

Post GST emerging challenges and issues

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members of congress boycotted GST
joined by the

ABSTRACT

General approach to overcome the problems of GST seems unfruitful at times. This is when remedial model come to our support. We have proposed a model to incorporate it in different circumstances or issues. When the merits and demerits were studied, there were few issues and challenges about post implementation of GST that arose. Hence, this paper is an attempt to propose a model to overcome such issues and challenges arising after the implementation of GST at different organisations. These are easily adoptable, simplified remedies for the organisation that is proposed in the model.

KEY WORDS: - Goods and Service Tax, Challenges and issues, remedial model.

INTRODUCTION

Goods and service tax is one indirect tax for the entire nation, to make India one unified common market. It is a multi-staged, destination based tax levied on every value addition. It was initiated by the UPA government and was put into force by Narendra Modi government. GST has replaced the indirect tax system. The Goods and Services Tax was launched at midnight on 1 July 2017 by the President of India, Pranab Mukherjee, and Prime Minister of India, Narendra Modi. The

Members of DMK and other parties as well. The parties reported that there was no difference between the then existing tax system and GST. They also argued that the GST would increase existing rates on the common daily goods while reducing the rates on the luxuries, and affect the middle-class society adversely to the maximum extent hence increasing the rich-poor gap.

The previous tax system included

- Direct tax: - income tax and wealth tax.
- Indirect tax: - central government levy-central excise, customs, service tax; state government levy-VAT, entertainment tax, luxury tax and entry tax.

The GST aims to tackle many of the problems of the previous system by combining the central and state indirect taxes, and introduce two consolidated taxes- State Goods and Service Tax (SGST) and Central Goods and Service Tax (CGST) and also Integrated Goods and Service Tax (IGST). Under the new tax system, the transactions will have a levy of both SGST and CGST upon them

with fixed slab rates depending upon the goods or services.

History of GST

GST was first discussed in Kelkar Task Force report on indirect taxes in 2003. After seven years, a proposal to introduce a national GST by April 1, 2010. It was first raised in the Budget Speech for the financial year 2006-07. The idea of GST was retarded for years in bipartisan debate, with political parties in government trying to push it and those in opposition pulling it down.

The taxation schemes

- Taxes subsumed:- GST is levied on all the transactions such as sale, transfer, purchase, barter, lease etc. and it includes central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroy.
- HSN code in GST: - Harmonised System of Nomenclature is an 8-digit code for identifying the applicable rate of GST on different products.
- Rates: - GST is imposed at variable rates on various items. The government has opted for four slabs for both goods and services which are 5%, 12%, 18% and 28%.
- GSTN: - Goods and Service Tax Network: - is a non-profit organisation proposed to be formed

for creating a website or a platform for all the related parties to GST, namely stakeholders, government and taxpayers to collaborate on a single portal. When up and running, the portal is supposed to be accessible to the central government which allows it to track down every transaction on its end while taxpayers are advertised to have the ability of connecting this to their tax returns. However, its efficacy and efficiency are yet to be tested.

- Few products have been temporarily kept out of the indirect tax regime. The GST Council will decide to bring crude oil, diesel, petrol, natural gas and jet fuel into GST. Also, liquor is kept out of GST as a constitutional provision.

The levy of GST is made at each of these stages: -

- Multi-staged: - the levy of tax happens at each stage through which the product passes through from the manufacturer to final sale to the consumer.
- Value addition: - the process of manufacturing, packing and labelling, etc. is considered as value addition and the tax is levied at each of such stages of value addition.
- Destination based: - the GST is levied at the point of consumption and not at point of manufacture.

PURPOSE OF STUDY

As the GST is being levied on most of the products of day to day consumptions it

become important to know what are the effects of the new system on the society and its classes.

This study is facilitating a study on what are the various issues and challenges that are emerging after the implementation of GST.

OBJECTIVE

1. To study the effects of introduction of GST on the public.
2. To study the various issues and challenges post GST
3. To come up with a model to overcome the issues and challenges.

REVIEW OF LITERATURE

In July 2017, Dr. Jadhav Bhika and Dr TA Rajut published an article to give an outline of GST concept, explains main features and the problems created for effective implementation. The paper emphasized on advantages of GST and challenges faced by India in execution.

In July 2017, CA Dr. Pramod Kumar Pandey published an article on the clarification about the provisions in GST and to make a comparison between GST and the earlier indirect taxes relating to the job work.

RESEARCH GAP

The above-mentioned literature reviews clearly state that the papers have considered advantages and pre-implication issues and also about provisions. This paper is emphasized on the issues and challenges emerging after implementation of GST.

METHODOLOGY

The study focuses on the secondary sources for data collection from various books and websites and journals. The accessible secondary data is used only for the purpose of the study.

GST was expected to have to have a wide range effect for the previous tax systems in India. However, the reform benefited the manufacturing sector but made it difficult for the service sectors. Few of the positive and negative implications are as follows.

• Benefits or advantages of GST

1. Elimination of cascading effects
The double taxation problems that existed in the previous indirect tax calculation has been avoided and eliminated by the implementation of GST
2. Higher threshold limit for registration
The threshold limit for the traders and manufacturers to register is higher than that in the previous indirect taxes.
3. Composition scheme for small businesses
Small businesses have only one compiled tax rate to levy and hence no complications or confusions on the tax rates.
4. Simple and easy online procedure
As GSTN is introduced, it is simple and easy to file GST online as it is available 24/7.
5. Lesser compliances

There are not much of compliance procedures for registering in GST

6. Improved efficiency of logistics
7. Regulates unorganized sector.
GST regulates the unorganized sector also as it is applicable in all the sectors.
8. The tax system base has become broader.
9. The tax system has become more transparent hence reducing the tax evasion.

• Demerits of GST

1. Increased cost due to software purchase.
Every organization needs to purchase a software for proper implementation of GST due to which the cost increases.
2. Should be GST compliant
One needs to comply with all the formalities mentioned in the act for the purpose of registering under GST
3. An increase in the operational costs
Operation cost incurred for the purpose of making the organization GST compliant is increased as the record maintenance, and other works will also increase.
4. GST came to effect from the middle of the year
As GST was introduced in the month of July, the accounting year had already begun and hence

was difficult to adopt it in the same accounting year.

5. Online taxation system
Not everyone is familiar with the online systems of working for taxation and others. It may be difficult for them to adopt the new online systems. Also, the issues of network are also to be considered as it may be a loss of signal or sever issues etc.
6. SMEs will have a higher tax burden.
The small and medium organizations, operating on a small scale will find GST as a burden as higher tax is to be paid to the government.

CHALLENGES AND ISSUES- POST GST

1. **Lack of preparedness among the clients: -**
Clients' understanding of GST provisions and its impact on their business is still at a nascent stage, and many are still identifying the locations and places they need to be registered in.
2. **Lack of clarity on the GST provisions: -**
Few of the provisions of GST are still ambiguous. Categorization of the goods and services is not very clear. The government has also made the rules related to assessment and audit public, but the absence of actual forms in the public domain challenges the effectiveness of the rule.
3. **Increased compliance, with increase in the number of returns to be filed: -**
Businesses will need to file multiple returns, a minimum of 37

in most cases for assesses, and this can increase multifold in accordance with business models. Clients will need to ensure timely compliance by registered suppliers to ensure there is no loss of input credit. This will necessitate correct data and reports to fill accurate GST returns on time which is an actual challenge.

4. Preparedness of Information Technology Systems: -

Every business need to update their software. Many organizations are yet to map the accounting software and IT systems in line with the new tax provisions for creation of the invoices, reports etc. Tax and accounting professionals jointly need to ensure that their clients' current systems are compatible with their GST Service Provider (GSP).

5. Lack of skilled resources and need for re-skilling: -

The staffs are not completely trained about the recent updates. The staffs who are updated and skilled with the training and knowledge are complex to find. This has placed an additional work load on personnel across industries, and created an urgent need for additional GST-skilled resources to ensure swift implementation.

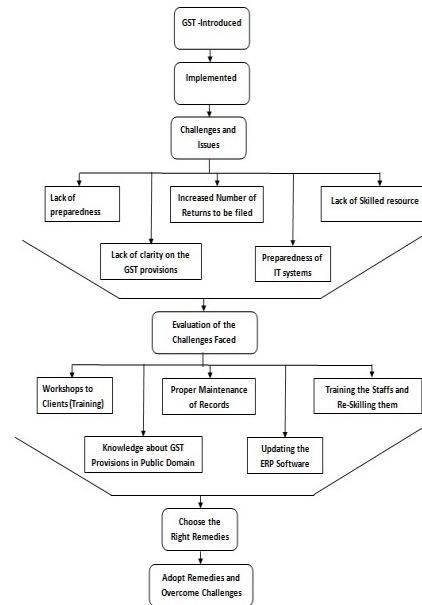


Figure 1. Proposed Methodology
REMEDIES TO OVERCOME THE CHALLENGES

1. Conducting workshops to the clients: -

The businessmen must become aware about the GST provisions and also, they must be trained about the right way of registrations to be done at different websites.

2. Knowledge about the provisions: -

The public must be clearly informed about the ambiguities in the provisions which must be published in the public domain in order to avoid any further confusions.

3. Proper maintenance of records: -

The clients must be trained and well informed about the records to be maintained and submitted on time and also as to how easily they can file the returns on a timely basis to avoid the burden of filing all the 37 returns at once and also to ensure timely claiming of the input credit.

4. Updating of ERP and the required software: -

The organisations must update their software and also the ERP which facilitates compliance with the GST provisions in the creations of invoices, reports etc. Every organisation should link the IT system and the accounting system to streamline it with the current tax provisions.

5. Training the staff: -

The office staff must be given the right kind of training to equip them with the right skills required to comply with the new tax provisions and also to update themselves to implement the GST provisions the right way.

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CONCLUSION

The study has resulted in the understanding of the of the challenges and the various issues that were faced after the implementation of the Goods and Service Tax. The article has suggested a model for easy way of overcoming these issues. The remedies which eases the organisation to face and prepare themselves from being deprived from the benefits of the Act is proposed. Hence the challenges and issues have reasonably increased after the implementation of the GST and also that there are measures to overcome such issues.

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