creating Invoices and Filing Returns due to varieties of Tax

Small shopkeepers are mainly struggling in creating different invoices for goods with different GST rates. Sweet shopkeepers are also confused about how to charge GST on different items in a single dish. For example, a 'Mix vegetable' contains different types of vegetables and even some fruits and dry-fruits, so whether they should charge different taxes or a single tax on the dish. Or should they stop making different varieties of dishes altogether just to keep a basic GST rate?

The same problem is being faced by various other businesses.

The question everyone asking is, how can GST be said a single-tax system when these are five different tax rates?

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ii. *Restaurants Charging GST at varieties rates ultimate create confusions among customers*

According to the GST rules, non-AC restaurants are supposed to levy 12% GST while AC restaurants will charge 18% GST rate. But this is also happening with takeaway orders at various big food chains like McDonald's where the same 18% GST rate is being levied on both take away orders and sitting-in orders.

In the middle of September and October when there is little bit or no requirement of AC but customer has to pay GST 18% which is creating confusion among the customers.

iii. *Increase in Operating Costs*

Small businesses in India do not employ tax professionals, and have traditionally preferred to pay taxes and file returns on their own to save costs and they have experience of ITR4s return submission option for presumptive income. However, now small business alsorequire professional assistance to become GST compliant as it is a completely new system. While this will benefit the professionals, the small businesses will have to bear the additional cost of hiring experts.

iv. *Due to high tax burden a tendency has come of tax evasion*

Cost of computers and accountants required to implement GST (make bills and file tax returns). High rates of GST 28% forced buyers to purchase from unregistered dealers to avoid paying high GST.

It is too difficult to assign MRP to handmade products like local shoes, Banarasi Sarees, etc. Most small artisans are illiterate and therefore unable to write MRP on their products and/or do any paperwork. Dealers are confused how to rates of such products. Small businesses with low annual turnover who are exempted from GST are still afraid to supply as they have no proof that they are exempted from GST. Buyers are demanding bills from even those shops which are GST exempted but have no proof of that. Many dealers are still buying from unregistered wholesalers on cash without bills and without paying any tax.

v. *Disruption to Business*

Cloth merchants (unorganized sectors) in Gujrat had gone on strike to protest against GST. Because increase in the tax rate has increase cost of product as a result product prices increases and India is already facing tough completion with China in natation as well as International markets, it has found that due to cheap product prices Chines goods imported increased to Rs 42000 crores after GST implementation.

VI. Progress Till Date

a) 22nd GST Council Meeting

The GST Council, in its 22nd meeting held at New Delhi on 6th October 2017 has taken following changes.

1. It was decided to exempt those service providers whose annual aggregate turnover is less than Rs. 20 lakhs (Rs. 10 laths in special category states except for Jammu and Kashmir) from obtaining GST registration even if they are mating inter-state taxable supplies of services.
2. Reverse Charge Mechanism Suspended-The 22nd GST Council has decided to suspend the GST reverse charge mechanism. Under reverse charge, the recipient of a service is required to pay GST on behalf of the supplier. Since, registered taxpayers were required to pay GST on reverse charge basis when they purchased from an unregistered person (Most times a micro or small business), many registered business stopped transacting with micro and small businesses. Hence, the GST Council has decided to suspend the reverse charge mechanism. Now, registered taxpayers can purchase from unregistered persons without having to pay GST on reverse charge basis. This measure will provide a major boost to micro, small and medium businesses.
3. Goods Transport Agencies (GTAs) are not willing to provide services to unregistered businesses. Now onwards services provided by a GTA to an unregistered person shall be exempted from GST.

b) 23rd GST Council Meeting

Government of India has taken certain steps in the 23rd GST Council Meeting held in Guwahati on 10th November 2017, GST rate reduction for various goods and services was announced.

1. GST rates reduced from 28 % to 18%, now only 50 items will cover under GST rates 28%. 178 items have been to move to 18 per cent tax rate from 28 per cent.
2. GST Rate Reduced from 28% to 12% -Wet grinders consisting of stone as grinder, •Tanks and other armoured fighting vehicles.
3. GST rates reduced from 18% to 12%- Condensed milk, Condensed milk, Refined sugar and sugar cubes, Pasta, Diabetic food etc.
4. GST Rate Reduced from 18% to 5%-•Puffed rice chikki, peanut chikki, sesame chikki, revdi, tilrevdi, khaza, kazuali, groundnut sweets gatta, kuliya, Fly ash etc.
5. GST rates reduced from 12% to 5%-Fishing Net, Finished leather, Warm clothing etc.
6. GST Rate Reduced from 5% to 0%- Guar meal, coconut shell etc.
7. GSTR 1, GSTR 4, GSTR 5, GSTR 6, GST TRAN 1,GST ITC-04 Return Due Date Changes
8. Increase in Threshold Limit for Registration under Composition Scheme-The annual aggregate turnover threshold for registering under the GST Composition Scheme has been increased now to Rs.2 crores.

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9. Uniform GST Rate of 1% for Composition Scheme Dealers
10. Small taxpayers to file GST returns only once every quarter.
11. For nil returns to be filed penalty reduced to Rs 20 and for others it has been reduced to Rs 50.
12. Businesses with turnover up to Rs 1.5 crore have been exempted from GSTR-2 and 3 and will have to file quarterly return of GSTR-1 till the end of this fiscal. However, they will have to file the monthly GSTR-3B.
13. All restaurants (AC and Non AC) in the country will attract a GST of 5 per cent, no input tax credit (ITC) benefit to be given to restaurants.

VII. Conclusion

Change is definitely never easy. The government is trying to overcome the various issued appeared after GST implementation. It is important to take a leaf from global economies that have implemented GST before us, and who overcame the teething troubles to experience the advantages of having a unified tax system. Government motive should not be collect more and more taxes to increase revenues but a simple uniform structure of taxation from where business can run smoothly and grow as per requirement of the economy from where automatically tax collection can increase.

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