GST: A good & simple tax – Controversial issues and possible solutions.

Abstract

This study endeavours to evaluate the benefits and drawbacks of the Goods and Services Tax (GST) established in India. It elucidates the disputes that have surfaced in connection with the implementation of GST and puts forward feasible solutions to tackle these obstacles. Making use of relevant resources, the study provides insights into GST on the manifold divisions of the economy and exhibits means to enhance the tax system to make the task of adhering to its guidelines more simplified and streamlined.

Keywords

Goods and Service Tax, Value added tax, Indirect Tax, Indian Economy, Input Tax Credit.

Introduction

Every nation necessitates an undebatably strong and incontestable tax system to cultivate a dependable and prosperous economy as well as an organized society. Nevertheless, concerning India, navigating through the tax policies can be straitened at times. On acquiring aptitude, the impediments become somewhat divergent, since clashes and variances may materialize. The concept of GST was initially proffered by France in 1954 after which it has been adopted by 160 countries globally. The GST system is professed to be a uniform and translucent manner of collecting taxes, where the weight of adhering for taxpayers is abridged. The GST gifts a chance to modernize India's tax system for eventual economic growth.

Literature Review

Following a comprehensive exploration of the notion of Goods and Services Tax (GST) and its attendant debates in India, I discovered an abundance of collateral documentation furnishing worthwhile illumination about the issue. The introduction of the GST in India has been the source of intense debate, particularly concerning its impact on small businesses. Overall, the evidence indicates that there are clear advantages and disadvantages to the Goods and Services Tax (GST) in India. This tax has facilitated a more straightforward assessment procedure and helped to lighten the load on taxpayers. Nevertheless, a range of matters must be tackled to guarantee that the system functions as optimally as it can. With a continual process of revision and improvement, it is expected that these issues will be solved and that the GST will realize its full potential.

Objective

- To study the concept and origin of GST.
- To understand the need for reforms in the existing laws about the Indirect tax regime in India.
- To collect information about the major issues of GST and to find out the appropriate solutions for it.
- To study the impact of GST on Indian Economy.

Research Methodology

The present study leaned on exploratory research techniques which included utilization of secondary sources. These sources comprised a variety of figures obtained from Indian government sites such as the Finance Ministry, GST Council, and GST Council Archives. Furthermore, an extensive examination of scholarly journal papers, annual reports, newspaper reports, and magazine articles related to GST. In response to the analysis of these sources, the study's aims were defined, and the study's conclusions are based on the outcomes of this analysis.

Goods and Service Tax in India

The GST is simply a single and discernable tax assimilating all the Indirect taxes levied by the Central and State Governments existing before its implementation.

The Goods and Service Tax has superseded all the numerous taxes such as Excise duty, Service Tax, Value Added Tax (VAT), etc.[1]

In India, the GST is managed as a Dual GST system where the Central and State Governments levy taxes separately in the form of Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST) respectively. Additionally, the Integrated Goods and Service Tax (IGST) is also applicable for Inter-state Transactions for which the Central Government is empowered to collect and apportion to the concerned state. [2]

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[1] *GST Council of India*. https://gstcouncil.gov.in/brief-history-gst.

[2] *Ibid*

Taxes subsumed under GST

The implementation of the Goods and Services Tax (GST) in India has brought about the converging of various taxes established on both the central and state levels. These levies included the central excise duty, service tax, additional customs duty, and central sales tax from the central government, as well as the amalgamation of the value-added tax (VAT) allocated on the state level. This has created an effortless and straightforward taxation process, facilitating compliance for businesses.

Historical Background

1. Origin of GST

The Goods and Service Tax is far from an unheard-of concept in terms of tax regulations worldwide. This taxation system was first initiated in France in 1954[3] and has since been applied in numerous countries internationally, rendering it a common and essential practice that must not be ignored. Currently, 160 countries have incorporated GST principles within their tax policies.[4]

2. Introduction of GST in India

After several years of planning and implementation, Goods and Services Tax (GST) became applicable to Indian businesses in 2017. Nonetheless, there is evidence showing that the idea to incorporate the Goods and Service Tax in India's taxation structure was raised a long time ago, back in 2000 by the Kelkar task force.[5] It was felt necessary by the Kelkar Task Force that there was an imperative need for a simplification of the existing indirect tax regime prevailing in India leading to the recommendation for initiation of the GST regime. The proposal provided for a uniform tax system that would streamline the collection of taxes and remove the cascading effect of taxes. This was based on an extensive analysis of the Indian Tax System. Eventually, the recommendation made by the Kelkar task force opened the door for the implementation of GST in the Indian economy and

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[3] *France 1st Country to Implement GST in 1954, China Adopted in 1994* <www.oneindia.com/international/france-1st-country-implement-gst-1954-china-adopted-1994-2440401.html#:~:text=In%20fact,%20France%20was%20the,which%20have%20implemented%20the%20GST.&text=China%20implemented%20GST%20in%201994%20while%20Russia%20did%20it%20in%201991.>

[4] *Royal Malaysian Customs Department*. (n.d.). http://gst.customs.gov.my/en/. http://gst.customs.gov.my/en/

[5] *Task Forces on Direct and Indirect Taxes*. (n.d.). India Budget | Ministry of Finance | Government of India. https://www.indiabudget.gov.in/budget_archive/es2002-03/chapt2003/chap29.pdf

brought great influence to the country. [6] The initial mention of the idea to implement GST was in the Budget speech, in 2006.[7]

The report, in return, outlined the framework and pathway for the plan, which was announced in 2009 by a panel of State Finance Ministers.[8]

The Constitutional Amendment Bill was brought for the commencement of Goods and Services Tax (GST) in India, during the year 2011. The implementation of the GST in India faces some obstacles because there are disagreements between the Central and State Governments concerning compensation and other essential issues but remains hopeful.

Lastly, in 2014 a Constitution (122nd) Amendment Bill[9] was brought before Parliament to effect changes in the constitution to pave the way for the adoption of the GST regime. In 2016, it became a Bill and received approvals from both houses of parliament on September, 8th 2016. [10] It is now enacted into law as the Constitutional One-hundred-First Amendment Act, 2016.

To frame up the GST system in India, a new body called the GST Council[11] was formed on 15 September 2016. This council consisted of the Union Finance Minister and representatives from the respective States and Union Territories. Finally, the implementation of the GST regime took place on 1ST July 2017, replacing the earlier Indirect Taxes imposed by the respective State and Central Governments. At present, there is the GST system in India that has already introduced some improvements to the taxation system of the country. The GST system simplifies the tax regime, lowers consumption taxes and abolishes the cascade of taxes. GST implementation in India is considered a big step towards a well-oiled and transparent taxation system and the future prospects for the GST in India remain optimistic.

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[6] *GST Council Brief History*. (n.d.). https://gstcouncil.gov.in/brief-history-gst. https://gstcouncil.gov.in/brief-history-gst

[7] Government of India : Union Budget and Economic Survey (https://www.indiabudget.gov.In)' (*India Budget | Ministry of Finance | Government of India*) <www.indiabudget.gov.in/budget_archive/ub2006-07/bs/speecha.htm>

[8] The Empowered Committee Of State Finance Ministers, *First Discussion Paper on Goods and Services Tax in India* (2009).

[9] The Constitution (one hundred and Twenty-second amendment) bill, 2014 (Goods and Service Tax), Bill No. No. 2 /RN/Ref./February/2015 (India). https://loksabhadocs.nic.in/Refinput/New_Reference_Notes/English/consti.pdf

[10] The Constitution (one hundred and first Amendment) act, 2016, Act No. 55 (n.d.) (India). https://gstcouncil.gov.in/sites/default/files/consti-amend-act.pdf

[11] 'Goods and Service Tax Council' (*https://gstcouncil.gov.in/*) <https://gstcouncil.gov.in/>

GST Regime in India

Unlike the other countries, India operates its unique structure of GST i.e. a Dual GST system where the Central and State Governments levy tax separately. There is a four-tier structure of GST where the taxes are categorised into four rates; Nil (0%), Lower Rate (5%), Standard Rate (12 &18%), and Higher Rate (28%) respectively.

1. GST Council

In India, the GST Council has been authorised to make recommendations on the matter concerning the GST.

In 2016, September 15th, 101st Constitutional Amendment Act saw the formation of GST Council and it includes representatives of the Union Finance Ministers of the 29 States and Union Territories.

According to the Indian Constitution (Article 279A), the GST Council is required to make proposals regarding the policies and frameworks of GST. The chairman of the council is the Union Finance Minister with other members representing the state and union territory of India. The primary purpose of the council is to establish a cooperative forum for the Centre and the State to jointly develop tax legislation for GST.

When it comes to GST matters, the GST Council is the primary decision-making body. Despite this, any decision is taken by no less than three-quarters of the membership, with the Centre having a majority of one-third of the total votes cast in Council and State, with its majority constituted of two-thirds of the total votes cast in the Council and Centre. [12] It makes sure that decisions made by the Council are acceptable to both the Centre and the State.

Recommendation of the legal framing of GST is left to the discretion of the GST Council. The Acts of the CGST, IGST, UTGST, and Compensation Cess were recommended in 2017 by the Council and passed by Parliament the same year. The rules and rates recommended by the Council were also adopted in the year 2017. These Acts and orders have facilitated the enforcement of GST policy in India.

The GST Council is a very important body that helps in implementing and administration of GST in India. The council's participatory and democratic manner of working assures that decisions made by this council for the Centre are also in the interest of the State to foster growth and development for the entire Indian economy.

[12]The Constitution of India, Article 279 A(4)

2. GSTN (Goods and Services Tax Network): a not-for-profit-company

It is worth mentioning that the introduction of GST to the Indian taxation system has been an enduring undertaking, which has been handled by the government with great dedication.

One of the effective measures taken was the establishment of the Goods and Services Tax Network (GSTN) to strengthen the GST regime. The GSTN was created in 2013, which plays a supportive role in the system of indirect tax by strengthening one of the central platforms on electronic mediums for registration, return filing, discharge of tax payments obligations and compliance. As of September 2023, Mr. Sanjay Malhotra is the Chairman, and Mr. Manish Kumar Sinha is the CEO of GSTN.[13]

There are over 1.4 million taxpayers registered in the GSTN portal that acts as an interface between taxpayers and the government providing shared IT infrastructure between the Centre and State Governments. GSTN is an impregnable digital platform for all taxpayers, which ensures the protection of their data and offers many facilities to facilitate GST compliance.

The portal of GSTN facilitates the use of various information and services for taxpayers including registration, filing of returns, payments of taxes, and following GST standards. GSTN offers a multitude of other services like generating e-invoices, monitoring input tax credits, and providing several reports. These services assist taxpayers in adhering to the GST regime conveniently.[14]

3. The Committees

The GST Council has necessitated the establishment of 19 committees owing to the implementation of the GST system. These committees are set up to look into and update the GST legislation.[15]

The GST Implementation Committee (GIC) is responsible for dealing with time-sensitive matters that need to be implemented and presented before the council. Technical glitches resulting from the submission of input tax credits are addressed by the IT Grievance Redressal Committee, which also provides recommendations for corrective actions. It also deals with non-technical matters. The Law Committee considers and deals with representations by different associations of industry, taxpayer and business in respect of changes in rules or inquiries for clarifications.

The Fitment Committee deals with references and representations made by a variety of stakeholders on the tax rate levied on different products and services.

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[13] 'Goods and Service Tax Network' (*https://www.gstn.org.in/*) <www.gstn.org.in/>

[14] Ibid

[15] 'Goods and Service Tax Council' <https://gstcouncil.gov.in/sites/default/files/The-gst-saga.pdf>.

The IT Committee oversees IT issues and coordinates with the GSTN and other stakeholders. The committee also makes necessary changes as required.

The Publicity and Outreach Committee is tasked with educating and creating awareness among taxpayers about the GST laws. The Committee on Exports handles issues exporters face in moving into the GST regime, and provides solutions.

The Committee on Return Filing seeks to simplify returns, suggesting formats that would minimize the tax compliance burden on taxpayers. The Online Invoice Number Generation System falls under the purview of the Committee on Invoice.

The Committee on Lottery deals with matters concerning taxation of state lotteries, and investigates and proposes measures for allowing the flow of GST on lottery to consuming states and other related questions. The Committee investigates the causes of IGST accrual as well as the failure to use such credit.

The Committee on Integration of Accounting Systems studies the integration of accounting systems of the states with GSTN, given the TDS provisions that have come into force.

The Road Transport Committee has come up with another roadmap for the removal of other check posts after the fixed check posts on the roads have been eliminated through the provision of e-waybills under the GST regime. The Single Interface Committee insists that the taxpayers are supposed to interact with either the state or the central authority.

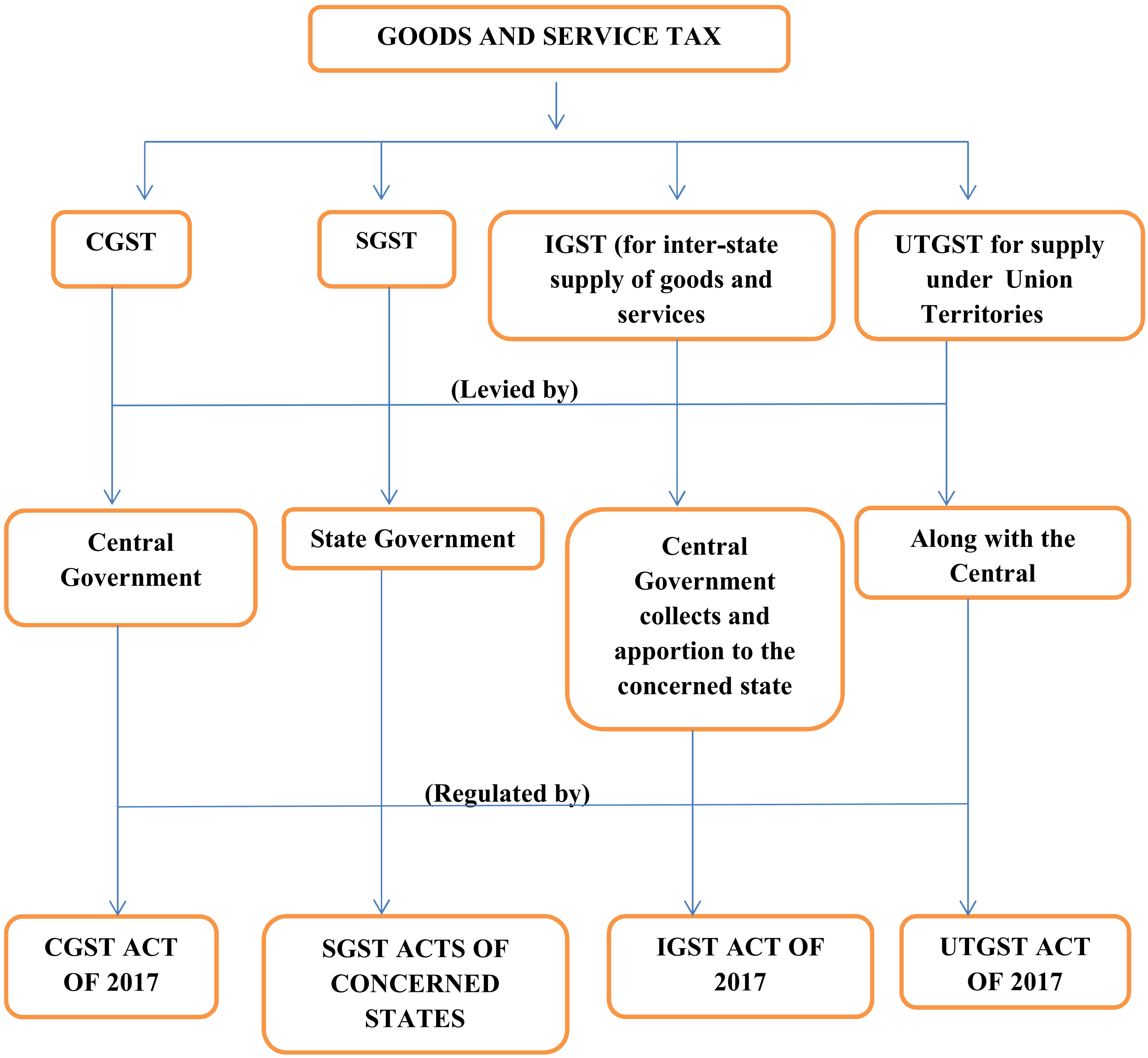
The committee gives an outline of how to accomplish this. The GST laws' provisions are also subject to a training program of officers of the centre as well as the states, which is monitored by the Capacity Building and Facilitation Committee.

Under different heads, the Fund Settlement Committee makes out guidelines and procedures for the allocation and distribution of funds collected by various means between the states and the centre. The various guidance notes are prepared by the Guidance Note Committee which shall aid the taxpayers in changing their tax system under the new GST regime.

Handicrafts definition is done through the Committee on Handicrafts which defines goods that can be called handicrafts. The committee that deals with the issues examining examinations to certify GST practitioners is commonly called the Committee on GST Practitioners Examination.

Structure of GST

The structure of GST can be understood by the following chart:

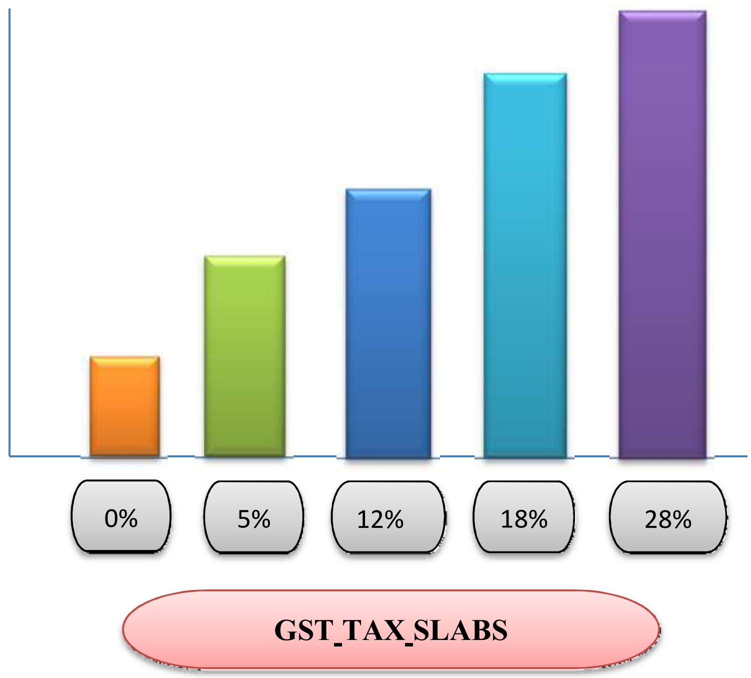


GST Rate Structure

The GST unit has set up four distinct tax brackets of 5%, 12%, 18%, and 28% for more than 1300 wares and 500 services. Moreover, gold is imposed at 3%, and unfinished precious and semi-precious stones are taxed at a remarkable rate of 0.25% according to GST.[16]

[16] 'Goods & Service Tax, CBIC, Government of India:: GST Goods and Services Rates' (*Goods & Service Tax, CBIC, Government of India:: Home*) <https://cbic-gst.gov.in/gst-goods-services-rates.html>.

It is important to note that the majority of products and services effectively fall in or beneath the 18% levy rate. Specifically, 7% of all items are absolved from taxation, 14% attract a 5% charge, 17% are subject to a 12% tax, and 43% carry an 18% rate. Only 19% of these items fall under the maximum tax bracket of 28%.[17]



Zero GST Rate Slab (No Tax)

This proportion of goods and services comprises 7%. Everyday items, like fresh fruits and vegetables, milk, curd, natural honey, flour, and bread, are in this class. Additionally, different types of salt, jaggery, hulled cereal grains, fresh meat, fish, chicken, and eggs are also included. Additionally, bindi, sindoor, kajal, bangles, drawing and colouring books, stamps, judicial documents, printed books, newspapers, jute, and handloom as well as accommodation with tariffs below INR 1000 are also included.[18]

5% GST Rate Slab

This section outlines 14% of varieties of products and services which includes apparel priced lower than INR 1000, footwear cheaper than INR 500, packaged victuals, cream, powdered skimmed milk, branded cottage cheese, chilled vegetables, instant coffee, tea, herbs, pizza loaves, rusks, sago, cashew kernels, cashew nuts encompassed in their shells, currants, ice cubes, fish fillets, kerosene,

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[17] 'What Are GST Slab Rates? GST Percentage & Rate List in India' (*Digit Insurance*) <www.godigit.com/gst/gst-rates-and-slabs>.

[18] 'Goods & Service Tax, CBIC, Government of India:: GST Goods and Services Rates' (*Goods & Service Tax, CBIC, Government of India:: Home*) <https://cbic-gst.gov.in/gst-goods-services-rates.html>.

lignite, medicinal drugs, scented sticks, stamps used for post or taxes, fertilisers, railway and plane tickets in economy class, as well as small eateries, among others.[19]

12% GST Rate Slab

Numerous commodities are subject to a 12% GST, comprising cold meat products, butter, cheese, ghee, packaged dried fruits, animal fat, sausages, fruit juices, nankeen, ketchup, sauces, ayurvedic medicines, diagnostic kits and reagents, mobile phones, spoons, forks, toothpowder, parasols, sewing machines, eyewear, and indoor amusements like playing cards, chessboard, carom board, and ludo. Moreover, apparel outlay above INR 1000, non-AC eateries, business-class flight tickets, state-run sweepstakes, and labour pacts are also incorporated in this section. All up, 17% of products and services are contained within this division.

18% GST Rate Slab

A vast range of products and services are subject to 18% GST taxation, which constitutes 43% of all goods and services. These goods include pasta, crackers, cornflakes, pastries, cakes, conserved vegetables, spreads, soups, ice cream, mayo, compounding condiments, flavourings, and mineral water. More items that are bracketed under the 18% slab include shoes priced greater than INR 500, cameras, loudspeakers, screens, printers, electric power transformers, optical fibres, tissues, feminine hygiene products, notebooks, steel articles, toppers and their components, aluminium foil, bamboo furniture, air-conditioned eateries with alcoholic drinks, restaurants at five star and luxurious hotels, telecom facilities, IT amenities, trademarked garments, and financial services.[20]

28% GST Rate Slab

This category encompasses 19% of all goods and services. The rest of the commodities, including chewing gum, bidi, molasses, chocolate not containing cocoa, waffles and wafers covered in chocolate, pan masala, carbonated water, personal care items such as deodorants, shaving creams, after-shave, hair shampoo, colouring, sunscreen, paint, water heater, dishwasher, weighing machine, washing machine, vacuum cleaner, automobiles, motorcycles, 5-star hotel stays, race course betting, private lottery, and movie tickets with a value exceeding INR 100, are assigned to the 28% GST bracket.[21]

[19] Ibid
[20] Ibid.
[21] Ibid

How is the GST better than the pre-existing Indirect tax structure?

The Goods and Services Tax (GST) has been introduced in India to streamline the tax system and alleviate the financial weight on taxpayers. The GST regime is an encompassing and unified system of taxation which has subsumed all prior indirect taxes such as value-added tax, service tax, duty on excisable goods, and more. This has streamlined the tax system and cut down on the number of taxes that businesses are required to adhere to.

One of the major gains of the GST system in comparison to the pre-existing indirect taxation structure is the removal of the cascade effect of taxes. Before, taxes were charged multiple times on the same item or service which consequently caused greater costs for customers. However, through the GST system, taxes are imposed at all stages of production or distribution, thus making certain that no taxes are repeatedly charged for the same product or service.

One more benefit of the GST code is that it is a location-oriented taxation regime. This implies that taxes are implemented in the area of usage, as opposed to the region of origination. This assists in making certain that taxes are acquired in the state where the commodity or service is consumed, rather than the jurisdiction in which it was assembled.

Basic Issues of GST

1. Multiple tax slabs

The most significant difficulty that the GST system confronts is presented by its complex tax structure that incorporates multiple tax slabs. These comprise of four tax slabs ranging from 5%, 12%, 18%, and 28% in addition to a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. There is a multi-layered tax regime which may not be easy for business entities to understand and comply with tax laws. Such tax structures tend to confuse taxpayers, increasing compliance costs and generating more legal disputes.

2. High cost compliance

Companies are responsible for compliance with the Goods and Services Tax (GST). This includes services such as GST registration, GST filing, records maintenance and accounting. Unfortunately, these activities are costly for businesses. Compliance costs under GST have risen particularly, especially for small and medium-sized enterprises (SMEs), which could make it harder for them to compete with larger businesses.

3. Issues with Input Tax Credit system

The Input Tax Credit (ITC) holds great significance on the subject of the Goods and Services Tax (GST). It gives companies the possibility to attain a credit score for the taxes paid on the inputs utilized within the manufacturing of their goods or offerings. However, there have been several issues raised with appreciation to the ITC mechanism underneath GST, specifically regarding the delay in receiving the ITC refund. This delay has led to an absence of running capital for businesses and resulted in cash flow issues.

4. Technical issues with Goods and Service Tax Network System

Taxpayers must file their returns through the GST portal electronically. Unfortunately, the portal has been enduring technical problems, which poses an impediment to taxpayers who require submitting their returns promptly. These technical issues have also produced inaccurate GST Return filing, which might lead to penalties and fines. The GST Network (GSTN) is accountable for supervising the portal and has attempted to eliminate these technical complications. Regrettably, these difficulties stay, and taxpayers continue to confront tribulations with erroneous GST Return filing.

5. Higher tax rates on essential goods and services

The issue of GST rates has been a much-debated topic since the initiation of the tax system. Swift criticism has been raised in response to the imposition of elevated taxes on essential goods and services, as these inflict hardships on the average person. To resolve this difficulty, the government has implemented certain measures to reduce rates for particular items and services. Nonetheless, there still lingers an air of apprehensiveness amongst businesses and consumers concerning the exorbitant taxes on other things.

6. Problems concerning E-way Bill System

The E-way Bill is deemed to be of paramount significance as a fundamental document needed for the transportation of goods with a value surpassing Rs. 50,000. Nonetheless, the E-way Bill system under the Goods and Services Tax has experienced several problems, such as technical faults and postponements in the issuing of bills. These postponements have led to the seizure of goods and heightened adherence expenses, thus triggering a significant nuisance to companies.

The National Goods and Services Tax (GST) Controversies: An On-going Dispute Impacting Economy Nationwide

Since the implementation of GST, there have been many issues surrounding it which affect the nation.

1. **Fake registrations leading to the GST evasion**

The great expansion of illegitimate GST registrations has been causing noteworthy damage to both businesses and the Indian economy. The outcomes of these fraudulent registrations are far-reaching, impacting everything from income tax revenue to client faith in the market.

The Central Board of Indirect Taxes and Customs (CBIC) is carrying out a wide-reaching compliance exercise to detect fake Goods and Services Tax (GST)-registered entities[22]identified more than 25,000 such firms with 9,369 being forged. As a result, the organisation decided to suspend the registrations of 5,775 entities with the other 3,300-odd firms having their registrations annulled. This emphasizes the CBIC's dedication to making sure only real companies take part in GST. It is worth emphasizing that throughout the two-month audit, more fake entities were detected than in the entirety of 2022-23 (8,421). [23] This illustrates the potency of the CBIC's attempts to recognize forged GST-registered entities and sustain the defensibility of the GST system.

To deal with fraudulent activity, the government uses a multitude of corporeal examinations and investigations. However, these steps can cause discomfort to legitimate businessmen and have their boundaries when it comes to efficiency. Moreover, just supplementing the registration requirements will not be enough to fully address the issue. While these measures could deter certain fraudsters, more integrated and strategic plans are required to be successfully involved with the problem of fraud without impeding reliable businesses.

2. **Issues with the ITC system**

The Input Tax Credit procedure, an imperative element of Goods as well as Services Tax has encountered a plethora of tribulations since its integration. These difficulties have caused considerable hassle for companies. A few of the noteworthy challenges comprise technical malfunctions in the system, lengthy wait times for the sanction of Input Tax Credit, and a struggle to precisely match invoices, causing disagreements between firms and taxation departments. Therefore, firms have struggled to acquire their deserving tax credit, leading to fiscal deficits and an unfavourable effect on their operations.

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[22] Government of India Ministry of Finance Department of Revenue Central Board Indirect Taxes & Customs, GST Policy Wing, New Delhi Instruction No. 01/2023-GST – Dated 04th May 2023, Circular No F. F. No. CBIC- 20/16/05/2023 GST, 16 May 2023 (India).

[23] 'CBIC Detects GST Evasion of Almost ₹11,000 Crore, Over 9,300 Fake Registration' (*The Hindu*, 25 July 2023) <www.thehindu.com/business/cbic-detects-gst-evasion-of-almost-11000-crore-over-9300-fake-registrations/article67120218.ece>.

a) <u>The burden of proof lies with the purchaser.</u>

The phenomenon of denied Input Tax Credit (ITC) claims for buyers, which arises from the sellers' lack of adherence to taxation payment and repayment filing, continues to be rampant in the GST regime. This problem was ubiquitous even during the era of VAT. Following the present laws, it is incumbent upon the purchaser to uphold the proof of compliance, a tiresome task that often proves insurmountable, thus leading to the obstruction of ITC rewards. As a result, buyers must take on the considerable responsibility of providing solid evidence that corroborates the compatibility of each transaction. This may involve providing intricate facts, for example, invoices, receipts, conveyance information, and other applicable lists, to corroborate your allegation.[24]

b) <u>Issues in ITC claim</u>

Throughout recent times, there have been several adjustments to the method of acquiring Input Tax Credit (ITC). An extremely notable shift was the transfer from provisional availment to invoice-level reconciliation via Form GSTR-2A/2B[25] for additional credit. Nonetheless, taxpayers are still facing discrepancy notifications even when the seller is at fault. Despite the court's ruling in the favour of buyers, declaring that GST cannot be demanded from them due to the merchant's failure to pay taxes, and the purchaser's ITC cannot be refused if the dealer becomes non-existent or their registration is cancelled retrospectively, the quandary of claiming ITC continues. Furthermore, examinations are requiring the annulment of ITC on expenses connected to IPOs, buybacks of shares, publicity operations, and other areas.[26]

c) <u>Withdrawal of provisional ITC claims</u>

The India Goods and Services Tax (GST) regulations have experienced a major overhaul, particularly regarding the withdrawal of provisional input tax credit (ITC) declarations. This modification has had a deep effect on the ITC application method for internal businesses, which must presently observe the eligibility criteria as per Form GSTR-2B to make a claim. Consequently, corporations must endeavour to remain up-to-date with the new GST laws and observe compliance. The transformations to ITC rules have also strengthened the obligation of companies to reconcile with their sellers. Monthly reconciliations have now become mandatory, and organizations must inform their vendors of any misreportings, deficiencies, or deferrals in ITC reporting quickly. This

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[24] 'Dhruva Litigation' (*https://www.dhruvaadvisors.com/*) <www.dhruvaadvisors.com/insights/files/Dhruva%20Litigation%20Alert_Burden%20of%20proof%20for%20availing%20ITC.pdf>.

[25] 'Goods & Services Tax (GST) | Home' (*Goods & Services Tax (GST) | Home*) <www.gst.gov.in/> September 2023.

[26] 'Denial of Itc Due to Mismatch Between GSTR 3b and 2a – An Analysis' (2020) 76 THE INSTITUTE OF COST ACCOUNTANTS OF INDIA <https://icmai.in/TaxationPortal/upload/IDT/Article_GST/189.pdf>.

necessitates a more proactive strategy towards dealer contact and reconciliation. To safeguard ITC reporting, entities could postpone GST payments while dispatching invoice payments and digitalize the technique of classifying ITC as permissible or ineligible for publication in GSTR-3B.[27]

d) ITC claim on Corporate Social Responsibility expenditure

Section 135 of the Companies Act, 2013[28], requires every company crossing the specified threshold limit to spend at least 2% of its average net profits made during the three immediately preceding financial years, towards the fulfilment of its CSR. Such application of income or CSR expenses can be in the form of cash or kind. From an Indirect tax perspective, one of the conundrums behind the CSR expenditure incurred by such companies was roving around the eligibility of the input tax credit ('ITC') concerning goods or services used for meeting CSR obligations. Such dubiety on CSR spending was present in the pre-GST regime and it continued in the GST regime as well.

Though the Finance Bill, 2023 attempts to solve the confusion over the issue of eligibility of ITC relating to CSR expenses, however, the amendment in law being prospective, the issue which remains unanswered relates to the past period when the discussed provisions were not present in the legislation. Since this amendment is prospective, such ITC would be eligible before this amendment stands notified.

3. Problems faced by MSME

a) Additional operational costs and digital literacy

The introduction of GST has incrementally escalated the operational costs for MSMEs, making it arduous for these businesses to invest in IT infrastructure and obtain services from CAs and tax experts. Digital illiteracy in remote rural areas has also been a major hurdle hindering the adoption of GST. Moreover, India's GST rate of 28% is comparatively higher than that of many industrialized nations offering the same taxation arrangement. This has caused buyers to prefer purchasing from unregistered traders or registered entities without procuring the associated GST bill, which may detrimentally affect tax receipt numbers.

b) Higher compliance Burden

In the area of accounting and taxation, micro, small, and medium enterprises (MSMEs) are typically less reliable, balanced, and structured than bigger corporations. It is quite common for these kinds of

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[27]Annapurna, 'Provisional ITC Under GST | Rule 36(4)' <https://cleartax.in/s/provisional-itc-claim-gstr-3b#authorBio> 2023

[28] The Companies Act, 2013, Section 135

businesses not to possess a special accounting department and instead, it is the owner who deals with the bookkeeping duties. This is regularly seen in startups and corporations in the stage of growth. Concerning Goods and Services Tax (GST) regulations, stringent conformity criteria require the filing of returns for tax taken off at source (TCS), Input Service Distributor (ISD) (if relevant), as well as yearly returns with their reconciliation declarations per region. Moreover, all GST calculations and reconciliations must be done every month. In addition, there is no unified registration, indicating that one has to enrol in each state separately.[29]

To harmonize taxation with accounts on a state level, it is imperative to monitor accounting records consistently and consistently in each state. To reduce administrative obligations and give business owners room to expand their companies rather than stress over taxation, the government must advance the "ease of doing business" policy.

c) Taxation on stock transfer

Under the GST system, the transfer of stock is liable to taxation, resulting in a stifling of operational funds and heavy requirements for adherence. MSMEs are not equipped with the means, advancements, workforce, or funds to comply with this nuanced piece of the law. The time limit of 180 days for reversal can be particularly hard to satisfy since ITC must be reversed and extra to the external duty if payments surpass this constraint. This causes a restriction of working capital and puts a hindrance on the MSME market's contribution to the economy. It is, hence, of key significance to encourage the government's point of "ease of doing business" to lighten the strain of conformity and enable businesspeople to focus on development and progression instead of dealing with fiscal difficulties. The government should consider organizing the GST law to lighten the strain of compliance on MSMEs and join forces towards a more propitious business atmosphere. This will not simply favour the MSME sector but also add to the all-around progress of the Indian economy.

d) Time limit of 180 days

Payment arrangements between providers and recipients are established and listed in their respective agreements. In certain occasions, these payment structures may extend beyond the 180-day threshold. When this occurs, the Input Tax Credit (ITC) must be recouped and incorporated into the external tax responsibility. Once the recipient compensates the supplier, they can reclaim the ITC. Nevertheless, this commencement can hinder the liquidity of working capital. Monitoring a huge

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[29] 'Impact Analysis of GST on Small and Medium Enterprises' (*cleartax*) <https://cleartax.in/s/impact-analysis-of-gst-on-small-medium-enterprises> September 2023.

number of dealings can be daunting. If this factor is overlooked, it can have a detrimental effect on the ability of MSMEs to contribute to the economy.[30]

4. Rationalisation of tax rates and slabs

Taxpayers face substantial difficulties in labelling goods and services under the proper batch resulting from the various rates of Goods and Services Tax (GST). This difficulty is particularly pressing for small-scale businesses, which are detrimentally influenced by higher levels and multiple taxation rates. The dispute over rate alignment has been a great concern since the commencement of GST. The current taxation classes include the levels of 0%, 5%, 12%, 18% and 28%, along with supplementary cess on particular articles, which has provoked disagreement regarding equality and rendering, eliciting intricacy and misgiving for business owners. The recurrent diversions in prices for different items and services also greatly impact market tactics and provision chain direction. Obligations of upholding regulations are ever-shifting, making for momentous obstructions for taxpayers.

To combat these obstructions, the GST Council continually reviews the tax system and simplifies the code. Chats and deliberations are frequently held to ascertain that alterations in rates are in agreement with the principle of income equality whilst minimising the adherence load on companies. The ultimate goal is to find a middle ground between generating enough income for the government and affording lucidity and ease of execution for taxpayers. Despite unceasing elucidations from the GST office, there are still errors in the system, prompting a few taxpayers to sidestep more taxes. To better adherence modalities and efface classification issues, the administration is speculating on rate uniformization and has created a Group of Ministers (GoM) committee.

At present, India has more than 10 GST rates (including exceptional rates). This plenitude of tax rates raises the odds of mislabelling, which can lead to contention among taxpayers and tax forces.[31] Tax experts suggest that rationalizing rate slabs will ameliorate disagreements and streamline

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[30] 'Key-gst-related-issues-msmes-must-convey-to-govt-for-resolution' (*Financial Express*, 17 September 2022) XXXX <www.financialexpress.com/business/sme-msme-eodb-key-gst-related-issues-msmes-must-convey-to-govt-for-resolution-2671304/> October 2023.

[31] CA Heet Shah, 'GST Rate Rationalisation: Key concern in GST Compliances' (*CAclubindia*, 10 June 2023) <www.caclubindia.com/articles/gst-rate-rationalisation-key-concern-in-gst-compliances-49821.asp> 5 October 2023.

adherence for smaller businesses. With the sixth year of GST fast approaching, it is crucial to concentrate on rate slab rationalization and facilitate compliance, particularly for smaller firms.[32]

5. GST on petrol, diesel and ATF: a challenge

The constant debate between taxpayers and the government about whether to integrate Petrol, Diesel and ATF into the Goods and Services Tax continues. During a post-Union Budget speech, Nirmala Sitharaman, Finance Minister for India, mentioned that the addition of these fuels, natural gas and several petroleum products into GST was possible, provided that the States gave their approval.[33]

a) Benefit to consumers

Bringing petrol and equivalent items under the GST ambit will, ultimately, put consumers in a more favourable position. Currently, taxes can guzzle up to 40-50% of the petrol price one pays. Conversely, under GST, the maximum tax outgo charged is 40% (20% each is the maximum SGST or CGST). Should petroleum crude, high-speed diesel, motor spirit (popularly termed petrol), natural gas and aviation turbine fuel be charged at the extant peak tax slab of 28%, consumers would be expending less than they currently are for it. Under GST, there should be a substantial price reduction.

b) Reasons why the governments are denying inclusion of Petrol and diesel under GST

The pre-existing tax system has resulted in several impediments to incorporating petrol and diesel under the Goods and Services Tax (GST), due to a diversity of causes.

For a start, the unvarying Value-added Tax (VAT) percentages across the states on petrol and diesel have become a major roadblock to implementing the GST. The enactment of the GST could likely result in price hikes in states with lower VAT rates, as well as reduced pricing in states where VAT rates are at a higher level, meaning certain states could experience income losses while others gain.

Besides that, many states' governments have aired their grievances with the GST system, blaming the shortcomings of its construction and markdowns in rates. In addition, the remuneration scheme to make up for revenue deficits has been regarded as ineffective. Subsequently, states believe that they will suffer a drop in revenue after the compensation period concludes in June 2022, thus calling for

[32] 'Why Goods and Services Tax Rate Rationalisation Is Need of the Hour' (*The New Indian Express*) <www.newindianexpress.com/business/2022/aug/21/why-goods-and-services-tax-rate-rationalisation-is-need-of-the-hour-2489632.html> 2023.

[33] 'Is the Government Bringing Petrol and Diesel Under GST?' (*HDFCErgo*) <www.hdfcergo.com/blogs/car-insurance/will-petrol-and-diesel-come-under-gst-in-india> 2023.

an augmentation of the mechanism. Some governments are nervous that they will lose the control over pricing they acquired by adjusting rates for political objectives.

Moreover, if petrol and diesel were to be integrated under the GST, both state and federal governments could be facing an income deficiency. Presently, taxes from petroleum products contribute more than ₹5 lakh crore to both governments annually. If they were subjected to the highest slab rate of 28% as per the GST, instead of the existing rate of slightly above 60%, this could lead to an income lack of between ₹2 lakh crore and 2.5 lakh.

Lastly, the plans of the governments to propel green energy for the reason of escalating pollution levels, particularly in states such as Delhi, could be hampered by the inclusion of petrol and diesel under the GST. Incentives are currently being offered to make buying electric cars and decreasing petrol consumption more attractive. Nevertheless, if the prices of petrol and diesel become cheaper due to their incorporation in the GST, it could lead to a surge in the sales of diesel and petrol-fuelled automobiles, having a deleterious effect on the government's pro-green initiatives.[34]

6. Highest tax rates on online gaming, casinos and horse racing

The discourse encompassing the tax rate concerning internet gaming, casinos and horse racing has gone on for a prolonged period. Prime Minister Nirmala Sitharaman chaired the 50th assembly of the GST Council in New Delhi on July 11, 2023.[35] The Goods and Services Tax (GST) Council noted alterations in taxation for the online gaming sector. It was announced that the entry point taxation for online gaming, casinos, and horse racing will be fixed at 28% of the total face value of wagers.

a) <u>Impact on gaming industries</u>

The implementation of a 28% GST rate on online gaming activities has caused apprehensions regarding its adverse effects on the industry. Initially, propositions by gaming providers were subject to GST at 18%, varying from 5% to 20% of the total face value. The industry has challenged the 28% levy on stakes regarding betting and gambling in internet gaming. This has led to a flurry of litigation and conversations about its influence on the growth of the business. The determination by

[34] 'Specify the Reasons for Not Including Petrol and Diesel Under GST, Says Kerala HC to GST Council' (*The Hindu*, 8 November 2023) <www.thehindubusinessline.com/news/specify-the-reasons-for-not-including-petrol-and-diesel-under-gst-says-kerala-hc-to-gst-council/article37381628.ece>.2023

[35] 'Online Gaming Companies to Collect 28% on Full Bet Value, Offshore Platforms to Be GST Registered From Oct 1' (*The Economic Times*, 30 September 2023) <https://economictimes.indiatimes.com/tech/technology/online-gaming-companies-to-collect-28-on-full-bet-value-offshore-platforms-to-be-gst-registered-from-oct-1/articleshow/104070858.cms> 2023

the GST Council to implement a 28% tax rate on gaming, horse racing, and gambling dens has caused extended worries and arguments within the gaming business. Opponents insist that such a steep tax rate according to the face value of wagers made would cause a substantial rise in taxation which would be devastating for the industry.

It is indispensable to perceive the worries of the sector and take procedures to assure its long-term viability and competitive edge. Nevertheless, the current decision has been applied evenly, covering both gaming and betting sites. This overlooks the efforts taken by some companies to draw a firm difference between skills-based and luck-based activities as well as their intensive efforts at lobbying to differentiate themselves from gaming systems.[36]

Measures taken by Government to tackle GST issues in the year 2023

1. Modifications in GST rates

In the Union Budget 2023, alterations have been proposed to the GST rates for a variety of goods and services. The government has planned to decrease the GST rate for electric vehicles (EVs) from 5% to 3%, a move that is assumed to decrease the reliance of the nation on fossil fuels. Also, there is a suggestion to grow the GST rate for tobacco products, such as cigarettes, from 28% to 35%. The goal of this increment is to dissuade tobacco consumption.[37]

2. Inclusion of the MSME sector in the e-invoicing regime

Under the Finance Ministry's announcement on 10th May, the threshold for e-invoicing will be lowered beginning 1st August. Businesses having a turnover of more than RS 5 crore will be necessitated to generate e-invoices for B2B dealings. This initiative shall be highly advantageous for the MSME sector as it will lessen costs, correct faults, and hasten invoice processing. In the longer term, this will significantly reduce business conflicts and advance the overall commercial ecosystem.

3. Establishment of GST Appellate Tribunal

The Ministry of Finance has formally declared the setting up of 31 Appellate Tribunals spread over 28 states and 8 Union Territories, as a way to resolve Goods and Services Tax (GST) conflicts

[36]'Don't Impose GST on Online Gaming With Retrospective Effect: Fantasy Sports Body to Government (*BQ Prime*, 4 October 2023) <www.bqprime.com/business/dont-impose-gst-on-online-gaming-with-retrospective-effect-fantasy-sports-body-to-government#:~:text=The%20GST%20Council%20in%20its,companies%20for%20recovery%20of%20taxes> accessed 16 September 2023.

[37]Government of India, 'Indian Budget ' (*Key features from Indian Budget 2023-24*, February 2023) <https://www.indiabudget.gov.in/doc/bh1.pdf> accessed 2023

between taxpayers and the Revenue Department. Initially, the GST Council had proposed 50 tribunal benches, but the Union government has decided to introduce them gradually, taking into consideration state capitals and towns possessing High Court benches. Operations are likely to begin between November 2021 and January 2024.

4. GST Audit initiative for taxpayers with a turnover beyond Rs 10 crore

The recently proposed Union Budget of 2023 has presented a key initiative for taxpayers with a turnover beyond Rs 10 crore. This measure necessitates the introduction of a GST audit conducted by an independent auditor. This audit process will carefully analyse all elements of GST adherence, which includes returns, invoices, and input tax credits. The principal aim of this audit is to discourage GST defalcation and support increased taxpayer compliance. It is expected that this initiative will contribute to the advancement of a fair and transparent commercial atmosphere and assist in enhancing the overall rate of compliance.

5. ITC on Corporate Social Responsibilities (CSR)

The issue of Input Tax Credit (ITC) on Corporate Social Responsibilities (CSR) expenditure has been a matter of dispute for some time. Companies are obliged to invest a fixed amount in CSR during each fiscal period, or they will be subjected to penalties. The Finance Minister proposed a modification in GST regulations so that ITC on commodities and services utilized in CSR obligatory activities would become ineligible. This amendment is projected to become active going forward.[38]

6. Accessibility of Composition Scheme for suppliers of goods through e-commerce operators

The proposed 2023 Budget affords registered individuals the opportunity to utilize the Composition Scheme, something that was not accessible to suppliers of goods through e-commerce operators before the amendment of Section 10 of the CGST Act, 2017. As a result, these entities are now able to opt into said Scheme.[39]

<u>Impact of GST Implementation on the Economy of India</u>

The implementation of Goods and Services Tax (GST) in India has had a decidedly beneficial effect on the Indian economy. By 2023, the economic growth within India had become evident due to the introduction of GST, making the tax system streamlined and multiple indirect taxes abolished.

One of the primary advantages of implementing GST has been the simplification of the tax system. Before its implementation, there was an array of indirect taxes which made the system convoluted

[38] Ibid
[39] Ibid

and challenging to understand. The implementation of GST has dramatically decreased the number of taxes, helping businesses abide by the tax regulations more easily. As a result, the productivity and effectiveness of the Indian economy have been heightened.

Furthermore, the implementation of GST has caused cascading taxes to be eliminated, leading to taxes only being applied to the value that has been increased during each stage of manufacture. This has meant costs have gone down, making products and services more affordable to buyers. Thus, in return, demand has risen for these goods and services, which has consequently stimulated production and contributed to economic growth.

The Ministry of Finance reported that the introduction of GST has had a remarkable impact on the tax revenues of the government. In FY 2022-23, GST revenue increased to Rs. 15 lakh crore, representing a significant rise in comparison to the pre-GST times. This notable boost in revenue has enabled the government to finance multiple development projects in key sectors, including infrastructure, health care and education.

Moreover, the introduction of GST has encouraged the formalization of the economy. Consequently, businesses are expected to maintain proper records and remit taxes punctually. This has caused a reduction in the number of unregistered companies, thereby leading to bolstered lucidity and responsibility within the economy.

Some important Judicial pronouncements

Supply is a must for tax liability

Bai Mumbai Trust Vs Suchitra [40]

The necessity of a 'supply' is indispensable. It is the taxable incident constituted in the CGST Act. If there is no supply, there is no precipice for sacrificing the tax. A payment of royalty towards indemnity or compensation for the infringement of the plaintiff's legal rights in the claims of jurisdiction is not 'consideration' for supply. This form of payment is devoid of the intrinsic quality of reciprocity thus transcending it to become a 'supply'. Wherein no symmetrical correlation exists, it cannot be assumed that a supply has transpired. The ruling of supply does not protect or cover any wrongful unilateral conduct or anything that will result in the remittance of damages. The method used to assess the mesne profits, based on the prevailing rent is inappropriate. It is the nature of the

[40] *Bai Mumbai Trust Vs Suchitra (Bombay High Court)*, Bombay High Court, 13 September 2019, Court Receiver's Report No. 213 Of 2017 in Commercial Suit (L) No. 236 of 2017 (India)

payment and not the technique utilised to analyse its magnitude that will determine its persona that is determining if it is 'consideration' or 'damages'.

In the context of constructing a mall, the Input Tax Credit (ITC) can be deployed to minimise the GST required on rental income, by counterbalancing it with the products and services utilised

Safari Retreats Private Limited Vs Chief Commissioner of Central Goods & Service Tax (Orissa High Court)[41]

The underlying goal of the Central Goods and Services Tax Act (CGST Act) is to form harmonised stipulations for the assessment and assembly of taxes and to keep away from double taxation. Setting aside input tax credit built up due to input goods purchased/used for erecting immovable properties about letting out immovable properties provides that supply of input products for the development of a shopping mall and the identical being utilised for leasing out units in the mall form a single provision line and the profiting from the input tax credit should be accessible to the person liable for tax payment. Clause 17(5)(d) of the CGST Act was amended by letting the employment of ITC on goods and services consumed in the erection of a shopping mall in opposition to paying GST on rentals obtained from tenants in the mall as the core of the credit is to provide gain to the assessed.

The utilization of Input Tax Credit (ITC) cannot be refused due to the non-payment of the supplier.

M/s Onyx Designs Vs Assistant Commissioner of Commercial Taxes (Karnataka High Court)[42]

The advantages of an input tax credit to the buyer cannot be overlooked if they can effectively demonstrate that they made the payments for the goods along with the relevant tax to the seller. Should the seller fail to deposit the full or part of the sum, it is then the responsibility of the revenue authorities to take action against the seller. Taking into account the recognition of an authentic transaction and the genuine claim, as well as the lack of any other allegations against the purchaser in the assessment orders, it cannot be said that solely due to the non-payment of collected taxes or the latter's deregistration should constitute grounds for denying the input tax credit**.**

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[41] *Safari Retreats Private Limited Vs Chief Commissioner of Central Goods & Service Tax*, Orissa High Court, 17 April 2019, W.P. (C) No. 20463 of 2018 (India)

[42] *M/s Onyx Designs Vs Assistant Commissioner of Commercial Taxes*, Karnataka High Court, 17 June 2019, Writ Petition Nos.17989 & 23971/2018 (India)

Would a delayed payment of service tax under the Sabka Viswas Scheme, caused by circumstances beyond the taxpayer's control, render the scheme declaration ineffective?

Shekhar Resorts Limited Vs Union of India & Ors (Supreme Court)[43]

The Supreme Court of India approved an application filed under the Sabka Vishwas Scheme, despite the failure to cover payment before its due date, which was precluded by a stay of law. The court decided that the petitioner should not be sanctioned for something beyond their authority. Consequently, the Commissioner CGST was asked to process the application and confer the advantages of the program.

Possibility for the taxpayer to lose the legal advantage of obtaining a suspension of payment under Section 112(9) of the CGST Act, 2017 because of the absence of the GST Appellate tribunal

Ritesh Infratech (P) Ltd. V. Union of India [44]

The Honourable High Court of Patna adjudicated that the assessee ought not to be deprived of the legally mandated respite of stay under section 112(9) of the CGST Act, 2017 due to the non-establishment of a GST Appellate Tribunal, and the recovery of the lingering sum of tax had to be stayed pending the deposition of twenty per cent of the outstanding fee in addition to the figure already deposited under section 107(6) of said Act.

Can the Central Government be compelled through a writ of mandamus to grant 100% GST exemption, given that a similar exemption from excise duty was allowed through an office memorandum issued in 2003? Can a promissory estoppel be applied to a statute in this case?

Hero Motocorp Limited Vs Union of India & Ors (Supreme Court)[45]

The Supreme Court rejected a petition from Hero Moto Corp Limited and Sun Pharmaceutical Industries for full exemption from GST on a manufacturing plant situated in Uttaranchal and Sikkim. The Central Government had earlier issued a notification providing for 58% CGST and 29% IGST which supplanted a previous notification. The court adjudicated that a writ could not be imposed

[43] *M/S. Shekhar Resorts Limited vs Union Of India on 5 January 2023*, Supreme Court of India, 5 January 2023, CIVIL APPEAL NO.8957 OF 2022 (India)

[44] *Ritesh Infratech Private Limited vs The Union Of India on 24 April 2023*, Patna High Court, 24 April 2023, Civil Writ Jurisdiction Case No.5316 of 2023 (India)

[45] *Hero Motocorp Limited Vs Union of India & Ors*, Supreme Court, 17 October 2022, CIVIL APPEAL NO. 7405 OF 2022 [Arising out of SLP (Civil) No. 12397 of 2020] (India)

against the Central Government and recommended the petitioners reach out to the State Government for their part.

Possible solutions and suggestions

1. **Improvement of Goods and Service Tax Network (GSTN)**

A major difficulty is that the GST Network (GSTN) conformity portal has yet to be fully functional. With regards to credits, the GSTN portal is powerless to properly align invoices, thereby raising the likelihood of crooked operations and counterfeit invoices. The chief aim of digitalizing statements was to guarantee accurate compliance which should simplify credits and taxes.

2. **Changes in E-Invoicing provisions for suppliers**

Pursuant to the GST Act, a tax invoice is indispensable for availing Input Tax Credit (ITC).The CGST Act 2017, Section 16 states that a registered buyer is not eligible for ITC unless they possess an accurate invoice or debit note and the ITC is listed in GSTR-2B. If the invoice is invalid without both IRN and the signed QR code, this can impair or postpone the buyer's entitlement to ITC. Moreover, a document without the IRN component can't be routinely added to the supplier's GSTR-1, which may not show on the buyer's GSTR-2A and GSTR-2B. When the tax is not forwarded by the supplier to the government, the buyer is not entitled to acquire ITC.

3. **Improvement of Input Tax Credit System**

To prevent the obstruction of essential operating capital, the government could make the Central GST pool transformable across states. Firms could likewise convert accumulated input tax credits into negotiable certificates in the trade. Enterprises with multiple registrations could take pleasure in the exchangeability of credit across divisions to supervise operating capital and refine money streams.

4. **Improvement is needed in the management of Audits, assessments and investigations by the government**

The GST authorities have issued a large number of summonses to business executives, resulting in hardship for even valid firms. These orders tend to focus on revenue-neutral issues or those based on conflicting advance rulings. Furthermore, irregularities exist regarding the particulars and methods of information required during examinations. To streamline the process of summonses and investigations, providing uniform standards for details being sought in audits, and shared competence between the central and state governments, comprehensive instructions must be issued for both.

5. Rationalisation of tax rates

An effective GST legislation should have a uniform and rationalized tax rate structure. While some progress has been made in this area, there is still a lot of work to be done to achieve this goal. Most countries that have implemented GST have a single rate for all items. However, in India, there are seven rates ranging from zero to 28%, and even more if we consider compensation rates. To improve the system, it would be advisable to reduce the number of GST tax rates to two or three.

6. Investment in technological improvements

Investing more in technology to update the user interface and make it easier for small and medium businesses to use could bring India's GST up to global standards and contribute to the larger goal of improving the ease of doing business. As technology continues to impact all aspects of business, this investment is vital.

Conclusion

To summarize, the rollout of the Goods and Services Tax (GST) in India has had a beneficial response on organizations, consumers, and the country's economy as a whole. Absorbing various taxes has simplified the taxation regime and simplified the tax compliance process for businesses. India encountered numerous difficulties following its implementation, covering shortcomings with adherence, higher rates, matters affecting small-scale organizations and a great deal more. Nevertheless, with time, the Indian government has amended laws for the benefit of taxpayers. According to a survey conducted by Deloitte in 2023, 94% of respondents from a variety of industries voiced a positive opinion on the Goods and Services Tax (GST). Moreover, the GST has increased productivity and transparency in the tax management process. To sum it up, the GST has been an incredibly advantageous reform for India's tax policy.

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