



## GST: ISSUES AND CHALLENGES

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### *Abstract*

Clause 366(12A) of the Constitution Bill defines GST as “goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Further the clause 366(26A) of the Bill defines “Services” means anything other than Goods. Thus it can be said that GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. The proposed tax will be levied on all transactions involving supply of goods and services.

GST will boost the growth of Indian economy. However, certain issues and concerns which need to be addressed, like increased compliances and goods kept out of the purview of GST, especially petroleum. At present, service tax is a central levy, requiring a single registration but under the proposed GST, taxable person will have to file a number of returns on a periodic basis. Further, the Bill keeps taxes on alcohol, electricity, and real estate outside the scope of GST, which are important sources of state taxes revenue. Another aspect that needs to be carefully considered is the revenue-neutral GST rate as higher than previous rate will affect industry negatively. India will be the only country in the world to have dual GST system, comprising Central GST and a State GST.

### **1. RATIONALE OF GST**

GST will replace number of taxes imposed by Central and State Government by a single legislation which will provide benefits to the economy. It will encourage tax collection by increasing the number of taxpayers. In GST overall tax will come down which will benefit the consumer also. At Central and State level various taxes will be rationalised to become a single tax under the dual control system. GST will be administered both by the Centre and the State. Increased compliance is expected from assesseees in order to address tax avoidance. As a result an assessee has to file a number of e>Returns to claim input tax credit and a registered taxable person shall not be allowed to file a tax return for a tax period if valid return for earlier period has not been filed. Every registered taxable shall file e-return monthly. Every registered taxable person paying under composition scheme shall file return quarterly within 18 days after the end of every quarter. Claims of input tax credit accepted or rejected will be communicated to the assessee. If any discrepancy is found (in respect of wrong input tax credit or duplication of claims) and if not rectified then it will be added to his tax liability of the assessee. On account of implementation of GST, parliament may on recommendation of GST council provide for compensation to States for loss of revenue for a period of 5 years.



## **2. SCHEME OF GST**

Both Centre and State levy tax on supply of goods and services. SGST will be levied and collected by the State and CGST will be levied and collected by the Centre. So both of SGST and CGST are levied under GST. In case of inter-state transactions centre will impose IGST (Integrated Goods and Service Tax). IGST will be equal to SGST plus CGST. Input tax credit will be allowed when tax charged in respect of such supply will be actually paid Cross utilisation of credit of CGST between goods and services would be allowed. Similarly the facility of cross utilisation of credit will be available in case of SGST. In case of interstate supply of goods and services under IGST models cross utilisation of CGST and SGST will be allowed.

## **3. ISSUES IN GST**

The tax structure of India is very complex because of imposition of various taxes on goods and services by the Centre and State. GST is introduced to rationalise the tax procedure and curb the avoidance of indirect tax. However there are number of issues relating to various aspects which ought to be taken care.

1. There are various definitional issues related to manufacturing, sale, service, valuation etc. arises. These needs to be rationalized.
2. Whether a transaction is supply of goods or services need to be interpreted.
3. Different states are demanding separate tax rates.
4. To find revenue neutral rate is very difficult

## **4. VARIOUS CHALLENGES**

GST is meant to simplify the indirect tax law by replacing a number of taxes by a single unified tax. However, there are number of challenges before and after its successful implementation. These are mentioned below:

- a. Revenue neutral rate and threshold limit

To find out a revenue neutral rate is difficult task. It will affect industry negatively if it will be more than present rate of tax. Decision on threshold limit will impact the coverage of tax payer.

- b. Required linkage with excellent compatible IT Network:

Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for registration, return filing, tax payments, IGST settlements etc.

- c. Training to the existing Tax Administrative Staff:

GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.



d. Point of Imposition of GST

GST will be levied on the event of supply of goods or services. The 'Place of Supply Rules' will thus form an important factor to determine the place of provision of goods or services.

e. Date of implementation

Government want to implement GST by the beginning of financial year 2017-18, which is unrealistic for want of sufficient time for various modalities which are required to be rectified before its implementation.

## 5. CONCLUSION

The GST will add to the growth of Indian economy. It is estimated that India will gain \$15 billion a year by implementing GST. Integration of number of taxes into a single legislation will add to the efficiency in the cost of collection of tax revenue and also result in overall relief tax burden of the assessee resulting in benefit of the consumers. However, certain issues like interpretational problem of various terms like place of supply, time of supply, valuation of supplies, increased compliances, goods out of GST preview need to be taken care of.

## References

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