



# GOODS AND SERVICES TAX (GST): PROBLEMS FACED BY BUSINESS OPERATORS

Nivritti James<sup>1</sup>, Sushma Tiwari<sup>2</sup>

<sup>1</sup>Assistant Professor, Govt. Bilasa Girls' PG Autonomous College, Bilaspur

<sup>2</sup>Research Scholar, Govt. J Yoganandam Chhattisgarh College, Pt. Ravishankar University, Raipur.

**Abstract:** The Goods and Services Tax is a comprehensive, destination-based tax with a multi-stage tax levy on every value addition. (GST) To understand GST, it is necessary to simplify some things. Indian taxes are reformed, and the country is portrayed as a single national market. It contributes to the competitiveness of Indian goods, goods, and services in both global and local markets. GST was dubbed "One Nation, One Tax" by Prime Minister Narendra Modi, but the debate over whether GST might become a single tax continues. Although it was billed as an easy tax, there are still numerous issues that make GST complicated. Another problem is still causing trouble for the government and the GST Council and that is that the businessmen have got the registration done in GST but they are still not depositing the tax. There are 30% of traders and businessmen registered in GST who are still not depositing income tax. At the same time, up to 40% of the registered traders under composition are not paying tax. The study aimed to identify the difficulties encountered by various industrialists and businessman in implementing GST businesses have been hit the most due to the implementation of GST and how many problems small and medium traders are facing in this paper will review about industrialists and businessmen, how GST is affecting them and what changes have happened due to the new rules.

**Keywords:** *Cost Compliance, Goods and Services Tax, , One Nation, One Tax*

**Introduction:** Goods and Service Tax (GST) is an indirect tax i.e. indirect tax. Under GST, a uniform tax is levied on goods and services. Goods and Services Tax (GST) is an indirect tax levied on the supply of goods and services. There was talk of implementing GST since 2004, but it could not happen, then it was proposed to implement GST from April 1, 2010 by the then Federal Finance Minister Mr. P. Chidambaram while presenting the budget for the year 2007-2008. announced to implement GST, in 2014, the government passed the Constitution (101st Amendment) Act 2016 by amending the constitution while presenting the bill in the Lok Sabha in 2014, due to which there was a demand to implement GST in India. By making this amendment, the Central Government as well as the State Governments got the powers to implement GST. The Goods and Services Tax Act was passed in the Parliament on 29 March 2017 and GST came into force on 1 July 2017. GST brings uniformity in taxation and has replaced many indirect taxes (a tax levied on goods and services rather than on income or profits) in India. Furthermore, the GST contributes to the improvement of the existing taxation system by removing an extensive list of direct taxes from the system. The Goods and Services Tax (GST) streamlines the taxing system by separating it into three parts: CGST, SGST, and IGST. Where GST is not applicable, different taxes are levied on goods and services. After the implementation of GST, with the introduction of only one tax on every goods and every service, that is, instead of taxes like VAT, Excise and Service Tax, only one tax has to be paid by the traders. GST experts say that according to the constitution, the central and state governments levy taxes on goods and services according

to their own. If a company or factory makes its products in one state and sells it in another state, then it has to pay many types of taxes to both the states, which increases the price of the product. Expert says with the introduction of GST, the price of the products has come down.

GST is complementing the system of having only one tax in one country (one nation-one tax). With the implementation of GST, there has been transparency in tax payment as well as tax evasion has reduced. However, when it was implemented, there was a lot of confusion because the complete information about it was neither with the traders, nor the GST officers nor the chartered accountants. Due to which there was a lot of confusion. Even due to lack of complete information, traders earning less than 20 lakhs also took the registration of GST. Now their problem has become that they do not even come in the tax slab but now they have to pay some part of GST. Tax has to be paid even after canceling the GST number because according to the rules, the trader has automatically bought back the old goods. On the other hand, if we talk about big entrepreneurs, small businessmen whose annual turnover is not 20 lakhs, in return they have to pay reverse charge and are not getting input credit.

After the implementation of GST, the biggest problem came to the small traders, it did not have any special effect on the big businessmen, but they have only made profit due to the low cost of manufacturing the products. It was a matter of relief in the midst of all this that the Central, State Government and the GST Council were conscious about the problems coming and for this it had entrusted the responsibility to many officers that no one should face any problem, so that every problem coming is fully addressed. Monitoring was being done. Due to the alertness of the government, GST, which seemed difficult after many amendments, has now become easy and easy, as well as the cost has come down.

#### **Review of literature:**

- Vasanthagopal (2011) highlighted GST in India: A Big Leap in the Indirect Taxation System, and the essay concentrated on the influence of GST on several sectors of the economy. According to the report, GST is a significant step forward and a new incentive for India's economic transformation. The report found that favorable impacts on many sectors are contingent on the GST's unbiased and normal design.
- In the article by Pinki, Supriya Kamra, and Richa Verma (June 2017), they studied, "Study on Impact of Goods and Services Tax Implementation in India," which focused on goods and services tax implementation in India, which is a necessity to understand it as a system as well as a process. They concluded that organizations as well as consumers, by embracing the new tax reformation, may help the government to accelerate the growth of the Indian economy.
- Jaiprakash (2014) has mentioned the GST at both the central and state level, which are expected to give more relief to industry, trade, agriculture, and consumers through a more full and wider exposure of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. The best option is offered to us by GST to extend our tax base, and we should take advantage of this opportunity to introduce it when the situation is quite favorable and the economy is enjoying steady growth with only slight inflation.
- Poonam (2017) concluded through her analysis that GST would be a huge step forward in the domain of indirect taxation. By combining federal and state taxes, the effects of cascading and double taxation can be avoided. The tax burden on consumers will be lowered by 25% to 30% once GST is established. After the GST concept is implemented, Indian manufactured goods will become more competitive in both domestic and foreign markets. This taxation policy would boost economic growth right away. GST's distinct traits will make administration simpler. The author attempted to identify the concept of GST and its current condition in India in this paper. This paper's goal was to provide knowledge about the GST system.
- According to Shefali Dani, the GST system is a half-hearted attempt to streamline the indirect tax structure. More than 150 countries have implemented the GST concept. According to researchers, before

implementing GST, the government of India should study the GST regimes established by other nations as well as their consequences. It is imperative that the government make an effort to protect India's large poor people from inflation caused by the adoption of GST. There is little doubt that GST will streamline its present indirect tax system and will have to help remove inefficiencies generated by the current heterogeneous tax system, but only if there is a clear consensus on topics such as threshold limit, revenue rate, and inclusion of petroleum goods.

**Research Objective:** To determine if there were any differences in problems and issues associated with the implementation of GST among the three diverse ethnic groups represented by the infrastructure, consumer goods, and pharmaceutical industries.

**Hypothesis of the study:**

**Ho:** There is no significant difference among three different industries namely Infrastructure, consumer goods and pharmaceutical industries in concerned with challenges faced with implementation of GST.

**H1:** There is significant differences among three different industries namely Infrastructure, consumer goods and pharmaceutical industries in concerned with challenges faced with implementation of GST.

### Research Methodology

Stratified Random Sampling has been used to select the respondents because it is used to divide the population into homogeneous subgroups and these smaller groups are referred to as strata. Small groups are formed based on specific population characteristics. The sample are selected at random after dividing the population into smaller groups.

### Data Analysis and Interpretation:

	Sample size	Response Rate	Percentage%
Infrastructure Industries	73	64	88
Consumer Goods Industries	210	90	43
Pharmaceuticals Industries	54	30	56
	337	184	

### Respondents Turnover and Registration for GST

Annual Turnover	GST Registration				Total Number
	Yes		No		
	Number	%	Number	%	
Less than 20lakh	13	24	85	46	98
More than 20 lakh	64	35	22	12	86
Total	77	42	107	58	184

Statements	A(%)	B(%)	C(%)	D(%)	E(%)
Will your company struggle to preserve the relevant business records in order to comply with laws.	7 (3.80)	23 (12.5)	24 (13.04)	107 (58.15)	23 (12.5)
The cost of implementing GST in your firm would be higher.	11 (5.97)	16 (8.69)	32 (17.39)	89 (48.36)	36 (19.56)
To understand how to handle GST issues, your	7	22	20	111	24

current employees will need to attend workshops.	(3.80)	(11.95)	(10.86)	(60.32)	(13.04)
Your enterprise will have difficulty in determining the price of goods and services	11 (5.97)	23 (12.5)	34 (18.47)	93 (50.54)	23 (12.5)
Your business faces difficulty in remitting GST.	8 (4.34)	20 (10.86)	39 (21.19)	112 (60.86)	5 (2.71)
GST return filing will be challenging for your company.	6 (3.26)	18 (9.78)	33 (17.93)	114 (61.95)	13 (7.06)
It will be difficult for your company to claim an input tax credit.	4 (2.17)	15 (8.15)	43 (23.36)	109 (59.23)	13 (7.06)
GST raises the cost of compliance for operating your firm.	9 (4.89)	23 (12.5)	25 (13.58)	106 (57.60)	21 (11.41)

A = Strongly Disagree; B = Disagree; C= Neither Agree nor Disagree; D= Agree; E= Strongly Agree; STD= Standard Deviation

$H(\text{degree of freedom}) = \text{Chi-square test statistic's}, p = .01$

$H(2) = 2.73, p = .256$

A Kruskal-Wallis H test showed that there is no statistically significant difference between the three groups in,  $H(2) = 2.67, p = 0.283$  namely Infrastructure, consumer goods and pharmaceutical industries in concerned with challenges faced with implementation of GST.

Post-hoc Mann-Whitney U test can be used in comparing pairs of groups to identify the exact groups that differ

Mann-Whitney U                      Scores 39  
 Wilcoxon W                            Scores 94  
 Z    -832  
 Asymp. Sig.(2-tailed)                .405  
 Exact Sig. [2\* 1- tailed Sig.]        .436  
 Grouping Variables: Groups  
 Not corrected for ties.

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Q1	184	1	5	3.60	.976
Q2	184	1	5	3.64	1.068
Q3	184	1	5	3.64	.971
Q4	184	1	5	3.48	1.045
Q5	184	1	5	3.45	.892
Q6	184	1	5	3.59	.895
Q7	184	1	5	3.61	.836
Q8	184	1	5	3.60	1.009
Valid N (Listwise)	184				

The Five- point Likert scale is considered an interval scale. The mean is very significant. From 1 to 1.8, it means it means strongly disagree. From 1.81 to 2.60, it means disagree. From 2.61 to 3.40, it means neither disagrees nor agrees; from 3.41 to 4.20, it means agree; from 4.21 to 5, it means strongly agree.

Based on the aforementioned descriptive statistic. The majority of participants believe that the company struggles to maintain necessary business documents to comply with the legislation, that applying GST would be expensive, and that current employees will need to attend courses. It will be challenging for business to determine the cost of goods and services. Businesses have trouble collecting GST. Your business will have trouble filing a GST return. It will be challenging for the corporation to receive input tax credit. GST raises the running firm's compliance expenses.

### Major Challenges Associated with GST

**1. GST has become a headache for traders:** The biggest challenge that has been plaguing the nose since its inception is that till now traders and dealers are not able to adopt the completely online system of GST. Separate registration is required for each state where work is to be performed. The first full year has come out in this. This has caused a lot of trouble to the service providers taking advantage of centralized registration. Earlier three returns were to be filed every month which has now become two returns and one return annually. Apart from this, there are many other returns which the Input Service Providers have to file, so in a way, the returns for dealers have increased from two half yearly returns to about 25 returns annually. GST returns not only businessmen but also the government has problems. As far as GST returns are concerned, problems are not only for traders. According to the Indian Export Organization, about 20 thousand crore refunds are still pending with the government and half of this money is stuck in the input tax credit process. From time to time, some exemptions have been given in IGST which have had an impact on the returns. Many exporters could not even file ITC (Input Tax Credit) returns because of technical glitches. If input tax credit and export are in different months, then there are many problems in this also.

**2. Difficult to change rates frequently:** It is going to be a full year since the implementation of GST, but till now the GST rate slab is being changed continuously. This difficulty has not only happened to the government, but due to this difficulty, the traders have also been troubled a lot. Take food only for eating in the restaurant. The tax which was earlier increased to 18% has come down to 5%. This was good for the general public, but it affected the restaurant owners a lot. Similarly, many things have been increasing and decreasing and still a lot of improvement can be expected in the list of GST.

**3. Confusion of E-way Bill System:** After a full year of hard work, at least some technical flaws have been removed like facility to update old information, automatic adjustment of tax liability but there are many things which are still not fixed. Like slow response, lapses while filing returns, etc., there are many things that have not been fixed. The new intra-state E-way bill system, which was launched in April 2018, had even more problems. This has become a headache for the traders. The whole purpose of GST was to make the work easier and complete the work in less time, but this problem has increased due to the intra-state e-way-bill system. Understand with an example, since the implementation of the e-way bill system, the merchants have to work a little more. For example, a tea trader will have to make a bill every time he brings tea from the plantation to his godown. These godowns can also be located at a distance of less than 10 kilometers. The condition is that the order value should be more than 1 lakh. Now it is a bit tricky to pay a new bill every time a tea order is moved from one place to another. E-way Bill was earlier to be launched in February 2018 but due to some flaws it has been launched on 1st April 2018. Due to the intra-state bill, the government can track all the goods, but only they know how much problem the traders are facing due to this.

**4. Juggle of Input Credit:**At the time of the implementation of GST, the government had proposed a matching concept for claiming input tax credit. It formed the backbone for the online tax system. The matching concept could not be completed due to technical glitches and as a result the dealers are still not getting the input credit easily to the dealers. The biggest challenge now with input credit is that half the process is electronic and half manual. Due to this, the price of the transaction is increasing even without wanting it.

**5. Many fake businesses are also going on regarding GST:** The government has not been able to stop the fake business regarding GST so far. Many fake companies claim that they will easily get your return filed and this problem has to be faced by those businessmen who are unable to file the return themselves. Even after 1 year, changing rules and constantly changing tax return filing process have given rise to such frauds as well.

**6. Petrol and diesel still out of the purview of GST:** Petrol and diesel are still out of the purview of GST and this is also a problem. Every time it has been talked about, it has been said that it should be brought under the purview of GST. The government has the option of losing revenue or increasing inflation. With the reduction in the price of petrol and diesel, the transportation cost will also come down and this will directly affect the inflation. Even after a year of the implementation of GST, the government has not been able to solve the issue of petrol and diesel.

**7. The public has not yet fully understood GST:**This problem is with most of the people. It is still getting difficult for them to understand GST. These are the customers who pay the money and take the goods. The effect of this change in the grocery bill and in the economy is bothering the general public.

## CONCLUSION

After reviewing the entire research paper, except input credit, reverse charge, there is no significant loss to the big businessmen, but they are only making profit. Traders are also benefiting from the amendment of the government and the GST Council after considering many things of the trade union, while in some cases the amendment is going on right now. Before GST most of the companies/industries had separate consultants for Excise Duty, Service Tax and VAT which only one consultant is required since the merger of taxes. Most of the companies have complex software like SAP upgrading it is a big problem for the industries. But now due to GST, it has become necessary to upgrade them. Also, every change that takes place will require constant training.

1. Poonam, M. (2017). GOODS AND SERVICES TAX IN INDIA: AN. 6th International Conference on Recent Trends in Engineering, Science and Management , 9.
2. Dani\*, S. (November 20, 2016). A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy. Business and Economics Journal , 6.
3. Gupta, .: A. (Published: March 29, 2017 6:30 PM). GST impact on common man in just 7 easy to understand points. Financial Express.
4. Bird, Richard M. (2012). The GST/HST: Creating an integrated Sales Tax in a Federal Country. The School of Public Policy, SPP Research Papers, 5(12), 1-38
5. Empowered Committee of Finance Ministers (2009). First Discussion Paper on Goods and Services Tax in India, The Empowered Committee of State Finance Ministers, New Delhi.
3. Garg, Girish (2014). Basic Concepts and Features of Goods and Services Tax in India. International Journal of scientific research and Management, 2(2), 542-549
6. International Journal of Trade, Economics and Finance, Vol. 2, No. 2, April 2011
7. Kelkar, Vijay (2009). GST Reduces Manufacturing Cost and Increases Employment, Times of India,
8. Satya and Amaresh Bagchi (2007), Revenue-neutral rate for GST, The Economic Times, November 15.
9. Agrawal A. (2011), India's Goods and Services Tax – A Primer. STCI Primary Dealer Ltd, pp111.
10. Bagchi A. (2006), Towards GST: Choices and Trade-Offs. Economic and Political Weekly, 41(14), pp1314-1317.

11. Basic of GST-Implementation in India. (2015), Retrieved August 14, 2015, from <http://www.gstindia.com/basics-of-gst-implementation-in-india/>
12. Countries Implementing GST or VAT, (2014), Retrieved from Royal Malaysian Customs.
13. Curtis, J. L. (2010), Implications of the Introduction of the Goods and Services Tax for Families in Canada, *Canadian Public Policy / Analyse De Politiques*, 4(36), pp 503-520.
14. Mitra S. (2011), The Indian Tax System and its Reform, *ASCI Journal of Management*, 40(2), pp 128-138.
15. Modi A. (2009), Report of the Task Force on Goods & Services Tax. New Delhi, Thirteenth Finance Commission.
16. Patel J. K. (2011), Goods and Service Tax - An Introductory Study. *Golden Research Thoughts*, 1(7), pp 1-3.
17. Purohit M. C. (2001), National and Sub-National VATs: A Road Map for India. *Economic and Political Weekly*, 36(9), pp 757-759+761-772.
18. Purohit, M. C. (1995), Improving Sales Tax Management in India. *Economic and Political Weekly*, 30(9), pp 449-451+453-456.
19. Rao M. G. (2009), Feasibility of Introducing GST in April 2010. *Economic and Political Weekly*, 29(44), pp 10-13.
20. Rao M. G. (2009), Goods and Services Tax: Some Progress towards Clarity. *Economic and Political Weekly*, 40(51), pp 8-11.
21. Rao M. G., & Vaillancourt F., (1994), Inter State Tax Disharmony in India: A Comparative Perspective. Oxford University Press, 4(24), pp 99-114.
22. Rao, R. K., (2004), Impact of VAT on Central and State Finances. *Economic and Political Weekly*, 39(26), pp 2773-2777.
23. Refaat S., (2005), Redistributive Impact of GST Tax Reform: Pakistan, 1990-2001. *The Pakistan Development Review*, 44(4), 841-862.
24. Roberts A., & Rose, J., (1995), Selling the Goods and Services Tax: Government Advertising and Public Discourse in Canada. *JSTOR*, 28(2), pp 311-330.
25. Ruggeri G. C., & Bluck K., (1990), On the Incidence of the Manufacturers' Sales Tax and the Goods and Services Tax. *Canadian Public Policy / Analyse De Politiques*, 16(4), pp 359-373.
26. Varshney A., (2007), India's Democratic Challenge. *Foreign Affairs*, 86(2), pp 93-106.