



‘SHIFT TO FORMAL TRADE SLOWER THAN EXPECTED’

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GST focused on ease of doing business, but procedural issues made transition phase tough: report

- The Goods and Services Tax (GST), which was introduced about 20 months ago, has seen the total number of returns filed increase, though the shift in trade towards a formal economy has been slower than anticipated.
- In a report by Motilal Oswal Financial Services, the brokerage highlighted that though the collections had increased, it was still below the target as deferment of anti-evasive measures for a smooth roll-out of GST impacted collections.
- In the GST regime, the manufacturing sector witnessed an increase in working capital requirements, while the services sector has had to comply with increased state-level compliances and higher tax rates, the domestic brokerage said.

Scope for improvement

- It is believed that GST collection should improve going forward, led by the rising compliance level from the broadening tax base and the government's increased focus on implementing anti-evasive tax measures.
- GST is certainly a move focused on ease of doing business.
- However, the lack of preparedness, the technology glitches in the GST platform and the non-clarity over certain procedural issues have made the transition phase tough, the report highlighted.

