PROBLEMS AND CHALLENGES IN COMPILING AND FILING GST RETURNS- A SPECIAL REFERENCE TO SAW MILL INDUSTRY IN THIRUVANANTHAPURAM DISTRICT

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Abstract

GST, introduced in India in July 2017, aimed to unify the tax system and create a common market. However, frequent alterations by the GST Council regarding policies, tax rates, and procedures have led to confusion among professionals and businesses. This paper focuses on the challenges faced by the saw mill industry in Thiruvananthapuram district when compiling and filing GST returns. Data collected from 100 respondents via interviews highlight the social, economic, and practical implications of these challenges. Addressing these issues can lead to a more efficient tax system and benefit both businesses and society.

Keywords:- GST, GSTC, E-way bill, GST return, refund.

The Goods and Services Tax (GST) is an indirect tax implemented in India and replaced several taxes with a single tax system, such as central excise duty, service tax, value-added tax, and so on. The provision of information or facts by dealers to tax administrators at regular periods is required. Every registered dealer (in the case of products aggregate turnover over 40 lakh and services turnover exceeding 20 lakh) is required to file their return on a monthly, quarterly, or annual basis, depending on the schemes

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chosen by the dealer. Dealers can be normal, composed, or QRMP scheme dealers.

Composition Scheme is a basic and straightforward scheme under GST for taxpayers. Small taxpayers can avoid cumbersome GST processes by paying GST at a predetermined rate of turnover. Any taxpayer with a turnover of less than Rs. 1.5 crore can opt for this scheme (GST Council of India).

The origin of sawmilling in Kerala could be traced back to many centuries when timber was sawn manually for construction work and making agricultural implements. With the population increase and betterment of living condition of the people, timber has been put to a variety of uses which resulted in increased demand for sawn wood and eventually led to the mechanization in sawmilling sector. The rate of GST reduced from 18 per cent to 12 per cent on supply of machine Job work such as in engineering industry, except supply of Job work in relation to bus body building which would remain at 18 per cent. Sawing charges would also attract 12 per cent GST for regular dealer. SAC 9988 will be applicable. Rate of tax for service provider under composition scheme is 6 per cent (3 per cent CGST + 3 per cent SGST), 1 per cent for Manufactures and Traders (Goods) and 5 per cent for restaurants not serving alcohol. The owners of saw mill industry can opt either regular or composition scheme. The turnover is below 1.5 Crore then he or she can opt composition scheme.Composition taxpayer needs to pay tax and furnish a statement, every quarter or part thereof,

as the case may be, in FORM GST CMP-08. And further he has to furnish a return for every financial year or part thereof, as the case may be, in FORM GSTR-4.

1.2 Statement of the Problem

The sawmill industry in Kerala is a vital component of the state's economy, contributing to employment, regional development, and the supply of raw materials to various sectors. This study seeks to systematically investigate and address the problems and challenges faced by the sawmill industry in Kerala in the compilation and filing of GST returns. It aims to provide insights into the specific nature of these issues, quantify their impact, and propose actionable recommendations that can benefit the industry, government, and the overall socio-economic environment of Kerala. In essence, this study endeavours to contribute to the effective functioning of the GST system in the sawmill industry, promote legal compliance, and foster sustainable and economic growth in the state of Kerala. However, the complex nature of GST regulations and the specific characteristics of this industry have given rise to a range of issues that require systematic investigation. This research paper explores the major challenges and their implications for saw mill industry in Thiruvananthapuram district.

1.3 Need and Significance of the Study

The study offers targeted insights into the problems and challenges faced by the sawmill industry in Thiruvananthapuram district concerning compiling and filing GST returns. This focused approach provides valuable industry-specific data

that can inform policymakers, industry stakeholders, and regulatory bodies about the unique challenges faced by sawmill operators in complying with GST regulations. For sawmill industry stakeholders, including owners, managers, and accounting professionals, the study's findings offer valuable insights for strategic decision-making. By understanding the specific challenges associated with GST return filing, sawmill operators can devise proactive strategies to mitigate compliance risks, optimize resource allocation, and enhance operational efficiency.

1.4 Scope of the Study

The study focuses on exploring the problems and challenges encountered by the sawmill industry in Thiruvananthapuram district regarding the compilation and filing of GST returns. Specifically, the study aims to provide a comprehensive understanding of the unique compliance issues faced by sawmill operators in adhering to GST regulations.

1.5 Review of Literature

Saravanan, S. et al. (2017) conducted a thorough comparative analysis of the impact of GST on the industrial and service sectors. According to them, GST on the service sector has a negative influence on the overall role of business transactions due to the overall rise in tax, whereas GST on the manufacturing sector has a beneficial impact given only to intermediary investors and end consumers. Manufacturers must pay the full amount of taxation, with no relaxation of tax benefits. The paper highlights various challenges in filing GST returns, including the complexity of the IT system and electronic filing requirements (Shivangi et al., 2021). Additionally, concerns regarding the tax return filing process under GST implementation in India have been discussed (Jeevan & Bhaskar, 2018). Business operators in Malaysia also face challenges in GST return filing, alongside compliance costs and documentation issues (Loo & Mohd Shukry, 2017). However, while addressing problems in GST implementation, the specific issues related to compiling and filing GST returns are not explicitly mentioned (Habiba, 2018).

Regarding the impact of GST, research by Dhar and Khandelwal (2021) emphasizes its influence on supply chain management, showing significant effects on inbound logistics, supply chain operations, and outbound logistics. CMA Mrityunjay Acharjee (2018) suggests that a GST rate between 10 per cent and 15 per cent could benefit the travel and tourism sector by optimizing costs and facilitating transactions. Saravanan et al. (2017) conducted a comparative analysis indicating that while the service sector faces a negative impact under GST due to increased taxes, the manufacturing sector benefits, albeit with no relaxation in tax obligations for manufacturers.

1.6 Objectives of the Study

1. To identify the major problems and challenges faced by the saw mill industry with regards to compiling and Filing GST Returns.

2. To measure satisfaction level of owners of Saw mill industry with regards to service offered by Tax Practitioners.

1.7 Hypotheses of the Study

H01: There is no significant correlation between the problems faced by owners of saw mill industry opted Regular and Composition Scheme for filing return.

H02: There is no significant variation between level of satisfaction with regards to services offered by Tax practitioners under Regular and Composition Scheme.

1.8 Research Methodology

The study is conceptually based on the problems and challenges in compiling and filing GST return with reference to saw mill industry in Thiruvananthapuram district.

1.8.1 Research Design

The study has adopted a descriptive, analytical and exploratory research design so as to gather relevant knowledge on the topic under study.

1.8.2 Collection Method

The present study is based on both primary and secondary data. For the collection of primary data, interview

Table 1

Simple Statistics of Demographic Variables

Variables		Frequency	Percentage
Gender of the Owner	Male	95	95
	Female	5	5
Enterprise in existence	Less than a year	3	3
	1 to 3 years	12	12
	3 to 5 years	15	15
	5 to 10 years	20	20
	More than 10 years	50	50
Education of the Owner	No Formal Education	37	37
	Higher Secondary	30	30
	Technical-Vocational	10	10
	Diploma	5	5
	Graduate	12	12
	Post Graduate	6	6
Age	Below 25	5	5
	25-50	45	45
	Above 50	50	50

Source: Primary Data

schedule is used. The secondary data are collected from various sources namely books, journals, GST website etc. Total saw mill industry prevailing in Thiruvananthapuram district is 289. Taxpayers of saw mill industry consist of normal taxpayers and composition taxpayers. For the convenience of research we select only 60 normal taxpayers and 40 composition taxpayers by using simple random sampling technique and to ensure that respondents are registered under the GST Act and possess GST identification numbers as well.

1.9 Analysis and Interpretation

Descriptive and inferential statistics are applied to interpret data. For analysis purpose some statistical tools were applied such as Percentage analysis, ANOVA and Spearman Rank Correlation method.

The table 1 shows that 95 per cent of respondents were Male, 50 per cent of respondents were come under the age group of above 50 and 37 per cent of respondents does not have any formal education. Majority of respondents started their operations properly.

Hypothesis 1: There is no significant correlation between the problems faced by owners of saw mill industry opted Regular and Composition Scheme for filing return.

Spearman's Rank Correlation=

$1 - 6\sum D^2 / N(N^2 - 1)$

$\sum D^2 = 24$, $N = 7$

$= 1 - 6 \times 24 / 7(7^2 - 1)$

$= 1 - 144 / 7 \times 48$

$= 1 - 144 / 336$

$= 1 - .429$

$= .571$

Since the calculated value is less than +1, so the Null hypothesis is rejected. So it is concluded that there is significant correlation between problems faced by owners of saw mill industry opted Regular and Composition Scheme for filing return.

Hypothesis 2: There is no significant variation between level of satisfaction with regards to services offered by Tax

Table 2

Problems and Challenges faced by saw mill industry with regards to GST

Problems	Regular Scheme		Composition scheme		D	D^2
	N	Rank (R_1)	N	Rank (R_2)		
Increased compliance Cost	15	1	9	2	-1	1
Cash flow issues	9	3	11	1	2	4
Increased litigation	8	4	5	4	0	0
Difficulty in adapting to new system	6	6	7	3	3	9
Impact on consumer spending	7	5	3	6	-1	1
Complex Tax Structure	11	2	4	5	-3	9
Technology Glitches	4	7	1	7	0	0
Total	**60**		**40**			**24**

Source: Primary Data

Table 3

Level of Satisfaction

Opinion	Regular Scheme(X_1)	Composition Scheme(X_2)	Total No
Highly Satisfied	12	3	15
Satisfied	48	25	73
Not Satisfied	-	12	12
Total	60	40	100

Source: Primary Data

Table 4

One Way ANOVA (Analysis of variance table)

Source of Variation	Sum of squares	Degree of Freedom	Mean Square
Between Samples	SSC=53	(K-1)=1	MSC=53
With the Samples	SSE=757	(N-1)=3	MSE=252
Total	SST=810		

practitioners under Regular and Composition Scheme.

$F = MSE/MSC$

$=252/53$

$= 4.75$

Degree of freedom = (K-1), (N-K)

$= (1, 3)$

Table value = 10.13

Table value is higher as compared to calculated value. So the Null hypothesis is accepted. So it is concluded that there is no significant variation between level of satisfaction with regards to services offered by Tax practitioners under Regular and Composition Scheme.

Findings of the Study

• Demographic profile reveals the majority of owners are male than females. Enterprise Duration: Business longevity varies, with 50 per cent operating for over 10 years, followed by 20 per cent, 15, 12 and 3 per cent. Owner education ranges widely, with 37 per cent having no formal education, 30 per cent with higher secondary education, and smaller percentages holding technical-vocational, diploma, graduate, and post-graduate qualifications. Owners span different age groups, with 50 per cent above 50 years and 5 per cent below 25 years old.

• Table 2 presents the challenges encountered by the sawmill industry under both the regular and composition GST schemes. Notably, increased compliance costs are prominent, affecting 15 respondents under the regular scheme and 9 under the composition scheme. Cash flow issues follow, impacting 9

respondents under the regular scheme and 11 under the composition scheme. Additionally, the complexity of the tax structure is a significant concern, affecting 11 respondents under the regular scheme and 4 under the composition scheme. The Spearman's Rank Correlation coefficient of 0.571 confirms a significant correlation between challenges faced in schemes, rejecting the null hypothesis and affirming a notable relationship.

- Table 3 displays satisfaction levels among sawmill industry respondents under regular and composition GST schemes. Under the regular scheme, 12 respondents were highly satisfied, and 48 were satisfied. In contrast, under the composition scheme, 3 were highly satisfied, and 25 were satisfied. Regarding dissatisfaction, none under the regular scheme expressed dissatisfaction, while 12 did under the composition scheme. In summary, out of 100 respondents, 15 were highly satisfied, 73 were satisfied, and 12 were dissatisfied.

- The One Way ANOVA results show that the variation between samples (SSC = 53) and within samples (SSE = 757) leads to mean square values (MSC = 53, MSE = 252) for degrees of freedom of 1 and 3, respectively. With a calculated F-value of 4.75, compared to the critical table value of 10.13 for degrees of freedom (1, 3), the null hypothesis is accepted. This suggests no significant variation in the level of satisfaction with tax practitioners' services between the Regular and Composition Schemes.

Recommendations and Suggestions

- Conduct regular studies to understand how changes in GST policies affect various industries and businesses. Analyse the effects of alterations in tax rates, input tax credit rules, and compliance requirements on GST return filing practices and overall business operations.

- Focus on studying the impact of GST specifically on small and medium-sized enterprises (SMEs). Identify the challenges these SMEs face in complying with GST regulations and propose measures to simplify compliance for this segment.

- Evaluate the overall costs and burdens of GST compliance for businesses. Analyse compliance costs related to technology adoption, manpower, and time, and propose strategies to reduce these burdens while ensuring compliance.

Conclusion

The implementation of GST in India was a big step in simplifying the tax structure and bringing tax rates consistent across the country. However, the implementation of GST has not been without hurdles and problems, such as GST registration or improper GST return filing. The complex tax structure, technological flaws, high compliance costs, ITC issues, GST rates, and E-way Bill system problems have all had a substantial impact on enterprises, particularly SMEs. Increased compliance expenses, cash flow

concerns, increased litigation, difficulty adapting to the new system, and a negative impact on consumer purchasing have all resulted from the challenges.

The government has taken various steps to address GST's challenges and problems, but there is still a long way to go.

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