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ISSUES AND CHALLENGES IN THE IMPLEMENTATION OF GOODS AND SERVICE TAX (GST) IN INDIA

Miss. Pratiksha Rajesh Kamble
Research Scholar,
Dr.Babasaheb Ambedkar Marathwada University, Aurangabad (M.S.) India
E-Mail ID: pratiksha.kamble75@gmail.com

INTRODUCTION

GST is a valued added tax on goods and services that is paid by the final consumer while the retailer will be taking credit of the tax he has paid while buying goods for retailing. So in this all the services of retailer or the chain behind him is taxed apart from the actual value of production of that good.

The GST has changed the whole scenario of current indirect tax system. It is considered as biggest tax reform since 1947. Currently, in India complicated indirect tax system is followed with imbrications of taxes imposed by union and states separately. 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.

2. LITERATURE REVIEW

- Monika Sehrawat and Upasana Dhanda (2015) in their research article entitled, "GST IN INDIA: A KEY TAX REFORM" focused on advantages of GST and challenges to be faced in its execution and also explained that this comprehensive tax system will subsume all indirect taxes of states and central governments and unified economy into a seamless national market.

- Lourdunathan F and Xavier P (2017) in their research study entitled, "A study on implementation of goods and services tax (GST) in India: Prospectus and challenges" concluded that 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.

3. OBJECTIVE OF THE STUDY

1. To critically analyses the difference between present indirect taxes and GST.
2. To evaluate the advantages and challenges of GST
3. To study the impact of GST

4. RESEARCH METHODOLOGY

The Researchers used an exploratory research technique based on past literature or secondary data from respective Journals, Bulletins, Books, Newspapers, and Editing Articles from Magazines etc.

5. PRESENT INDIRECT TAXES

Before understanding the GST, one must know what the current indirect structure system is. Because GST is going to be replaced by the current indirect tax.

GST will unify all the following existing indirect taxes under an umbrella:

Table 1: Taxes to be included in GST: State and Central Taxes

STATE TAXES	CENTRAL TAXES
Value Added Tax (VAT)	Excise Duty
Entertainment Tax levied by states	Additional Excise Duty
Luxury Tax	Excise Duty under Medicinal and Toilet Preparation Act.
Tax on Lottery, Betting and Gambling	Service Tax
Entry Tax other than for local bodies	Additional Custom Duty commonly known as Countervailing Duty (CVD), Special Additional Duty(SAD)
	Surcharge
	CENVAT

(Source: Empowered committee of state finance ministers government of India)

The above table shows the existing indirect taxes which are going to be included in GST. The State taxes such as Value Added Tax (VAT), Entertainment Tax levied by states, Luxury Tax, Tax on Lottery, Betting and Gambling, Entry Tax other than for local bodies and Central taxes such as Excise Duty, Additional Excise Duty, Excise Duty under Medicinal and Toilet Preparation Act, Service Tax, Additional Custom Duty commonly known as Countervailing Duty (CVD), Special Additional Duty (SAD), Surcharge, CENVAT etc. are going to be merged in GST.

6. IMPACT OF GST ON PRESENT INDIRECT TAX STRUCTURE

- Present indirect system allows for multiplicity of taxes, the introduction of GST has rationalized it.
- Existing taxes i.e. Excise, VAT, CST, Entry tax have cascading effect of taxes. Therefore, we end up in paying tax on tax. GST has replaced all the above mentioned indirect taxes.
- GST will lead to credit availability on interstate purchases and reduction in compliance requirement.
- In the present service tax act, many services are untaxed, in the GST most of the services are being brought under the regime of tax.

7 ADVANTAGES OF GST

The following advantage are expected from the implementation of GST:

- **Free the manufacturing sector from cascading effect of taxes**

In order to reduce CST and cascading effect of tax, in correct indirect tax structure most of the big companies want to manufacture their product in house only. In the GST Act, CST has been abolished and therefore there will be no cascading effect of tax which will assist to outsourcing, subcontracting and division of labor. As a consequence of this specialization will increase in future which will ultimately reduce the cost of production. Because of this the cost of production of domestic company will come down and the prices will also be reduced which will help them to compete in international market. It will also result in increased export and help country to reduce current account deficit.

- **Introduction of Single Tax Computation**

GST will abolish the cascading effects of taxes and for both central government and state government there will be a single base for computation of tax. Most of the indirect taxes will be covered under GST.

- **No Tax on Export**

It is proposed in the GST that there will be zero tax on the export of goods. It will not only help domestic companies to increase export but also will help them to price their products at low rate which will ultimately help them to compete with international companies in the world market. It is expected that along with increase in export, it will also help in the fulfillment of objective of 3.5% share of India in world exports by 2020.

- **Simple and Easy Tax Structure**

The multiple taxes levied by Central and State Government will be replaced with the introduction of GST as a single tax structure. It is expected that GST tax structure will be easier and simple than the existing indirect tax structure. GST will reduce in the accounting complications for the companies and is expected that it will make them more competitive and boost the economy by 1 to 2%.

· **IGST- Effective Mechanism**

In present indirect tax structure central sale tax (CST) is paid on interstate trade of goods. CST is paid only on interstate trade of goods and not on supply (transportation) of goods. But, in GST tax regime IGST is levied on interstate trade and supply (both) of goods and services. As a result of this an effective logistics system will come up which will stop the tax evasion with the help of warehousing by big corporates. This will safeguard small and medium enterprises from unhealthy competition of big corporates.

8. CHALLENGES IN IMPLEMENTING GST

· Targeted deadline will not be achieved

There will be huge impact of Goods and Service Tax on the purchase and sell of goods and services produced in India. There is a serious doubt on implementing GST by thecentral government`s targeted deadline of December, 2017.

· **Impact of Demonetization**

The Central Government has taken a very historical decision of demonetization of high value currency on November, 8 2016. It has impacted on the GDP, employment, prices of the product etc. it is considered that it is not the appropriate time to implement GST and could have an unstable effect on the economy

· **Jurisdiction of Central and State Government**

The central government continues to uncompromising on issue of jurisdiction over assesses with the state governments.

· **Political reasons**

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. Political ideology will create hindrance in the effective implementation of GST.

· **Rate of GST**

The rate determined or fixed on certain goods and services in the GST is likely to be opposed by the different political parties and the public in general.

· Impact on Working Capital of Companies

GST will also have impact on cash flow and working capital of the organizations. Cash flow and working capital of business organizations which uphold high inventory of goods in different states will be badly 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.

· Compensation to States

Currently, VAT is highest contributor in tax revenue of state governments. But after GST reform this will subsumed along with surcharge and cess into GST. Due to which state governments will occur revenue loss for sure and they will be more dependent on finance commission for tax devolution

· Other Issues

a. Union government need to coordinate with 30 states for “input credit” due to transfer of credit in SGST.

b. State tax officials training and development before implementation of GST.

c. Effective credit mechanism is essential for GST. Owing to CENVAT it is not a problem but for states again it is a major challenge.

d. Analysts say that real estate market will be cramped by GST and it may result in 12% down turn in demanded of new houses because of increased cost up to 8%. (A study commissioned by Curtin university of technology)

9. **CONCLUSION**

The study highlighted that there was complicated indirect tax structure in India before the introduction of Goods and Service Tax. Most of the present indirect tax levied by central and State government will be incorporated into one tax i.e. GST. GST will abolish cascading effect of tax. Its implementation will also results in lower cost of doing business that will make the domestic products more competitive in local and international market as it will be charged at lower prices. GST will also enhance export of the country as export will have zero tax rate in GST. There are various challenges in way of GST implementation like political issues, impact of demonetization, differences between central and state government over their jurisdiction, loss of revenue for the state at the initial implementation of GST, tax rates in the GST, bad impact on the working capital condition of the company etc. The Central Government will require more investigative research to safeguard the clashing interest of various stake holders and achieve the obligation for a fundamental reform of tax structure in India.

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