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## GST- A Puzzle for CAs

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**ABSTRACT** After the independence, India has adopted many reformation steps to uplift the economy. India accepted five years plan system to develop various sectors such as Education, Health, Woman Empowerment. But to strengthen the Indian economy the basic inflow is tax revenue. India has followed various tax reforms policies over the years after independence. The central Government levies taxes such as custom duty, income tax, service tax & central excise etc. The taxation system in India empowered state Governments to levy income tax on agricultural income, professional tax, value added tax (VAT), state excise etc. The local bodies were allowed to collect octroi, property tax and other various services. The two types of taxes are levied one is direct tax which includes income tax, wealth tax and gift tax and another is indirect tax which includes VAT, custom, octroi. The direct taxes are directly charged on individuals and corporate entities. On the other hand, indirect tax is not directly paid by assesses to the Government authorities. These are levied on goods and services and collected by intermediaries. A significant step towards the reform of indirect tax in India, the central Government has introduced the Goods and Services Tax (GST). GST is a comprehensive indirect tax on manufacture, sale & consumption of goods and services throughout India and will subsume by many indirect taxes levied by Central and State Government. GST is implemented through Central GST (CGST), Integrated GST (IGST), and State GST (SGST). The central board of direct taxes (CBDT) is a body that administer and formulate plans and policies regarding tax collection. The introduction by Govt. in 1<sup>st</sup> July 2017 GST has raised many challenges not only in front of traders or businessmen but also for chartered accountants and common public.

**KEYWORDS** Goods and Services Tax (GST), value added tax (VAT), taxation system,

**INTRODUCTION** Goods and services tax (GST) is an indirect tax applicable throughout India which replaced multiple Chartered Accountants cascading taxes levied by the central and state governments. Goods and Service Tax (GST) was launched at midnight on 1 July 2017 by the President of India, Pranab Mukherjee, and Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight (1 July – 2 July) session of both the houses of parliament convened at the Central Hall of the Parliament.

Goods and Services Tax law in India is a comprehensive, multi-stage, destination based tax that will be levied on every value addition. In simple words GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India. The GST taxation laws will put an end to multiple taxes like excise, CST, VAT, service tax which are levied on different products, starting from the source of manufacturing, till reaching the end consumer. The GST or the Goods and Services Tax, is a new tax regime being introduced in India and will be collected on all transactions of goods and services made for consideration. When implemented, the new levy will replace almost all the indirect taxes at both central and state levels.

The existing VAT system was implemented by the states beginning April 1, 2003 replacing the states sales Tax system. The VAT system removed the problem on “tax on tax” and the burden of Chartered Accountants cascading effect. Since set-offs benefits can be availed only if tax is paid on the inputs and previous purchase, this created a built- in check in the VAT system which result in transparency and reduction in the tax evasion. VAT reduced the heterogeneity in the tax structure across states which other-wise resulted in distortion and shifting of trade from one state to another still the VAT structure at the Centre and the State had deficiencies.

The central value added tax does not include several central taxes such as surcharges, additional excise duty, etc. it also does not capture the value –additions in the distributive trade below the manufacturing level. The state level VAT does not include several taxes such as luxury tax, entertainment tax, etc.

The following are the main features of the proposed GST system:

- ) The power to make laws in respect of supplies in the course of inter-state trade or commerce will remain with the central Government. The states will have the right to levy GST on intrastate transactions, including services.
- ) The administration of GST is the responsibility of the GST council, which is the apex policy making body for GST. Members of GST council comprises central and state ministers in charge of the finance portfolio in addition to the related department officers.
- ) The present threshold for levy of GST is a turnover of Rs One million and in the northern states of India the threshold is Rs.20 lakh
- ) The central government will levy integrated goods and service tax on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and integrated goods and services (IGST)
- ) GST is defined as any tax on supply of goods and services.
- ) Central taxes such as central excise duty, additional excise duty, service tax, additional duty, as well as state –level taxes such as VAT or sales tax, central sales tax, entertainment tax, entry tax, purchase tax will be subsumed in GST.

**HOW GST WORKS?** GST law in India is comprehensive, multi-stage, destination-based tax that is levied on every value addition. In simple words it is an indirect tax levied on the supply of Goods & Services. GST law has replaced many indirect tax laws that previously exist.

So, before GST, the pattern of tax levied was as follows.

Fig 1.0: Graphical representation of Existing Tax structure

Multi-stage: There is multi change of hands an item goes through along its supply chain, from manufacturer to final sale to consumer. GST is levied on each of these stages which make it multi stage tax.

Value addition: -For example. The manufacturer who makes shirt buys cloth the value of cloth gets increased when cloth is woven into shirt. Then manufacturer then sells the shirt to the warehousing agent. Then another value addition warehouse sells it to the retailer.

GST will be levied on these value additions i.e. the monetary worth added each stage to achieve the final sale to the end user.

Destination based- It considers that the Goods manufacturer in Rajasthan & are sold to the final consumer in Karnataka, GST is levied @ the point of consumption in this case Karnataka, the entire revenue will go to Karnataka GST will improve the collection of taxes as well as boost the development of Indian economy by removing indirect taxes barriers between states and integrating the country through a uniform tax rate. While performing the research studies it is necessary to use the variables to collect the data. In this research work, I have gone through variables of two types the respondents, working chartered accountant firm as well as trade and industry persons and general public.

Fig 2.0: Graphical representation of GST structure

## OBJECTIVES:

1. To study the inexplicit opinions among the manufacturers, traders, and society about the Goods and Service tax
2. To study about the challenges of GST for chartered accountant
3. To study pros and cons of GST implementation.

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### **SIGNIFICANCE:**

This gives an understanding of some issues of GST from the perspective of various stakeholders. An important factor is the process of implementation both in allowing effective prior consultation to identify possible problems and improvements as well as preparing the taxpaying public for change. Incorporating the views of the trade and industry will be helpful for laying a clear roadmap and better implementation of GST. This will help in identifying critical areas to be considered during the transition phase.

- ) Awareness about the Acts, Rules and provisions
- ) Awareness of administration of service tax in states Promoting awareness and understanding of GST among the public and professionals
- ) Collaborating with various professionals like accountants, tax consultants, etc.
- ) Change in business processes, pricing by companies

### **SCOPE:**

The study was conducted to analyze the effectiveness of implementing GST. It covered the opinions of the professionals, traders, manufacturers and the general public, consumers. It brought to light the beneficial impacts of GST.

### **CHALLENGES:**

The situation of being faced with something that needs great mental or physical effort in order to be done successfully and therefore tests a person's ability.

#### **Chartered Accountant Work Scenario with The Effect Of Vat To GST:**

In the previous scenario of VAT, lots of work was done manually and it resulted in waste of a large number of man hours. But in GST all the work is done on online basis and that's why the work is easier and saves the time.

Earlier, in VAT system, the professionals were restricted only to few states, because in each and every state there were different forms and laws applicable but now in GST there is having same return form for all over the nation and it has increased the working envelop.

Again in VAT, previously assessee could upload the return on monthly basis and there was a requirement to fill Sales and purchase register both as well as the main return too. After that if there was tax credit mismatch then again whole process was repeated. This was a hectic and time taking process. Chartered Accountants in this practice the work load to fill purchase register is lesser same in main return form most of the data will be auto generated from client's sales and purchase register and again the work load to fill full main return form has decreased. As well as the mismatch issue is also resolved after this practice.

#### **Next Step for Chartered Accountants**

The chartered accountants are a developing in the country where a large number of startups and small companies are working independently. After GST implementation these companies has started working according to the new taxation system. So they are in need of the professional workers who know about GST. And that's why the demand of professionals with the GST knowledge has increased that much.

GST is a privilege for new Chartered Accountants too. The reasons are obvious that the new tax system is fresh for each Chartered Accountants and it is an improver point for the new Chartered Accountants. It is helping not only old Chartered Accountants in generating revenues but also beneficial for new Chartered Accountants.

As GST regime is more focused on bringing down the goods prices and widen tax scope. Their work has become more in advisory and compliance related jobs. Newly certified Chartered Accountants can take an advantage by it in furnishing their career and create the same recognition as the existing Chartered Accountants. They can even provide online services, join forums and answer queries asked by taxpayers, make online videos, and start blogs in simplifying the procedure of filing GST return forms. The step forward

to utilizing online penetration is helping some new Chartered Accountants in getting clients and it is equally beneficial for all of us.

As the CA's are the company's key persons and it's our responsibility that they are aware about the GST law and return, registration procedure, challan payment, auditing etc. so that they can provide the best services to their clients. In today's time, it's important for all our professional friends to keep themselves updated regarding GST and so in this tax regime they can help to create a better taxation system for the development of a better INDIA.

## **PROSPECTS AND CHALLENGES:**

### **Prospects of implementation GST for chartered accountant:**

GST gives an equivalent opportunity not only to newcomers Chartered Accountants but also existing professionals in indirect taxation. It will now share same platform while providing services to clients.

GST will be a game changer for the Indian economy by making a typical Indian market and lessening the impact of duty on the cost of products and services. It will affect the tax assessment structure, impose rate, duty calculation, duty payments, consistency in compliances, credit usage and reporting, prompting to an entire update of the current backhanded duty framework of indirect taxes.

- J With introduction of GST workload of not only professionals but entrepreneur shall also be enhanced. There shall be voluminous records to be maintained. While preparing profit and loss account, there should be transaction wise breakup with taxability and non- taxability along with reasoning.
- J Chartered accountants shall be helping in knowledge sharing before and after implementation of GST for smooth implementation and transition of GST.
- J CA professionals can help businesses anticipate policy changes, assess their impact on their operations and engage in a constructive dialog with relevant authorities for remedial measures to address any concerns.
- J CA professionals will be approached seeking consultancy in day to day to operations. Thus they shall help in checking unaccounted sales in line with attempt to curb black money.
- J Professionals shall guide on pricing decisions to entrepreneur and we will get much better offer than “buy 1get 1 free “
- J Entities falling under GST threshold shall prepare and file reconciliation of return of financial accountants along with GST return with justifiable reasoning at end of the year.

### **Challenges of implementation GST for chartered accountant:**

India's goods and services tax (GST), is being called a game changer for its far sweeping impact on business. Manufacturers, traders, and services providers across India have been placed under one unified tax umbrella, and no longer need to work with a tedious array of 17 distinct types of taxes they currently need to comply with. The industry at present, is struggling to get on with the destination –based tax from an origin-based tax structure. The shift from the previous tax regime and carry forward the inputs credits into SGT is the biggest challenges that business are facing today.

To make “One Nation, One Tax” a reality the government is training its officers on taxation of services. GSTN (Goods and Service Tax Nation), the technology backbone for the reform, has a massive IT mandate of securely handling mammoth volumes of data that GST will generate. The legislation cuts across all enterprises, requiring them to relook at their business models, business policies, and procedures.

#### **1.GST preparedness among clients is missing:**

Clients' understanding of GST provisions and its impact on their business is still at an emerging stage, and many are still identifying the locations and places they need to be registered in. these businesses are also assessing the instructed GST –compliance their relevant functional departments need to adhere to including their supply chain, it system, and legal. This is necessary for identifying their new working capital, Chartered

Accountants flow, and fund flow needs. To be on the right side of the GST anti-profiteering clause, businesses are also assessing their cost sheet while pricing of goods and services, pre-and post GST.

## **2. Lack of clarity on GST provisions (rules and regulations):**

Various provisions of GST are still ambiguous. categorization of goods and services in various Chartered Accountants as is still unclear. Provisions for anti-profiteering, as well as the now-deferred e-way bill, which tracks consignment across states, are unclear.

The new tax regime requires transporterto generate e-way bills on the GST portals which include incurring substantial costs to install radio frequency identification devices (RFIDs). Currently there is no clarity on who will bear the bill for the infrastructure. The government has been also made the rules related to assessment and audit public, but the absence of actual forms in the public domain challenges the effectiveness of the rule.

## **3. Increased compliance, with increase in the numbers of returns to be filed annually.**

Business will need to file multiple returns, a minimum of 37 in most Chartered Accountants for assesses, and this can increase multifold in accordance with business models. Clients will need to ensure timely compliance by registered suppliers to ensure there is no loss of input credit. This will necessitate correct data and reports to fill accurate GST returns.

## **4. Preparedness of it systems:**

Various business are yet to map the accounting software and IT system in line with the new tax provisions, to create GST invoice, and extract required reports . tax and accounting professionals jointly need to ensure that their clients current systems are compatible with their GST service provider (GST) With GST demanding compliance, only days after guidelines were issued in their entirety, India is rushed for time to modify the entire IT framework. seamless implementation will require six million micros, small, and medium enterprises (MSMEs) to adapt their invoicing approaches for which they do not have adequate IT support and system

## **5. Lack of skilled resources and need for re - skilling:**

With GST rates and their complexities only recently becoming a part of our policy framework, skilled staff withupdated GST subject knowledge and training are not easily available. This has placed an additional work load on personal across industries, and created an urgent need for additional GST skilled resources to ensure swift implementation.

While GST aims to streamline business and protect consumer interests, the legislation should not allow a sense of apprehension to impact industrial interests. GST is both a challenge and an opportunity for tax and accounting professionals, and knowledge of cloud, big data, analytics, and business applications along with financial knowledge is the need of the hour.

## **FINDINGS**

- ) The GST become the uniform platform for the government and the tax payers so, the tax payers are easily detected.
- ) Because of VAT all the tax payers cannot be detected.
- ) Developing a uniform tax system across the country.
- ) The government needs to build capacity quickly to handle queriesfrom trade and industry.
- ) It seems that Trade and Industry, and professionals are not happy with the dual structure of GST. They are average disagree to the dual structure of GST, which they feel is adrawback in the structure.
- ) Trade and Industry has not received any significant input on GST from the State government.
- ) It is found that GST will provide more support to trade and industry through wider coverage of input tax credit.
- ) It shows that the supply chain management for manufacturing and distribution become critical in GST.
- ) It reflects that the available legislation in relation to the proposed GST needs more clarity.
- ) It depicts that rise in the demand for services by clients
- ) There is no any suitable software solution to handle the proposed GST.

- ) The problem is all businesses need to be registered under GST.
- ) There is a need to spread awareness among general public, traders and manufacturers under the purpose of GST.

### **SUGGESTIONS**

- ) Guidelines and practices should be published well in advance for proper preparation and successful implementation.
- ) Government should think of conducting workshops /seminars on GST and IGST (integrated goods and service tax) in particular with lesser cost so that more number of people can participate in the seminar in an organization.
- ) The Government should support the Industry during the initial period of change to GST. There will be increased threshold limit for registration for traders and manufacturers.
- ) There will be availability of ITC (input tax credit) for excise for traders.
- ) Input tax credit (ITC) is available in respect of inputs, capital goods, and services. There is a negative list of items on which no ITC is available.
- ) The administrative mechanism should be proactive and trade facilitating rather than a mere tax collecting body.
- ) Objectives of VAT were also to create a uniform market. But this did not happen. Proper steps should to be taken to avoid any deviations from the set objectives
- ) Government should conduct workshops and training programs in partnership with the institutions like Institute of Chartered Accountants of India, Chamber of Tax Consultants, Bombay Chartered Accountant Society, Other Trade and professional bodies
- ) There is a need to develop a software solution to handle the proposed of GST for professionals to handle their clients easily.

### **CONCLUSIONS:**

GST is the most logical steps towards the comprehensive indirect tax reform in our country. All sectors of economy whether the industry, business, including Govt. departments, professionals, service sector and consumers shall have to bear impact of GST. One of the biggest taxation reforms in India the Goods and service tax is all set to integrate state economies and boost overall growth. GST will create a single unified Indian market to make the economy stronger.

Professionals are having big challenge in front of them with respect to manage all the GST formalities while filing the return within a stipulated time period. They have to follow all formalities regarding to GST return file.

GST is likely to widen revenue collection base and boost India's economic development by breaking tax barriers between states and integrating India through uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturers and services.

Overall, GST is good for the trading community. As long as trader smartly manages his business ecosystem, efficiently manages his supply chain. They will continue to reap benefits under GST. However, technology will surely be a game changer in this regard, as this will be the only way the compliance burden of GST can be effectively absorbed, translating into more business benefits for the Indian trader.

It may be beneficial and helpful to every GST affected business unit to install a high quality software to process all the formalities of GST till filing of returns.

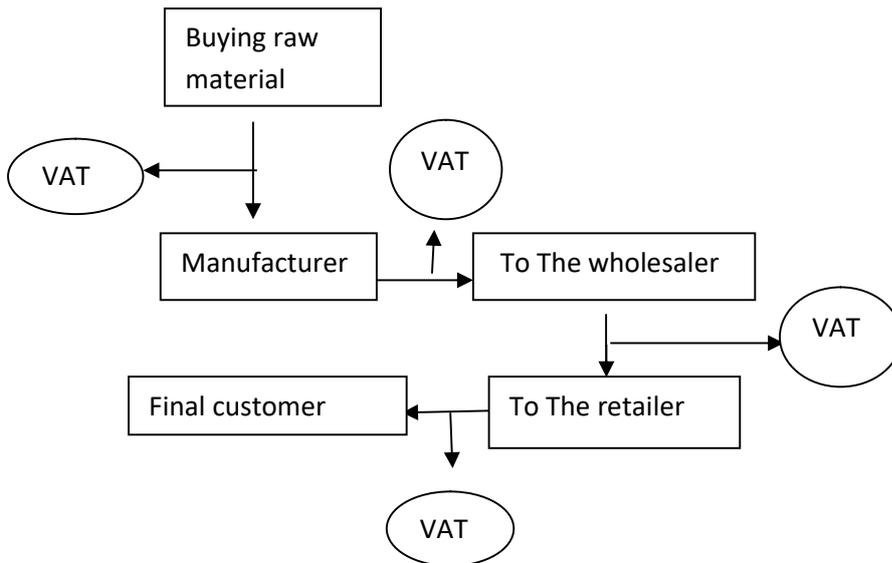
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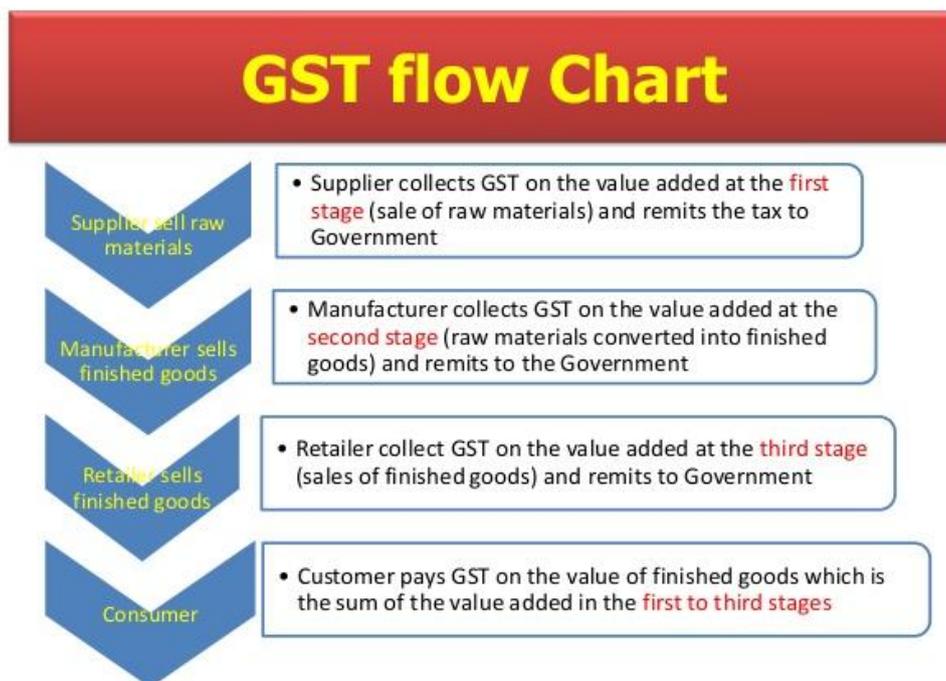
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**Fig.1:** Graphical representation of Existing Tax structure



**Fig.2**Graphical representation of GST structure



**Fig.3:** Graphical representation of GST impact

