



## A study on GST and a journey of one year

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**Abstract**

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and at the same time also endeavour to generate tax revenues to support the government expenditure on public services and infrastructure development. GST is a domestic trade tax that will be levied in the form of a value added tax on all goods and services-in practice with some exemptions.

Reckoned as the biggest economic reform since independence, the Goods and Services Tax (GST) was supposed to replace the complex indirect tax system prevalent in the country with a more simplified, uniform regime. It can be argued after completion of one year of its roll-out on June 30, that while India has come a long way from a complicated taxation system, with over a dozen different taxes and many more cesses, GST is still far away from an ideal taxation regime.

Even after, the one year journey of the GST, it has not been a smooth one either with fallacies and teething problems experienced from day one. While many of those fallacies were addressed by a radical government, some still remain to be resolved including simplification of return filing and further rationalization of tax rates.

The first year was full of doubts & dilemmas. Apart from tax payers, tax practitioners and tax officers were also seen struggling to answer various questions. The government has taken every possible step to do away with the confusion by publishing various literatures, write ups, flyers, webinars etc. But the problems still persists. The complexity was further added by numerous notifications, circulars, press releases etc. which always cannot be tracked by common masses.

During the one year of GST journey in the country, it has received positive and negative responses and still there are many unsolved practical problems. This paper focused on the issues and problems of GST during a journey of one year in the execution and to furnish the suggestions.

**Keywords:** policies, tax reforms, indirect tax system, uniform regime, complexity

**Introduction**

The Goods and Services tax (GST) has been one of the key enablers to improve the ease of doing business in India and has consolidated a plethora of taxes levied by the Centre and states into a common, fungible tax. Despite some initial hiccups caused by post-implementation changes in rates and compliance requirements accompanied by an inadequately prepared portal, the tax is entering the growth phase as is evidenced by the stabilization of GST collections over the past two months.



**Fig 1**

Goods and Services Tax is about to complete its first year in our Country. GST law was implemented in our Country w.e.f.

01.07.2017. Implementation of GST law in the very next year of demonetization was a big achievement of the Central Government. Since its implementation we have seen many ups and down in this law. If we review this one year, then one thing is certain that GST law was really a boon for some people/sectors whereas a few people are still struggling to know and understand its fundamental and specific facts.

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**Fig 2**

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Right from the first day of the roll-out on July 1 last year, there were technical glitches appearing on the GST Network portal causing a lot of hardship to taxpayers in registering on the network. There were often instances of the portal not being able to take the load of last-minute rush to file returns, forcing the government to postpone the filing of deadlines several times.

### Review of literature

1. Vishal Raheja (2018)<sup>1</sup>, Today GST has completed one year and now taxpayers and GST officers are comfortable with the newly enacted law of GST. Apparently, GST collection rose to Rs 95, 610 crores which clearly indicates that anti-evasion mechanism of e-way has shown results which were implemented from the beginning of this financial year.
2. Abhishek A Rastogi (2018)<sup>2</sup>, As India completes one year of GST, the revenue collections in the last three months show a decent trajectory growth of revenue. With this growth and better compliance in the months ahead, it appears that the Government will achieve its revenue target from the indirect tax side. While the increase of revenue is appreciated, it needs to be seen whether Government will cut rate on certain essential commodities. Further, the progress of refunds needs to be closely monitored”
3. Dr. Ajay Bhushan Pandey (2018)<sup>3</sup>, said GST system is stable now as about 70-80 lakh people are able to file their returns every month. He added New System to the term One Nation One Tax policy that is used to project GST. This One System stands for a system that has subsumed 35 different systems of different states of filing tax returns and provides a single interface and form to taxpayers for filing their returns.
4. Parag Mehta (2018)<sup>4</sup>, “GST collections have shown a steady improvement over a period of time. It had reached a peak of 1 lakh crore in the month of April. Average monthly collections for the period ended March 2018 was Rs 89,000 crores. However, due to increase in compliance level and returns filing to around 70 per cent the collections are further improving.

### Research methodology

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study, descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The methodology for this literature review is systematically searched the internet resources, data base of academic research and journal content listings and news papers. Searches are also made of relevant websites.

### Objectives of the study

1. To study the issues relating to GST during one year journey
2. To identify the achievements of GST during one year period

3. To study the problems faced under present system of GST
4. To provide the suggestions to the simplifier of GST

### Significance of the study

GST is going to be the biggest Tax reform of this decade and in the coming days it will break all the records of revenue collection in the Country. It will surpass the age old Direct Taxation law of the Country. All the steps so far taken by the Govt. in making GST simpler are really a welcome move. But there is still a long way to go and GST law is yet to be made simpler. As on date traders, Tax payers and Tax practitioners are getting problems with the complexity of GST and now it is high time to do away with such complexity. If Govt. makes this law simpler and user friendly then it is really going to be a reform of the decade and will boost our economy.



Fig 3

### ISSUES

Goods and Services Tax is on the verge of completion of its first year in our Country. The first year was full of doubts & dilemmas. Apart from tax payers, tax practitioners and tax officers were also seen struggling to answer various questions. The government has taken every possible step to do away with the confusion by publishing various literatures, write ups, flyers, webinars etc. But the problems still persists. The complexity was further added by numerous notifications, circulars, press releases etc. which always cannot be tracked by common masses. All the steps so far taken by the government in making GST simpler are really a welcome move and thankful to the government for understanding the problems of common mass and resolving the issues. But there is still a long way to go and GST law is yet to be made simpler.

As on date traders, tax payers and tax practitioners are getting problems with the complexity of GST and now it is high time to do away with such complexity. If the government makes this law simpler and user friendly then it is really going to be a reform of the decade and will boost our economy. It is further seen that people don't have problems with the GST law rather problems are coming in its compliance, tremendous increase in paper works, improper functioning of GST portal etc.



Fig 4

### GST has received positive as well as negative responses

During the one year of GST journey in the country, it has received positive and negative responses as follows:

- 1. Inflation rate didn't rise:** GST, it was widely feared, would cause inflation to rise, as with many countries that launched a single tax regime. That hasn't happened in India
- 2. Single national market:** Long queues of trucks at state borders disappeared as check posts were dismantled and creating a seamless national market
- 3. One tax nationally:** A consumer in Kanyakumari now pays the same tax on an item as one in Jammu & Kashmir. GST has also allowed businesses to streamline distribution systems-production, supply chain, storage-to make them more efficient, having previously been forced to design them keeping the state taxes in mind.
- 4. Formalization kicks off, tax base begins to widen:** One of the expected benefits was that GST would encourage formalization of the economy. Evasion would stop making sense, thanks to transparent digital processes and incentive of input credit and invoice matching. With number of registrations crossing 10 million, it seems more businesses are signing up for GST. More people filing income tax returns could also have something to do with GST.
- 5. Everyone wins:** As many as 17 taxes and multiple cesses were subsumed into GST, aligning India with global regimes. Central taxes such as excise duty, services tax, countervailing duty and state taxes including value added tax, Octroi and purchase tax — were all rolled into one. The new regime provided for free flow of tax credits and did away with cascading due to tax on tax, boosting company financials and resulting in reduced prices for consumers.
- 6. Refund Process:** Another problem of GST had been the refund process. News reports noted that slow GST refunds continued to hurt exporters - who are entitled to complete refunds as exports are zero rated - in certain sectors, despite government claims.

### Achievements of GST during the journey of one year

The Goods and Services Tax (GST) has undoubtedly transformed the business environment in India. Tax reform of this magnitude has possibly not been undertaken anywhere else, more so in a country having a large portion of unorganized business. This reform has had a significant impact on government revenues, organized businesses, traders and retailers, logistics and consumers.

- 1. From the revenue side:** Some major swings in GST collections as the revenues have ranged between a low of Rs 83,716 crore (in December 2017) and a high of Rs 1,03,458 crore (in April 2018) with an average collection of Rs 90,000 crore per month
- 2. From the business side:** Many businesses have become more organized as their business partners prefer dealing with organized businesses to ensure that input tax credits are not lost. This has also meant that several businesses which were otherwise underpaying taxes have now come clean as payment of tax is now a business necessity without which their business partners would not deal with them.

- 3. From the consumer side:** Unlike the experience in some other countries, GST in India did not lead to an increase in retail inflation. While this could in part be attributed to the introduction of the anti-profiteering law, it is also because the rates under GST for many products were lower than the effective rates for excise and VAT earlier and competitive pressures ensured that the rate reductions were passed on.



Fig 5

### Problems being faced under present system of GST

- 1. Simplification of GST return and rectification/revision facility:** GST returns are posing a big problem since its implementation. Today there is a common question all around as how to rectify/revise GST returns of the earlier tax period? Though the Central Govt. has come out with a Circular No. 26/26/2017-GST dated: 29.12.2017 wherein detailed procedure of correction is specified. It has been explained that mistakes of the earlier tax returns can be cured by making addition /subtraction in the figures of the current tax period.
- 2. Facility of a Common Cash ledger to be introduced:** Presently, under GST law there is a concept of Cash Ledger wherein cash payments are being made by the tax payers under the three major heads viz: CGST, SGST & IGST. These major heads are further sub-divided into five different minor heads viz: Tax, Interest, Fee, and Penalty & Others. Now, a tax payer has to pay tax under one major head and under one minor head combination. Further tax paid is credited to that particular major & minor heads and is adjustable with the liability under such heads only. Even if a tax payer has a surplus amount under one head and deficit under the other he has no option to offset. He needs to pay the deficit amount and to claim the surplus amount either as refund or to carry forward it for future liability. Due to such a bar the tax payer's not only working capitals is blocked but also they are saddled with the burden of claiming refund.
- 3. No further interest liability once money is credited to the Cash Ledger:** The provisions of GST in respect of payment of tax and levy of interest are quite peculiar. The assessee has to pay interest till the time amount is debited to his Electronic Cash Ledger. It is immaterial how much balance lying to his Electronic Cash ledger but the interest liability will be calculated till the date amount is debited to Electronic Cash Ledger. Until and unless liability gets offset/debited the assessee need to pay interest from the due date of payment till the date of offsetting liability.
- 4. Definition of 'Aggregate Turnover for the purpose of registration should be changed:** As per the provisions of section 22(1) of the CGST Act, 2017 if the aggregate turnover during a financial year exceeds Rs 10 lakhs/20

Lakhs then one has to obtain registration number under GST. Now, section 2(6) of the Act has laid down the meaning of 'Aggregate Turnover' which includes exempted and non-taxable turnover as well. This provision of law is causing some genuine hardship to the small assesseees and they are very much affected by this provision of law.

5. **Late Fee should not exceed Tax liability of an assessee:** Though the Govt. has already reduced the quantum of late fee but still there are some issues involved with the levy of late fee under GST. The late fee on account of delay in filing tax returns is causing some disturbances in those cases where the figures of late fee exceeds the payable tax. In such a situation it is really harsh to demand late fee more than the tax payable.
6. **Provisions of Composition Scheme to be amended further:** Under present provisions an assessee is debarred from opting Composition Scheme if one has got stocks left out of the Inter-State purchases and Imports made. Further if an assessee is having more than one business then he has to either opt composition for all such businesses or to opt regular /normal provision for all those businesses. He has no option to opt composition scheme for one business and normal to others.
7. **Settlement of earlier taxation laws disputes through 'Kar Samadhan Scheme:** GST is going to complete its first year and now the assessment and appeal provisions are likely to play their respective roles. But until and unless old long pending disputes are settled tax officials will hardly find any time to deal with GST disputes.
8. **Issues related to GST Registration should be resolved:** Though the registration provisions under GST are quite simple and easy and one can get registration certificate without visiting tax dept. Further GST law has provision for early issuance of registration within 3 days if documents submitted are found to be correct and complete. But practically the registration process is taking longer than prescribed time.
9. **Centralization of Advance Ruling Authority:** Advance ruling authority under GST is the first forum to get clarification on any disputed matter. Thus the ruling issued by the authority is of paramount importance. But since recent past it is seen that some of the rulings were not backed by the provisions of the law.
10. **Provisions of Input Tax credit should be more comprehensive:** Section 17(5) of the CGST Act, 2017 has blocked input tax credit on certain goods and services. So if the input tax credit on such goods and services is denied then there will be a huge loss to the business and to the industry.



Fig 6

Soon after the much-awaited indirect tax reform legislation Goods And Services Tax (GST) was rolled out on July 1 last year, several stakeholders, from tax payers to common citizens, raised their eyebrows, and even expressed outrage for prohibitively high rates of some of the items especially the ones that were put in the 28 percent tax bracket. The GST was rolled out with five different tax slabs: zero percent, 5 percent, 12 percent, 18 percent and 28 percent. Though GST was appreciated as a one-stop solution to all indirect tax related woes and the problem of spate of state taxes and levies, but it was condemned for keeping nearly 250 items in the highest tax bracket, which is 28 percent.

Nearly four months after the GST was rolled out, the 23rd GST Council meet that took place in Guwahati on November 10 slashed the tax rates from 28 percent to the lower slabs on over 200 items. The highest tax slab was retained only on 50 'sinful and luxury items' while nearly 178 items were rationalized from the highest tax slab to 18 percent. One of the most lauded moves during the 23rd GST Council meet was to bring restaurant bills under the 5 percent bracket from the earlier 18 percent. Though a lot of items turned cheaper, and affordable, after the GST was rolled out, there are, however, calls to bring other items such as petrol, diesel under the indirect tax regime in a bid to make them cheaper amid crude price hikes that have lately taken the fuel prices in domestic market to unprecedented levels in May this year.

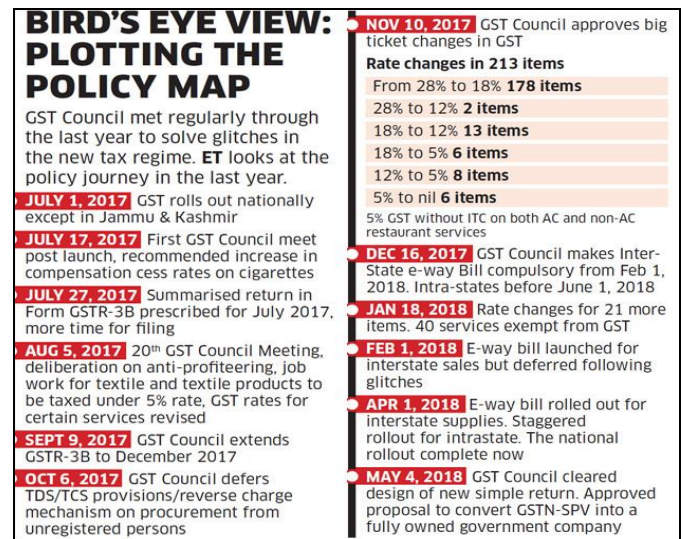


Fig 7

**Suggestions**

In order to make GST as simpler the following are the few suggestions:

1. **Expansion of tax base:** There are many goods that are still outside the GST net, which comes in the way of seamless flow of input tax credit. Key items outside its ambit are electricity, alcohol, petroleum goods and real estate. Among fuels, it may be possible to bring natural gas and aviation fuel within GST.
2. **Tax slab rationalization:** There are as many as five slabs, excluding exempt goods, they may be merging slabs to reduce complexity and classification disputes.

3. **Lower tax rate:** There has been a substantial reduction in the number of products in the 28% bracket with goods moved to the 18% one. There is further scope for cutting the peak rate on all products.
4. **GST returns simplification:** This is the biggest item on the agenda as far as businesses and compliance are concerned, a new and simplified return filling process may become effective
5. **More data analytics:** There is a need of data analytics to identify concern areas and plug revenue leakages.
6. **Anti-profiteering agency:** To strengthen the anti-profiteering agency
7. **Filing system:** The biggest dampener was the compliance process, as information technology glitches took more than the anticipated time to be resolved. The filing system that was put in place in the beginning was quickly abandoned as businesses struggled with compliance. A new return form is being crafted to help make the process much less painful for businesses



Fig 8

### Conclusion

As the completion of one year of GST, we must take stock of some of the changes that we can expect in the second year of GST:

The GST base is expected to be broadened over time with petroleum products, the real estate sector in its entirety and electricity coming into GST. Several changes in GST compliance during the initial phase had disturbed businesses and hence there would be a conscious effort to reduce the level of compliances in the coming year. This could take the form of fewer returns, simplified returns, reducing the periodicity of filing returns for some categories of taxpayers etc. It is also expected some requirements such as invoice matching, which are cumbersome for SME's, could be made mandatory for larger enterprises and optional for smaller entities.

The next one year is expected to usher in the stabilization phase of GST where more and more businesses become organized and compliant so that the both businesses and the government are able to reap the benefits of the most significant tax reform of our times.

GST will be the biggest Tax reform of this decade and in the coming days it will break all the records of revenue collection in the Country. It will surpass the age old Direct Taxation law of the Country. Agenda of Govt. to make law simpler is going to be a path breaking reform. The dream of One Nation-One Tax-One Market will sooner achieve its objects in totality.

### Note

The views expressed above are the personal views of the author and also the information stated above is received from the articles published in reputed journals, news papers and from various websites. Thus, it is requested that before acting on the basis of same, please check and confirm relevant provisions of the laws/circulars/notifications etc.

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