



Goods and Sales Tax (GST): Concepts and Implication in India

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Abstract:

The aim of this paper is to give a detailed description of the reforms that have taken place in indirect tax and it is known as Goods and Services Tax (GST). GST is a transformational tax reform and all the existing indirect taxes being currently levied by Central and State Governments will be subsumed. GST can be termed as “One Tax, One Nation and One Market”. India’s GST is complicated and very different from the global variety. A multi-tier tax rate structure and complex rules make execution of this mammoth indirect tax a herculean task. Unlike other nations, goods and services in India will be charged at different rates depending on the categories they belong to. GST will eliminate cascading effect of taxes and significantly reduces the transaction cost.

Keywords: GST Council, GST Network, GST, Taxation system

1. Introduction

Reforms are a continuous process. This is particularly true in case of indirect taxes which have a close link with the general economy. The process of key reforms and liberalization started way back in 1986 with introduction of MODVAT and has continued since then.

In indirect taxes, GST / VAT, as a tax system, has been preferred all over the world. India also, with each passing year steadily moved towards GST by taking steps such as introduction of State VAT in India (from 2003 to 2008), integration of central level CENVAT (in 2004) and introduction of Negative list (in 2012). In the march towards GST, last few years have witnessed major buzz. Now, most of the key aspects of the proposed GST regime are already in public domain through various documents such as 122nd Constitutional Amendment Bill, 2014, Reports on registration, payment, refunds and returns etc.

Goods and service Tax Act of Parliament received the assent of the President on the 12th April, 2017, and Thus, it has become imperative for everyone to learn about GST. It extends to the whole of India except the State of Jammu and Kashmir. The tax rate for 1,211 goods and services have been finalized, though GST rates on six crucial and controversial items, including gold and beedi, are yet to be decided.

The introduction of Goods and Services Tax (GST) is a transformational tax reform in our country since independence. All the existing indirect taxes being currently levied by Central and State Governments will be subsumed under GST. GST can be termed as “One Tax, One Nation and One Market”. GST is a highly compliance driven law. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage

would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer.

2. What is GST?

GST stands for Goods and Services Tax which is concurrent levy of taxes on “Supply” of goods and services. GST in India will be dual system, where the Central and State together will levy tax on supply of goods and / or services, within the State (Intra-State) and Inter-State.

3. Why GST?

The current indirect tax system with multiplicity of taxes (Central Levy:-excise duty, Service Tax, Various Cess and State Levies:- VAT, Entry Tax, Octroi, Luxury Tax, Entertainment taxes, Purchase Tax etc.) - at different rates - at multiple points (at the time of manufacture, trade, rendering services etc.). This has led to several inefficiencies and limitation. One of the major limitation is the cascading effect of tax. Under the current regime, Excise charged by the manufacturer on billing to a Dealer, the credit of input cannot be claimed by a dealer, and thus forming part of cost to dealer which leads to cascading of tax.

Under GST the credit utilization will be available across the supply chain till it reaches the end consumer. Secondly, tax on tax is eliminated. Example:- Under the current tax regime, VAT is charged on the assessable value plus on Excise duty.

4. Genesis of Goods and Services Tax

GST is already adopted in 165 countries and India joins the club as 166th country. The idea of moving towards the GST was first mooted by the then Union Finance Minister in his Budget for 2007-08. Initially, it was proposed that GST would be introduced from 1st April, 2010. The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on GST in November, 2009. This spells out the features of the proposed GST and has formed the basis for discussion between the Centre and the States so far.

5. GST and Centre-State Financial Relations

Currently, fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on sale of goods. In case of inter-State sales, the Centre has the power to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the originating States. As for services, it is the Centre alone that is empowered to levy service tax.

Since the States are not empowered to levy any tax on the sale or purchase of goods in the course of their importation into or exportation from India, the Centre levies and collects this tax as additional duties of customs, which is in addition to the Basic Customs Duty. This additional duty of customs (commonly known as CVD and SAD) counter balances excise duties, sales tax, State VAT and other taxes levied on the like domestic product. Introduction of GST would require amendments in the Constitution so as to concurrently empower the Centre and the States to levy and collect the GST.

The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST would require a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two. For it to be effective, such a mechanism also needs to have Constitutional force.

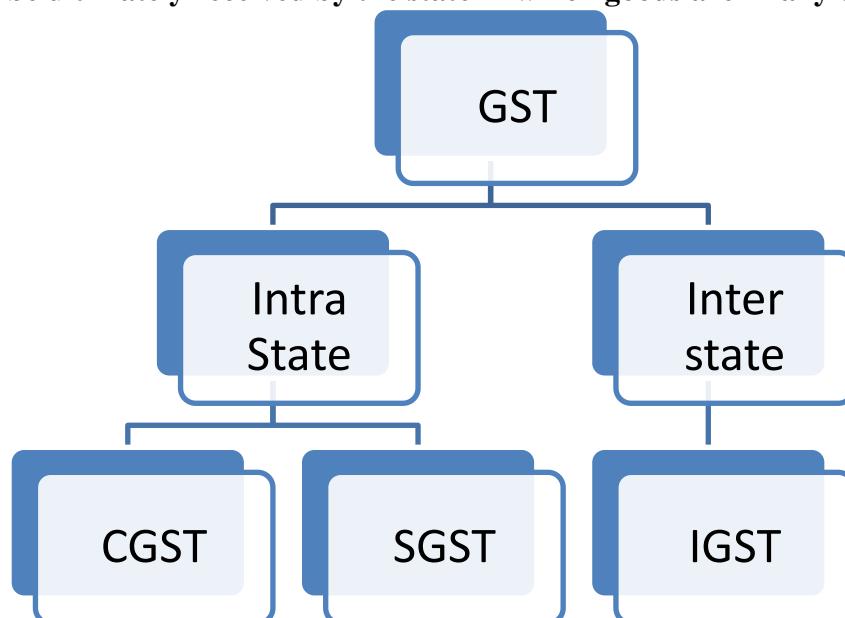
6. Constitution (One Hundred and First) Amendment Act, 2016

To address all these and other issues, the Constitution (122nd Amendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except for Alcohol for human consumption. The tax shall be levied as Dual GST separately but concurrently by the Union (central tax - CGST) and the States (including Union Territories with legislatures) (State tax - SGST) / Union territories without legislatures (Union territory tax- UTGST). The Parliament would have exclusive power to levy GST (integrated tax - IGST) on inter-State trade or commerce (including imports) in goods or services.

The Central Government will have the power to levy excise duty in addition to the GST on tobacco and tobacco products. The tax on supply of five specified petroleum products namely crude, high speed diesel, petrol, ATF and natural gas would be levied from a later date on the recommendation of GST Council.

7. Scope of GST

Revenue will be ultimately received by the state in which goods are finally consumed



A Goods and Services Tax Council (GSTC) shall be constituted comprising the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other features. This mechanism would ensure some degree of harmonization on different aspects of GST between the Centre and the States as well as across States. One half of the total number of members of GSTC would form quorum in meetings of GSTC. Decision in GSTC would be taken by a majority of not less than three-fourth of weighted votes cast. Centre and minimum of 20 States would be required for majority because Centre would have one-third weightage of the total votes cast and all the States taken together would have two-third of weightage of the total votes cast.

The Constitution Amendment Bill was earlier passed by the Lok Sabha in May, 2015. The Bill was referred to the Select of Rajya Sabha on 12.05.2015. The Select Committee had submitted its Report on the Bill on 22.07.2015. The Bill with certain amendments was finally passed in the Rajya Sabha

and thereafter by Lok Sabha in August, 2016. Further the bill had been ratified by required number of States and received assent of the President on 8th September, 2016 and has since been enacted as Constitution (101st Amendment) Act, 2016 w.e.f. 16th September, 2016. Finally GST Bill passed by Rajya Sabha and signed by President of India on 12th April, 2017.

Eight state and one union territory assembly have passed the State Goods Sales Tax (SGST) Bill in April-May as the Centre gears up to roll out the new indirect tax regime nationwide from July. While Telangana passed SGST Bill on April 9, the legislation was approved in Bihar on April 24, Jharkhand-April 27, Chhattisgarh-April 28, Uttarakhand-May 2, Madhya Pradesh-May 3, Haryana-May 4 and Delhi-May 31.

8. Goods and Services Tax Council (GSTC)

The GSTC has been notified with effect from 12th September, 2016. GSTC is being assisted by a Secretariat. Thirteen meetings of the GSTC have been held so far. The following decisions have been taken by the GSTC:

1. The threshold exemption limit would be Rs. 20 lac. For special category States enumerated in article 279A of the Constitution, threshold exemption limit has been fixed at Rs. 10 lac.
2. Composition threshold shall be Rs. 50 lac. Composition scheme shall not be available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers.
3. Existing tax incentive schemes of Central or State governments may be continued by respective government by way of reimbursement through budgetary route. The schemes, in the present form, would not continue in GST.
4. There would be four tax rates namely 5%, 12%, 18% and 28%. Besides, some goods and services would be under the list of exempt items. Rate for precious metals is yet to be fixed. A cess over the peak rate of 28% on certain specified luxury and sin goods would be imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST. The Council has asked the Committee of officers to fit various goods and services in these four slabs keeping in view the present incidence of tax.
5. The five laws namely CGST Law, UTGST Law, IGST Law, SGST Law and GST Compensation Law have been recommended.
6. In order to ensure single interface, all administrative control over 90% of taxpayers having turnover below Rs. 1.5 crore would vest with State tax administration and 10% with the Central tax administration. Further all administrative control over taxpayers having turnover above Rs. 1.5 crore shall be divided equally in the ratio of 50% each for the Central and State tax.
7. Powers under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts with few exceptions.
8. Power to collect GST in territorial waters shall be delegated by Central Government to the States.
9. Formula and mechanism for GST Compensation Cess has been finalised.
10. Four rules on input tax credit, composition levy, transitional provisions and valuation have been recommended. Further five Rules on registration, invoice, payments, returns and refund, finalized in September, 2016 and as amended in light of the GST bills introduced in the Parliament, have also been recommended.

9. Schedule of GST rates for services as approved by GST Council

The fitments of rates of services were discussed on 19 May 2017 during the 14th GST Council meeting held at Srinagar, Jammu & Kashmir. The Council has broadly approved the GST rates for services at Nil, 5%, 12%, 18% and 28% as listed below. The information is being uploaded immediately after the GST Council's decision and it will be subject to further vetting during which the list may undergo some changes. The decisions of the GST Council are being communicated for general information and will be given effect to through gazette notifications which shall have force of law.

• Nil rates

Milk, Curd, Butter milk, Live trees & other plants, Cut flowers, Fresh fruits & vegetables
Cereals, flour, atta, besan & maida (without brand name), Bread, pappad, puffed or beaten rice,
Common salt, Contraceptives, Kumkum, bindi & sindoor, and Plastic bangles.

• 5 % Rate

Cream, Skimmed milk powder & milk food for babies, Products of animal origin, Frozen fruits & vegetables, Coffee & tea Spices, Cereals, flour, atta, besan & maida (with brand name), Natural gums & resins, Vegetable fats & oils, Cocoa beans, paste & shells, Pizza bread, Rusks & toasted breads, Ores & concentrates, Coal, coke, kerosene & LPG, Brochures & leaflets, Building bricks, Renewable energy devices, and Railway locomotives

• 12 % Rate

Butter & cheese, Dry fruits, Fruit & vegetable juices, Namkeens, bhujia, mixture, etc., Marble & granite blocks, Bio-gas, Ayurvedic medicines, Tooth powder, Agarbatti, Candles, Umbrellas, Copper or aluminium utensils, Bicycles & other cycles (not motorised), Hand propelled & animal drawn vehicles, Spectacle & contact lenses, LED lights or fixtures, Pen & pencils, Sanitary towels, napkins, tampons & diapers, Works of art, collectors' piece & antiques, Cellphones

• 18 % Rate

Refined sugar, Sugar confectionery, Pasta, Corn flakes, Pastries & cakes, Jams & fruit jellies, Preserved vegetables, Sauces, Soups & broth, Ice cream, Instant food mixes,, Sharbat, Supari, Mineral water, Vinegar, Hair Oil, Soap, Matches, Toilet or facial tissue, Cigarette paper, Registers, account books & note books, Refractory bricks, and Ceramic tableware & kitchenware

• 28 % Rate

Chewing gum & bubble gum, Cocoa powder, butter, fat and oil, Chocolates & other food preparations containing cocoa, Pan masala, Aerated water, Paints & varnishes, Perfumes, Sunscreen, Beauty or make-up preparations, Shampoos, hair cream or hair dyes, Dental floss, Shaving related products, Deodorants, Fireworks, Signalling flares, Articles of leather, Plywood & vineered panels, Wall papers, Air-conditioning machines, Refrigerators, Washing machines, Printers & photo copiers, Vacuum Cleaners, Speakers, Monitors & projectors, Motorcars, motor vehicles & motorcycles, Camera, Wrist-watches, Musical instruments, its parts & accessories, Mattress supports, Lamps & lighting fittings, and Video game consoles & machines

10. Salient Features of GST

The salient features of GST are asunder:

1. GST would be applicable on "supply" of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
2. GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
3. It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST(SGST). Union territories without legislature would levy Union territory GST (UTGST).
4. An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
5. Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
6. Import of services would be treated as inter-State supplies and would be subject to IGST.
7. CGST, SGST /UTGST& IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
8. GST would replace the following taxes currently levied and collected by the Centre: Central Excise Duty, Duties of Excise (Medicinal and Toilet Preparations), Additional Duties of Excise (Goods of Special Importance), Additional Duties of Excise (Textiles and Textile Products), Additional Duties of Customs (commonly known as CVD), Special Additional Duty of Customs

- (SAD) Service Tax and Cesses and surcharges insofar as they relate to supply of goods or services.
9. State taxes that would be subsumed within the GST are: State VAT, Central Sales Tax, Purchase Tax, Luxury Tax, Entry Tax (All forms), Entertainment Tax (except those levied by the local bodies), Taxes on advertisements, Taxes on lotteries, and betting and gambling, State cesses and surcharges insofar as they relate to supply of goods or services.
 10. GST would apply to all goods and services except Alcohol for human consumption.
 11. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.
 12. Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty.
 13. A common threshold exemption would apply to both CGST and SGST. Taxpayers with an annual turnover of Rs. 20 lac (Rs. 10 lac for special category States as specified in article 279A of the Constitution) would be exempt from GST. A compounding option (i.e. to pay tax at a flat rate without credits) would be available to small taxpayers (including to specified category of manufacturers and service providers) having an annual turnover of up to Rs. 50 lac. The threshold exemption and compounding scheme would be optional.
 14. The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.
 15. Exports would be zero-rated.
 16. Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit would be permitted to be utilized in the following manner:
 - a) ITC of CGST allowed for payment of CGST & IGST in that order;
 - b) ITC of SGST allowed for payment of SGST & IGST in that order;
 - c) ITC of UTGST allowed for payment of UTGST & IGST in that order;
 - d) ITC of IGST allowed for payment of IGST, CGST & SGST/UTGST in that order.ITC of CGST cannot be used for payment of SGST/UTGST and vice versa.
 17. Accounts would be settled periodically between the Centre and the State to ensure that the credit of SGST used for payment of IGST is transferred by the originating State to the Centre. Similarly the IGST used for payment of SGST would be transferred by Centre to the destination State. Further the SGST portion of IGST collected on B2C supplies would also be transferred by Centre to the Destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.
 18. Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.
 19. Electronic filing of returns by different class of persons at different cut-off dates.
 20. Various modes of payment of tax available to the taxpayer including internet banking, debit/credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).
 21. Obligation on certain persons including government departments, local authorities and government agencies, who are recipients of supply, to deduct tax at the rate of 1% from the payment made or credited to the supplier where total value of supply, under a contract, exceeds two lakhs and fifty thousand rupees (Rs. 2.5 lac).
 22. Refund of tax to be sought by taxpayer or by any other person who has borne the incidence of tax within two years from the relevant date.
 23. Obligation on electronic commerce operators to collect ‘tax at source’, at such rate not exceeding one per cent. (1%) of net value of taxable supplies, out of payments to suppliers supplying goods or services through their portals.

24. System of self-assessment of the taxes payable by the registered person.
25. Audit of registered persons to be conducted in order to verify compliance with the provisions of Act.
26. Limitation period for raising demand is three (3) years from the due date of filing of annual return or from the date of erroneous refund for raising demand for short-payment or non-payment of tax or erroneous refund and its adjudication in normal cases.
27. Limitation period for raising demand is five (5) years from the due date of filing of annual return or from the date of erroneous refund for raising demand for short-payment or non-payment of tax or erroneous refund and its adjudication in case of fraud, suppression or willful mis-statement.
28. Arrears of tax to be recovered using various modes including detaining and sale of goods, movable and immovable property of defaulting taxable person.
29. Officers would have restrictive powers of inspection, search, seizure and arrest.
30. Goods and Services Tax Appellate Tribunal would be constituted by the Central Government for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority. States would adopt the provisions relating to Tribunal in respective SGST Act.
31. Provision for penalties for contravention of the provision of the proposed legislation has been made.
32. Advance Ruling Authority would be constituted by States in order to enable the taxpayer to seek a binding clarity on taxation matters from the department. Centre would adopt such authority under CGST Act.
33. An anti-profiteering clause has been provided in order to ensure that business passes on the benefit of reduced tax incidence on goods or services or both to the consumers.
34. Elaborate transitional provisions have been provided for smooth transition of existing taxpayers to GST regime.

11. Benefits of GST

(A) Make in India

- (i) Will help to create a unified common national market for India, giving a boost to Foreign investment and "Make in India" campaign;
- (ii) Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;
- (iii) Harmonization of laws, procedures and rates of tax;
- (iv) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth;
- (v) Ultimately it will help in poverty eradication by generating more employment and more financial resources;
- (vi) More efficient neutralization of taxes especially for exports thereby making our products more competitive in the international market and give boost to Indian Exports;
- (vii) Improve the overall investment climate in the country which will naturally benefit the development in the states;
- (viii) Uniform SGST and IGST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighboring States and that between intra and inter-state sales;
- (ix) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption, which in turn means more production thereby helping in the growth of the industries. This will create India as a "Manufacturing hub".

(B) Ease of Doing Business

- (i) Simpler tax regime with fewer exemptions;
- (ii) Reductions in the multiplicity of taxes that are at present governing our indirect tax system leading to simplification and uniformity;
- (iii) Reduction in compliance costs - No multiple record keeping for a variety of taxes - so lesser investment of resources and manpower in maintaining records;

- (iv) Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;
- (v) All interaction to be through the common GSTN portal- so less public interface between the taxpayer and the tax administration;
- (vi) Will improve environment of compliance as all returns to be filed online, input credits to be verified online, encouraging more paper trail of transactions;
- (vii) Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will lend greater certainty to taxation system;
- (viii) Timelines to be provided for important activities like obtaining registration, refunds, etc;
- (ix) Electronic matching of input tax credits all-across India thus making the process more transparent and accountable.

(C) Benefit to Consumers

- (i) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and service supplier;
- (ii) It is expected that a relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme- purchases from such entities will cost less for the consumers;
- (iii) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

12. Goods and Services Tax Network

Goods and Services Tax Network (GSTN) has been set up by the Government as a private company under erstwhile Section 25 of the Companies Act, 1956. GSTN would provide three front end services, namely registration, payment and return to taxpayers. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 25 States who have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue departments of both Centre and States are pursuing the presently registered taxpayers to complete the necessary formalities on the IT system operated by Goods and Services Tax Network (GSTN) for successful migration. About 60 percent of existing registrants have already migrated to the GST systems. GSTN has already appointed M/s Infosys as Managed Service Provider (MSP) at a total project cost of around Rs 1380 crores for a period of five years.

GSTN has selected 34 IT, ITeS and financial technology companies, to be called GST Suvidha Providers (GSPs). GSPs would develop applications to be used by taxpayers for interacting with the GSTN.

13. Challenges in Implantation of GST

Hundred-and-sixty countries are already familiar with the goods and services tax (GST) or value added tax. But in its current form, India's GST is complicated and very different from the global variety. A multi-tier tax rate structure and complex rules make execution of this mammoth indirect tax a herculean task. Unlike other nations, goods and services in India will be charged at different rates depending on the categories they belong to. Tax rates for 1,211 items have been finalized, though rates on six crucial and controversial items including gold and beedi are yet to be decided.

For services like hotels, restaurants and transportation, tax rates have been fixed based on room tariff, turnover of business, etc. This, say tax experts, is not in line with the international practice, where a uniform rate is applicable on a service irrespective of the value or status of the business. As the accompanying chart shows, barring Canada, the threshold for GST applicability in other countries is higher than in India. A higher threshold was desirable as it would have reduced the tax burden on small businesses.

Amit Bhagat, partner (indirect tax) at PwC India, foresees the concept of reverse charge—which comes into play when one buys goods from an unregistered GST firm—as a major issue. He added that the number of returns companies will have to file in India under GST is also higher than what it is in other nations; though automated, it still raises compliance costs.

The exemptions list too is limited in other nations, say tax experts. In India's case, most services related exemptions have been retained for now. The fate of item-wise and area-wise exemptions is yet to be known.

Despite ambiguity still prevailing on some GST rules and rates for certain goods, the government is not in a mood to give its 1 July implementation deadline a rethink. In Malaysia, more than a year's time was given to the industry to prepare for the tax change. The fear is that lack of preparedness due to paucity of time may lead to near-term disruption for businesses.

However, what worries tax experts the most is the anti-profiteering clause, as it has been unsuccessful in yielding the desired results in countries where tested. The clause requires businesses to pass on the tax reduction to the end consumer by way of a commensurate reduction in prices. It remains to be seen whether its outcome will be any different for India. Failure or delay in price reduction would have a bearing on inflation. Though the government is confident of GST being non-inflationary, international experience suggests otherwise.

"In numerous countries, GST tax was introduced at a lower rate than pre-existing tax rate. Despite that, the GST pushed up inflation for one year in all the five countries in our study (Australia, Canada, Japan, Malaysia and Singapore), after which inflation moderated. In some countries, the past through of higher tax costs by firms occurred with a lag, as firms took time to fully assess the cost implications of the new tax structure," Nomura said in a recent report. To conclude, a simpler tax law results in better tax compliance and improved tax collection efficiency. But with a complex GST, India may have many more teething troubles to overcome compared to other countries that have adopted this tax.

14. The Tech Challenges in Implementation of GST

Goods and Service Tax (GST) coming into effect from 1st July, 2017 and experts believe, the move to GST involves complete overhaul of the indirect tax system, which would obviously mean huge impact on businesses, at least during the transition period. So far, about 3.8 million businesses have reportedly enrolled to GSTN portal - the IT backbone of GST.

The challenges of migrating to GST are undoubtedly multi-faceted. While the tax-filing processes has to accommodate the different requirements of all the industries, it needs to be robust for all kinds and sizes of businesses, handle the volume the businesses will present, while at the same time need to be uniform and simple for the end user.

The multi-faceted challenges of GST

At present, the whole GST ecosystem is based on an IT-enabled platform, and its success in the transition phase will depend on how well taxpayers adapt to it. The fact that many small businesses still file returns and pay taxes manually means the shift from offline to online will itself be a big disruption for them.

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15. The Compliance Cost is yet another Challenge

GST is a technology-driven system where every transaction - from invoicing to payment of tax - has to be done digitally. The government has invested heavily in building the technology ecosystem. But companies and other taxpayers will also have to invest in proper ERP and other software or hire third-

party software providers. At the same time, with the impending rollout of GST, the GSTN is seeing several types of cyber threats and is preparing to ward them off.

But on the other hand, Experts believe technologies supporting GST will have to be simple, industry specific and user friendly that will provide user interfaces and convenience via desktop, mobile, other interfaces and will be able to interact with the GST system ultimately feeding all the invoices into the GSTN portal. GSPs will free up GSTN and it will be able to focus on ensuring authentication, security and compliance of tax filings. The heterogeneous system design will ensure reliability and better up-time than one huge portal design.

‘GST solution’ has the capability to support users to file all their transactions as per the new tax norms in a convenient manner and also reduce the invoice reconciliation requirements of large companies make a smooth transition to the new tax regime and enhance their contribution to India’s economic growth.”

16. A Final Word on GST

Goods and services Tax (GST) registration process is on the way and lot of existing VAT, CST, Service Tax & Excise Dealers already migrated at new GST portal. GST will be implemented from July 1 as well as states have started passing GST Act in their assembly. Revenue secretary Hasmukh Adhia said a paper presented by top economists to the US's Federal Reserve had said India's GDP would grow by more than 4% due to the GST and GST would bring in simplicity and uniformity in taxation that would create greater ease of doing business. Adhia explained in detail the various input subsidies that would bring down the final tax amount and pointed to the easier processes of filing. GST would help to increase foreign investment and minimize the tax complexity.

In the future, we will do research on results of GST on Indian economy and impact on states revenue due to GST.

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