

GST- Issues , Challenges, Achievements and the Journey Ahead

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The Goods and Services Tax (GST) was introduced in India on July 1, 2017, with the aim of creating a unified and streamlined tax system. Over the past 7 years, GST has faced several challenges and issues, has several achievements and plans for the upcoming journey including:

1. **Implementation hurdles:** Initial difficulties in adapting to the new system, technical glitches, and lack of clarity on rules and regulations. With the implementation of GST, A basket of Central and State Taxes were merged into a single tax. A completely new system of accounting, reporting of turnover, claiming credit of prepaid taxes and payment of taxes came into effect. Before implementation of GST, Officer of State Govt. has no experience to administer taxation of services and GST officer of Central Govt. has no experience to administer taxation of trading of Goods. A vast training programmed was launched by State Govt. as well as Central Govt. to train its Officer in the field they were lacking. Implementation of GST has also brought challenges to accounting services to accommodate to the new era. Issues were identified by all the Stakeholders and they have overcome the challenges they have come across for this Govt. launched a wide hand-holding program.

2. **Compliance burden:** Small and medium-sized businesses struggled with the increased compliance requirements, including monthly returns and invoicing. Initially provision of GSTR-1, GSTR-2 and GSTR-3 mechanism was issue creating for medium and small taxpayer and put challenges before them to comply with. Realizing reasonable difficulties faced by the trade, the GST council considered the issue and made adhoc and appropriate provisions to make compliance smooth and easier for compliant taxpayer. No one else has gone through the tough times more than the taxpayer.

3. Tax rates and slab changes: Frequent changes to tax rates and slabs led to confusion and difficulties in maintaining pricing and inventory. Seeing economic scenario, public welfare and realizing need of rationalization of tax rates Govt. has to change from time to time tax rates to give relief to taxpayers, consumers and to accelerate economic growth of the country. It creates bit difficulties and taxpayers have to face some issues and challenges but by the time the system got channelized.

4. Input tax credit (ITC) issues: Disputes and delays in claiming ITC, affecting cash flow and working capital. Seamless flow of ITC is spirit of GST. Passing on and claiming of ITC brought some gaps between them. To cater this issue and handle these challenges necessary amendments were made on recommendations of the Council by Central Govt. and State Govt. respectively. The most critical pending GST reform is upgradation of the GST Network to prevent fake supplies and fraudulent claims of Input Tax Credit (ITC). Even after 7 years, the GSTN is unable to connect the supplies in a value chain, resulting in significant revenue loss to the government and causing problems for honest businesses, according to the Global Trade Research Initiative. A move is in the works to curb instances of fake invoicing, which is used to wrongfully avail ITC with no actual supply of goods or services. The GST Council is likely to decide on a new rule in GST law under which businesses would be required to explain the reasons for excess input tax credit (ITC) claimed or deposit the amount with the exchequer.

5. Anti-profiteering measures: Controversies surrounding the passing of benefits to consumers under the anti-profiteering provision. The Govt. has handles this challenge through providing Anti-profiteering measures in section 171 of CGST Act. It provides any reduction in rate of tax on any supply of Good or services or the benefit of ITC shall be passed on to the recipient by the commensurate reduction in price. The authority was empowered to impose penalty on defaulting taxpayers

6. E-way bill challenges: Technical issues and difficulties in generating and managing e-way bills. The GST E-way bill is a major concern for most of the companies which are regularly into the business of transporting goods and sending material over the locations, the transport company is also trying to figure out how it would deal with the GST E-way bill provisions. As soon the bill expires the transport company or the trucker himself has to generate the GST E-way bill on his own. The GST Council must have taken all these concerns into strict consideration and ensured easy and simple e-way bill generation. Since

the system was introduced newly and it was necessary to have a valid e-way bill with in-charge of the vehicle before any commencements of movement of Goods as per law. One of the major challenge in the journey of e-way bill system was that the system does not allow the return defaulters to generate e-way bill, but later the Govt. realized this reasonable problem and relaxed the same under specific conditions.

7. Litigation and disputes: Numerous court cases and disputes related to GST implementation, interpretation, and compliance. After first appeal GST Law provide a second appeal in GSTAT for many reasons it could not be constituted when there was a occasion to file second appeal. This put taxpayer under obligation to seek relief from Hon'ble under article 226 of Constitution of India. It increased burden of work for Hon'ble Rajasthan High Court and taxpayer has to bear extra ordinary expenses for litigations. Now GSTAT is going to be functional very soon and issue and challenges of litigation after adverse first appeal order will be sorted at this level and they will have facility to file their second appeal before Hon'ble GSTAT constituted very soon at much less expenses and this way taxpayer is going to be benefitted with equally effective and efficacious legal remedy after adverse first appeal order within less time.

8. Refund and rebate issues: Delays and difficulties in obtaining refunds and rebates. Initially when GST was implemented there was not much clarity about process, and jurisdiction of the Officer who will give the refund order and rebate. Refund order of SGST and CGST were issued by the respective department for the same tax period. This was effectively resolved by the Govt. by giving power to issue refund order to the officer who has jurisdiction over particular GSTIN for a particular time.

9. GSTN portal issues: Technical glitches and downtime on the GST Network (GSTN) portal. With this wholly new regime new forms were introduced, taxpayers need time to adapt to the new system which was completely as online system. Initially adjudication order, enforcement activity like survey and transport checking were carried out offline. Since the portal was introduced newly it was in learning and developing phase. All the functionality in all the modules could not be rolled out at once. Some modules were not available on the portal so officers of the Department took up these tasks offline like adjudication, survey and transport checking and refund, As process goes on and requirement came to take action about previous already taken action like an order was required to be appealed against but since order was passed offline no ARN was available on the system and system was designed to take second, third and so on action on the basis of previous ARN only. It was a tedious job to make all the offline action taken online on the portal and till it is done appeal and likewise action was not possible. In many cases even appeals were accepted offline and decided offline since there was not ARN of

adjudication order and ARN of appeal order no refund application was possible to be filed by the taxpayer on the portal. It was taken on the top priority by the department to make all the adjudication order and appeal order relating to it on portal. Now all these issues have been resolved and initial and subsequent actions are smoothly being performed on the portal. Taxpayers are smoothly able to file their registration applications, returns, refund application, appeal, application for advance ruling, appeal against an order of advance ruling authority and can make payment, . Officer of the Department are able to perform all the functions online smoothly like issuance of registration certificate, scrutiny of returns, conduction of audit, initiate and record proceedings related to survey and transport checking, issue refund orders and issue order as appellate authority and appellate authority and for advance ruling

10. States' revenue concerns: States' concerns about revenue losses and compensation from the central government. This was the main purpose for introducing new tax regime in form of Goods and Service Tax Act to make available seamless ITC till Business to consumer sale and to ensure correct complete and timely payment of State dues without any leakage and widening the tax base. As the Goods and Service Tax enter into its seventh year as it was launched in 2017 the Govt. is doubling on leakage in the tax system though now GST system is stabilized but still it need curative measures as it needed even before. It was introduced to remove inefficiency in the prior tax regime. Many things has to be done to achieve this goal. Inefficiencies of the earlier system have been removed but inefficiency of this system exists in the system i.e. leakage of revenue. Studies show that in all these seven years while this new regime was stabilizing the tax evasion was increased. At the national level when the new system was introduced indirect taxes was in tune of 7.19 lakhs crores. The revenue has now grown to about 20 Lakhs crores. At the time of introduction of GST number of taxpayers was 67 lakhs now it is about 1.5 crores. It may be necessary to keep plug on other mode of evasion like declaring not correct value of supply, time of supply and place of supply, remaining unregistered in spite of liability, taking ineligible ITC, taking erroneous refund, Taxability of the goods or the services and rates thereof. But main threat to the Govt. revenue is fake registration and passing on fake ITC. The Council, the Central Govt. and the State Govt., GSTN and NIC is taking innovative steps to detect these frivolous persons (i.e so called taxable persons) at earliest stage and detect any suspicious transaction and curb the evasion by preventing these type of frivolous persons in tax base and take earliest action if any act of issuing of invoice without supply or taking invoice without receiving supply is suspected. BIFA (Business intelligence and fraud analysis) newly known as GAIN create and use algorithm on various bases

and examine activity of taxable person on various risk parameter. It generates various reports based on such parameters and algorithms which are used to tax authorities to tap the fraudulent person before his malafide next step.

NIC has developed a utility to provide tax authorities new facilities and in depth report based on very complex algorithm and very diverse parameters to curb evasion and to catch tax evaders before they are able to cause any loss to the exchequer.

Registration is gateway and pass to enter the tax system and first step to the tax administration. GSTN has developed a new system based on very logical and reasonable parameters to identify the applicant for registration that are dubious and without any human interference it allots PV – Physical verification. This ensures that suspicious applicant be verified before issuance of registration and this system generated PV lessen scope of corruption in allotment of PV by tax officers.

Despite these challenges, GST has also brought about significant benefits, such as reduced tax cascading, increased tax base, and improved tax compliance. Efforts are being made to address the challenges and improve the GST system.

The Council, the Network the stakeholder Govts. are on the way to phase wise rollout to GEOTagging and Biometric based Aadhar Authentication System. This will further eradicate any possibility of getting fake registration and subsequently passing on fake ITC and causing loss to the exchequer.

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