

EVALUATION OF GST- DR. MOHAN BAHRAT



The introduction of GST in India marked a significant milestone in the restructuring of indirect taxes. The introduction of the event took place at midnight on June 30th to July 1st in the central hall of Parliament. The intention was to elevate it to the same degree of significance as the announcement of India's independence from British rule on August 14th to 15th, 1947. Regrettably, it fell well short of meeting people's expectations. The speeches given by the finance minister, the prime minister, and the President of India during the event were ordinary in comparison to the inspiring 'Tryst with Destiny' speech delivered by Pandit Jawaharlal Nehru on that occasion. However, there were other disappointments as well. The design of the GST unveiled that day was undeniably grim, to say the least. The system was plagued by numerous deficiencies that exacerbated the workload for businesses rather than reducing it. The implementation of GST was imposed on the nation before it was fully developed. Prior to its implementation, the GST Council convened in Delhi and implemented its initial modification by decreasing the tax rate on fertilizer from 12 percent to 5 percent. Why did the members of the Council, particularly the finance minister, fail to see that the previously determined rate would not be satisfactory for the struggling farmers of India? No complex scientific knowledge was required to comprehend this straight forward fact. However, this was merely the commencement. The Council, led by the union finance minister, has been making frequent modifications to tax rates, processes, exemption limits, and other aspects, seemingly assuming the authority to create a new budget on a daily basis. Currently, there have been numerous adjustments, totalling in the hundreds, and we still have more changes to make. Only God knows the current state of the renowned RNR rate, which is clearly in disarray today and is no longer a topic of discussion.

The ministers have a guide to follow. Yashwant Sinha previously established three rates of CENVAT in 2002: an average rate of 16 percent, a favourable rate of 8 percent, and an unfavourable rate of 24 percent. Although subsequent finance ministers made adjustments, these three rates mostly remained unchanged. Consensus was reached that implementing a uniform GST rate would indeed be considered an effective and uncomplicated tax system. However, since quick achievement of that was not conceivable, what hindered the ministers from adopting the three-slab formula? The requisite guidance in this regard should have been supplied by the finance minister of the union. He performed really poorly in his attempt to do so. Was it a lack of knowledge or understanding? Was that a display of incompetence? Was it simply a nonchalant demeanour and failure to engage in critical thinking? The reader is entrusted with the task of making a verdict.

The primary goal of GST was to consolidate all indirect taxes and services into a single tax framework. However, certain commodities such as diesel, petrol, and liquor are exempt from the Goods and Services Tax (GST). The lack of clarity about the cessation of municipal taxes is likewise ambiguous. Instances have been observed in Tamil Nadu and Maharashtra. The state government levied an additional entertainment tax on top of a 28 percent Goods and Services Tax (GST). In order to offset the losses incurred by the implementation of GST and maintain revenue collections, Maharashtra has raised the Motor Vehicles Tax.

The government has labelled it as a 'Good and Simple Tax', resulting in an increase in the number of indirect taxpayers and registered firms.

Within a single year following the implementation of GST, the total count of newly established businesses registered amounts to 48 lakh. Approximately 3.5 billion invoices were generated and 110 million returns were submitted.... The introduction of the GST, which is expanding the number of enterprises subject to taxation, would additionally promote the formalization of the economy.[1]

However, the opposition, spearheaded by the lawmakers, has labelled it as a 'very alarming tax'. The implementation of the GST lacked sufficient planning, resulting in many issues such as technical malfunctions, ambiguity regarding tax rates, uncertainty surrounding return filing, and delays in refund approvals.[2]

Rahul Gandhi, the former President of the Indian National Congress and the primary adversary of the ruling party, asserted, 'The Goods and Services Tax (GST) is a mechanism designed to deplete the financial resources of the underprivileged.' While campaigning for the Gujarat assembly elections, he made the additional remark, 'This is not GST, but rather it is referred to as Gabbar Singh Tax'.[3]

The business concerns are facing multiple obstacles, including the burden of excessive regulatory costs. Tilak Raj Bathla is an entrepreneur. He owns a small-scale textile manufacturing facility in Panipat. He stated that his neighbours, the most of whom lacked formal education, were unable to fulfil the monthly online filing obligations mandated by the GST system. Certain individuals among his clientele and business partners lacked the financial means to engage the services of accountants in order to

traverse a system that has undergone over 200 revisions. Meanwhile, others faced difficulties in dealing with delays in tax returns due to malfunctions in the centralized software.[4]

The issue does not solely pertain to Tilak Raj Bathla. This issue is pervasive throughout all commercial entities.

‘An inadequately implemented Goods and Services Tax (GST) has amplified the responsibility of Indian enterprises to comply with more intricate paperwork and endure prolonged delays in receiving refunds and export credits, which are crucial components of an efficiently operating GST’.[5] Initially, this caused complications and led to legal disputes. Typically, the government has issued clarifications in the majority of instances. However, the industry’s ability to fully capitalize on the significant advantages of the largest tax reform since Independence may be hindered if the increasing complications persist. [6]

The BBC reports that businesses have requested an extension to the implementation timeline due to concerns about their readiness for transitioning to the new system. An ET Retail journalist asserts that the reaction of India’s businesses and consumers to the country’s new national sales tax can be best described as one of confusion. It is anticipated that the implementation of GST will significantly reduce the negative impacts of cascading or double taxes. The administration aims to not only simplify the numerous taxes imposed on businesses but also to silence the opponents who claim that Mr. Modi has not fulfilled his policy commitments.

On 5 October 2017, Prime Minister Narendra Modi instructed Finance Minister Jaitley to modify the GST regulations in order to facilitate company operations in India.[7] The government established 13 committees to specifically tackle various concerns related to GST.[8] The government has implemented a lot of modifications to the goods and services tax since its establishment. These changes have been achieved through the issuance of circulars and the provision of clarifications about refund procedures, exemptions, and tax rates.

Amarjit Kaur, the National Secretary of the All India Trade Union Congress (AITUC), asserts that around 230,000 small enterprises have ceased operations as a result of issues related to adherence to regulations and financial flow, resulting in significant unemployment.[9]

The poll was performed by AITUC in July 2018. According to the survey, around 20% of India’s 63 million small enterprises, which contribute 32% to the GDP and employ 111 million people, experienced a 20% decline in profits following the implementation of the Goods and Services Tax (GST). As a result, these businesses had to lay off hundreds of thousands of workers. In his paper, Manoj Kumar cites the poll conducted by the

Centre for Monitoring Indian Economy, stating that approximately five million workers became unemployed in the previous year. [10]

Arvind P. Datar and K. Vaitheeswaran, esteemed counsel of the Madras High Court, assessed the Goods and Services Tax (GST) in their piece published in the Indian Express. They write

'Even the most fervent advocate of the GST cannot refute that the new system has not been as advantageous as anticipated. The current GST system, like to socialism, is promising in theory but is utterly impractical in implementation. It is perilous to continue with the expectation that circumstances would eventually stabilize. Urgent measures are required to prevent India's second significant opportunity from turning into a catastrophic event.' [11]

In response to an RTI query regarding the amount of money spent by the government on advertising and awareness campaigns for GST, the Bureau of Outreach and Communication, a department under the ministry, stated that a total of 1.32 billion was spent on GST marketing. The expenditure on print media amounted to 1.26 billion. The expenditure for advertising in outdoor media amounted to ₹54 million.[12]

In the following sections, we will examine the significant issues that have emerged as a direct result of the implementation of GST.

Gross Domestic Product (GDP) in comparison to Goods and Services Tax (GST)

The introduction of GST was anticipated to streamline the tax system, eradicate the cascading impact of taxes, and enhance the government's revenue. This would result in a growth in the country's GDP. The National Council of Applied Economic Research conducted a study and issued a report to the Government of India (GoI), stating that the implementation of the Goods and Services Tax (GST) will lead to a boost in the country's economic growth, ranging from 0.9 percent to 1.7 percent. Finance Minister Arun Jaitley had previously predicted that the implementation of a uniform tax structure will have the dual effect of increasing revenue and bolstering the Gross Domestic Product (GDP). [13] Prakash Chawla, an experienced journalist, also affirmed that GST will have a positive impact on the GDP. In his piece for the Press Information Bureau, he asserted that the implementation of GST should result in a tax buoyancy and a boost to the Gross Domestic Product by 1-1.5%, while also eliminating the complexities of several taxes. HSBC, the British bank, also anticipated that the implementation of GST would have a positive impact on the Indian economy.

The Goods and Services Tax (GST) legislation and its influence on the Gross Domestic Product (GDP)

Prior to 2017, Indians were required to pay several indirect taxes for different types of transactions, such as buying, selling, manufacturing, retailing, and marketing. The taxes encompassed Value Added Tax (VAT), excise duty, service tax, central sales tax,

entertainment tax, and luxury tax.

Nevertheless, the introduction of GST consolidated various taxes into a single entity, hence eliminating the compounding effect of indirect and double taxation. However, this had a substantial influence on India's GDP. This action facilitated the establishment of a more integrated market, enabling unrestricted movement of capital and services, thus streamlining the business landscape.

The implementation of GST had a crucial role in introducing significant reforms nationwide, including the introduction of e-way bills and e-invoicing.

The implementation of e-Way bills was introduced as part of the Goods and Services Tax (GST) system to facilitate the seamless transportation of goods between different states. These bills enable enhanced tracking and monitoring of commodities, resulting in a reduction of tax evasion and improvement in compliance.

e-Invoicing is a digital invoicing system that aims to standardize and automate the process of generating and reporting invoices. It entails the electronic transmission of invoices between companies and tax authorities, thereby streamlining manual procedures and decreasing mistakes.

Although not directly associated with the Goods and Services Tax (GST), FastTag facilitates cashless transactions by electronically collecting toll fees. It reduces traffic congestion on highways and enhances overall transportation efficiency.

The process of integrating e-way bills with government portals, such as the VAHAN portal, required establishing a connection between the two platforms to facilitate the real-time interchange of information. This enables authorities to verify the information provided in e-way bills by comparing it with other documents and databases, so enhancing the efficiency of tax enforcement and assuring adherence to regulations. The consolidation of multiple indirect taxes resulted in the creation of a uniform tax framework known as the Goods and Services Tax (GST). The implementation of this simplified tax administration has reduced the difficulties in complying with tax regulations and mitigated the problem of many taxes overlapping, leading to a more effective and transparent tax system.

The implementation of digitization in processes greatly enhanced the efficiency and transparency of taxes procedures. Taxpayers have the option to complete their registration process online, thereby eliminating the requirement for physical submissions and minimizing the amount of documentation involved. In addition, the use of electronic tax filing has increased convenience for businesses in meeting their tax obligations. This is because they are able to submit their tax returns online, eliminating the need for laborious paperwork.

However, what was the effect of the Goods and Services Tax (GST) system on the Gross Domestic Product (GDP) rate of India? Let's examine the performance of GDP after the installation of GST:

Year	GDP
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April–June 2017	5.7%
July–September 2017	6.3%
October–December 2017	7%
January–March 2018	7.7%
April–June 2018	8.2%
July–September 2018	7.1%
October–December 2018	6.6%
January–March 2019	7.7%
April–June 2019	6.9%
July–September 2019	4.5%
October–December 2019	4.7%
January–March 2020	4.2%

April–June 2020	-23.9%
July–September 2020	-7.3%
October–December 2020	0.4%
January–March 2021	1.6%
April–June 2021	20.1%
July–September 2021	8.4%
October–December 2021	5.4%
January–March 2022	4.1%
April–June 2022	13.5%
July–September 2022	6.3%
October–December 2022	4.4%
January–March 2023	7% (expected)

Source: Authors

It is clear that the GDP growth rate varied in the early years after the installation of the GST. The GDP growth rate maintained a favourable trajectory after its adoption in July 2017. As the GST rates stabilized and businesses adapted to the new tax system, this trend persisted.

Nevertheless, the rate of expansion decelerated in 2018 as a result of other factors, including global economic volatility and internal issues.

Over the subsequent quarters, the GDP exhibited fluctuations, with both positive and negative tendencies. The April—June 2020 quarter witnessed a significant decline of -23.9%, primarily due to the COVID-19 pandemic and subsequent countrywide lockdown.

Nevertheless, the GDP growth rate had a resurgence as the economy gradually commenced its recovery. The GDP experienced a 20.1% growth rate during the April-June 2021 quarter, indicating the favourable influence of the GST.

However, in the subsequent months of 2021, the rate experienced a decline to 8.4% and 4.1%. Although we observed progress in the April-June 2022 quarter, we were unable to maintain it due to the downturn experienced by worldwide economies.

In conclusion

Several studies project that India's GDP growth rate will approximate 6.4% for the fiscal year ending on March 31, 2024. Nevertheless, it is anticipated to recover and attain a growth rate of 6.7% in FY2024. The main factors contributing to the increase will be private consumption and private investment, with government programs aimed at improving transit infrastructure, logistics, and the overall business environment providing further support.

Issue with HSN Code

The classification of items into different Harmonized System Nomenclature (HSN) categories has consistently been a significant issue. The industry and government are engaged in a careful and intricate process of maintaining a balance over the HSN. The commercial concerns had identical issues at the onset of GST. Let's examine the issue with two scenarios involving plastic and quilts. The furniture vendors were facing difficulties in categorizing plastic materials for the purpose of calculating GST. They inquired about the classification of plastic seats. Plastic commodities were subject to various tax rates. During that period, plastic objects were subject to a tax rate of either 12% or 18%, whereas plastic furniture items were taxed at a higher rate of 28%. The existence of these concerns has caused a state of uncertainty: Should the item be classified as a plastic item and categorized under a tax rate of either 12 percent or 18 percent, or should it be classified as furniture and placed in the 28 percent tax bracket.

A similar issue emerged with the tax rate applied to quilts. Quilts were subject to numerous tax rates. The quilt vendors in Rajasthan were perplexed by the Harmonized System of Nomenclature (HSN) designation. The quilts were subject to three different tax rates: 12% for quilts composed entirely of quilted textile materials, 18% for cotton pillows, mattresses, and quilts, and 28% for quilts classified as mattress supports. They were perplexed about which rate should be applied to the quilts.

Another instance where the issue with brackets is evident is in the case of wood. 'Wood is present in all income brackets in its different forms.' The tax rate on wood chips and particles is 5%, whereas the tax rate on sawed lumber is 18%. The issue at hand is not limited to just plastic and quilts; there were several more things for which the HSN code was perplexing.

One Nation, One Tax , One Market

The administration asserted that the implementation of GST resulted in the establishment of a unified tax system and a single market across the nation. The government asserted that the Goods and Services levy (GST) consolidated all previous taxes into a single levy. However, we own three distinct types of Goods and Services Tax (GST): Central GST (CGST), State GST/Union Territory GST (SGST/UTGST), and Integrated GST (IGST). Businesses operating in different states are required to possess numerous GST numbers. In addition, they are required to submit several tax returns using various GST logins.

The administration also asserted that the implementation of GST resulted in the establishment of a unified nation and a single market. However, it seems that the pricing of certain things fluctuate depending on the area. Based on an E-retail survey, the Baleno Sigma gasoline model of Maruti Suzuki is priced at ₹635,000 in Navi Mumbai and ₹664,952 in Bengaluru. 'Movie tickets in Tamil Nadu and Maharashtra experienced a price increase due to the imposition of supplementary taxes by the states, hence undermining the objective of a consolidated tax system'.^[14]

Single Registration

The government asserts that the implementation of GST has resulted in the establishment of a unified registration system across the nation. Put simply, a single registration suffices for tax payment. It is an essential element of the GST framework. The Goods and Services Tax (GST) has been implemented in 29 states and 2 union territory through the Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST)/Union Territory Goods and Services Tax (UGST), and Integrated Goods and Services Tax (IGST). Consequently, a national business entity must register at 31 distinct locations in order to gather and remit SGST. Vijay Kelkar, a distinguished economist and a key figure in the implementation of GST in India, expressed his criticism of the excessive number of registrations needed for GST in an article published in Live Mint. According to him, the registration process was laborious for producers. The author proposed the implementation of procedures for centralized registration under GSTN, allowing state governments to cancel registrations in their respective jurisdictions if a mandatory physical check of the dealer's facilities uncovers any

abnormalities within a given timeframe. Twenty-one An essay about the efficacy and inefficacy of the Goods and Services Tax (GST) was also published by the ET Bureau. Furthermore, it expressed disapproval of the unwieldy registration process associated with the Goods and Services Tax (GST). The industry, which anticipated simplicity, has been confronted with the complexity arising from many registration requirements. Registration is mandatory in all states in most instances. Companies are concerned that having to undergo several audits and assessments as a result of having multiple registrations could create additional challenges for them in the future.[15]

Rate Multiplicity

The Goods and Services Tax was implemented with a total of seven tax rates. These rates include 0%, 5%, 12%, 18%, and 28% for various goods and services. Additionally, there are two smaller tax rates of 0.25% for rough diamonds and precious stones, and 3% for gold and silver. Demerit and luxury products, categorized under the 28% tax slab, are liable to an extra cess ranging from 1% to 15%. Therefore, we have several rates for the Goods and Services Tax. [16]

A survey done by the World Bank compared the Goods and Services Tax (GST) or Value Added Tax (VAT) rates of 115 nations. According to their findings, the Goods and Services Tax (GST) in India is considered to be one of the most intricate, with the second highest tax rate among a group of 115 nations that have a comparable indirect tax structure.[17]

The presence of a multi-tiered pricing system and other characteristics may result in significant expenses related to adhering to regulations and managing administrative tasks. The numerous rates create complexity, particularly for retail food stores that offer a diverse array of products. However, although causing frustration, these rates do not actually result in a reduction in their operations.

Businesses are perplexed by a convoluted framework, consisting of four tax brackets spanning from 5% to 28% and a multitude of exclusions. The potential negative impact on the country's rapidly expanding \$2 trillion economy from the statewide implementation is uncertain, as it is unclear how much damage it will cause before the long-term advantages become apparent.[18]

There are 49 nations worldwide that have implemented a single-slab Goods and Services Tax (GST) system. Countries that implement GST often have either one or two rates, rather than a multitude of rates. There are 28 countries that have two slabs, while only 5 countries, including India, have four non-zero slabs for GST. Luxembourg, Ghana, Pakistan, and Italy have implemented a multi-tiered Goods and Services Tax (GST) system with four or more tax brackets. Therefore, India possesses the most quantity of GST slabs globally.

"Globally, the Goods and Services Tax (GST) is implemented using a single rate." Congress lawmaker Kapil Sibal criticized the government's approach to the Goods and Services Tax (GST), stating that it is contradictory to introduce GST with different rates and then refer to it as anything other than GST, such as the "RSS tax". Sibal

encouraged the government to decrease the number of slabs in the GST. 'Today, we do not have a single-market single-rate GST. Instead, we have four different market rates: a five per cent rate, a 12% rate, an 18% rate, and a 28% rate'.

The opposition, spearheaded by the Congress, demanded that the government decrease the number of tax brackets within the Goods and Services Tax (GST) system. P. Chidambaram advocated for an initial reduction of the many GST rates to five, followed by a further reduction to three within a short timeframe. Ultimately, he proposed the implementation of a single rate, with exemptions from tax for items and services of exceptional worth. The maximum allowable rate should not surpass 18%. In an interview, the ex-economic advisor to the finance minister, Arvind Subramanian, emphasized the need to eliminate the '28% tax slab'. The cesses may need to be retained, but it is advisable to have a single rate for all cesses.

Nevertheless, the finance minister at that time rejected the notion of implementing a unified Goods and Services Tax (GST). The Prime Minister has rejected the idea of implementing a uniform Goods and Services Tax (GST) rate. 'Having only one slab would have been a straightforward approach, but it would have resulted in the inability to apply a 0% tax rate to food goods.' Is it possible to obtain milk and a Mercedes at the same price?

The administration opted for a variety of tax rates and failed to use the opportunity to truly streamline the indirect tax system in the country. The presence of many tax rates leads to its own negative consequences. The existence of many rates in indirect taxes hinders simplicity.

Flaws of Tax Rates

There were numerous flaws in the established tax rates. The tax rates were contingent upon the price of the product, regardless of whether it was the identical product. As an illustration, the kurta shirts available at Rizwan Siddique's store in Crawford Market, Mumbai, will be subject to a 5% tax if their price is below 1,000 rupees (about US \$16), and a 12% tax if they are priced higher. A sanitary napkins were subjected to a tax rate of 12 percent. Following criticism from women's groups, the GST Council decided to grant it a tax exemption during its 28th meeting.

Similar perplexity persisted with regards to footwear. 'Footwear priced below 500 will be subject to a 5% tax rate, while footwear priced above that threshold will fall into the 18% tax bracket.' Gold is subject to a 3% tax, whereas cookies are taxed at a rate of 18%. Is it morally defensible?

Alterations to the bracket configuration

The government is frequently modifying the GST tax brackets for various commodities. The approach of the GST Council is incorrect and quite disappointing. There appears to be a lack of individuals informing the public about the financial consequences of the many alterations. During the inaugural session of the GST Council, the tax rate on

fertilizer was reduced from 18 percent to 5 percent. Agriculture utilizes fertilizer. What was the reason for initially setting the GST rate at 18 percent for fertilizer and subsequently lowering it? The rate for air-conditioned restaurants has been increased to 18 percent from the pre-GST rate of 6 percent. Following significant apprehension expressed by both the business and consumers, the percentage was subsequently decreased to 5%. 'Despite the fact that the money was being allocated to the government, customers held us responsible when the rate reached 18%.' As per the PTI report,

"Over the past year, the GST Council has reduced tax rates on 191 commodities, resulting in a reduction of the 28% tax slab. As a result, only 35 items, such as ACs, digital cameras, video recorders, dishwashing machines, and automobiles, remain in the highest tax band. At the time of implementing the Goods and Services Tax (GST) on July 1, 2017, there were around 226 items included within the 28% tax bracket. The reduction in interest rates would result in a decrease in revenue of approximately 26,000 crore,."

In its 23rd meeting on 10 November 2017, the GST Council proposed significant modifications to the GST system. The Council has chosen to maintain a tax rate of 28 percent exclusively on luxury and morally objectionable goods. Consequently, a total of 178 goods were moved to the 18 per cent group, while two items were transferred to the 12 per cent bracket. The Goods and Services Tax (GST) has been decreased on numerous items. A total of 13 products transitioned from an 18 percent tax rate to a 12 percent tax rate, while 6 things transitioned from an 18 percent tax rate to a 5 percent tax rate. Additionally, 8 items changed from a 12 percent tax rate to a 5 percent tax rate, and 6 items moved from a 5 percent tax rate to a 0 percent tax rate. Currently, both air-conditioned (AC) and non-air-conditioned (non-AC) restaurants are subject to a 5% Goods and Services Tax (GST), which is a decrease from the previous rate of 12%.

During the meeting on 18 January 2018, the GST Council revised the rates for an additional 21 products and granted tax exemption to 40 services. Over 200 modifications have been authorized by the GST Council since the implementation of the law. The excessive frequency of alterations in regulations and tariffs is particularly detrimental to small enterprises. The alterations might potentially exacerbate the nation's fiscal deficit.

Lobbying

Lobbying refers to the practice of individuals or groups attempting to influence government officials or policymakers in order to shape or change public policy or legislation.

The primary drawback of having multiple tax rates and frequent reclassification of products into different tax brackets is that it results in lobbying, litigation, and the exercise of discretion. An individual subject to a tax rate of 28 percent would

consistently aim to reduce it to 18 percent, while someone already taxed at 18 percent would strive to further decrease it to 12 percent. This process will proceed further. Furthermore, there are classification challenges as demonstrated previously: 'Textile traders are currently demonstrating, advocating for the exemption of fabrics from taxation'. Sweet shop owners in West Bengal expressed their opposition to the implementation of a five percent Goods and Services Tax (GST) on their products.

Issue with File Return

The implementation of GST necessitated the submission of Goods and Services Tax Return (GSTR) 1, GSTR 2, and GSTR 3. Taxpayers were had to file three returns each month, along with one annual return, resulting in a total of 37 forms to be filed on a yearly basis. 'The reasons for some firms protesting are easily understandable'. The process of submitting three returns, in addition to one yearly return, was perceived as highly challenging and should be simplified to one monthly return and one annual return.

The industry opposed the implementation of three monthly returns and the matching of the buyer's inner supplies with the supplier's outward supplies on a monthly basis. In the current system, P. Chidambaram noted that 'all-India business is obligated to submit more than 1,000 returns annually. He additionally stated that only a single return needs to be filed once every quarter.[19]

This approach augmented the workload of businesses. The tax return filing process under GST has emerged as a significant source of distress for small enterprises. There was uncertainty among individuals on the correct procedure for submitting GSTR. Subsequently, the amendment was made, and the government instructed relevant enterprises to submit a single monthly return and an annual tax return. The penalty for filing the GSTR 3B return late for the months of July 2017 to September 2017 was waived.[20] The forgiven late charge amount should be transferred back to the registered person's Electronic Cash Ledger under the 'Tax' category instead of the 'charge' category.

Invoice matching

Following the submission of GSTR, the subsequent challenge is to reconcile invoices. The supplier can post invoices continually, while the buyer can continuously view and lock them in order to obtain Input Tax Credit (ITC). In order to file the return, it was necessary to compare the sales invoices provided by a supplier with the equivalent purchase invoice provided by a buyer.

The uploaded invoice must undergo a thorough verification process using the 15-digit number printed on it. Each of the 15 digits must be compared with the buyer's claim for credit. However, complications may arise when comparing line by line due to the presence of nearly ten different tax rates and the requirement for a separate HSN code for each line.[21]

Invoice matching is non-existent globally. However, it was introduced in India. The electronic infrastructure was heavily burdened and the small and medium firms incurred significant compliance costs.

Issue with Goods and Services Tax Network (GSTN)

Since the implementation of GST, taxpayers have faced difficulties in filing their returns due to issues with the GSTN server. The agency was ill-equipped. The GSTN interface experienced several difficulties, leading to significant financial losses for businesses who failed to meet deadlines.

The compliance process was significantly hindered by information technology failures, which resulted in a longer resolution time than first expected. Owing to technical malfunctions in the GSTN system, such as issues with attaching digital signatures and delays in processing cash payments, some taxpayers encountered difficulties in submitting their returns during the initial month.

The implementation of the e-way law, which was scheduled to commence in February 2018, was hindered by the excessive workload, resulting in the failure of the Goods and Services Tax Network (GSTN). As a result, the implementation of the e-way bill was delayed until April 2018. The GSTR 2 buyer return form and GSTR 3 input-output return form were suspended due to widespread complaints and the failure of the GSTN system.

The government repeatedly extended the deadlines due to the GSTN's incapacity to handle the volume of information submitted by businesses for regular compliance. The government implemented the GST while being aware that the GSTN was unprepared to handle the intricacy of the rules and the large volume of data.

E-way Bill

The nationwide implementation of the e-way bill system for all inter-state movement of commodities commenced on 1 April 2018. The regulations regarding the transportation of commodities over state borders are consistent. However, the situation is different when it comes to the transportation of products within a single state.

Refund and Input Tax Credit (ITC)

Under the new tax system, businesses have the ability to request several sorts of reimbursements for the Goods and Services Tax (GST) that they have paid. The highest number of refund claims originates from exports. The reimbursement settlement, particularly the pay-out related to exports, has faced criticism. Exporters asserted that more than 60 percent of their reimbursements were held by the government.

The reimbursement mechanism for exporters, which includes the data matching statute and the procedures governing it, has caused frustration among the sector, especially smaller firms who have experienced an increase in their working capital requirements. Despite multiple attempts to tackle the problem, additional intervention may be

necessary.

Refunds were previously issued on a monthly basis, however starting from February 2018, the government has opted to utilize cumulative numbers instead. Additionally, it generates a technical malfunction. According to experts, even a single inaccuracy in any given month can significantly disrupt the entire process, leading to numerous refunds becoming blocked.

Under the previous system, exporters were granted the privilege of importing commodities without having to pay any taxes, provided that these goods were employed in the production of products intended for export. Under the GST scheme, individuals are required to initially pay the duty and subsequently request a refund. In order to receive a reimbursement, the export firm must initially submit an online application, which will result in the debiting of their cash ledger. Subsequently, the company must obtain a hard copy of the identical document and submit it to the tax authorities. However, tax officials are not prepared to promptly acknowledge it. Consequently, numerous refunds remain pending for submission. There are multiple reports indicating that this has resulted in an augmented administrative tax compliance load on export companies. Exporters are experiencing a significant increase in the administrative tax compliance requirements, which is causing their working capital to become inaccessible. As a result, the cost has risen by up to 1.25 percent starting July 1, 2017.

The government has committed to reimbursing 90 percent of the outstanding money to exporters within a period of seven days upon submission of a refund application. However, it still requires a minimum of one month. Exporters have had difficulties in submitting applications for return of Input Tax Credit (ITC) due to issues with the Goods and Services Tax Network (GSTN). This has led to significant financial strain on exporters in terms of working capital. The carpet sector claims that there is a sum of 400 crore rupees that is currently held up in Goods and Services Tax (GST) refunds. The fact that 5-10% of working capital is being tied up in the textile sector, combined with banks' reluctance to lend to this industry, is concerning. [22]

Litigation Problem

The revised GST significantly diverges from the initial GST implemented by the previous administration. Initially, it faced numerous technical issues such as multiple tax brackets, exemptions, complicated tax return processes, and compliance procedures. These factors resulted in lawsuit that could have been prevented, as there was ample opportunity to do so. Consequently, several petitions were submitted to several High Courts addressing various concerns regarding the new tax system. The Allahabad and Kerala High Courts are currently inundated with writ petitions that challenge the terms of the law. The judiciary's response indicates that the revenue administration is at fault for excessively protecting against tax evasion, and taxpayers are also to blame for not complying with the necessary documentation required by the new law.

Electronic Wallet Scheme

Initially, during the implementation of GST, exporters encountered issues related to the reimbursement of taxes. Delays in receiving refunds, which were sometimes postponed for more than eight months, negatively impacted their working capital requirement and consequently their shipments. The Business Line reported that exporters are facing a delay in receiving reimbursements amounting to around 20,000 crore. According to The Indian Express, the Federation of Indian Export Organizations has calculated that over \$2 billion in tax credits owed to small exporters has not been refunded due to technical failures and challenges in reconciling hundreds of thousands of invoices.[23]

The e-wallet scheme is a product of electronic wallets. The government implemented the initiative on 1 October 2018 to provide relief to exporters who faced working capital difficulties as a result of delayed GST refunds. Under the new e-wallet system, exporters will receive a hypothetical credit in their account, which will be determined depending on their previous performance. The hypothetical credit can be utilized to settle taxes on inputs. Exporters have the option to utilize this currency to pay for the items and Services Tax or Integrated Goods and Services Tax (IGST) on items that they have imported or obtained.

[1] Live Mint, July 2, 2018

[2] Seth 'Compliance Still a Challenge',

[3] The antagonist in one of India's most successful films

[4] Reuters, 'impact of the Goods and Services Tax'

[5] Subramanya's article titled 'A Missed Opportunity'

[6] Mahanta and Dave report that European Union countries are examining India's GST

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[16] Indirect Tax Reforms in India, Sinha and Shrivastav

[17] World Bank "India Development Update"

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[19] ET Contributors 'One Year of GST'

[20] Starting from October 2017, the late fee for filing GSTR 3B after the due date will be as follows: for registered persons with no tax liability for that month, the late fee will be ₹20 per day instead of ₹200 per day; for registered persons with tax liability for that month, the late fee will be ₹50 per day instead of ₹200 per day

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