Hurdles Faced by GST

What is the issue?

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Various duty structures has afflicted the better performance of Goods & Service Tax (GST).

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What are the hurdles created by GST?

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- The glitches caused by the functioning of the e-way bill system and the delays in exporters receiving integrated GST (IGST) refunds are yet to be sorted out.
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- Strange ruling from the Authority of Advance Ruling (AAR) in Karnataka that the activities performed by a company's head office such as accounts, HR, IT and other administrative duties will be treated as supply and the GST be imposed on the salary cost of employees working in the head office.
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- Although the branch office is entitled to claim full input tax credit, the cost of compliance, is surely unnecessary when the head office and branch office form a single tax-paying entity.
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- A similar issue that flows from the nature of the GST has arisen with respect to ex-factory sales across states.
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- A company in one state that decides to, say, source its products from a factory in another state could be liable to pay the IGST, which could raise compliance costs for manufacturers across the board.
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- Inverted duty structures, in which duties on final goods are lower than input rates appears to have afflicted the GST.
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How GST had affected ease of doing business?

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- GST Act treats head office and branch offices as distinct legal entities, but this is principally to fit in with the destination-based nature of the GST.
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- Recently, multinational locomotive manufacturers such as GE, Alstom and Bombardier lobbied the government on various issue.
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- Their contention is that the duty on locomotives is 5 per cent whereas duties on input range between 18 and 28 per cent.
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- Recently GST Council had allowed refunds in cases where duty structures were inverted in the case of the railways only such refunds are restricted.
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- This means that the wagon makers will have to bear the cost of the extra input tax, a bizarre situation for a country that is hoping to attract more foreign direct investment in heavy engineering.
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What are the concerns with GST?

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- The introduction of the GST, with all its feted reliance on technology, has not really changed the character of the taxation regime in India.
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- The old system of appeal and subjective interpretation remain embedded in the system.
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- Many of these issues might have been resolved if this complex and revolutionary system had been tested thoroughly before it had been introduced.
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- But the advanced implementation has only served to underline the faults of a taxation system that could have marked a paradigm shift for India.
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Source: Business Standard

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