
PRESENT CHALLENGE OF GOODS AND SERVICES ACT

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Executive Summary

On 19th December, 2014, The Constitution (122nd Amendment) Bill 2014 was introduced in the Lok Sabha and was passed by Lok Sabha in May 2015. The Bill was taken up in Rajya Sabha and was referred to the Joint Committee of the Rajya Sabha and the Lok Sabha on 14th May, 2015. The Select Committee submitted its report on 22nd July, 2015. Thereafter, the Constitutional Amendment Bill was moved on 1st August 2016 based on political consensus. The Bill was passed by the Rajya Sabha on 3rd August 2016 and by the Lok Sabha on 8th August 2016.

After ratification by required number of State legislatures and assent of the President, the Constitutional amendment was notified as Constitution (101st Amendment) Act 2016 on 8th September, 2016. The Constitutional amendment paved way for introduction of Goods and Services Tax in India. After GST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok

Sabha on 29th March, 2017. The Rajya Sabha passed these Bills on 6th April, 2017 and were then enacted as Acts on 12th April, 2017.

Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, GST was launched with effect from 1st July 2017 by Sh.Narendra Modi, Hon'ble Prime Minister of India in the presence of Sh.Pranab Mukherjee, the then President of India in a mid-night function at the Central Hall of Parliament of India.

GST may be a tax on the availability of products and services, right from the manufacturer to the buyer. Credits of input taxes paid at each stage are going to be available within the subsequent stage useful addition, which makes GST essentially a tax only on value addition at each stage. the ultimate consumer will thus bear only the GST charged by the last dealer within the supply chain, with set-off benefits in the least the previous stages.

GST includes taxes, which are at Central level including Central Excise Duty, Additional Excise Duty, Service Tax, Additional customs commonly referred to as duty and Special Additional Duty of Customs.

CHAPTER: 1

Introduction

Chapter 1.1: WHAT IS GST?

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017;

Goods & Services Tax Law in India is a **comprehensive**, multi-stage, destination-based tax that is levied on every value addition.

In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India.

GST is **one indirect tax** for the **entire country**.

The indirect tax implied upon the supply of goods and services is called GST. GST law has various levels that will be imposed on every value addition. It is the substitute of various types of indirect taxes that existed in India. GST includes multiple stages as an item moves from manufacturer to final consumer and therefore tax will be imposed on each of these levels. For example, firstly it includes-

- Purchase of raw materials, we take INPUT TAX CREDIT
- Sale to end consumer
- Storage of final goods
- Sale of goods to retailer

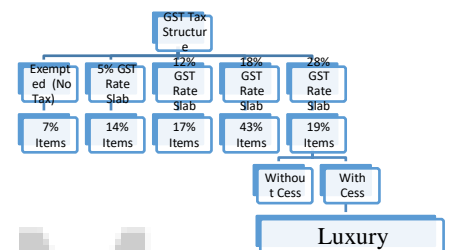
With the coming of GST, the flow of tax effect has reduced, better operations for e-commerce, well-organized operations in logistics, managing and balancing the unorganized sector etc. GST includes three types of taxes - CGST, SGST, and IGST.

- CGST-Tax collected by the central government
- SGST-Tax collected by the state government
- IGST-Tax collected by the central government

GST Slab Rates: -

The GST council has fitted over 1300 goods and 500 services under four tax slabs-

- 0%- fresh vegetables, salt, curd, eggs, newspaper, stamps, bangles, contraceptives, etc.
- 5%- sugar, kerosene, tea, coffee, spices, LPG, coal, edible oil, brochures, building bricks, milk foods (Babies), etc.
- 12%- ghee, butter, mobiles, pen, incense sticks, bicycles, umbrellas, marble blocks, etc.
- 18%- hair oil, soap, mineral water, ice cream, pasta, pastries, cake, vinegar, sauces, etc.
- 28%- air conditioners, washing machines, shampoo, chocolates, monitor & projectors, etc.
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Challenges in the New Return System

Educating the client

The taxpayers will take some time to understand the changes in tax laws. During this transition phase, taxpayers will get ample time to comply with the law.

However, it is a big challenge for a chartered accountant to educate a taxpayer about how a new GST return system works.

Invoice Upload

Under the new GST return system, there will be a facility provided for taxpayers to upload invoices continuously on a real-time basis in GST ANX-1. If the taxpayers intend to upload invoices continuously, they will need a new mechanism that will capture and upload all the invoices issued and other related documents into the portal.

This becomes a challenge to a taxpayer as there is no such concept of real-time invoice upload under the present return system. The taxpayer has to put additional effort to upload the invoices with accurate details continuously.

Frequent Matching

The frequent matching involves matching the invoices uploaded by the supplier with the books of accounts to claim ITC. As the supplier uploads invoices on a real-time basis, the recipient has to match the invoices continuously. The invoices uploaded by the supplier in his GST ANX-1 will auto-populate to GST ANX-2 of the recipient.

The taxpayer usually matches their invoices with books of account at the time of filing their GST return. The pain point involved in frequent matching is that the taxpayer has to allocate time from his daily business activities or he has to dedicate personnel to do the same.

Invoice Tracking

There may be cases of missing invoices where the recipient will have a physical invoice, but the same is not available on the GST portal to take the necessary actions. The recipient has to track these missing invoices and report them to the supplier. The recipient has to continuously check whether the supplier has uploaded invoices on the portal.

The above process will put additional responsibility on the recipient even though

he has paid the tax amount to his supplier. The challenge here is to continuously follow up with the supplier to upload invoices. This may impact the relationship between the supplier and the recipient.

Vendor Communication

Vendor communication plays a vital role in the new GST return system. The vendor has to focus more on accounts receivables and accounts payables when compared with the present return filing system. The accounts receivable will determine the value of sales/debtors and ITC claimed. On the other hand, the accounts payable will decide the value of purchases/creditors and output tax liability.

Transition to the new GST return system

Taxpayers under the present return system will need ample time to adapt to the new GST return system. The government has already provided the prototype of the new GST return system. But all the specified features are not enabled in prototype returns.

The pain point during the transition is that the taxpayer must get used to new features such as the upload of invoices in GST ANX-1, taking action in GST ANX-2 for ITC claims, regular reconciliation of differences, claiming provisional credit for missing invoices, and more.

To overcome the above challenges, taxpayers can use the latest technologies available in the market so the adapting process to new GST returns becomes easy. New features such as bulk upload and tracking of invoices, regular reconciliation of books of accounts with GST returns, continuous follow up with vendors, and hassle-free communication to bulk vendors are available.

CONCEPT OF E-WAY BILL SYSTEM

Under GST, transporters should carry an E-way Bill when moving goods from one place to another.

E-way Bill is an Electronic Way Bill for movement of goods to be generated on the E-way Bill Portal. A GST registered person cannot transport goods in a vehicle whose value exceeds ₹ 50,000 (Single Invoice/bill/ delivery Challan) without an E-way bill that is generated on ewaybillgst.gov.in. Alternatively, E-way bill can also be generated or cancelled through SMS, Android App and by site-to-site integration through API. When an E-way Bill is generated, a unique E-way Bill Number (EBN) is allocated and is available to the supplier, recipient, and to transporter.

An E-way bill will be generated when there is a movement of goods in a vehicle/ conveyance)-

- In relation to a 'supply'
- For reasons other than a 'supply' (say a return)
- Due to 'inward supply' from an unregistered person

For this purpose, a supply may be either of the following:

- A supply made for a consideration (payment) in the course of business
- A supply made for a consideration (payment) which may not be in the course of business
- A supply without consideration (without payment). In simpler terms, the term 'supply' usually means a:
 1. Sale- sale of goods and payment made
 2. Transfer- branch transfers for instance
 3. Barter/Exchange- where the payment is by goods instead of in money

In February 2020, the e-way bill portal has been linked to the VAHAN system. A pilot run has already begun in the state of Karnataka. Now, the vehicle registration number will be validated at the time of generating e-way bill.

Therefore, E-way Bills must be generated on the common portal for all these types of movements. For certain specified goods, the E-way bill needs to be generated mandatorily even if the value of consignment of goods is less than ₹ 50,000:

1. Inter-state movement of goods by the Principal to the registered Job-worker
2. Inter-state transport of Handicraft goods by a dealer exempted from GST registration

Cases when E-way bill is not required

In the following cases, it is not necessary to generate E-way Bill:

- The mode of transport is non-motor vehicle
- Goods transported from Customs port, airport, air cargo complex or Inland Container Depot (ICD) or Container Freight Station (CFS) for clearance by Customs.
- Goods transported under Customs supervision or under customs seal
- Goods transported under Customs Bond from ICD to Customs port or from one custom station to another.
- Transit cargo transported to or from Nepal or Bhutan
- Movement of goods caused by defence formation under Ministry of Defence as a consignor or consignee
- Empty cargo containers are being transported
- Consignor transporting goods to or from between place of business and a weighbridge for weightment at a

distance of 20 kms, accompanied by a Delivery Challan.

- Goods being transported by rail where the consignor of goods is the Central Government, State Government or a local authority
- Goods specified as exempt from E-way bill requirements in the respective State/Union Territory GST Rules.
- Transport of certain specified goods- includes the list of exempt supply of goods; Annexure to Rule 138(14), goods treated as no supply as per Schedule III, certain schedule to Central Tax Rate notifications.

NOTE: - Part B of E-way Bill is not required to be filled where the distance between consignor and consignee and the transporter is less than 50 kms and transport is within the same state.

HSN Code or Harmonized System Nomenclature code number is an internationally adopted commodity description and coding system developed by the World Customs Organization (WCO).

Under GST, all goods and services transacted in India are classified under the HSN Code system or SAC Code System. Goods are classified under HSN Code and services are classified under SAC (Services Accounting Code) Code. Currently, 98% of the merchandise in international trade is classified under HSN Code. Moreover, if a service is not exempted from GST or if the GST rates are not provided, then the default GST Rate for services of 18% would be applicable.

<u>Items exempted</u>	<u>Items under 5%</u>	<u>Items under 12%</u>	<u>Items under 18%</u>	<u>Items under 28%</u>

Milk, eggs, curd, butter milk, Fresh vegetables and fruits, Un-branded wheat and rice, un-branded flour, Puja Items	Frozen Vegetables and fruits, branded wheat and rice, branded flour, hand-made safety matches, cotton, cotton fabrics, Footwear below Rs.500	Butter, Cheese, Dry fruits, mobile phones, ayurvedic products	Bidhi wrapper leaves, biscuits, footwear exceeding Rs. 500, man-made fibre, hair oil, soap, toothpaste	Biris, LED TV, AC, Cars, tobacco products, cement
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REVERSE CHARGE

Reverse Charge is a mechanism where the recipient of the goods and/ or services is liable to pay GST instead of the supplier.

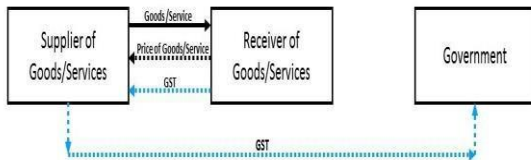
Normally, the supplier of goods or services pays the tax on supply. In the case of reverse charge, the receiver becomes liable to pay the tax, i.e., the chargeability is reversed.

Points to be noted:

No partial reverse charge will be applicable under GST. The recipient if reverse charge mechanism applies will pay 100% tax.

- In case of B2B import of other services, the tax shall be payable by the recipient of services.
- In case of B2B import of goods, the tax shall be payable by the recipient of goods.

NORMAL GST PAYMENT PROCESS



GST PAYMENT IN CASE OF REVERSE CHARGE



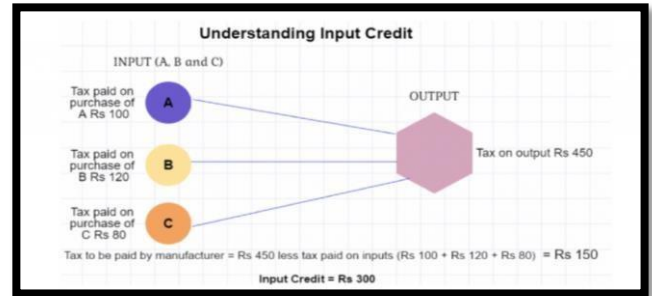
What is **input** tax credit?

Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

When you buy a product/service from a registered dealer, you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales *minus* tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

For example- you are a manufacturer:

- Tax payable on output (FINAL PRODUCT) is ₹ 450
- Tax paid on input (PURCHASES) is ₹ 300
- You can claim INPUT CREDIT of ₹300 and you only need to deposit ₹150 in taxes.



Who can claim ITC?

ITC can be claimed by a person registered under GST only if he fulfills all the conditions as prescribed.

- The dealer should be in possession of tax invoice
- The said goods/services have been received
- Returns have been filed.
- The tax charged has been paid to the government by the supplier.
- When goods are received in installments ITC can be claimed only when the last lot is received.
- No ITC will be allowed if depreciation has been claimed on tax component of a capital good

A person registered under composition scheme in GST cannot claim ITC.

What can be claimed as ITC?

ITC can be claimed only for business purposes. ITC will not be available for goods or services exclusively used for: a. Personal use b. Exempt supplies c. Supplies for which ITC is specifically not available.

Input Tax Credit- records and due date:

Obligation of	Due date	Form No. to be filed online
Registered person claiming ITC for stock in hand u/s 18(1) - Declaration	Within 30 days of his becoming eligible for ITC	GST ITC – 1

Transferor of ITC on sale, merger, demerger, amalgamation, lease or transfer of a business- Declaration		GST ITC – 2
Registered person on taxable goods/ services becoming exempt – ITC reversal on inputs, inputs contained in semi-finished and finished goods and capital goods in stock – Declaration of stock	Immediately	GST ITC – 3
Registered person sending goods/ capital goods to job worker – Record of		GST ITC – 4

A return is a document containing details of income that a taxpayer is required to file with the tax administrative authorities. Tax authorities to calculate tax liability use this. Under [GST](#), a [registered dealer](#) has to file GST returns that include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required. You can generate [GST compliant invoices](#) free on Clear Tax Bill Book.

Who should file GST Returns?

In the GST regime, any regular business has to file two monthly returns and one annual return. This amounts to 26 returns in a year.

The beauty of the system is that one has to manually enter details of one monthly return – GSTR-1. The other return GSTR 3B will get auto-populated by deriving information from GSTR-1 filed by you and your vendors.

There are separate returns required to be filed by special cases such as [composition dealers](#).

Returns to be filed under GST:

Obligation of	Due date	Form No. to be filed
Supplier- to file details of outward supplies of taxable goods and /or services effected	10 th of the next month	GSTR-1

GST RETURN

Recipient-to file details of inward supplies of taxable goods and/ or services effected claiming input tax credit	15 th of the next month	GSTR-2
Registered taxable person-to file monthly return	20 th of the next month	GSTR-3
Composition supplier- to file quarterly return for compounding taxable person	18 th of the month succeeding quarter	GSTR-4
Non-resident taxable person-to file monthly return	20 th of the next month	GSTR-5
Input service distributor- to file monthly return	13 th of the next month	GSTR-6
Tax deductor-to file return of tax at source.	10 th of the next month	GSTR-7
E-commerce operator/ tax collector-monthly return of supplies effected through e-commerce operator and the amount of tax collected	10 th of the next month	GSTR-8
Registered taxable person-	31 st December of the next	GSTR-9

to file annual return	financial year	
Taxable person whose registration has been surrendered or cancelled to file Final Return	Within three months of the date of cancellation or date of cancellation order, whichever is later.	GSTR-10
Person having UIN and claiming refund- to file details of inward supplies	28 th of the month following the month for which statement is filed	GSTR-11

What is e-invoice under GST?

E-Invoice which is known as “electronic invoicing” is a system in which all B2B invoices are electronically uploaded and authenticated by the designated portal. Post successful authentication, a unique Invoice Reference Number (IRN) is generated for each invoice by Invoice Registration Portal (IRP). Along with IRN, each invoice is digitally signed and added with QR Code. This process is collectively called as e-invoicing under GST. All invoice information will be transferred from this portal to both the GST portal and e-way bill portal. Hence, it will eliminate the need for manual data entry while filing ANX-1/GST returns as well as generation pf part-A of the E-way bills, as the information is passed directly by the IRP to GST portal.

GSTE-Invoice applicability :

It would be binding for each and every businessman to generate the entire GST e-invoice which would also include the value of sale.

- Turnover 500 crores or More – Voluntary and Trial Basis start from 1st January 2020
- Turnover 100 crores or More- Voluntary and Trial Basis start from 1st February 2020.

- In respect of supply of Goods/Services to Registered person (B2B)

Note:

- GST e-invoicing is mandatory from 1st April 2020 for the above businesses. The ones with turn over upto 100 crore, voluntary and trial basis start from 1st April, 2020 as per the sources (Not declared by the Government)
- w.e.f. 1st April, 2020 a supplier whose aggregate turn over in a financial year exceeds 500 crores rupees to an unregistered person (B2C invoice) shall have quick response (QR) Code. D.

What are the misconceptions about E-invoice under GST?

That the biggest misconception of E-invoice in the minds of GST Registered person/Professionals/Consultant is that E-invoice means, preparing Tax invoice on GST portal. Many people think that e-invoice will be generated from government's tax portal. However, this is incorrect. Invoices will continue to be generated using an Accounting or billing software. Under E- invoice, invoice is prepared on ERP software and then JSON file from software will be created and that is required to be uploaded on portal.

That another misconception about E-invoice is that it is applicable to all GST Registered persons. However, as per Notification No. 70/2019 CT dated 13.12.2019, it will be applicable.

- To Registered persons whose aggregate turn over in a financial year exceeds 100 crore and

OBJECTIVE OF THE STUDY:

- To understand the concept and framework of Indian Goods and Services Tax (GST).
- To study the challenges regarding implementation of GST.
- To highlight the contribution of GST for Sustainable Economic Development.
- To predict the future prospects of GST in Indian economy perspective.

RESEARCH METHODOLOGY:

This is a descriptive cum conceptual research paper, which studies the concept and framework of GST supported past literature, books, journal, magazines etc., It also covers a good range of educational literatures on Goods and Services Tax. Additionally, as per the necessity of the study, further considerations are made.

In this paper, I've concluded about "Present Challenges in GST" in which I've mentioned introduction about What is GST and types of GST under which I've mentioned about GST Slab rates. Somehow, we figured about new issues in return system.

I've also explained about HSN Codes, Input Tax Credit, Reverse Charge, GST Returns and E-invoicing.

In this research paper, I've taken twelve research paper of various authors from India. In this I've conducted studied

through primary data by collecting responses from 100 people through questionnaire. People who have filled the questionnaire were from businessmen, servicemen, professionals and other.

Data Analysis

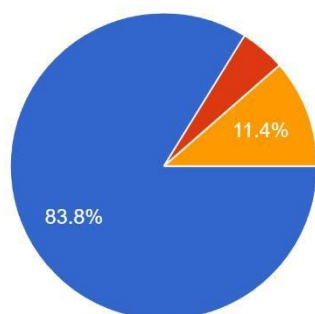
I have collected the primary data by the method of questionnaire in which I got filled by 105 individuals. I've enquired them about do they really know about GST system and about GST facilitated ease of doing business. Also, many question were asked about the challenges. And for this I've mentioned the data in graphical representation.

[add questionnaire]

Graphical Interpretation of Data

Do you know about GST?

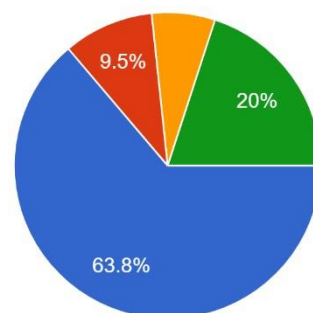
105 responses



About 84% of the sample knows about this indirect tax i.e., GST and 4% are still unaware about this new taxation system. Also, 12% are still confused about what GST is?

Even, government is confused in collecting tax under this taxation regime.

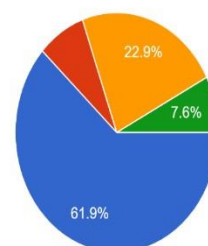
The implementation of GST has facilitated ease of doing business
105 responses



According to the survey, around 64% of people have agreed that implementation of GST has facilitated ease of doing business as returns filed are very less now. In addition, for about 10% of respondents, GST is still a big challenge like small businessmen. There are people for whom there is no change in the taxation. The GST law has removed the impediments of multiple compliances and cascading effect of taxes by subsuming 17 Central and State taxes into one single tax.

The GST impact on multi-state organisation dealing in goods

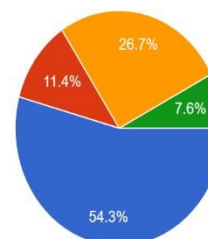
105 responses



● Positive impact
● No impact
● Can't say
● Negative impact

The GST impact on multi-state organisation dealing in services

105 responses

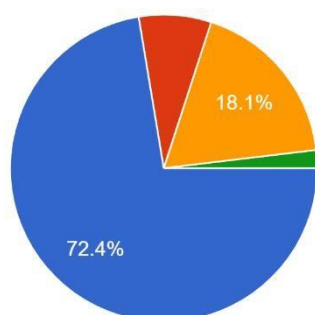


● Positive impact
● No impact
● Can't say
● Negative impact

Around 62% and 54% of respondents says that GST has affected multi-state organization in dealing goods and services. However, it has become easy due to e-way bill system and it has also been linked to Vahaan system.

GST has helped in easy movement of goods

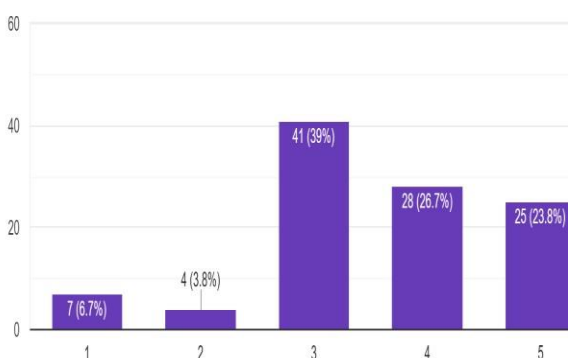
105 responses



According to the responses of 105 people, 73% of respondents says that GST has helped in easy movement of goods. And 18% are still in a big dilemma, they are confused how things work under GST.

India is really ready for GST implementation

105 responses

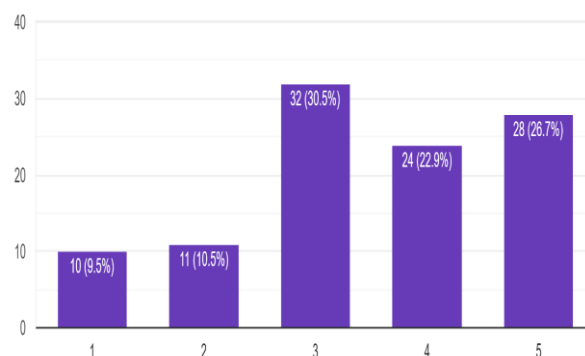


Now the some statement has been asked to the respondents in which the have to rate on a scale of 1 to 5 where 1 being the

strongly disagree and 5 being the strongly agree.

GST has increase tax burden on businessman

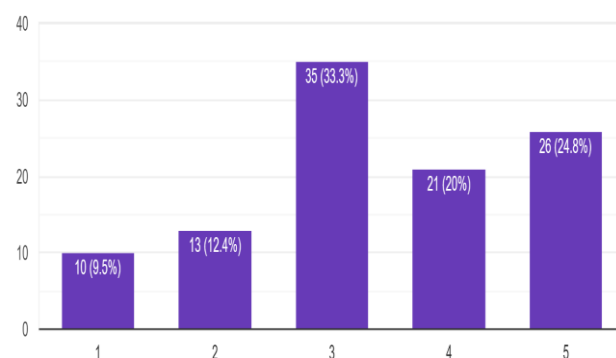
105 responses



Now around 27% of respondents have agreed strongly that GST has increased the tax burden on businessmen and where majority of people of 31% says that there is no change in paying tax.

Govt has imposed GST on people without any preparation

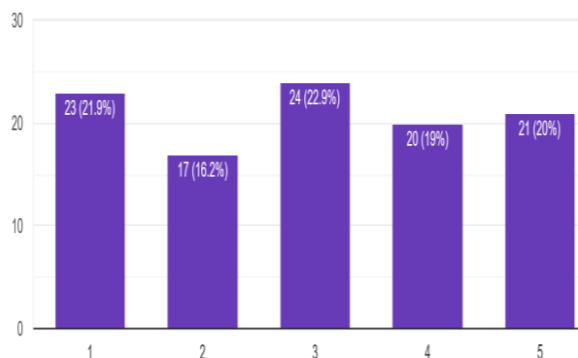
105 responses



According to the survey, 33.3% have agreed to the rate of 3 (strongly disagree to strongly agree) that Government has imposed GST on people without any preparation. And govt. is also confused in implementing norms. The law doesn't clarify how the costs incurred on account of transition from GST to non-GST era are to be factored in.

GST is very difficult to understand

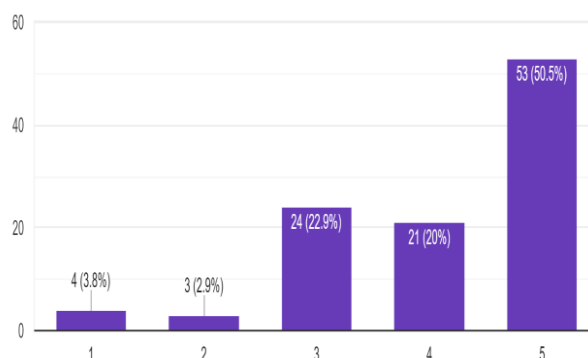
105 responses



Around 22% of respondents have strongly disagreed to the above statement. However, for 20% of people says that GST is very difficult to understand for example - all the products are classified under globally standardized system called HSN codes and businessmen are still confused in deciding the bracket of HSN codes in which the particular product will fall into.

GST is beneficial in long term

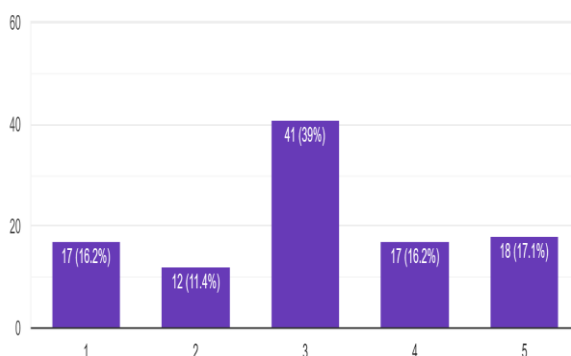
105 responses



Yes, GST is beneficial in long term as almost 51% of the respondents have strongly agreed to this statement. The reason behind this is its unparalleled benefits including uniformity of taxes, improved efficiency in logistics, bring in transparency, make small businesses strong, create more employment and ultimately reduce tax burden for the common man.

GST will increase the inflation in the country

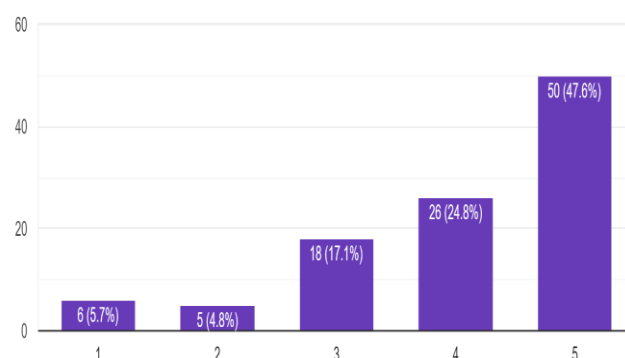
105 responses



According to the above observation, people says that there will be neutral effect on increase in the inflation of the country. But GST council says that impact on inflation will depend on the extent to which businesses pass on the tax changes to consumers.

GST will increase the tax collection of govt

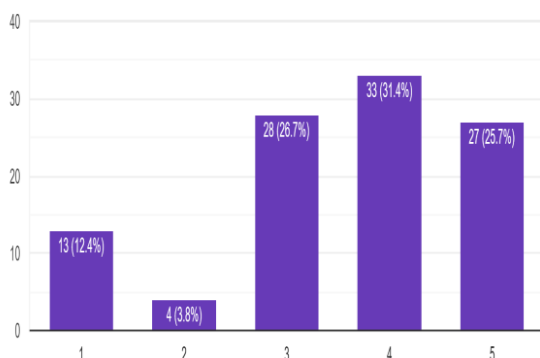
105 responses



The majority of people have responded in the favour of the above statement. Also, GST has increased the tax collect of government by 17.1%

GST will affect small business very badly

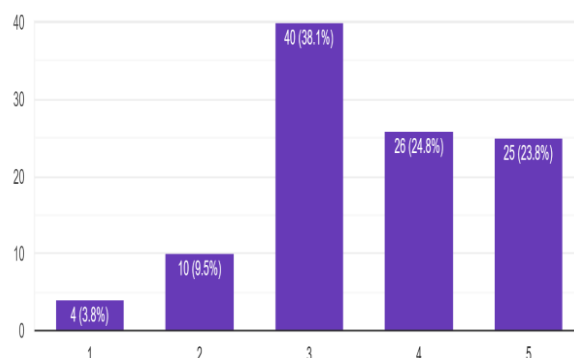
105 responses



As per the above observation, almost 32% of people have agreed to the statement that GST will affect the small business very badly.

GST affects the Indian capital stock market operations

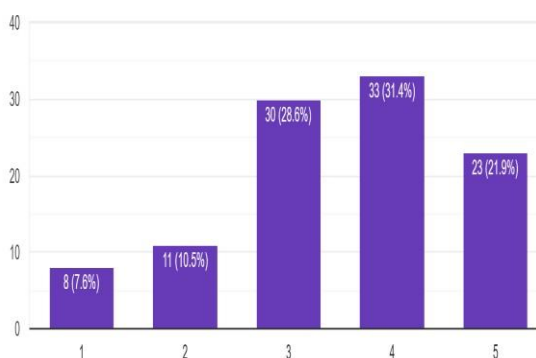
105 responses



According to the above observation people have agreed that GST affects the Indian capital stock market operations. The stock market will remain in cheers but for commodities like sin goods - luxury cars, cigarettes, aerated drinks will get expensive for the customers as they get the highest tax slab (about 26%, may be). Hence, one can imagine that such companies will struggle initially to pass on the excess tax costs to the consumers - so they will have to bear the costs and take a hit on profitability. Hence, these stocks will fall.

GST impacts the customer purchasing power effectively

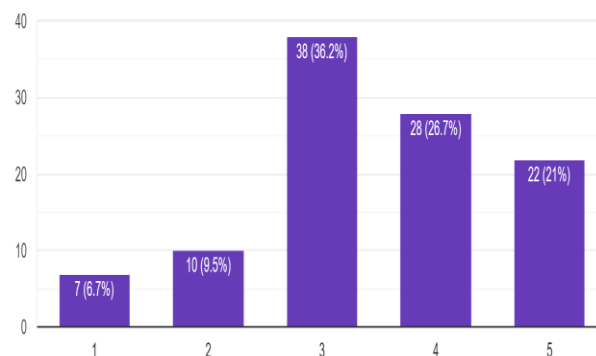
105 responses



According to the above graph, many people have agreed that GST impacts the customer purchasing power effectively up to a great extent.

GST will increase the cost of living

105 responses

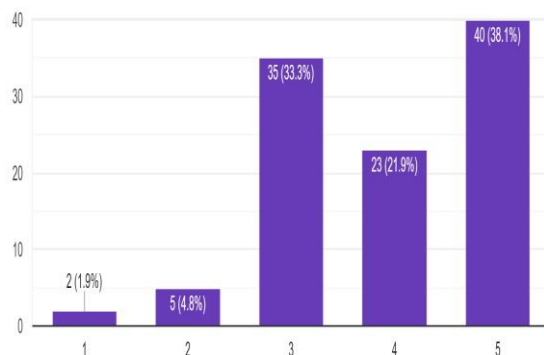


Only a couple of people have disagreed to the statement that GST will increase the cost of living and these are very high class people who uses luxury goods. But for a common man GST has really helped in increasing the cost of living as basic necessities of people have become

cheaper and majority of people have agreed to the above statement.

GST is an effective tool to replace the sales and service tax

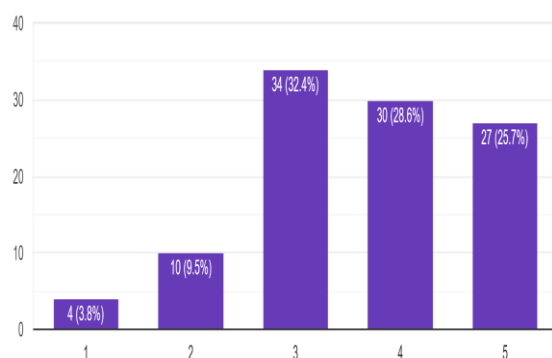
105 responses



Almost all the respondents have agreed that GST is an effective tool to replace the sales and service tax as it has made the easy functioning of things and it has also removed the cascading tax effect as the tax is calculated only on the value-addition at each stage of the transfer of ownership.

The newly implemented GST confused the customers

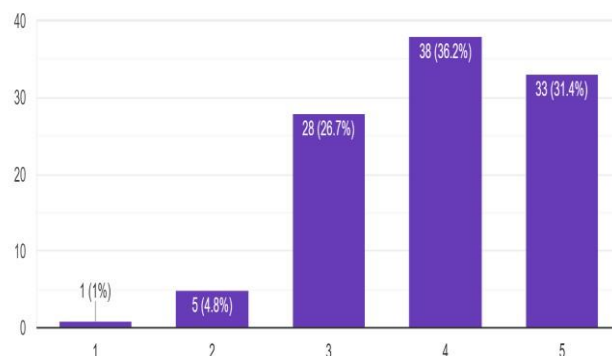
105 responses



According to the result of above statement, almost all the respondents have agreed that the newly implemented has confused the customers as there are many slabs in GST. So, people are confused mainly between the slabs of taxes i.e., under which slab the particular product will fall.

The GST system is a way for the government to collect revenue to manage an economy

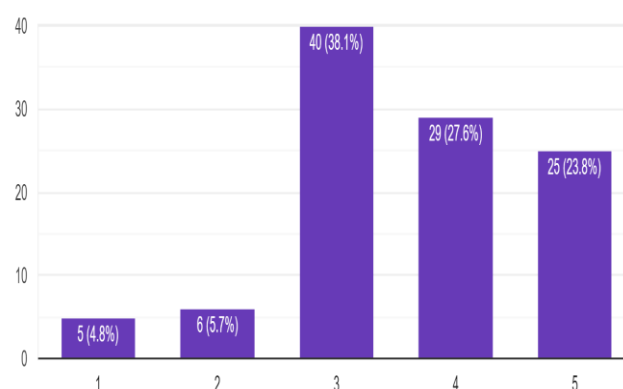
105 responses



According to the above result, this statement has been agreed by many of the respondents and the revenue was rose by 9% due to IGST imports.

GST encourages people to save a part of their income

105 responses



Almost 85% of respondents are agreeing to the statement that GST encourages people to save a part of their income. However, this statement is true because after implementing GST there is no double taxation system i.e., tax on tax.

The description in the GST guide is lengthy and not user friendly

105 responses

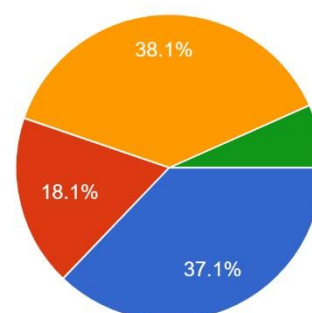


The above statement is true, as GST guide is very lengthy and not user friendly. In addition, many respondents have agreed to this statement. Not all people can read this. There are many things for which we have to take knowledge from the person who knows about GST very well. Like, there are HSN codes in which all the product fall into and there is almost 10000+ pages for HSN codes.

Under the GST regime, a businessman is expected to fill three forms. GSTR 1 is a monthly return that should be filed by every registered dealer. It contains details of all sales by every dealer. GSTR-2 is a detail of all purchases and GSTR-3 is a furnished detail of all sales and purchases and the payment of GST.

The impact of changes on working capital requirement

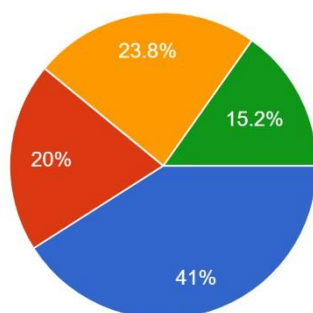
105 responses



From the above observation, 37% of people says that there is a positive impact on changes in a working capital requirement. But surprisingly majority of people i.e., 38% are confused that GST has helped actually or not.

The implementation of GST has facilitated in

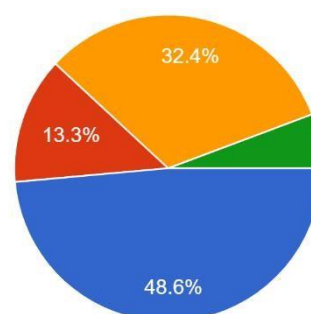
105 responses



According to survey conducted between 105 respondents, 41% have agreed that GST has facilitated in reduction of overall taxes as all other indirect taxes like excise duty, sales tax, VAT, etc. have been absorbed by the new tax named GST. However, there are people for whom there is no change in paying tax.

Exporting goods and services has now become easier

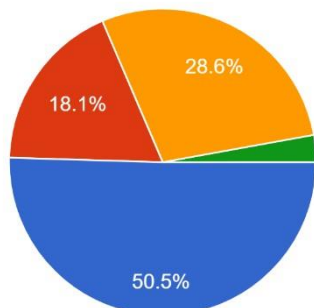
105 responses



Though the maximum percentage of the group have agreed to the above statement but still 35% of respondents are confused who says that exporting goods and services has not become easy as for small businessmen it is very

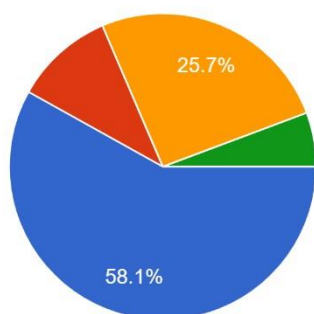
difficult for them to export as there are many formalities to be fulfilled.

The time required in filing returns has been reduced
105 responses



50% of the population have responded that GST has actually reduced the time in filing returns. As of now only few main returns are filed like GSTR-1, GSTR-3B, etc.

Maintaining/ updating books of accounts and
105 responses



More than 50% of the sample has responded yes for the above statement which means that GST has made easy way of booking and maintaining books of accounts. As after the introduction of GST, all the companies record their books of accounts in an ERP for example- SHEELA FOAM LIMITED uses the software Greatplus for booking the record. Also this software has made easy access to past years data.

Challenges

1. Challenges in Implementation of GST:

During financial year, government of India collected 2016-17 about Rupees 17.10 lakh crore tax. The collection raised by about 178% as compared to last year and indirect taxes consisting of service tax, VAT etc. accounted for 50 you look after the entire returns from taxes. With introduction of major tax reform in indirect taxation system and introduction of GST, the collection equations are changed. This tax is predicted to spice up the economic process of the country. By replacing the multiple legal system with one unified tax, GST has simplified the India's tax regime but a plethora of roadblocks that posed a challenge in its implementation weren't the rock of mud. a number of them are enumerated below.

I. GST has made the taxation system easy but the whole process from invoicing to tax payment has been routed over wires. Every aspect has become a web process. Most of the tiny and medium enterprises might not be technically perceptive to adopt this alteration. GST assumes much higher technical standards, which can still be an excellent impossibility for little enterprises.

II. GST is meant to simplify the tax structure and thus one rate is usually recommended which is really the case within the countries where GST has been implemented thus far. it's an untold principle in GST that tax slabs shall be reduced and hence most of the countries

have just one tax slab of GST. However, in India dual model of GST was adopted with the tax slabs of 5, 12, 18 and 28%. The slabs still to some extent are of multiple natures posing challenge to self- objective of GST.

III. Under GST an assessee has got to file 37 returns during a year, 3 per month and 1 annually as compared thereto of 13 returns within the earlier legal system. These 37 returns are for one state and if you've got multiple state of operation, the amount of return to be filled shall increase proportionately. This may definitely increase the quantity of cost in terms of compliance, logistics etc.

IV. The taxing events of manufacturer under central excise, provision of service etc. under service tax have now converged into one taxing event of supply with introduction of GST i.e. GST are going to be levied on the idea of supply of products and services. Thus, the Place of supply rules are going to be important factor to work out place of provision of products and services.

V. After incorporation of GST now service sector is to be taxed at 18%. It's above the previous rates, which incorporates cess also. Hence indirectly it'll cause more coins out of the pockets of the top consumer because the industries like telecommunication has great consumer base spread across the country and that they will increase their rates.

VI. GST stands as consumption-based destination tax, which suggests that consumption state will collect the tax. It stands as a blessing for consuming states but manufacturing states would get nothing. To beat this problem Compensation Act was introduced which

further adds up to the complications of calculation of compensation.

VII. Another challenge was a strong network that would facilitate the working of GST by integrating the state governments, trade & industry and other stakeholders on real time basis. For this purpose, GSTN was incorporated which thus far is functioning smoothly but intrinsically future is uncertain.

VIII. GST was absolutely a replacement concept for India. Therefore, it required that entire tax administration staff from state to central government needed to be trained properly in terms of concept, legislation and procedure to be adopted under new tax regime. This affected the whole working system of the bank and other institution and still they're yet to realize their complete track of GST.

IX. GST law requires that each one services providers need to obtain their registration in each state where services are being provided. This increased compliances and as some industries are much complex than they really appear, separate registration for them became a drag in complying with the law and preparing separate billing system, assessments and separate input credit for all location was an important task.

X. Under GST all intrastate services are subject to State GST while interstate provision of services is under central GST. It'll cause unnecessary complications for intangible delivery of services. Also just in case of services supplied inter-state, the question of state jurisdiction is critical interest decide upon.

XI. The anti-profiteering clause within the GST bill is again another practical challenge. Under this clause, the business has got to expire the tax cuts to the customs entirely. just in case of products when MRP may be a mixture of the many items apart GST, it's an excellent issue.

XII. the best problems in implementation of GST are that the businesses got to revamp their tax and IT infrastructure entirely. in order that they might comply GST law. Secondly, the banks will need to handle entire major task of transactions online. CBEC also had a serious task to urge integrated for the thing to travel on smoothly.

2. CHALLENGES IN DESIGNING GST:

In the discussion that preceded amendment in the Constitution for GST, there were a number of thorny issues that required resolution and agreement between Central Government and State Governments. Implementing a tax reform as vast as GST in a diverse country like India required the reconciliation of interests of various States with that of the Centre. Some of the challenging issues, addressed in the run up to GST, were the following:

- **Origin-based versus Destination-based taxation:** GST is a destination based consumption tax. Under destination based taxation, tax accrues to the destination place where consumption of the goods or services takes place. The existing VAT regime was based on origin principle where Central Sales Tax was assigned to the State of origin where production or sale happened and not to the State where consumption

happened. Many manufacturing States expressed concerns over the loss of revenue on account of shift from origin based taxation to destination based taxation.

- An argument put forward on behalf of producing states in support of origin based taxation is that they need to collect at least some tax from inter-State sales in order to recover the cost of infrastructure and public services provided by the State Governments to the industries producing the goods which are consumed in other states. This line of reasoning is based on the assumption that in the absence of a tax on inter-State sales, the location of export industries within their jurisdiction would not contribute to the tax revenues of the exporting state. This view was missing the fact that any value addition in a jurisdiction necessarily means extra income in the hands of the residents of that jurisdiction. Spending of this income on consumer goods expands the sales tax base of the producing states and thereby contributes to their revenues. In fact, to the extent that consumer expenditures are dependent on the level of income of the residents of a State, it is the producing States that stand to gain the most in additional sales tax revenues (even under the destination basis of consumption taxes) from increased export output.
- **Rate Structure and Compensation:** There was uncertainty about gains in revenue after implementation of GST. Though attempts were made to estimate a revenue neutral rate, nonetheless it remains an estimate only. It was difficult to estimate accurately as to how much the States will gain from tax on services and how much they will lose on account of removal of cascading effect and phasing out of CST. In view of this, States asked for compensation during the first five years of implementation of GST.

- A Committee headed by the Chief Economic Adviser Dr. Arvind Subramanian on possible tax rates under GST suggested RNR (Revenue Neutral Rate). The term RNR refers to that single rate, which preserves revenue at desired (current) levels. This would differ from the standard rate, which is the rate that would apply to a majority of goods and services. In practice, there will be a structure of rates, but for the sake of analytical clarity and precision it is appropriate to think of the RNR as a single rate. It is a given single rate that gets converted into a whole rate structure, depending on policy choices about exemptions, what commodities to charge at a lower rate and what to charge at a very high rate.
- The Committee recommended RNR of 15-15.5% (to be levied by the Centre and States combined). The lower rates (to be applied to certain goods consumed by the poor) should be 12%. Further, the sin or demerit rates (to be applied on luxury cars, aerated beverages, pan masala, and tobacco) should be 40%.
- Dispute Settlement: A harmonized system of taxation necessarily required that all stakeholders stick to the decisions taken by the supreme body, which was later constituted as the Goods and Services Tax Council (the Council). However, the possibility of departure from the recommendations of such body cannot be completely ruled out. Any departure would definitely affect other stakeholders and in such circumstances there must be a statutory body to which affected parties may approach for dispute resolution. The nature of such dispute resolution body was a bone of contention. Under the Constitution (One Hundred Fifteenth Amendment) Bill, 2011, a Goods and Services Tax Dispute Settlement Authority was to be constituted for this purpose. This body was judicial in

nature. The proposed constitution of this Authority was challenged because its powers would override the supremacy of the Parliament and the State Legislatures. The Constitution (One Hundred Twenty Second Amendment) Bill, 2014 departed from the previous GST amendment bill and proposed that the Goods and Services Tax Council may decide about the modalities to resolve disputes arising out of its recommendations.

- Alcohol and Petroleum products: Alcoholic liquor for human consumption and petroleum products are major contributor to revenue of States. As States were uncertain about impact of GST on their finances and moreover loss of autonomy in collection of tax revenue, States unanimously argued for exclusion of these products from the ambit of GST. In the 115th Amendment Bill alcoholic liquor for human consumption and five petroleum products namely crude petroleum, high speed diesel, motor spirit or petrol, aviation turbine fuel and natural gas were kept out of GST. But in the 122nd Amendment Bill, only alcoholic liquor for human consumption was kept outside GST and above mentioned five petroleum products were proposed to be brought under GST from a date to be recommended by the Council. The Central Government has also retained its power to tax tobacco and tobacco products, though these are also under GST. Thus, to ensure smooth transition and provide fiscal buffer to States, it was agreed to keep alcohol completely out of the ambit of GST.

3. Challenges towards Contribution of GST in Economic Development:

An economy has got to function within the ecosystem. We cannot separate the economy from an ecosystem because

the ecosystem provides factors of production like land, labor, capital etc. with which economy has got to function. Sustainable economic process is managing the resources in such how that present human needs are fulfilled and resources are so efficiently utilized that they don't get deleted and remain available for future generations. The introduction of GST in India is predicted to supply much needed stimulant growth to the economy because it has transformed the bottom of tax structure towards free flow of products and services. it's expected to get rid of the cascading effect of taxes. Further, the advantage of GST to the economy are often removal of myriad of taxes and fewer compliance and simplified tax program as compared to earlier one. it'll also cause fall in manufacturing cost of products and services, which can reduce the burden from consumer's head, lower the burden less an individual has got to spend money to shop for the merchandise . thanks to lower cost of product, the demand may increase resulting in increased production indirectly to satisfy the demand. Hence, production of products is additionally expected to extend .

GST is an effort to normalize the taxes applied on various goods and services. this may stop the cascading effect of the taxes and successively bring out a far better place for the purchasers and suppliers. With GST brought into place a consistent price shall be maintained throughout the country and most of the food items are exempted under GST like bread, buttermilk, milk, fresh fruits and vegetables etc. thus ensuring the contribution towards zero hunger and moreover implementation of GST has led to say no in prices of cotton textiles, wool, silk and artificial fibres. Further, due to increase in economic

activity leading to higher growth, new employment opportunities will increase which can directly benefit the urban poor. Moreover, health sector and education sector services are exempted from being taxed under GST regime. These services contribute to basic human needs the exemption for these services will enable the poor to possess cheaper accessibility. Thus, GST may have direct impact on accomplishing sustainable development goals. Thus by reducing price of products consumed and exempting basic goods of daily consumption the GST regime ensures to contribute towards economic process of the country.

IMPACT OF COVID-19 ON BUSINESS IN INDIA (GST PERSPECTIVE)

The rapid outbreak of the coronavirus presents an alarming health crisis that the whole world is grappling with. In addition to the human impact there is also significant commercial impact being felt globally. India the fastest growing economy in the world is expecting significant fall in GDP growth. Hon'ble prime minister Narendra Damodardas Modi ordered a nationwide lockdown for 21 days, limiting the movement of the entire 1.3 billion population of India. Due to which almost commercial activity stopped in India.

To fight with this pandemic various measure taken by the government for the commercial sector. Where ever we talk about commercial activity, taxation is inseparable part of such discussion. Here we are going to discuss what is the impact of COVID-19 on Business from the perspective of GST?

Let us discuss Impact of the pandemic on Business from the GST Perspective.

- Since due date of filing return GSTR-1/GSTR-3B is not extend by the government, However relaxation by partial waiver of interest and late fees

given in the case there is any delay in filing such returns which is covered in notifications 31/32/33-2020 dated 03.04.2020. though due date of filing GSTR-3B for the month of May'20 is extended to 27th june,2020 for the taxpayer having aggregate turnover more than 5 crore in the previous financial year and 12th/14th July' 2020 for the taxpayer having aggregate turnover upto 5 crore depending upon the state they belong to, through notification no. 36 dated 03.04.2020. However due date of returns for the month of February, March, April 2020 is not extended by the government. The companies have to file returns for the month stated above within due date ensuring timely compliance of returns. Companies which cannot do work from home due to limited resources (Like laptop for employees, connectivity to the system of companies) for them it is very challenging to timely compliance of returns.

- Input tax credit is the heart and soul of the GST law. The entire gamut of the GST law revolves around ITC. Gov. has put so many conditions and restriction for availment of ITC. One such condition is that in order to avail the full ITC, the receiver of supply should make payment to the vendor within 180 days from the invoice date. If this condition is not satisfied service recipient have to reverse the credit availed and pay the same along with interest. Though the facility of re-credit of such facility on making payment is provided but that seems to be an additional burden and a futile exercise. The present global crises on account of COVID-19 has created panic not only in health sector but economy of the country is also effected. Further the economy experts believe that even after lockdown it will take atleast 6-7 month to normalise the situation. After lockdown most of the business will face liquidity crises, in such situation it will become difficult

for the business to make payment within 180 days. Hence reversal of input on account of non-payment will arise, which will create additional burden on business. Surprisingly no relief is given by government in respect of this provision.

- The government of many states decided to convert hotels rooms into the isolation wards on account of shortage of no. of beds in the hospital as no. of COVID-19 cases keep on rising in India. Few hotels done this as a part of corporate social responsibility. Applicability of GST on such transaction need to be analysed in details. If GST is to be levied on such transaction it will be additional burden on the hotel industries as due to lockdown which limited the movement of the people causes the heavy losses to industry.
- The manufacturing industries instead of carrying out entire operations themselves, outsource few process to job workers. This help the manufacture to get the work done faster and more efficiently. According to section 19 read with 143 of CSGT Act, when input/capital goods are sent for job work without payment of tax and neither back within 1/3 year nor supplied from the job worker premises, it shall be deemed to be supplied by the principal to jobmworker as on the date when the goods were sent out for the job work.

Provided where input/capital goods sent directly to job worker, the period will be counted from date of receipt of inputs/capital goods by the job worker. However with effect from 01.02.2019 following provision is inserted under section 143 (1).

143(1).....

.. "Provided further that the period of one year and three years may, on sufficient cause being shown, be extended by the

Commissioner for a further period not exceeding one year and two years respectively”.

Since due to lockdown goods sent on job work cannot be received by principal. GST liability will arise in respect of which period of 1/3 year exhausted within lockdown period.

Consequences when goods not returned within time

- The principal is liable to pay tax along with interest @18% from the day goods sent out by deeming the activity as an outward supply.
- Corresponding disclosure under GSTR-3B & GSTR-1

Since no any Notification/Circular have been issued for extending the period to give relief to the businesses.

SUGGESTIONS:

- Filing 37 returns per GSTIN is extremely time consuming and dear matter, where in all might not have the resources to satisfy up the compliance. So processes must be simplified.
- Reverse charge payable by registered dealers just in case of purchase from non-registered dealer shall be completely withdrawn.
- An intense and deep training is required to form the manpower entirely capable of handling the new tax regime. Moreover, workshops and conferences may add up to extend the knowledge about GST.
- Concept of input decrease requires an outsized volume of knowledge to be

matched between supplier and receiver. These processes shall be simplified.

- Rates shall be rationalized and unified to form India competitive and in interest of economic development of the country and reduce complications.

- GST shouldn't cause regional imbalance in items of resources and responsibility among governments. An ordinary care of it shall be taken.

- A proper monitoring system shall be constructed to manage unreal registrations and refunds filed as these are the areas where loopholes invisibly exist.

CONCLUSION:

So in the last I conclude about the GST in two factors:

1) Challenges

- Implementation of GST- With introduction of major tax reform in indirect taxation system and introduction of GST, the collection equations are changed. By replacing the multiple legal system with one unified tax, GST has simplified the India's tax regime but a plethora of roadblocks that posed a challenge in its implementation weren't the rock of mud. GST has made the taxation system easy but the whole process from invoicing to tax payment has been routed over wires. GST is meant to simplify the tax structure and thus one rate is usually recommended which is really the case within the countries where GST has been implemented thus far. it's an untold principle in GST that tax slabs shall be reduced and hence most of the countries have just one tax slab of GST. under service tax have now

converged into one taxing event of supply with introduction of GST i.e. GST stands as consumption-based destination tax, which suggests that consumption state will collect the tax. Therefore, it required that entire tax administration staff from state to central government needed to be trained properly in terms of concept, legislation and procedure to be adopted under new tax regime. Under GST all intrastate services are subject to State GST while interstate provision of services is under central GST.

- **Challenges in designing GST-** An argument put forward on behalf of producing states in support of origin based taxation is that they need to collect at least some tax from inter-State sales in order to recover the cost of infrastructure and public services provided by the State Governments to the industries producing the goods which are consumed in other states. In fact, to the extent that consumer expenditures are dependent on the level of income of the residents of a State, it is the producing States that stand to gain the most in additional sales tax revenues (even under the destination basis of consumption taxes) from increased export output.
- **Challenges towards contribution of GST in economic development-** The introduction of GST in India is predicted to supply much needed stimulant growth to the economy because it has transformed the bottom of tax structure towards free flow of products and services. Further, the advantage of GST to the economy are often removal of myriad of taxes and fewer compliance and simplified tax program as compared to earlier one. Thus by reducing price of products consumed and exempting basic goods of daily consumption the GST

regime ensures to contribute towards economic process of the country.

2) **Prospects of GST in India-** Manufacturers will get the advantage of decrease, thus the tax burden on producer are going to be reduced and it will foster growth through more productions. Thus, as a result, delivery of products and services between two states can easily be made with none check posts or toll plazas and goods of perishable nature can easily be transported reducing the preservation or warehousing cost. consistent with an estimate by CRISIL, the logistics cost for manufacturer of bulk goods are going to be reduced significantly about 20%. it's expected boost e-commerce throughout the state. Introduction of GST has made taxation simple. the top consumer now knows exactly what proportion tax is being charged to them and on what basis. it will increase the religion of the purchasers towards tax structure of the country. The decrease phenomena in GST structure is predicted to spice up up producers to get raw materials from different registered dealers and is hoped to mention more vendors and suppliers under the purview of taxation. GST regime will increase the competitiveness of India within the global market as custom duties applicable on exports is removed hence reducing the value of transaction.

GST has now been in India for about 3 years. It's subsumed most the indirect taxes and unified the state under one tax umbrella of GST. The GST council and government need to take necessary steps to teach about GST within the country. The introduction of GST had led to cost reduction throughout the trade cycle from manufacturer to retailer and to the top consumer. The implementation of GST has led to the reduction within

the product prices throughout the trade cycle. The effectiveness of GST Sava Kendra found out by government so as to facilitate business remains questionable.

Additionally, government is best to deal with many of the concerns in tax filling, input decrease, refund mechanism, export and imports. The technical cost and legal cost in GST are very high and not satisfied with available required services of GST. GST is effective in improving the taxation system of country and therefore the government should take more efforts to training and educate public.



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