

Assessing the GST Regime

What is the issue?

\n\n

With one year of GST in place, a retrospective look at its impact, particularly for industry and services sector, becomes essential.

\n\n

What was the objective?

\n\n

\n

- 'One nation one tax' was the philosophy and narrative of the government for GST.

\n

- It was also a part of the vision to improve India's ranking in 'ease of doing business'.

\n

- GST thus aims at addressing the country's complex indirect tax framework.

\n

\n\n

What are the favourable aspects?

\n\n

\n

- Governments have had an open approach towards GST implementation constraints.

\n

- They have undertaken immediate corrective measure to resolve issues.

\n

- The GST Council has demonstrated a collaborative effort and consensus-based approach.

\n

- The government thus carried out a rate rationalisation exercise.

\n

- This was to reduce rates on about 178 items from 28% to 18%.

\n

- This had a positive effect to an extent, reducing the tax burden.

\n

\n\n

What are the concerns?

\n\n

\n

- **Rate changes** - Given the short time-line, it resulted in several challenges for business.
- As, they had to revise their IT systems overnight.
- Revising pricing labels, revising pricing strategy were the other challenges.
- Besides, some had to deposit huge sums of money due to anti-profiteering for failing to execute required changes in time.
- **E-Way Bill** - This was one of the major changes on the supply chain and logistics front.
- This was to ensure common documentation for movement of goods across the country.
- But the e-way bill provisions are not uniform across States.
- This has diluted the very objective of a common e-way bill.
- It has created problems for businesses operating with pan-India presence.
- As, they had to set up State-wise e-way bill systems.

\n\n

\n

- **Services Sector** - Under the Constitution's framework, State and Centre collaborate for taxing a particular services transaction.

\n

\n\n

\n

- Logically, there have been implementation challenges in terms of billing for pan-India contracts, and State-wise credit pools.
- Also, the sector is dealing with challenges around intra entity supplies and

input service distribution.

\n

- **Compliance** - One aspect that affected all the sectors was filing three parts of the monthly return for regular dealers.

\n

- This had to be done with matching of the invoice-level details of the supplier with that of the recipient of supply.

\n

- Government has abandoned its original plan and instead implemented a simplified return without any matching concept.

\n

- This is, however, only on a temporary basis.

\n

\n\n

What next?

\n\n

\n

- Next wave of GST is likely to include products that are currently not in the ambit of GST.

\n

- These may include petroleum products, alcohol and real estate.

\n

- Changes are expected to be made to the GST law in the next Parliament session.

\n

- The GST Council has been working on this draft to address some of the key issues.

\n

- The objective of GST to improve the ease of doing business largely depends on further appropriate streamlining of the regime.

\n

\n\n

\n\n

Source: BusinessLine

\n