

A Study on Prospects and Challenges in Implementation of Goods and Services Tax (GST) in India

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Abstract: GST which is known as Goods and Services tax is considered to be one of the most crucial reforms in India. It is indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. It is a comprehensive tax system that will bring all indirect taxes of states and central governments and unified economy into a seamless national market. This paper presents an overview of GST Concept, explains its prospects and challenges faced by India in execution.

Keywords: Indirect taxes, Unified economy, Goods and Services tax (GST).

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I. Introduction

The GST is a vast concept that simplifies the macro tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at national level. The goods and services tax bill initiates a value added tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. On bringing GST into practice, there would be amalgamation of central and state taxes into a single tax payment. It would also enhance the position of India in both domestic as well as international markets. The proposed GST is likely to change the whole scenario of current indirect tax system. It is considered to be a biggest tax reform since 1947. Experts say that GST will help the economy to grow in more efficient manner by improving the tax collection as it will disrupt all the tax barriers between states and integrate country via single tax rate.

II. Objectives Of The Study

1. To study the inexplicit opinions among the Manufactures, traders and society about the Goods and Services Tax (GST).
2. To study about the Challenges of Introduction of Goods and Service Tax (GST in India).
3. To Study the Prospects in Implementation of Goods and services Tax (GST) in India
4. To Cognize the concept of GST

III. Review Of Literature

Ehtisham Ahmed and Satya Poddar(2009)¹studied, "Goods and Services Tax Reforms and intergovernmental consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India but the benefits of GST are critically dependent on rational design of GST. Dr. R.Vasanthagopal(2011)²Studied, "GST in India: A Big leap in the indirect taxation system" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also. Agogo Mawuli(May 2014)³Studied, "Goods And Service Tax-An Appraisal" and found that GST is not good for low income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth. Nitin Kumar(2014)⁴Studied, "Goods And Service Tax- A Way Forward" and concluded that implementation of GST In India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations. Pinki, Supriya kamma and Richa verma(July 2014)⁵studied, "Goods And Service Tax-Panacea for indirect tax system in India" and concluded that the new NDA Government in India is positive towards implementation of GST and it is beneficial for central of government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

IV. Research Methodology

The Researchers used an exploratory research technique based on past literature from respective journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax. According to the objectives of the study, the research design is of descriptive in nature. Available secondary data was extensively used for the study.

V. Results And Discussion

Table 1: Taxes At The Centre And State Level Are Being Subsumed Into GST.

S.No	At The Centre	State Level
1	Central Excise Duty,	a. Subsuming of State Value Added Tax/Sales Tax,
2	Additional Excise Duty,	b. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
3	Service Tax,	c. Octroi and Entry tax,
4	Additional Customs Duty commonly known as Countervailing Duty, and	d. Purchase Tax,
5	Special Additional Duty of Customs.	e. Luxury tax, and

The above table shows list of taxes centre and state level are being subsumed into GST Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Table 2: List of Asian Countries Implementing Vat/Gst

No.	Country	GDP Per Capita (World Bank, 2011, USD)	Year of Implementation	Current Rate (%)
1	Bangladesh	743	1991	15.0
2	china	5,445	1994	17.0
3	India	1,509	2005	12.5
4	Iran	NA	2008	5.0
5	Japan	45,903	1989	5.0
6	Jordan	4,666	2001	16.0
7	Kazakhstan	11,357	1991	12.0
8	Kyrgyzstan	1,124	1999	20.0
9	Lebanon	9,413	2002	10.0
10	Mongolia	3,129	1998	10.0
11	Nepal	619	1997	13.0
12	Pakistan	1,189	1990	16.0
13	Papua New Guinea	1,845	2004	10.0
14	South Korea	22,424	1977	10.0
15	Sri Lanka	2,835	2002	12.0
16	Taiwan	NA	1986	5.0
17	Tajikistan	935	2007	20.0
18	Turkmenistan	5,497	1993	15.0
19	Uzbekistan	1,546	1992	20.0

Courtesy by GST SEVA.com:

The above table shows List of Asian Countries Implementing VAT/GST Worldwide in almost 160 countries there is GST/VAT, Under the GST scheme, no distinction is made between goods and services for levying of tax. This means that goods and services attract the same rate of tax. But at present India is planning tax rate at 5%, 12% and 18% which will bring 8 Lakh Crore revenue to the government. Under the GST scheme, a person who was liable to pay tax on output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs. Thus, it would definitely a positive reform for the Indirect tax system in India.

Table 3: States in India Who Cofirm Goods and Service Tax (GST) Constitution Amendment Bill

No	State	Passed on
1	Assam	12 th August, 2016
2	Bihar	16 th August, 2016
3	Jharkhand	17 th August, 2016
4	Himachal Pradesh	22 nd August, 2016
5	Chattisgarh	22 nd August, 2016
6	Gujarat	23 rd August, 2016
7	Madhya Pradesh	24 th August, 2016
8	Delhi	24 th August, 2016
9	Nagaland	26 th August, 2016
10	Maharashtra	29 th August, 2016
11	Haryana	29 th August, 2016
12	Sikkim	30 th August, 2016
13	Telangana	30 th August, 2016
14	Mizoram	30 th August, 2016
15	Goa	31 st August, 2016
16	Odisha	1 st September, 2016
17	puducherry	2 nd September, 2016

18	Rajasthan	2 nd September, 2016
19	Andhra Pradesh	8 th September, 2016
20	Arunachal Pradesh	8 th September, 2016
21	Maghalaya	9 th September, 2016
22	Punjab	12 th September, 2016
23	Tripura	26 th September, 2016

The above table shows List states in India who confirm of implementing goods and service tax (GST) Constitution amendment bill in their respective states by doing so it will bring harmonization of taxation system in India.

Challenges in Implementing GST:

1. Note ban has huge impact on the Goods and Services Tax (GST) a serious doubt on implementing GST by the central government's targeted deadline of April 1, 2017..
2. The impact of the November 8 demonetization of highvalue currency on their respective economies to underline that it is not the appropriate time to implement. That could have a unstable effect on the economy.
3. The Centre continues to be un compromising on the issue of jurisdiction over assesses, the states maintain.
4. Political reasons are determining the fate of GST, which is not the correct thing, because ideally GST is an economic, and tax reform and economic and tax reforms should not be dictated by political.
5. Manufactures, traders and society are eagerly waiting not only for the date of introduction of GST but also for the rate application to the products and services.
6. GST will also have impact on cash flow and working capital. Cash flow and working capital of business organizations which maintain high inventory of goods in different states will be adversely affected as they will have to pay GST at full rate on stock transfer from one state to another. Currently CST/VAT is payable on sale and not stock transfers.
7. Implementation of GST in Unorganized sectors i.e, unregistered firm will be unfavorable to government.

Prospects of Implementing GST:

The introduction of Goods and Service Tax (GST) in India is now on the horizon. The Constitution Amendment Bill to replace existing multiple indirect taxes by uniform GST across India.

1. The current indirect tax structure is major impediment in India's economic growth and competitiveness. Tax barriers in the form of CST, entry tax and restricted input tax credit have fragmented the Indian market. Cascading effects of taxes on cost make indigenous manufacture less attractive. Complex multiple taxes increase cost of compliance. In this scenario, the introduction of GST is considered.
2. Removal of tax barriers on introduction of uniform GST across the country with seamless credit will make India a common market leading to economy of scale in production and efficiency in supply chain. It will expand trade and commerce. GST will have favorable impact on organized logistic industry and modernized warehousing.
3. Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital.
4. Major beneficiary of GST would be sectors like FMCG, Pharma, Consumer Durables and Automobiles and warehousing and logistic industry.
5. High inflationary impact would be on telecom, banking and financial services, air and road transport, construction and development of real estate.

VI. Conclusion

It can be concluded from the above discussion that GST will bring One Nation and One Tax market. Provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital, Therefore It is necessary on the part of the government to educate, conduct proper training, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken.

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