

# GOODS AND SERVICES TAX IMPLEMENTATION CHALLENGES

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## ABSTRACT

Goods and services tax truly watershed event in the history of taxation in india. GST replace the complex regime of indirect taxes that we have levied since independence with a much simpler tax regime. GST eliminate cascading effect and increase tax share in GDP. Indian economy facing short term challenges in implementation. This article highlight the aspects such as concept of GST, objectives of study, subsume taxes in one basket, tax structures and tax rates under new regime, benefits, highlight challenges ahead, conclusion and suggestions.

**KEYWORDS:-** GST, ITC, SGCT, CGST, IGST, UTGST, CASCADING, MSME

## 1. INTRODUCTION

### 1.1 CONCEPT OF GST

GST is defined as the giant indirect tax structure designed to support and enhance the economic growth of country. GST subsume around 23 taxes and 17 cess. GST law in india is a comprehensive, multi-stage, destination based tax that be levied on every value addition.

### 1.2 HISTORY

- In India, Ex PM Atal Bihari Vajpayee brought the GST issue on the table.
- 2011 constitutional 115<sup>th</sup> amendment bill to enable GST law introduced but lapsed in Lok Sabha.
- 2014 GST bill reintroduced in parliament.
- 2016 amendment model of GST law passed in both the houses and president signed on it.
- GST implemented from 1 July 2017.

## 2. OBJECTIVES OF THE STUDY

- To understand the concept of GST (goods and services tax).
- Identify the challenges ahead of GST in india.
- To find out the bottleneck hurdles (seen and unseen)
- A model is suggested to minimize the challenges on implementation of GST.

### 3. RESEARCH METHODOLOGY

This research paper is an research, based on the secondary data such as journals, articles, previous research papers, media reports, and internet. The research design was adopted to aquire greater accuracy in depth analysis for the purpose of study.

### 4. SUBSUME TAXES IN ONE BASKET

Most of the indiect taxes subsume in GST as such -

- CGST - central excise duty , central surcharge & cess, special additional duty of customs, service tax, additional excise duty, additional customs duty, central sales tax.
- SGST - value added tax, purchase tax, luxury tax, state cess & surcharges, octroi & entry tax, taxes on lottery, betting and gambling, entertainment tax and advertisement tax (other than levied by local body).

#### 4.1 COMPONENTS OF GST

- CGST (manufacturing).
- SGST/UTGST (every stage of manufacture & distribution chain).
- IGST system ( not tax).

**Table 1 : TAX STRUCTURE AND TAX RATES UNDER NEW TAX REGIME**

Transaction	New Regime	Old Regime
Sale with in state	CGST+SGST/UGST	VAT + Excise/Service
Sale to another state	CGST+IGST	CST + Excise/Service

[IGST Revenue will be shared between central and state].

Tax Rates – 0%, 5%, 12%, 18%, 28% (additional cess on specific goods).

### 5. BENEFITS

- GST ends cascading due to input tax credit mechanism.
- GST is simple transparent tax regime which reduce tax evasion.
- GST increasing tax GDP ratio.
- Reduction in overall prices of most of the goods except luxury items.
- GST enhance ease of doing business in india.
- Decrease Rate arbitrage and promote balance regional growth because tax rates uniform in all over india.

### 6. GST CHALLENGES AHEAD

At present scenario the following challenge ahead for implementation of GST.

- Compliance is expensive to MSME ( multiple return filling burden, new set of compliance, format are new)
- Entire ecosystem needs to be changed.
- Adoption of tax technology brings challenge for unorganized sector.
- Every invoice from buyers and sellers must be entered in the GST system correctly to benefit input tax credit.
- Needed a lot of training because moving to an almost real time online system.

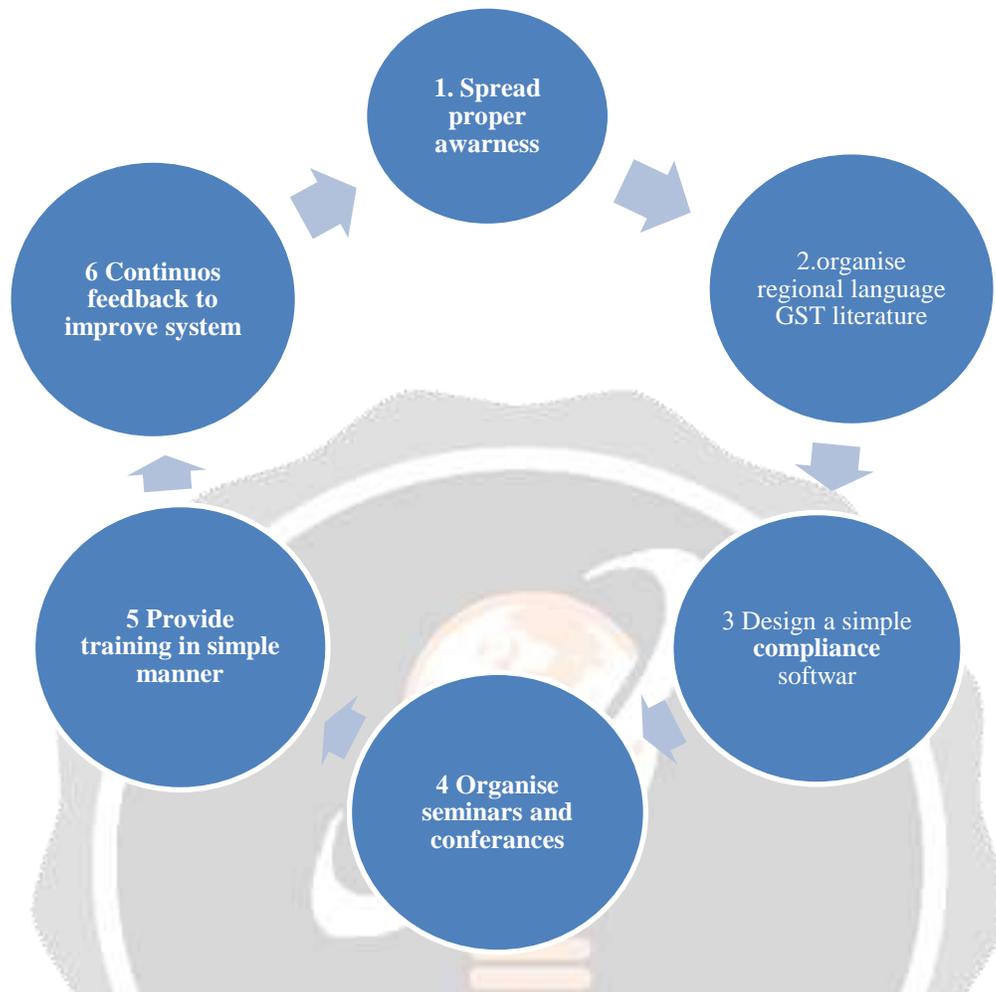
- Suppliers are confused how to levy tax on their old stock.
- Difficult to understand whole system and non harmonize complex tax regime.
- India adopted dual GST instead of national GST ( CGST/SGST)
- Cross settlement of CGST and SGST not allowed make all process fairly complex.
- Cascading effect continues due to petroleum products and other specific products kept outside until GST council notifies.
- Goods classification disputes and integration challenges.
- GST brings short term inflation.
- Tax sharing disputes on IGST because after GST states revenue decrease.
- Different stakeholders taking various interpretation of law for safeguard their own interest.
- E-way bill is inconvenient and higher compliance cost.
- GST implementation on E-commerce is inconvenient because their goods return rate are high (10-30%) and suppliers/sellers not registered under GST hence there online selling decrease.

## 7. CONCLUSION

GST is a major milestone in indirect tax reforms in India. GST replace the complex regime of indirect taxes. GST will make the Indian market more competitive. According to experts view, GST will increase upto 2% GDP growth rate. Government trying to induce all efforts to make GST successfull. GST is presently implemented, is a far cry from an ideal GST and that is the crux of the problem. We still don't know how much time it takes for everything to be on board.

## 8. SUGGESTIONS

According to author's view point to face initial GST implementation challenges government should establish a GST taskforce. GST taskforce should have representation from those with relevant expertise such as chartered accountants, an information technology specialist, industry bodies including MSME representatives and fiscal economist



**Fig1.:** The taskforce should

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