

1. Assess the performance of GST regime so far and discuss challenges going forward?
(250 words)

Answer:

Background :-

The *Goods and Services Tax (GST)* is a value-added tax levied on most goods and services sold for domestic consumption.

Performance of GST so far :-

Economic:-

- States are yielding revenue growth of 11.9%, compared with the relevant pre-GST numbers.
- Tax buoyancy (responsiveness of tax growth to nominal GDP growth) is 1.2, which is high by the historical standards for indirect taxes.
- GST is boosting revenues of consuming states :-
There has been a desirable and equitable shift in revenues towards the consuming states, and this has happened without threatening the revenues of the producing states reflected in the small compensation requirement.
- **Political:-**
Contribution of states for showcasing 'cooperative federalism' in its implementation.
- **IT replaced the inspector:-**
In the GST scheme, information technology has replaced the inspector.
Everything from return to refund is done through online information technology.
- **Check posts gone, logistics benefit**
The check post has become extinct after the arrival of the GST scheme and the movement of goods has become faster, which not only saves time but is also accruing benefits in the area of logistics. GST is probably the biggest tax reform in the world
- **Impact of GST on Manufacturers, Distributor, and Retailers :-**
With GST in place, the compliance burden has eased and this sector will grow more strongly. But due to GST business which was not under the tax bracket previously will now have to register. This will lead to lesser tax evasion.
- **E-commerce**
The e-commerce sector in India has been growing by leaps and bounds. In many ways, GST will help the e-com sector's continued growth
- **Pharma**
On the whole, GST is benefiting the pharma and healthcare industries. It will create a level playing field for generic drug makers, boost medical tourism and simplify the tax structure.
- **Telecommunications**
In the telecom sector, prices will come down after GST. Manufacturers will save on costs through efficient management of inventory and by consolidating their warehouses.
Handset manufacturers will find it easier to sell their equipment as GST has negated the need to set up state-specific entities, and transfer stocks. The will also save up on logistics costs.
- **Real Estate:-**
The sector will see substantial benefits from GST implementation, as it has brought to the industry much-required transparency and accountability.
- **Agriculture**

One of the major issues faced by the agricultural sector is the transportation of agri-products across state lines all over India. GST will resolve the issue of transportation.

- **FMCG**
The FMCG sector is experiencing significant savings in logistics and distribution costs as the GST has eliminated the need for multiple sales depots.
- **Freelancers**
With GST, it will become much easier for freelancers to file their taxes as they can easily do it online. They are taxed as service providers, and the new tax structure has brought about coherence and accountability in this sector.

Challenges ahead :-

- In the Economic Survey, it was argued that confusion reigns in understanding GST performance because of focusing on one or more of the bewildering sub-categories of the GST (CGST, SGST, IGST, and the cess.) Having four tax rates and three rates of cesses should have been avoided
- There are very few states where there is a significant decline in the post-GST share compared to the pre-GST share.
- There has been considerable concern with the new tax, both in its structure and operational details, including the ease of paying the tax and filing returns
- Trade and industry have been grappling with the problem of payment, filing the returns and claiming input tax credit, and exporters have been facing liquidity crises.
- It enormously complicates the technology platform to ensure input tax credit mechanism GST Network, is struggling to keep pace with the millions of invoices and returns being filed electronically by businesses across the country.
- For Exporters, because of delayed timelines for filing GST returns, no refunds can be expected before mid-November on input taxes paid in advance and the integrated GST levied on goods they imported.
- 65,000 crore of working capital will get blocked, cramping their ability to ramp up capacity and raw material procurement in time for festive season orders from around the world.
- Several revisions in deadlines, tax and cess rates, rules, clarifications and tweaks later, the GST regime is turning out to be neither simple nor friendly for taxpayers.

Way forward:-

- Problems of transition to a major tax reform are unavoidable and most countries go through this
- It appears desirable to move immediately towards three slabs with the final goal of reducing the slabs to two and to fix the threshold at Rs.50 lakh
- Further simplifying the rate structure, widening the base to include currently exempted sectors, and streamlining procedures for filing and refunds.

PRACTICE QUESTIONS

Answer the following Questions

1. The Chola State during the imperial period (850-1200) was marked for its uniqueness and innovativeness. Comment. (250 words)
2. Critically analyze, whether the National Capital Territory of Delhi should be given statehood or not. (250 words)