Assessing the GST Regime

What is the issue?

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

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What was the objective?

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- ‘One nation one tax’ was the philosophy and narrative of the government for GST.
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- It was also a part of the vision to improve India’s ranking in ‘ease of doing business’.
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- GST thus aims at addressing the country’s complex indirect tax framework.
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What are the favourable aspects?

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- Governments have had an open approach towards GST implementation constraints.
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- They have undertaken immediate corrective measure to resolve issues.
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- The GST Council has demonstrated a collaborative effort and consensus-based approach.
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- The government thus carried out a rate rationalisation exercise.
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- This was to reduce rates on about 178 items from 28% to 18%.
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- This had a positive effect to an extent, reducing the tax burden.
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What are the concerns?

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- **Rate changes** - Given the short time-line, it resulted in several challenges for business.
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- As, they had to revise their IT systems overnight.
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- Revising pricing labels, revising pricing strategy were the other challenges.
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- Besides, some had to deposit huge sums of money due to anti-profiteering for failing to execute required changes in time.
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- **E-Way Bill** - This was one of the major changes on the supply chain and logistics front.
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- This was to ensure common documentation for movement of goods across the country.
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- But the e-way bill provisions are not uniform across States.
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- This has diluted the very objective of a common e-way bill.
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- It has created problems for businesses operating with pan-India presence.
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- As, they had to set up State-wise e-way bill systems.
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- **Services Sector** - Under the Constitution’s framework, State and Centre collaborate for taxing a particular services transaction.
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- Logically, there have been implementation challenges in terms of billing for pan-India contracts, and State-wise credit pools.
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- Also, the sector is dealing with challenges around intra entity supplies and

input service distribution.
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- **Compliance** - One aspect that affected all the sectors was filing three parts of the monthly return for regular dealers.
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- This had to be done with matching of the invoice-level details of the supplier with that of the recipient of supply.
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- Government has abandoned its original plan and instead implemented a simplified return without any matching concept.
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- This is, however, only on a temporary basis.
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What next?

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- Next wave of GST is likely to include products that are currently not in the ambit of GST.
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- These may include petroleum products, alcohol and real estate.
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- Changes are expected to be made to the GST law in the next Parliament session.
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- The GST Council has been working on this draft to address some of the key issues.
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- The objective of GST to improve the ease of doing business largely depends on further appropriate streamlining of the regime.
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Source: BusinessLine

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