Anusandhanvallari
Vol 2024, No.1
October 2024
ISSN 2229-3388

Challenges and Prospects of GST

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Abstract

The Goods and Services Tax (GST) is a unified tax applied to the supply and sale of goods and services. Essentially, it operates as a value-added tax, which means that suppliers pay tax on the inputs they purchase, whether they are materials or services. This tax is applicable at every stage of the delivery and sales process, spanning from manufacturing right through to retail (Agarwal, 2011). The introduction of GST is expected to simplify matters by reducing the number of central taxes and integrating them into the ITC framework. It will also enhance value capture within the manufacturing and distribution chain. Therefore, one could say that GST marks a significant improvement over the existing VAT system and the previous, fragmented service tax regime. This change is undoubtedly a positive and necessary step forward. The Goods and Services Tax (GST) marks a pivotal change in India's approach to indirect tax reform. This new tax system aims to reduce the complications of tax duplication, paving the way for a unified domestic market by consolidating various federal and state taxes into a single tax framework. For consumers, the most notable benefit is the anticipated reduction in overall taxation costs, which currently hover around 25% to 30%. With GST in place, the true cost of indirect taxes on products and services will become more transparent, simplifying consumption for everyone. Furthermore, the implementation of GST is set to level the playing field for Indian products, both locally and globally, by neutralizing input taxes throughout the production and distribution process.

Keywords: neutralizing, distribution, framework

Introduction

GST – Structure & Design Dual goods and services tax understanding

A dual taxation system allows both the Centre and state to collect and receive taxes, in contrast to a federal one where the government receives taxes and gives them to states. This double structure is borne by the Goods and Services Tax in India, with two aspects, both State and federal tax. The design is applicable to all goods and services transactions. A dramatic change in the current indirect tax regime would be brought about by the GST tax regime. Currently, a fragmented Indian market has been created through fiscal constraints. This resulted in a cascading effect of the taxation on the cost, lowering the profitability of local manufacturers. The complex multi-taxes also tremendously raised the cost of compliance. GST taxes comprise the CGST, the SGST and the Integrate Goods and Service Tax (GGST) Tax the GST tax structure will comprise the CGST (IGST).

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GST tax rate will comprise four slabs of the four slabs of 5%, 12%, 18% and 28%. The lowest for essential goods and the highest for luxuries and inexpensive products. Lowest rates are levied. Also added are SUVs, luxury cars and tobacco products. GST is set to rise to 40% after a hike in the peak rate has been suggested by the GST Council.

Considering the significance of the tax reforms and the implementation of GST in foreign countries, GST specialists have created the following different models for GST:

The Kelkar-Shah Model 2. The Bagchi-Poddar Model 3. The Australian Model 4. The Canadian Model

The Kelkar-Shah Model: A 'big deal' is utilized to integrate a single tax with several taxes like central tax, service charges and Value Added Tax. GST can be introduced as per the model in the following four phases:

Stage: -1 Establishing Information Technology System

Stage: -2 Building Central GST

Stage: -3 political effort of agreeing on "Grand Bargain"

Stage: -4 Interaction with States

The Bagchi-Poddar Model: This is analogous to the Kelkar - Shah model integrating central excise, service tax and VAT over the common VAT substrate. The difference between the Kelkar-Shah and the Bagchi-Poddar model is that the former model promotes tax collection at the state and the centre. The Kelkar-Shah model is analogous to the one applied in Canada, while the Bagchi – Poddar model is analogous to Quebec's.

Australian Model: Australian GST model is a federal tax collected and thereafter distributed to the State Government by the central government. But since India is a heterogeneous country, this model in India cannot be applied.

Canadian Model: The two forms of GST are center and government; (a) Separation of federal GST and provincial retail tax (PST), followed by a high federal and provincial tax, (a) separate federal/provincial tax (QST), administered by province and federal/provincial tax (fed), and (b) federal/provincial VAT jointly administered, managed by provincial administrative governments.

Review of Literature

Carvalho, Emanuel 2010 This study analyses the impact on the pattern of Canadian consumption and savings over time of the Canadian Goods and Services Tax (GST). We use a variant of the near ideal demand system (AIDS) for testing the change since GST implementation, which enables individual requirements to be subject to shift parameters. The empirical findings indicate significant changes in connections after GST was introduced in Canada. In 1991, GST boosted the proportion of savings and services substantially, while the proporction of commodity items declined.

Renata Dombrovski 2010 The Republic of Croatia is currently carrying out preparatory measures for accession to the European Union. One of them is the harmonization of value added tax (VAT) with the requirements of

Directive 2006/112/EC. Strong taxation affects tourism negatively. Hoteliers in Croatia set aside large funds for facility investments, which include partly high VAT rate of 23%, in order to achieve the market standards. Tourists face higher bid prices which puts the country in an unenviable position among Mediterranean competitors. It is important to find an optimal solution within the VAT system to encourage tourism development. Budget funds collected from tourism need to be refunded to the tourism industry

CHALLENGES IN IMPLEMENTATION OF GOODS AND SERVICES TAX (GOVT. & CUSTOMERS)

- Reconciliation in GST: No taxpayers, as was the practice regularly in the former VAT and excise system, are new to the GST reconciliation process. A donor must match the information to account books after reconciliation to complete the procedure.
- Refunds are time taking in GST regime-90 per cent of the GST refunds were guaranteed to occur within seven days of introduction of the GST. But that didn't happen in the long run.
- Several items to be brought under the ambit of GST: Some goods are not covered by GST, i.e., GST is applicable to such products. In order to promote the industrial sector, items like petroleum and electricity should be subject to the GST.
- Lack of an efficient Helpline:GST completion may be an important difficulty since no helpline number can make this task uncomfortable. Compliance and compliance are complicated and tiresome
- Numerous offences and penalties under GST:GST penalties and crimes are many. The legislation also states the grounds on which these offences and sanctions are founded
- Government Role:The Government of India is taking initiatives to find solutions to the issues. The GST system is made simpler and more rational by Government after seen the cumbersome and problems faced by consumer.
- Revisit the GST law:The re-examination of the legislation may make the required modifications and facilitate the fiscal process by eliminating needless defects. The tax collection rate will continue to be improved.
- GST NETWORK: - THE BIGGEST PROBLEM Since the start of the GST, GSTN has created difficulties. It does not have the needed capacity; therefore, it is always a difficulty to file a refund
- GST MISMATCH PROBLEMS: The 10 percent provision for input credit should be postponed and re-introduced at the right time prepared and scheduled. This provision has an extremely unrealistic time limit that should be allowed for the dealers to clear the mismatch of the input credit for a period of at least 3 or 6 months
- RCM: - REVERSE CHARGE MECHANISM: In the case that the paying dealer receives quick credit from unregistered dealers, it is very impractical for RCM to provide its internal supply. It has a zero-revenue effect in most cases.
- EXPIRED INPUT CREDIT:The input credit may only be taken for a certain term under Section 16(4). At the first two- year period of the GST, however, a lot of traders make the error not to take the credit for the specified period, but the government has received the tax under consideration
- SIMPLIFICATION IS MISSING IN GST: It has regrettably been implemented with strict processes such as a tax in order to prevent the tax evasion rather than collection of taxes, but it is a major tax

reform for simplifying the indirect taxation system. Strict processes were thus introduced at the first stage, which was not even prepared by law-making authorities

- MORE AND MORE NOTICES: The number of notices given in recent days is too high and it is obvious that the GST processes do not make taxpayers too comfortable, which means there are too many technical errors.

PROSPECTS OF GST IN INDIA: -

- RECTIFICATION OF TECHNICAL MISTAKES: In the early two years of the GST, many innocent technical problems were committed by the dealers, and because GST was the New Tax System and the Indian Trade and Industry was granted 100% GST and its procedures by the aid professionals, but as it was new, many technical mistakes were made by the dealers.
- Benefit to Industry : The GST is intended to be complementary to the user of the products and services supply chain that comprises the whole industry from start to finish, agriculture and commerce by means of an extensive tax system.
- Benefit to exports : The costs of the goods and services produced would decrease with a significant reduction in the input costs of main Central and State GST levies
- Benefit to Consumer: The administration of the GST should be transparent and streamlined in order to ensure that consumers benefit from a reduction of the tax burden on their products and services.
- Reduction in Cost: The implementation by GTS shows a substantial reduction in costs of cloth textile cotton (by 6.44%), linen, silk and synthetic fibers (by 11.4%), and textiles, consisting of clothing, according to the Indian government report, "Good and Service Tax Working Group: 13th Financial Commission" (by 17.45 percent).
- GST And Revenue Growth: GST with broad tax base and well administration can increase the revenue of the government to a great extent.
- Prospects for A Single Taxation System Under GST The present Tax system is a complex one mainly because of existence of numbers of taxation and there is distinction between goods and services so far as tax is concerned it become complex owning to the inseparability of goods and services in a composite product as to which element constitutes goods and which element of a product activity constitutes service
- Prospects for a trade and Agriculture under GST: GST can give more relief to industry, trade and agriculture through a more comprehensive and wider coverage of input tax set off and service tax set off, Subsuming of several central and state taxes in the GST.

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