

# A STUDY ON CHALLENGES OF IMPLEMENTATION OF GOODS AND SERVICES TAX (GST)

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**Abstract:** In 2017 Goods and Services Tax was introduced with motive of reforms in tax system and economy. There is mixed response for Goods and Services Taxes implementation in this tax system there are problems challenges like after Goods and Services Tax implementation locally exempted goods and services are covered. After Goods and Services Tax chances of tax evasion increased with passage of time. Goods and Services Tax related forms and invoices generation are not going smoothly as businesses wants to tax system. Goods and Services Tax return filing system is having complexities with several issues. Still there are disputes between center and states which are creating problems for businesses. There should be proper compliance system, low political interference, efficient tax filing system, easy generation of forms and invoices, proper mechanism for Input Tax Credit management etc.

**Key words:** Goods and Services Tax, GST Challenges, Implementation of Goods and Services Tax (GST)

## I. INTRODUCTION

Tax is very important source of revenue for government. Tax is rooted in India from the time of 'Manu Smriti' and 'Arthshashtra'. Current tax system is based on this ancient tax system which is based on idea of maximum social welfare. Kalidas wrote of a king in Raghuvansh: "It was only for the good of his subjects that he collected taxes from them, just as the sun draws moisture from the earth to give it back a thousand times." In Manu Smriti wrote, "the king should arrange the collection of taxes in such a manner that the tax payer did not feel the pinch of paying taxes." Kautilya also given detailed information on taxation in separate chapter thousands of years ago. In 2017 Goods and Services Tax (GST) was introduced before that number of indirect taxes were prevailing in economy. Goods and Services Tax removed all other old indirect taxes prevailing in tax system. There were many complexities in previous tax systems. While Goods and Services Tax (GST) is simple and transparent than previous tax because it removes problems of old tax systems. Goods and Services tax also removes cascading effect of tax. Goods and Services Tax is dual in nature where central and state governments are collect tax form tax payers. Now Goods and Services Tax is under control of government so government can control at better way. After Goods and Services Tax chances of cheating will be less in compare of previous tax system. Goods and Services tax is more transparent than old tax systems. Some people said Good and Simple Tax to Goods and Services Tax.

### Abbreviations and Acronyms:

GST- Goods and Services Tax, ITC- Input Tax Credit, HSN- Harmonized System Nomenclature, MRP- Maximum Retail Price

## II. REVIEW OF LITERATURE

Review of literature provides overview and ideas of studies done on past research related topics. By review of we can find ideas of those researchers. Here we reviewed some journals, research articles for our study.

Aakanksha Uppal, Bharti Wadhwa, Anubha Vashisht, Davinder Kaur (2019) found that most of small business persons had wrong perceptions due to wrong information spread by people for GST. Small business persons were dissatisfied with work done by government for awareness for GST, that was needed in initial time but government provided after GST implementation. There was lack of awareness of GST for in tax payers it requires more attention.

Priya Srivastava, Dr. P Sekar (2017) found that note ban has huge impact on Goods and Services tax, because with note ban have some adverse effect with cash crunch and also had unstable effect on economy. Political interference had negative effect on Goods and Services Tax they said that is not good sign for Goods and Services Tax. Goods and Services Tax had effect on cash follow and working capital.

Shilpa Rani (2017) found that Goods and Services Tax will decrease compliance due to comprehensive IT system for tax transactions, will provide uniform tax rates for goods and services, GST will provide good structure for tax. They also found GST will remove cascading effect and increase competitiveness in business. GST will help manufacturers and exporters for their goods and services which will move smoothly than previous system. In economy GST will remove various barriers.

Sandeep Verma and Sudip Banerjee (2018) found that after implementation of Goods and Services Tax (GST) tax burden is increased on manufacturing units, still there are no clarification about tax holidays or reliefs, after GST some exempted items are now under tax rate like 5 %, GST also created problems due to policy changed middle of the year which created operational and accounting issues. GST also increased operational cost because it requires instruments and man power.

Lourdunathan F and Xavier P (2017) found that implementation of Goods and Services Tax had unfavorable effect on small scale business units due to lack of resources and knowledge. Some manufacturing units was waiting for GST and rates applicable for that. They also suggest there should be lower interference of political parties and they should focus on problems in GST. Current tax system is major impediment for growth of economy and competitiveness.

### III. RESEARCH METHODOLOGY:

Research methodology is procedure used in research or study so we can say that research methodology provides information about the research overview like collection of information, analysis of information etc.

#### 3.1 Objectives of the study:

Here main objective of the study is to study challenges in implementation of the GST other objectives are to understand structure of the GST and its impact, to study issues of implementation of GST, to study perceptions and ideas of businessmen and to evaluation of benefits and challenges of GST.

#### 3.2 Data and Sources of Data:

In this study we used secondary data for research. In secondary data we used magazines, journals, research papers, articles, newspapers, books, etc. For research descriptive type of research design for precise and proper analysis of research study. This data is used as comprehensively.

### IV. RESULTS AND DISCUSSION:

#### 4.1 Challenges from Goods and Services Tax (GST):

**GST on Local Exempted Goods:** After implementation GST so many local exempted goods are under taxable items in GST. For example, clothing and footwear were exempted but now after some price like Rs. 500 it is taxable so its carted issue for both businessmen and customers are worried about that how to pay tax. While big shops are charging tax on these goods while some are not charging.

**Policy changed during the year:** This was initial level problem for market from Goods and Services Tax (GST). GST was applicable on 1<sup>st</sup> July 2017. This created accounting problems, tax payment problems, compliance problems, operational set up problems, return filing related problems etc.

**Complexities in Filing Return:** Still GST is not working smoothly in filing returns. There are many problems like IT issues like server jam on time of return filing, time period problem. Businessmen have file monthly 3 return and yearly 1 return so they have to file 37 returns.

**Change in Software for Tax:** Software had changed during the middle of the year. That was created software problems for businessmen implementation of GST needed separate software for bill generation and tax calculation. This is a technological barrier for those who are not had good knowledge and not had good resources they could not get benefits of GST.

**No verification of ITC:** ITC claimed by taxpayers was not verified by the system of GST and there are no auto updates on system which created problems for taxpayers.

**Complex Return Forms:** Still there are no simple system for return forms which creates problems like unverified return, no self-regulation in system, due to absence of self-regulation in system there are manual checking of details of returns done. Without key safeguards system were rolled out that created problems for tax payers. There are problems for taxpayers like sometimes it may create fraud cases raised for GST fake claims of ITC which was trouble for real tax payers.

**Annual Return Related Problems:** Annual return contains too much information like information of inward and outward supplies, ITC declared in returns, tax paid, demands, refunds, supplies received from composition dealer, HSN wise summary of outward and inward etc. This type of information creates burden on tax payers at time of filing annual returns.

**Higher Tax Burden on Small and Medium Manufacturing Units:** Small and medium manufacturing units are having major contribution in economy and they are major participants in turnovers now after GST composition

schemes introduced and lower turnover included then tax burden is increased on these small and medium manufacturing units. Before GST exemption limit was higher so small and medium manufacturing units were exempted from paying tax.

**Trouble in Creation of Invoices and Forms:** For transactions of tax there are needs of generation of forms and invoices but this forms and invoices are not generating at easy way, there are number problems like server jam, information problems, number of invoices required for single group of items. GST invoice generation system is based on internet, computer, server, information, etc. this is the main reason of trouble creation of invoices and forms.

**Increase in operation Cost:** In general, small businessmen fills return brown system for this they dose not have any person or employee now after GST they had requirement of specialized person for GST return filing and ultimately this leads to increase in cost of operating of GST. GST requires system for tax transactions like personal computer, professional persons, internet enabled system etc. Small businesses in India do not use tax professionals and traditionally prefer to pay file your own income to save on taxes and expenses. They have experience with the return submission option for single income. However, this is now a small business professional help to become GST compliance is because it's a completely new system. In the meantime, Small businesses that benefit professionals you may have to pay the additional cost of hiring a specialist.

**High Chances of Tax Evasion:** Due to GST there are chances of tax evasion in system here GST takes information from different sources and process in system that creates chances of tax evasion. Here this transaction system creates chances and situation of tax evasion where tax payers pay tax by misuse of law. GST is based on online transactions, forms, invoices, mechanism of software, return process, etc. provides chances of tax evasion. There are some goods are locally made by businesses which are hard to give MRP.

**Disputes between Center and States:** There are several issues between center and states which are still not resolved by GST Council. These issues are not solved so, businesses are facing problems related to decision making. Center and state are not given any clear view for this so, businesses are not taking decisions properly on time.

## V. CONCLUSION:

GST is an important source of revenue for government by this government run day to day and other works. There different challenges are faces by businesses which are related to return, technology, server, etc. Here after so much time of GST implementation server jam is problem for businesses and forms are not uploaded on time of deadline, this creates hurdles in filing returns. GST was demotivated for locally exempted goods before GST implementation; this was also demotivated for businesses. GST also increased chances of tax evasion by businesses this is not good for government from revenue collection point of view. GST also increased burden on small and medium scale unit which is not positive sign for this type of unit. Here government should focus on good and efficient online system for creation of invoices and forms, uploading form, filing of returns, etc. GST rules should check on ground first then should apply for implementation. There should be no more interference from political parties so GST can be implemented at better way. There should proper mechanism for management of GST collection, tax payment, form and invoice generation, return filing, input tax credit, updates of software etc. so, there will be lower chances of GST tax evasion. These problems are coming at different way in system so, it creating hurdles in GST system. There should be proper and efficient compliance system for GST related problems. Thus, necessary corrective steps should be taken.

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