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CHALLENGES AND OPPORTUNITIES OF GOODS AND SERVICE TAX WITH REFERENCE TO INDIA

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ABSTRACT:

Goods and Services Tax in the federal structure is very complex. India's GST system seeks to reduce complexity by applying a uniform base and rates across the country. However, the implementation framework using multiple rate structures and strict reporting requirements for businesses imposes a heavy compliance burden on businesses, and has a negative impact on the economy. The government can reduce the compliance burden on industries by providing them with a longer transition period to become part of the full GST requirements. Under the new system exporters are facing a significant reduction in their working capital which is limiting their ability to take new orders. Immediate policy interventions will be required to ease the cash flow burden on exporters and reduce cases of refunds. The financial impact of the new system will last for at least a few months until businesses comply with the new system. Additional cost of compliance and higher tax compliance will make some retail businesses unviable with real economic impact on investment and jobs. However, over time, the benefits of implementation in the form of positive economic benefits such as removal of tax restrictions on free movement of goods across the country and higher tax collection will create a temporary recession over time.

KEYWORDS : *Goods and Services Tax , federal structure , retail businesses.*

INTRODUCTION:

The introduction of VAT at the central and state levels is considered an important step in India's indirect tax reform. While VAT is a major improvement over the existing Central Excise and State-level sales tax systems at the national level, the Goods and Services Tax (GST) is an additional important achievement leading to comprehensive indirect tax reforms. The country was initially slated to have a national-level goods and services tax, but with the release of the first discussion paper by a strong committee of state finance ministers, it became clear that India would have a "dual GST". Centre and states will levy taxes on goods and services through them. Almost 100 countries have implemented GST. Countries like Singapore and New Zealand are taxed at the same rate. Indonesia has five positive rates, zero rates and more than 30 types of exemptions. In China, GST is applicable only for supply of goods and repair, replacement and processing services. There is no discrimination between goods and services for taxation under the GST scheme. GST is a multi-level tax where the burden of taxation is imposed on the consumers of goods/services. It is called value added tax because value added tax is paid at every stage. Under the GST scheme, a person who is liable to pay tax on his output, whether it is provided for sale of services or goods, is entitled to receive Input Tax Credit on the tax paid on his inputs.

CONCEPT OF GST:

July 1 to replace several Central and State Value Added Taxes on the same basis as existed earlier. Prior to July, 2017, the Center and each state levied its own VAT, resulting in a disaggregated tax system with different rates for the same sale of goods. Further, state VAT was levied on central quasi-VAT and inter-state sales tax resulted in cascading of taxes as these taxes were not allowed to be cumulated. To collect more revenue, some states imposed huge 'entry taxes' which restricted the free movement of goods across the country. The new GST was designed to bring a uniform policy and administrative framework for taxation across the country and to introduce minimum tax-based restrictions on trade. The new GST system replaces multiple central and state taxes on a single base with a common framework across the country and reduces complexity by applying the same base and rates across the country. The system largely uses four rates of taxation (5%, 12%, 18%, 28% and additionally 0.25% for precious stones and 3% for gold) with several concessions. The new GST system removes any tax applicable across state borders thereby imposing minimum tax-based restrictions on trade. The new system seeks to improve tax compliance by implementing stronger data reporting requirements electronically and cross-matching reported data.

ISSUES IN GST IMPLEMENTATION:

This includes onerous requirements on businesses to compile and report transaction-wise dates on an electronic portal for all businesses with a turnover of more than Rs 7.5 million per annum. Identifying goods and services with HSN codes to arrive at the appropriate tax rate to apply also poses problems. Exporters who earlier benefited from tax exemption on their inputs will now have to pay tax on inputs and claim their refund after filing tax returns. If the exporters do not have a letter of undertaking or a bond, tax must also be collected on the export as it was a domestic sale. This is putting a strain on the working capital of small exporters. Informal businesses now have to pay taxes (and the additional cost of compliance) and retail businesses are likely to close down so there will be a real economic impact that can spread down the value chain. Some of these issues like classification and uploading of returns are temporary, however structural issues on multiple rates and treatment of exporters and retail businesses will continue.

CHALLENGES:

1. **Tax Edge:** The extent to which GST will be applicable will be a zone that needs to be considered carefully. As a matter of first importance, the margin should not be so low as to consider injury to private enterprises and specialist cooperatives. It likewise creates government property designations for modest amounts of income, which can be more expensive than a lump sum. The main effect of marginalization of assessment is that the administration generally gets less revenue because the duty base is barely covering and also, it can influence the smaller and more developed states which limit the tolls in the current VAT system.
2. **Nature of Taxes:** Expenses generally remembered for GST are extract obligation, extract obligation, and extract obligation, administration assessment and state level VAT, among others. Remarkably, various other state and association charges are not yet out of GST.
3. **Taxation Rate:** The facts regarding the use of GST confirm that it will boost the economy of the country and still the GST rate of the state needs to be considered. The facts show that the rate of expenditure should be set as a condition precedent to the subsidy being given by the State. At whatever point states feel they should raise more revenue to cover expanded spending, in a perfect world they should have the ability to decide how to raise revenue.

4. **Tax administration and infrastructure:** Depending on the state and organization, how to make GST basic. The realization of any evaluation change approach or administrative measures depends on the basic effortlessness of the framework, which represents a high degree of similarity with the regulatory measures and arrangements.

OPPORTUNITY:

1. **Cascading Effects:** This will be a significant commitment of GST in exchange. Roundabout tax collection is compulsory at different state level and focal level till its present use on the inventory network.
2. **Revenue growth at union and state level:** It is normal that the execution of GST will expand the duty base yet decrease the expense rates and dispense with the various focuses, which will bring about higher income for the two states and associations.
3. **Eliminates the multiplicity of taxation:** One of the major benefits that the taxpayer expects from GST is the multiplication of taxes. Reducing the number of taxes in the chain of transactions will help clear up the current confusion brought by the existing indirect tax laws.
4. **One point Single Tax:** Another component of the GST is 'do focus'. This gives the business network a great deal of solace and certainty that they will concentrate on the business as opposed to stressing over some other expenses that will come in later stages. This will help the shipper network to decide their store network, estimating examples, and assist buyers with staying serious over the long haul, and as valuing will never again be an element of expense factors yet business knowledge and advancement.
5. **Corruption Less:** This is a big problem and it has spread across India. Unless political will exists, we cannot expect anything concrete. This will be a step towards a corruption-free Indian Revenue Service.
6. **Impact of recession on the economy on implementation of GST:** The introduction of GST coincided with demonetisation and other factors that slowed down growth. Although some impact on higher inflation is expected from international experience, it is too early to assess the impact of GST on the macro economy. But, other problems have also bubbled to the surface such as insufficient bank credit for small businesses, interest rates and cash flow problems as the input credit system needs to be blocked until some amount of working capital is adjusted against sales (some businesses claim this is up to 5% of their working capital).. Another factor is the effect of higher tax compliance under the new GST on informal businesses whose margins were entirely due to the tax they were not paying. When an additional tax is paid, the additional cost of compliance to prepare and file tax returns and the disruption of working capital, the possibility of marginal business closures have a real financial impact that can spread down the value chain.
7. **Potential issues in submission of e-way bill:** The government had postponed the implementation of the e-way bill system which required generation of an electronic way bill from GSTN detailing the parties for every movement of goods. Transactions and transportation of goods. Due to this, there is a possibility that along with the businessmen, the burden of the transporters will also increase. Transporters are reporting less time on the road as the implementation of GST may reduce the e-way bill requirement.

SILENT FEATURES OF GST:

1. GST on manufacture of goods or sale of goods or provision of services is applicable on 'supply' of goods or services as against the present concept.
2. GST is based on the principle of destination-based consumption taxation as opposed to the existing principle of origin-based taxation.
3. It is a dual GST in which the Center and the States levy taxes simultaneously on equal basis. The GST levied by the Center will be called Central GST (CGST) and the GST levied by the States will be called State GST (SGST).

4. Integrated GST (IGST) shall be levied on inter-state supply of goods or services (including transfer of stock). It shall be levied and collected by the Government of India and such taxes shall be apportioned between the Center and the States as provided by law by Parliament on the recommendation of the GST Council.
5. Import of goods or services shall be treated as inter-state supply and subject to IGST in addition to applicable customs duty.
6. CGST, SGST and IGST shall be levied at rates mutually agreed upon by the Center and the States. The rates will be notified as per the recommendation of the GST Council. In a recent meeting, the GST Council has decided that GST will be levied at four rates viz. 5%, 12%, 16% and 28%. A schedule or list of items falling under each of these slabs has been prepared. In addition to these rates, a cess will be levied on "demerit" goods to raise resources to compensate states as the implementation of GST may reduce revenue for states.
7. GST will replace the following taxes currently levied and collected by the Centre:-

a. Central Excise
b. Excise Duties (medicines and toilet preparations)
c. Additional Excise Duty (goods of special importance)
d. Additional Excise Duty (clothing and textile products)
e. Additional Customs Duty (commonly known as CVD)
f. Special Additional Duty of Customs (SAD)
g. Service Tax
h. Cess and surcharges relating to supply of goods and services.

8. Credit of CGST paid on input can be used only for payment of CGST on output and credit of SGST paid on input can be used only for payment of SGST. Input Tax Credit (ITC) of CGST cannot be used for payment of SGST and vice versa. In other words, the two streams of Input Tax Credit (ITC) cannot be used interchangeably for payment of IGST, except in specified circumstances of inter-state supply.
9. Accounts will be settled between the Center and the States from time to time to ensure that credit of SGST used for payment of IGST is transferred to the Center by the exporting State. Similarly, the IGST used to pay SGST will be transferred from the Center to the importing state. Further, the SGST portion of IGST collected on B2C supplies will also be transferred from the Center to the destination state. Funds will be transferred based on the information contained in the returns filed by the taxpayers.

It is expected that GST laws or a new indirect tax system will benefit all stakeholders, Industry, government and citizens. Next, reduce the cost of goods and services, boost the economy, and make our products and services globally competitive.

BENEFITS OF GST:

1. GST has brought together several indirect taxes under one umbrella, simplifying taxation for services and commodity businesses.
2. Experts believe that the implementation of GST will reduce the prices of products and services in the long run. Because the cascading effect of VAT and series of taxes has now been wiped out.
3. Service provider companies with a turnover of less than 20 lakhs are exempted from paying GST. In case of North Eastern States, the threshold is Rs. 10 lakhs. This will help small businesses to avoid lengthy taxation process.
4. Companies with a turnover of up to Rs.75 lakhs under the GST taxation system can avail the benefit of structure schemes and pay only 1% tax on their turnover. This will help them to follow the easy taxation system.
5. GST aims to reduce corruption and sales without receipts.
6. GST reduces the need for small companies to comply with Excise Duty, Service Tax and VAT.
7. GST brings accountability and regulation to unorganized sectors like textiles.

8. As GST replaces many state and central taxes, the tax collected is likely to be distributed throughout the country, thereby providing funding for development to developing or underdeveloped pockets of India.
9. GST has reduced taxes on some items by 2% and others by 7.5%, such as smartphones and cars.
10. GST brings uniformity in the taxation process and allows for centralized registration. It offers small businesses an opportunity to file their tax returns quarterly through a convenient online mechanism. This reduces the number of taxes because they do not have the resources to hire tax experts.
11. GST reduces logistics costs by eliminating border taxes and eliminating inconsistencies at check posts. A 20% drop in logistics costs for non-bulk items is clearly an expected outcome.
12. GST shows a positive impact on India's GDP. It is expected to grow by at least 80% in the coming years.
13. With the implementation of GST, the possibility of tax evasion has completely reduced.

CONCLUSION:

Indirect tax reform in our country after independence, GST is applicable on all supply of goods and provision of services and combination thereof. All sectors of the economy including industry, government, sector have to bear the consequences of GST. All sectors of the economy viz. large, medium, small enterprises, intermediaries, importers, exporters, merchants, traders and consumers will be directly affected by GST. Something is ready. GST will create a single, integrated Indian market to strengthen the economy. Experts say GST will improve tax collection and boost India's economic growth by unifying India through uniform tax rates and removing tax barriers between states. By levying the tax base and reducing the exemption under GST, taxation will be done equally between goods and services.

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