

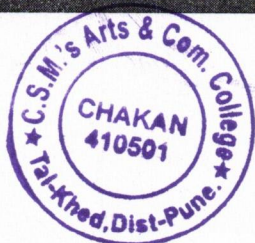
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MSME (सूक्ष्म, लघु एवं मध्यम उद्यम) की उत्तरजीविता तथा इससे आदिवासी जीवन पर पड़ने वाले प्रभावों का समाजशास्त्रीय अध्ययन डॉ. लवली पुरी और पवन कुमार	88




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GST in India - Present Scenario, Prospects & Problems

Prof. Hemkant Nivruuti Gawade*

ABSTRACT

Government of India implemented GST from 1st July 2017. Several taxes like VAT, Excise Duty, Service Tax, Entry Tax, Luxury Tax, Octroi, Custom duties, surcharges, etc were replaced by GST. GST is still in the initial phase. Government is not able to collect expected tax revenue through GST.

GST brought important change in the taxation system & structure of the economy. It widens the markets. There is uniformity in the tax system. GST avoided Tax duplication. Some small traders are still facing issues with GST filling. There are issues related to mismatch of returns & input tax credit. Government is not able to collect expected tax revenue through GST. It will be so early to say that GST has not succeeded. It may require little more time for marketers, sellers & consumers to understand the benefits of GST.

This paper tries to study the present scenario of GST & important issues in connection with GST.

Keywords: Gst, Gst Collection, Tax Structure, Revenue, Union Budget

INTRODUCTION

The Government implemented GST in India from 1st July 2017. Goods & Services Tax is a multistage and destination-based tax. Before GST era there was complicated tax structure & variety of taxes. The basic purpose behind introduction of GST was one nation one-tax system. Pre-GST taxes like VAT, Sales Tax, Octroi, Central Excise were merged into GST. The main aim of GST is to strengthen the economy & to make the market single cooperative & undivided. Under GST, goods & services were categorised in various categories, which will attract tax at different rates from 5 % to 28 %. Further revisions in the categories & tax rate are still taking place.

The paper has following objectives.

OBJECTIVES

- To study the concept of GST.
- To study the background of this act.
- To study the present scenario of GST & important issues with the act.
- To highlight important positive & negative impact of GST.
- To study the impact of Union budget 2020 on GST.
- To provide information for future research.

KEY FEATURES OF GST

Few important characteristics of GST are,

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1. GST is applicable on the "supply" of services or goods. Earlier the tax was levied on goods manufacture, sale of goods, or service provision.
2. GST is a destination-based tax. Previously the taxation system was origin-based.
3. GST will be categorised into CGST, SGST, IGST and UTGST.
4. Taxpayers having turnover below Rs.20 lakh will get exemption from GST. (For few special categories States this cut-off is Rs.10 lakh.
5. Input credit of CGST & SGST shall be for payment of Output GST. Input tax credit will not be cross-utilised.

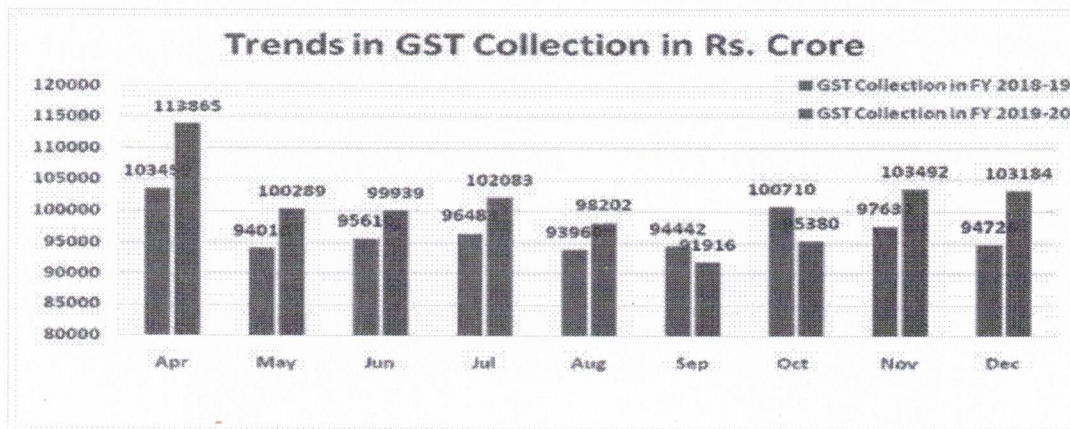
PRESENT SCENARIO

It has been more than two years for GST. The initial phase was stressful for GST. Traders were facing issues. Collection of GST was not satisfactory for Government. Now it is been stabilised, but still today there are many issues unsolved. Rates of GST are revised & modified; many issues were addressed in 35 GST Council Meetings.

Traders are still facing some problems in monthly GST Returns filing. Trades appreciated & welcomed E-invoicing system, but more clarity is required for E-invoicing systems. If the issue regarding refund remains unsolved, vital working capital is blocked.

As per the statistics of Press Information Bureau, Government of India -Ministry of Finance as GST Revenue collected for the month December, 2019 was ₹.1,03,184 crore comprising of CGST ₹.19,962 crore, SGST ₹.26,792 crore, IGST ₹.48,099 crore (including ₹.21,295 crore collected on imports) and Cess is ₹.8,331 crore (including ₹ 847 crore collected on imports). The total number of GSTR 3B Returns filed for the month of November up to 31st December, 2019 is 81.21lakh. The GST revenue has shown a growth of 16% during December 2019 from domestic transactions as compared with the revenue December 2018. The government has settled ₹ 21,814 crore to CGST and ₹ 15,366 crore to SGST from IGST as regular settlement. The total revenue earned by Central Government and the State Governments after regular settlement in the month of December, 2019 is ₹ 41,776 crores for CGST and ₹ 42,158 crore for the SGST.

Following chart shows the GST collection in 2018-19 & 2019-20 clearly indicating growth:



Following table shows comparison of the GST collection in Dec. 2018 & Dec. 2019




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This table clearly indicates that there is growth in collection of GST by states.

**State-wise Gross Domestic GST Collection for the month of December,
2019 (Amount Rs. in Cr.)**

	State	Dec-18	Dec-19	Growth
1	Jammu and Kashmir	293	409	40%
2	Himachal Pradesh	595	699	18%
3	Punjab	1,162	1,290	11%
4	Chandigarh	143	168	18%
5	Uttarakhand	1,055	1,213	15%
6	Haryana	4,646	5,365	15%
7	Delhi	3,146	3,698	18%
8	Rajasthan	2,456	2,713	10%
9	Uttar Pradesh	4,957	5,489	11%
10	Bihar	909	1,016	12%
11	Sikkim	150	214	43%
12	Arunachal Pradesh	26	58	124%
13	Nagaland	17	31	88%
14	Manipur	27	44	64%
15	Mizoram	13	21	60%
16	Tripura	48	59	24%
17	Meghalaya	108	123	14%
18	Assam	743	991	33%
19	West Bengal	3,230	3,748	16%
20	Jharkhand	1,995	1,943	-3%
21	Odisha	2,347	2,383	2%
22	Chhattisgarh	1,852	2,136	15%
23	Madhya Pradesh	2,094	2,434	16%
24	Gujrat	5,619	6,621	18%
25	Daman and Diu	77	94	22%
26	Dadra and Nagar Haveli	129	154	20%
27	Maharashtra	13,524	16,530	22%
29	Karnataka	6,209	6,886	11%



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	State	Dec-18	Dec-19	Growth
30	Goa	342	363	6%
31	Lakshadweep	4	1	-78%
32	Kerala	1,416	1,651	17%
33	Tamil Nadu	5,415	6,422	19%
34	Puducherry	152	165	9%
35	Andaman and Nicobar Island	22	30	36%
36	Telangana	3,014	3,420	13%
37	Andhra Pradesh	2,049	2,265	11%
	Grand Total	69,983	80,849	16%

BRIGHTER SIDE OF GST

GST was introduced in different slabs ranging from 0 % to 28 %. Timely revisions in this tax structure are still taking place. GST has benefited India in following ways

- 1. Uniform & Simple Tax System:** Before GST, different states use to charge different taxes at different rates. So same goods were taxed more or less in different states. GST abolished that system & introduced uniformity in the taxation system. It introduced the formula of One Nation, One Tax. So, with the introduction of GST, the filing, compliance & other formalities were simplified. Even there was uniformity in the structure & methodologies in the entire country. Let the businessman trade in any state the taxation system remained uniform.
- 2. Ease of using - Procedural part simplified:** Many business taxes were abolished & replaced by GST. Therefore, the paper work & compliance also was reduced. This helps the businessperson to concentrate more on business.
- 3. Rise in Foreign Investment-**There is uniformity in the tax structure around the country. Further prices of commodities have been reduced. All these things attract the foreign Investor to invest in India.
- 4. Clearer & Transparent system-** GST return filing, calculations, refunds, tax credits & almost all other record is digitalized. Its available at just a click. So whenever required a businessman can check, access & use it without any difficulty or without having rounds to Govt offices. can be cross checked easily. This will lead to corruption free system. Tax evasion will be automatically reduced. Record keeping will be easier.
- 5. Duplication of taxes avoided -** In pre-GST era, product which was earlier taxed was taxed again by some indirect tax levied either by the Central & State or local authority. There was less interrelation between different taxes. Variety of taxes like Octroi, VAT, Sales Tax, Excise, Local Taxes, etc. resulted in cascading effect of taxation. GST avoided this duplication of taxes on same product or service.
- 6. Widening the market – local to global -** GST resolved the issue of cascading tax effect, further it brought simplification in the system. Ultimately the tax burden on the businessman was reduced. Documentation & compliance was simplified to the greater extent for the seller.



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Hence businessman was able to focus more on business & markets. This gave boost to increase in the production that too at comparatively reduced cost. The quality & affordable product became more competitive not only locally, but in the global market. This gave rise to improves export & employment opportunities.

- Affordable products & services in the hands of consumer-** Due to lesser tax burden & increased production, consumer will get products at lower prices. This will increase the consumption of goods.

DARKER SIDE OF GST

- Monitoring by Center & State-** Under the new system CGST is collected by Center & SGST is collected by State. Businessman need to comply with the rules & regulations of both. So, tax paid on one commodity will have connection with two authorities, may increase work burden.
- Very Higher Tax brackets** - In pre-GST time, when we compare GST with VAT & other taxes, GST rates are higher for some commodities. Some goods fall in the tax bracket of 28%, hence increasing the cost of goods significantly.
- Affordable vs costlier products & services-** The highest tax bracket of GST is 28%. Of course, the businessman is not going to pay this burden from his own pocket. This burden is passed to the final consumer by adding the increased tax. High tax rate affected the total selling cost of the product, making products costlier. This increase in product & services resulted in fall of demand for goods drastically. This may lead to slow down in the market.
- Distinction between luxury & necessity** – In some cases the appropriate distinction between luxury & necessity goods wasn't done. Some products falling under necessary category or used by common man falls under the 28% tax bracket, so increasing the cost of living for middle class people.
- Exceptions to one nation one tax** – Even it was declared that, other taxes will be abolished & almost every product will be covered under GST. But products like Alcoholic liquor, petroleum products are not covered under the same system.
- Failing to cope up with new mechanism** – Some Industries were not able to adopt this change easily. Products falling in high tax brackets like Textile, Media, Dairy Products, IT, Telecom, etc. have been adversely affected due to new tax structure.
- Unavailability of Skilled & Expert manpower** - Registration, filling & compliance of GST demands sound & detailed knowledge of the law & taxation system. As it's in the initial stage, manpower need some more time to adapt the system. It also resulted in unavailability of people with technical knowledge & expertise. This will further increase the cost & expenses of seller.
- Adverse effect on certain industries-** Few industries experienced fall in the demand due to implementation of GST system. Sectors like Real estate, telecom, jewelry etc. are experiencing demand fall to the greater extent due to increase in the cost & high taxes.
- Issue with Survival of small firms-** Any new system introduced, takes times for establishing. Small shop keepers could adjust with this change & compliance of new tax system. Increase in the compliance, inability to understand new structure, slowdown in the market, absence of technical knowledge, high cost of hiring expertise resulted in closure of business activities for few small firms.




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UNION BUDGET 2020 & GST MEASURES

The Finance Minister, Nirmala Sitaraman, presented The Union Budget 2020 on 1st February 2020, and she proposed following key measures for indirect tax.

- New simplified GST returns from 1st April 2020
- Simplification measures like SMS-based filing for “nil” GST returns
- Auto population of GST returns
- Improved input tax credit flow
- Automation of refund process
- Taxpayer verifications
- Consideration of the GST rate structure so as to address issues like inverted duty structure.
- Implementation of “e-invoicing” mechanism
- Deep data analytics and artificial intelligence tools for reviewing input tax credits and refunds
- Penalty provisions

PROBLEMS & PROSPECTS WITH GST

It was expected by the Government that the revenue collection by GST will be higher. But actually, expected targets were not achieved. The expected revenue from GST was proposed to be spent on creation & development of good transport infrastructure & services. GST wasn't able to achieved the assumed revenue targets by way of indirect taxes to boost the GDP & the economy. The approximate shortfall amounted to 40% than the targeted revenue for Central revenue from GST. States are unhappy as they are not receiving their GST share on time. The Comptroller and Auditor General also reported that the actual deficit of the central Government is more than 2 percentage points higher than officially stated.

Though the rates of GST are different, but there is no distinction for the product or service that is consumes by rich or poor. Comparatively, considering the income, poor are burden more by the same tax structure, leading to widening the gap between rich & poor. Few products fall under the tax bracket of 28%, which may not be afforded by common man. The nation also experienced the slowdown in the economic growth. The compensation cess is available only for five years. Key products like petroleum products, tobacco, liquor, etc. are kept outside the scope of GST. Fake claims for refunds of taxes on inputs are submitted by few companies. With the help of manipulated practices, fake record & loopholes in the system, firms found way to escape from GST.

Hence if Government want to increase the tax revenue, the tax rates should be brought down. More awareness & transparency is required in the system. Compliances, filing should be simplified in such a way that a common trader without any expertise knowledge, will be able to understand & fulfill the compliance. Tax evasion should be traced. Firms paying taxes sincerely should be provided with priorities & special treatments, subsidies, benefits. This will definitely help in increasing the tax collection, leading to increase in GDP & strengthening the economy.

CONCLUSION

At present GST is implemented in 140 countries like, Australia, Germany, Japan, Pakistan, etc. It was a good step to subsume many local, state and central taxes by GST. It is observed that GST has benefited India in many ways. At the same time people are facing issues with GST. It is yet not simplified from seller's point of view. Government needs to make more efforts to make sellers & consumer aware of GST benefits. Unnecessary task, burden can eliminate the fear of GST.

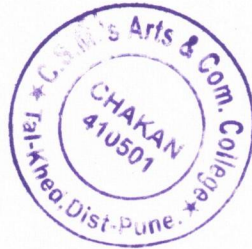



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The initial phase of GST was tough & stressful but as the time progress it is stabilising. Journey of GST is quite far, it's just a beginning. It may take time for the Government, traders, etc. to cope with it. GST may have some issues, but surely it cannot be concluded that it failed. More emphasis should be given on expanding the tax base, finding out tax evasion, simplifying the procedural & compliance part.

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