



## Navigating GST Challenges

**For Prelims:** [Goods and Services Tax](#), [Economic recovery curves](#), [National Statistical Office](#), [Input Tax Credit](#), 101st Constitution Amendment Act, 2016.

**For Mains:** Current Major Challenges Related to GST in India, GST Council

[Source: TH](#)

### Why in News?

The recent [Goods and Services Tax \(GST\)](#) revenue data paints a concerning picture: **consumption growth is not uniform across Indian states**, revealing a potential dissonance in [national economic recovery](#).

### What are the Major Takeaways From the Recent GST Related Data?

- **Overall GST Collections:** It grew by **11.7% in the first nine months of 2023-24** compared to the 2022-23.
  - State GST collections grew at a **higher rate (15.2%) compared to Central GST**, suggesting differential consumption patterns across states.
- **Sharp Disparities Among States:** Some states like **Madhya Pradesh, Maharashtra, and Karnataka** showed robust growth in state **GST revenues (17% to 18.8%)**, while others like Gujarat, West Bengal, and Andhra Pradesh lagged behind with single-digit growth or even contraction.
- **Lowest Private Consumption Expansion:** [National Statistical Office \(NSO\)](#) estimates project private final consumption expenditure (PFCE) growth for the year at **only 4.4%**, the slowest since 2002-03 (excluding pandemic times).
  - The **PFCE** is defined as the expenditure incurred by the **resident households and non-profit institutions serving households (NPISH)** on final consumption of goods and services, whether made within or outside the economic territory.

### What is Goods and Services Tax?

- **About:** GST is a value-added tax system that is levied on the supply of goods and services in India.
  - It is a comprehensive indirect tax that was introduced in India on **1<sup>st</sup> July 2017**, through the [101<sup>st</sup> Constitution Amendment Act, 2016](#), with the slogan of **'One Nation One Tax'**.
- **Tax Slabs:** The primary GST slabs for regular taxpayers are currently 0% (nil-rated), **5%, 12%, 18%, and 28%**.
  - There are a few GST rates that are less commonly used, such as **3% and 0.25%**.
- **Benefits of GST:**
  - **Simplified Tax Regime:** GST replaced a multitude of indirect taxes, making compliance easier and reducing paperwork for businesses.
  - **Increased Transparency:** The **online GST portal** simplifies tax administration and

- promotes transparency in the system.
- **Reduced Tax Burden:** Lower prices due to the elimination of cascading taxes benefit consumers.
- **Boosted Economic Growth:** By removing tax barriers and improving efficiency, **GST is expected to contribute to higher economic growth** and job creation.
- **GST Council:** The GST Council is a **constitutional body responsible for making recommendations** on issues related to the implementation of the GST in India.
  - As per **Article 279A (1)** of the amended Constitution, the **GST Council was constituted by the [President](#)**.

## What are the Current Major Challenges Related to GST in India?

- **Complexity and Compliance Burden:** GST in India has a complex structure with **multiple tax slabs**, leading to increased compliance requirements.
  - This complexity poses a **challenge for businesses**, especially smaller enterprises, in understanding and adhering to the diverse regulations.
- **Technology and Infrastructure Readiness:** The successful implementation of GST relies heavily on robust technological infrastructure. Issues such as **lack of technological readiness among businesses, and disparities in technology adoption** can hinder the seamless functioning of the GST network.
- **Input Tax Credit (ITC) Verification:** The government authorities have recently identified and busted more than 29,000 bogus firms involved in evading GST dues.
- **Multiple Registrations Across States:** Businesses operating in multiple states must **register separately in each state for GST compliance**.
  - This multiplicity of registrations adds administrative burden and increases compliance costs for businesses with a **pan-India presence**, contributing to logistical challenges.

## Way Forward

- **Simplify and Rationalize Tax Structure:** Simplifying the GST tax structure by **reducing the number of tax slabs**.
  - A more straightforward and uniform tax system would ease compliance for businesses and promote a clearer understanding of tax obligations.
- **Streamline Compliance Procedures:** Work towards simplifying and streamlining compliance procedures to reduce the administrative burden on businesses. This could involve **harmonizing return filing processes, ensuring timely refunds, and implementing user-friendly interfaces for tax filings**.
- **Focus on Anti-Evasion Measures:** Strengthen measures to **curb tax evasion, especially through fake invoices** and fraudulent activities.
  - Utilizing **advanced data analytics and technology** to identify suspicious transactions, and implement stringent penalties for non-compliance to deter fraudulent practices.

## UPSC Civil Services Examination Previous Year Question (PYQ)

### Prelims

#### Q1. Consider the following items: (2018)

1. Cereal grains hulled
2. Chicken eggs cooked
3. Fish processed and canned
4. Newspapers containing advertising material

#### Which of the above items is/are exempted under GST (Good and Services Tax)?

- (a) 1 only  
 (b) 2 and 3 only

(c) 1, 2 and 4 only

(d) 1, 2, 3 and 4

**Ans: (c)**

**Q2. What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'? (2017)**

1. It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.
2. It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of economy of India and will enable it to overtake China in the near future.

**Select the correct answer using the code given below:**

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

**Ans: (a)**

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### **Mains**

**Q.** Explain the rationale behind the Goods and Services Tax (Compensation to States) Act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions? **(2020)**

**Q.** Enumerate the indirect taxes which have been subsumed in the Goods and Services Tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017. **(2019)**

**Q.** Explain the salient features of the Constitution (One Hundred and First Amendment) Act, 2016. Do you think it is efficacious enough "to remove cascading effect of taxes and provide for common national market for goods and services"? **(2017)**

**Q.** Discuss the rationale for introducing the Goods and Services Tax (GST) in India. Bring out critically the reasons for the delay in roll out for its regime. **(2013)**