

## An exploratory study of problems and prospects of Goods and Service Tax post implementation in India

Mr. Nishant Ravindra Ghuge<sup>1</sup> and Dr. Vivek Vasantrao Katdare<sup>2</sup>

<sup>1</sup>Assistant Professor, KCES's Institute of Management and Research, Jalgaon

<sup>2</sup>Research Guide, North Maharashtra University, Jalgaon

<sup>1</sup>[gnishantr@gmail.com](mailto:gnishantr@gmail.com), <sup>2</sup>[vykatdare@rediffmail.com](mailto:vykatdare@rediffmail.com)

### **Abstract:-**

*Introduction of Goods and Services Tax (GST) is one of the significant and revolutionary indirect tax reforms in India's history since independence. The Goods and service tax was discussed in parliament almost more than a decade before it was implemented. The GST legislation before its implementation faced resistance from the state governments due to the fear of loss of revenue to the state governments. The GST was introduced in India on July 1, 2017. The GST is still going from changes and reforms. The current GST has certain problems in the system. The GST has not able to fully cater to the demands of curbing corruption, preventing tax evasion and improving ease of doing business in India. However, the government is constantly monitoring the GST progress through the GST council and making the necessary changes as and when needed. The following study focuses on getting meaningful insights about the problems and prospects of GST post implementation in India.*

**Keywords:-** Goods and Service tax, Problems in GST, Future prospects of GST

### **Introduction:-**

Introduction of Goods and Services Tax (GST) is one of the significant and revolutionary indirect tax reforms in India's history since independence. The Goods and service tax was discussed in parliament almost more than a decade before it was implemented. The GST legislation before its implementation faced resistance from the state governments due to the fear of loss of revenue to the state governments. The GST was introduced in India on July 1, 2017. 2017 through the implementation of One Hundred and First Amendment of the Constitution of India by the Indian government. Prior to GST there were several Indirect taxes present in country. Some of this Indirect taxes were levied by the central government whereas some were levied by the state governments. GST is based on the principle of "One nation, One Tax". (GST Council, 2018) Following to its notion, GST replaced several of this Indirect taxes except some taxes like customs, stamp duty etc.

Following is the List of taxes subsumed under GST

**Table 1: Taxes Subsumed under GST**

Central Government taxes subsumed under GST	State Government taxes subsumed under GST
Central Excise Duty	VAT/ Sales Tax
Additional Excise Duties	Entertainment Tax
Service Tax	Luxury Tax
Countervailing Duty	Tax on lottery, betting and gambling
Surcharge and cess levied by centre	Surcharge and cess levied by states
Central Sales Tax	Octroi and Entry tax
	Purchase Tax

Following is the List of taxes which are not subsumed under GST:-

**Table 2: Taxes not Subsumed under GST**

Taxes not to be subsumed under GST
Basic Customs Duty
Exports Duty
Road and Passenger Tax
Toll Tax
Property Tax
Stamp Duty
Electricity Duty

The Main objective behind the implementation of GST was to introduce a simplified taxation system which will provide ease of doing business and pave way for economic development. However India's Implementation of GST has certain loopholes and pitfalls which are needed to be addressed. Otherwise the main crux behind the GST act will be lost. In this Research Paper, the researcher has made an attempt to find important insights on the problems and prospects of Goods and service tax in India post its implementation. The Study is an exploratory study which will help researcher find out the area where attention is required from the government.

### Objectives:-

- i. To understand the GST tax system introduced in India
- ii. To identify the problems in the current Goods and service tax system implemented in India
- iii. To get important insights on the future prospects of the Goods and Service Tax in India

### Literature review:-

(Goyal, 2018) has said that since 1947 GST has been the most substantial tax reform in India. The researcher has pointed out certain pitfall like that the compliance of GST is very complex and lead to confusion amongst tax payers. Also there are multiple tax rates in India's GST Structure Instead of a single standard rate. The researcher also feels the need of upgrading the IT infrastructure for the effective GST implementation.

(Agrawal, 2018) has made study on the merits and demerits of the GST in India. The researcher has concluded that the GST will boost the economic growth of the nation and improve the ease of doing business in India. GST will bring efficiency in the logistics and supply chain of the nation and will increase the much required state based parity in the nations taxation system

(Nayyar & Singh, 2018) has stated that the GST is one of the biggest tax reform in India and it will bind the entire country under a single taxation system rate. The researcher has said that the GST will increase the tax collections for India and will break all the barriers between central government and state governments regarding taxation and thus will lead to India's Economic development. The researcher also highlighted the challenges areas where the government need to focus upon for the success of GST

(Vij, 2018) has given focus on the problems in the current Goods and tax system and stated that the businessmen are facing problems of monthly returns, GSTN portal,

multiple tax slabs and the GST has failed to control corruption and tax evasion as new modes of tax evasion are coming in. The paper highlights on the way forward and the action required by government so that GST proves as boon for the country and not harm the economic progress of the country

(Yadav & Shankar, 2018) has explained that the GST Structure implemented in India is unique. The GST structure in India is based on federal principle and is operated through a body named as GST council. This body has finance minister of all states whereas finance minister of the country as its chairman. The researcher highlights that the success of the tax depends on various factors like adaptability by Industry, technology infrastructure and capacity of the government officers to do trouble shooting. This reform will be scrutinized by entire business community from the world for its consequences.

### Research Methodology:-

The research is a exploratory study on the problems and prospects of goods and service tax post its implementation. The research is purely based on secondary data. The researcher has made attempt to review the available data on GST post its implementation and tried to find out meaningful insights from the data. The secondary data for these study was gathered from sources like various government website, Journals, Conference proceedings and various published articles.

### GST Structure Implemented in India:-

India has adopted unique dual GST Structure where the taxes are levied at two levels i.e central government and state government. There are 3 types of taxes which are applicable under this system

- **CGST:** Collected by the Central Government on an intra-state sale
- **SGST:** Collected by the State Government on an intra-state sale
- **IGST:** Collected by the Central Government for inter-state sale

As far as the tax rates are considered, India has adopted multiple tax rate slabs for different products ranging from 0% to 28 %. Following figure explains the tax rates slabs of GST applicable in India.

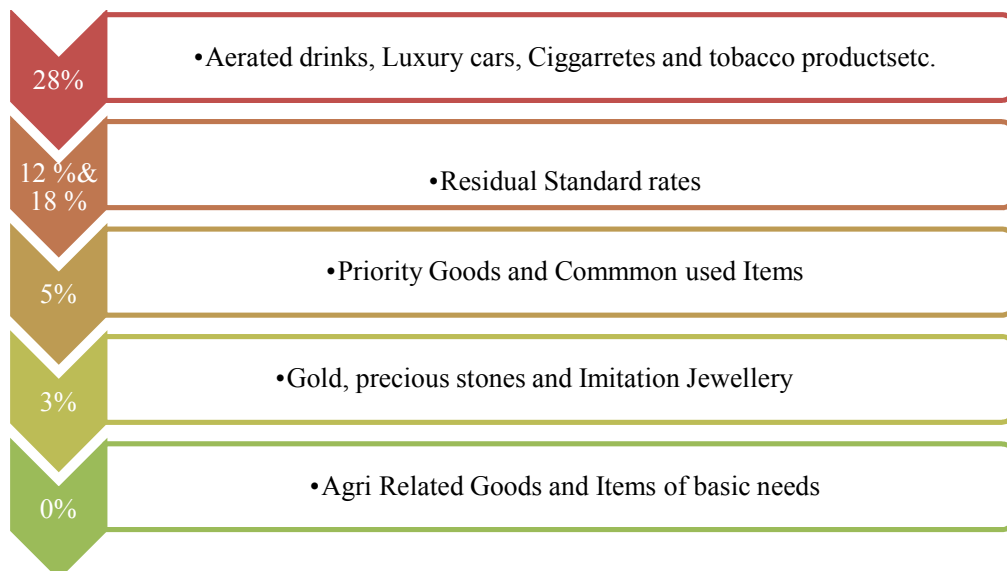


Fig 1: GST Rates in India

## Governing Body of GST

GST Council is the governing body for monitoring and implementation of GST in the nation. GST Council consist of finance ministers from each state and union territories as members and the central governments finance minister as the Chairman. GST Council collects feedback and suggestions from stakeholders and takes necessary corrective action.

## Problems In the Current Good and Service Tax system implemented in India

**1) Complex Structure:-** India's have adopted a complex GST Structure which has multiple tax rates of 0%, 5%,12%,18% and 28%.

**Table 3: Statistics on number of GST tax rates applicable**

Number of Countries	Applicable GST Tax Rates
49 countries	Single tax rate
28 countries	2 Tax Rates
05countries including India	4 Tax Rates

Source: World Bank Biannual development update report of India

(World Bank, March 2018) The above table shows that 49 countries have single tax rate for GST, 28 countries has 2 tax rates whereas only 5 including India has 4 tax rate for GST. High number of taxes increases the confusion for the tax payers.

**2) Exemptions:-** There are lots of Exemptions given in India's GST Structure. More the number of exemptions, more is the complexity. Tax Evaders take benefit of these exemptions for tax evasion. Also this results in poor Tax to GDP ratio of the nation. According to (Ernst and Young, 2018) data that India has one of the highest threshold limit in the world for GST.

**3) Frequent Amendments:-** There are very frequent changes and amendments done to GST in India which has resulted in increased complexity and uncertainty amongst tax payers. (suneja, 2018) More than 376 changes occurred in the first year after implementation. The changes are required and good on part of government that the government is flexible to change as per requirements but too many frequent changes and amendments can be confusing for the tax payers and difficult to keep track with.

**4) Higher tax Rates:-** According to (World Bank, March 2018) The GST tax rates which are applicable in India are the highest in the Asia and second highest in the world. This highlights the fact that one hand government is putting burden on the tax payer and whereas on the other side they are giving exemptions.

**5) Ambiguous Provisions:-** GST has many Ambiguous provisions which are very difficult to interpret. Many provisions like reversal of credit, credit blockages, double taxations where customs are there and misplaced or omitted transitional provisions has increased the ambiguity of GST. Also still there are some products which does not have any clear classification. This unclear classification of products leads to confusion and thus it can lead to litigation

**7) Compliance and Technical Problems:-** The GSTN portal has lot many glitches and to file the GST returns is a very tedious process. For improving tax revenue, it is very much important on part of government to simplify the GSTN portal and give tax payers a more

user-friendly experience in filing the tax returns. After all simplification in tax administration was the key goal of GST and if it is left unachieved the primary objective of the GST fails. (Mittal, 2018) GST council has to find permanent solution to this compliance problems.

### **Future Prospects of the GST in India:-**

It has almost been more than a year since GST has been implemented in India (Agrawal, 2018). There were different expectation from the GST. The Business community expected ease of doing business from GST whereas the end consumers expected reduced prices from the GST. The GST Success has been mixed as far as both the parties are considered. GST succeeded in improving the ease of doing business but still the model of GST adopted in India is much complex one which can be further simplified. GST also resulted in reduction of prices of certain commodities whereas it also resulted in the increased prices of some other commodities. Hence GST cant be termed as a complete failure or success. However government has shown the willingness to change the GST law as per the feed back and it is demonstrated in the continuous changes made by the GST Council. The way forward for GST from here shall focus on the following areas

- a) Expansion of the tax base by removing the exemptions and bringing more products under the GST ambit
- b) Rationalization of the tax rates of GST. The slabs of 12% and 18% can be merged to 14% or 16%. The 28 % slab can be slowly phased out in the future. These will pave way for the one nation one tax.
- c) As More products are brought under GST's ambit by reducing exemptions, the GST council can decide on lowering the standard GST tax rates
- d) Simplification of the GSTN portal must be done in future so that the tax payers must get a user-friendly GST return filing process
- e) The GST data available should be analysed and the areas of tax leakages should be identified. Then proper action must be taken to curb this leakages

As these changes are implemented in the upcoming few years, The GST model of India will become much more beneficial for the nation

### **Conclusion:-**

India after a decade long wait has finally implemented the Goods and service tax system. It's almost more than one year from the GST Implementation. The GST is still going from changes and reforms. The current GST has certain problems in the system. The GST has not able to fully cater to the demands of curbing corruption, preventing tax evasion and improving ease of doing business in India. However, the government is constantly monitoring the GST progress through the GST council and making the necessary changes as and when needed. In the above study, we tried to get insight on the problems of the GST and the future prospects of the GST. In the coming years, is expected from the government that they will address the issues and simplify the GST. The nation's development is much dependent of the taxation system it adopts. A more simplified GST will pave way for economic development of the nation.

### **References:-**

- [1] GST Council. (2018, Dec 26). Retrieved from Goods and Service Tax Council: <http://gstcouncil.gov.in/gst-council>
- [2] Goyal, D. A. (2018). GST Pitfalls after Implementation in India. *GST Simplified tax system : challenges and remedies* (pp. 9-13). Ghaziabad: NRJP, Swarajanli Publication.

- [3] Agrawal, A. (2018). GST in India: A blessing or a Curse. *GST Simplified tax system : challenges and remedies* (pp. 16-18). Ghaziabad: NRJP, Swaranjali Publication.
- [4] Nayyar, A., & Singh, I. (2018). A Comprehensive analysis of Goods and service tax in India. *Indian Journal of Finance*, 58-73.
- [5] Vij, D. D. (2018). A Study on GST (Goods and Service Tax): The Way Forward. *International Journal of Academic Research and Development*, 13-18.
- [6] Yadav, S., & Shankar, R. (2018). Goods and Service tax: how and why. *Journal of Advances in Management Research*, 2-3.
- [7] World Bank. (March 2018). *India Development Update*. New Delhi: World Bank.
- [8] Ernst and Young. (2018). *Worldwide VAT, GST and Sales Tax Guide*. UK: Ernst and Young.
- [9] suneja, K. (2018, april 25). Government made 376 changes related to GST in 10 months: Export promotion council for SEZs. *Economic times*.
- [10] Mittal, A. (2018, Dec 26). *17 Major GST Issues/Problems Seen Across India Till Now*. Retrieved from SAG Infotech official Blog: <https://blog.saginfotech.com/gst-issues-india>
- [11] Agrawal, A. (2018, DEC 26). *The future of GST: What will be the long-term impact on the Indian economy?* Retrieved from QRIUS: <https://qrius.com/the-future-of-gst-what-will-be-the-long-term-impact-on-the-indian-economy/>