

AN ASSESSMENT OF CORRELATION BETWEEN E-WAY BILL SYSTEM AND GST COLLECTIONS

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ABSTRACT

The biggest tax reform in India has been implementation of GST. E-way bill is a compliance mechanism to curb tax evasion and increase revenue for the Centre and States Government. It was made mandatory from 1st of April 2018. It is the transparent and digitalize technique. Objective of this study is to understand the concept of E-way bill and its relationship with the GST collections. The study was conducted on the secondary data of Number of E-way bills generated and GST collections of 24 months. The study found that there is low positive correlation between the two. Findings of the study are expected to serve as a guide and help to government for increasing the GST collections.

Keywords : *Goods and Services Tax, E-way Bill, Supplier, Transporter, Recipient*

INTRODUCTION:

GOODS AND SERVICES TAX

Goods and Services Tax (GST) is an indirect tax levied in India on the supply of goods and services. It was introduced w.e.f. 1st of July 2017. It is said that GST would be a largest tax reform in the history of India. It will be a “One Nation One Tax” Regime. In GST following taxes will be subsumed:

Central Taxes: Excise Duty, Addl. Customs Duty(CVD), Special Additional Duty of Customs, Central sales tax and service tax.

State Taxes: VAT/Sales Tax, Purchase Tax, Entry Tax, Entertainment Tax, Luxury Tax, and Taxes on Lottery, Betting and Gambling.

In the earlier system there was no credit available for these taxes and there are cascading effect and multi layer taxation. Major benefit of GST is to remove these short comings.

GST will be a destination based system its revenue will go to the State where the goods or services are used/ consumed.

The Indian GST will be a dual GST. There will be levied State Goods and Services Tax (SGST) and Central Goods and Services Tax (CGST) both on each intra state (within state) supplies of goods and/ or services. On Inter-state (from one state to another) supplies Integrated Goods and Services Tax shall be levied. Import of goods and/ or services shall also be treated as inter-state supply.

WAY-BILLS

When goods are transported from one state to another these bills were used and commonly known as Road permit. In Madhya Pradesh it was known as Form No.49. It was issued by VAT authorities in the form of a printed booklet to those businesses/ tax payers who were regular in tax payments and compliance. This manual issuance resulted in harassment and corruption by tax authorities. Some states therefore computerized this process and make them generate electronically. E.g. e-sugam in Karnataka, e- transit pass in Uttarakhand, e-Road Permit in Jharkhand and Bihar, Challan Inward/ outward in Sikkim.

Because of this system, there is less movement of goods between states, corruption and harassment on check posts, more time in transit.

E-WAY BILL MECHANISM

E-way bill is a compliance mechanism conceptualized by the Goods and Services Tax Council. It was implemented from 1st of April. 2018. It is governed by Rule No. 138 of the CGST Rules, 2017. An electronic way bill is and an electronic document produced prior to the commencement of movement of goods, containing details regarding the consigned goods for transit. It is an easy approach to quick and convenient movement of goods across India without any hindrance. All the check posts across the country are abolished. An e-way bill can be generated using the GST portal with the help of GST Network of GSTN, a web based solution designed and developed by National Informatics Centre.

REVIEW OF LITERATURE

The empowered committee of State Finance Ministers (2009) A standing Committee of State Finance Ministers was set up to look into the implementation of these steps. Later on this committee was converted into an Empowered Committee of State Finance Ministers. This Committee met regularly and its decision were taken by consensus. The result being states started implementing VAT beginning 1st April 2005 with harmonization of rates. It was noted that the, ' The growth rate of tax revenue has nearly doubled from the average annual rate

of growth in the pre-VAT five year period after the introduction of VAT'. This provided the confidence to shift towards a GST. It was observed that all state and Centre level indirect taxes should be brought on single platform and input credit to be given at all levels from manufacturing to sale. It was felt that GST would lead to a widening of the tax base via a) inclusion of more layers of production and trade and b) better compliance. It would be a continuous chain of set-off from the original producer's point and service provider's point up to the retailer's level. The Committee proposed a dual GST, that is, the Centre and the states having a GST with their own defined functions and responsibilities. It suggested a harmonious rate structure and collectively agreed Constitutional amendment.

Vasanthgopal R.(2011) in his study on topic “**GST in India : A Big leap in the Indirect Taxation System**” discussed GST and its positive impact on Agriculture, Manufacturing Industry, MSME, Housing Poverty Reduction, Employment, Factors of Production, Price level, Export, GDP, Government Revenue and concluded that it is the significant positive step to switch to ‘flawless’ GST from current complicated Indirect tax system of VAT and Central excise Duty. It will help India's economy in the face of increasing international competition to globalization and liberalization.

Silpa P.,Sreelekshmi M.,Krishna M.,Sreelakshmi T., Jayashankar J.(2018) on their study on the topic “**An Introduction to E-Way Bill; A Game Changer of the Indian Economic System**” emphasized on E-way bill is an intelligent digitized step, It will improve overall logistics scenario in India. After effective implementation it would result in more revenue generation and reduction of tax evasion and would contribute to the overall development of our country.

(www.pwc.in,2018) in their article “**The E-way bill System How, What and what next ?**” emphasized on the purpose of E-way bill i.e. reconciliation between the supplies businesses has reported to generated an E-way bill with the supplies it has detailed in its GST returns. Businesses should implement technology –based solutions to manage their compliances which will enhance the efficiency of their operations and quickly adapt to changing requirements.

Chandak A.(2019) in his study on the topic “**Introduction of E-Way Bill: The Indian Logistics Sector and supply chain industries gearing up for huge challenges**” studied that the E-way bill having great impact on the logistics and supply chain industries because e-way bill ensures better revenue using the benefits of Information Technology. It would be an effective tool to track movement of goods and check tax evasion with compliance of GST law.

(www.avalara.com,2020) in their article “**How GST transformed the Indian economy?**” has shown light on the implementation of Goods and Services Tax has transformed the economy into a digital and standardized one, which in turn will now help seamless flow of information and availability of common set of data to both the Centre and the States making the Direct and Indirect Tax collections more effective. GST revenues continue to rise, owing to the number of registered taxpayers, and improved compliance with more returns being filed. This is facilitated by the implementation of anti-tax evasion measures such as e-way bill, reverse charge mechanism and invoice matching.

IMPORTANCE OF THE STUDY

E-way bill is an electronically generated document by the consigner/consignee if he /she are consigning goods of value more than Rs.50,000. It is considered as an effective tool to check tax evasion and raise GST Revenue. This study is to understand the concept of e-way bills and its impact on GST Collections.

OBJECTIVES

- To understand the concept of E-way bill.
- To understand the impact of E-way bill on GST Revenue.
- To understand the impact of E-way bill on tax evasion.

HYPOTHESIS

H0: There is no significant correlation between E-Way bill generation and GST Collections(Revenues).

RESEARCH METHODOGY

The present study is based on secondary data collected from news papers, books, articles of tax firms and Government websites. The data related to GST Revenues and E-way bill Generation is from April 2018 to March 2020. E-way bill mechanism is introduced by the Government for the purpose of increasing GST revenues and check tax evasion. This study is conducted to know whether the E-way bill implementation results in increase in GST revenues.

ANALYSIS

CONCEPT OF E-WAY BILL

The E-Way bill is a new compliance mechanism that has been introduced for the movement of goods. Under this mechanism, before the movement of goods is started, the person who is causing it uses a digital interface to upload the relevant information. That person then generates the E-Way bill on the Goods and Services Tax (GST) portal to document the movement of goods.

The E-Way bill is generated by either the consignor or the consignee. For each E-Way bill, the common portal generates a unique -E-Way bill number (EBN) that is made available to the supplier, the recipient, and the transporter. The –E Way bill must be issued, regardless of whether the movement of goods is caused by supply or another reason.

One E-Way bill must be prepared for a single consignment and a single invoice. However, if multiple consignments are carried in the same vehicle, the transporter must prepare a consolidated E-Way bill by indicating the serial number of each E-Way bill on the common portal before the transport of goods is started. is started.

PROCESS FLOW FOR THE E-WAYBILL

The basic purpose of the E-Way bill is to help guarantee that goods that are transported comply with the GST Law. It's an effective tool for tracking the movement of goods and checking for tax evasion. Here is an overview of the business process flow:

1. The supplier hands goods over to the transporter for delivery to the consignee.
2. On the GST portal, the supplier provides details of the goods in Part A of form EWB-01 and details of the transporter in Part B.
3. Based on the details that were provided in Part A, either the supplier or the transporter generates a unique EBN.
4. The EBN that is generated on the common portal is shared by the supplier, the recipient, and the transporter.
5. Details of the E-Way bill are sent to the recipient, who must either accept or reject them.
6. The person who is in charge of conveyance must carry a copy of the E-Way bill or the EBN.
7. Verified EBNs must be linked to or updated with posted invoice transactions in the system.

In view of preceding process flow, E-Way bill information must be captured for the following types of transactions:

Outward if the user is a supplier of the consignment

Inward if the user is a recipient of the consignment

When you generate an EBN on the E-Way bill portal, you must provide the following information:

PART A

- GSTIN of Supplier
- Place of Dispatch Vehicle Number for Road
- GSTIN of Recipient
- Place of Delivery
- Invoice or Challan Number
- Invoice or Challan Date
- Value of Goods
- HSN Code
- Reason for Transportation

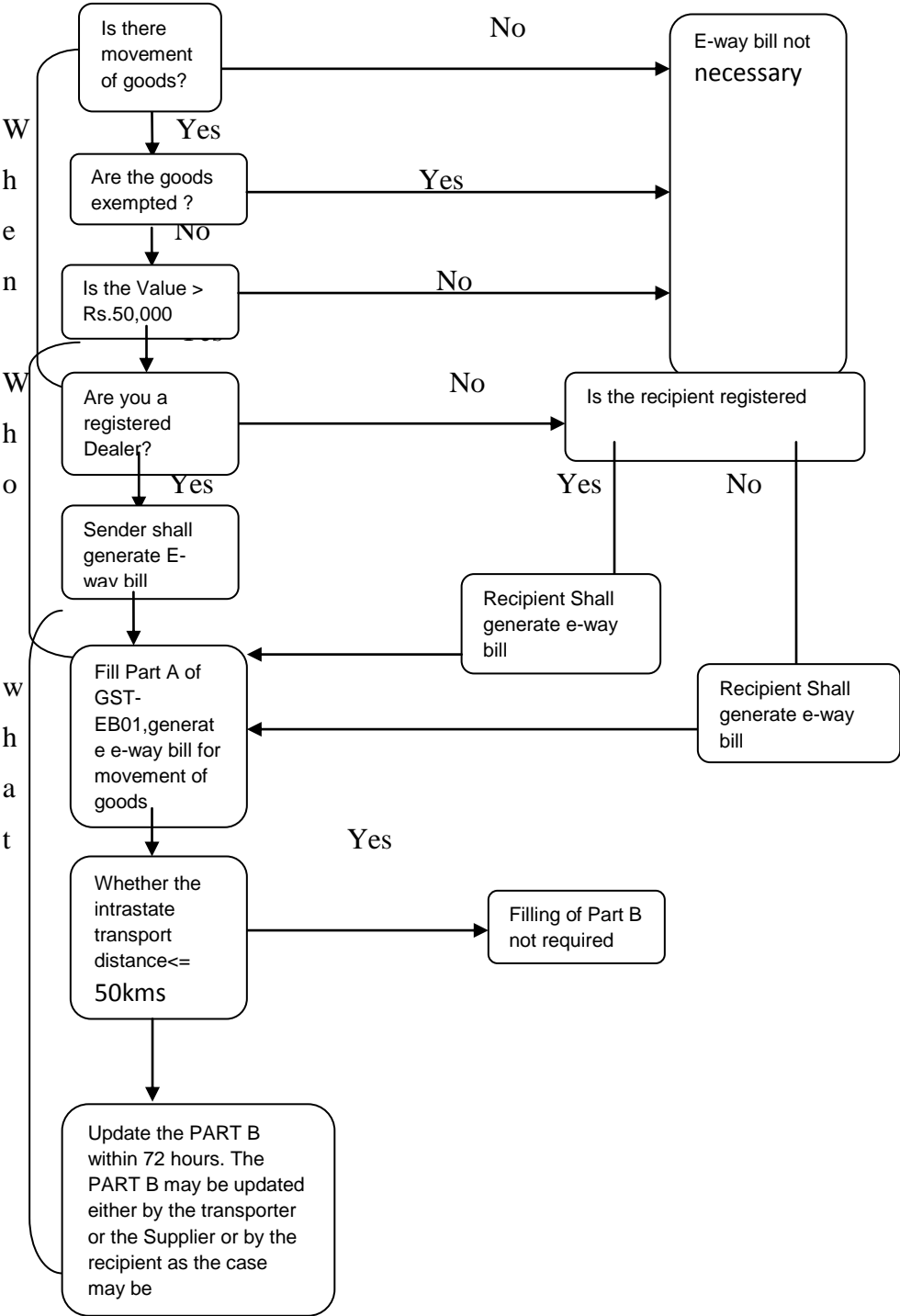
PART B

Supply one of the following values:

- Vehicle Number for Road transport
- Transport Document Number
- Temporary Vehicle Registration No.

E-WAY BILL: WHEN, WHO AND WHAT?

E-Way bill can be generated the from the E-Way bill portal. Every registered person, unregistered person, or transporter can apply for a E-Way portal login ID. One E-Way bill needs to be generated against each invoice. The user must generate different delivery challans against the invoice based on the different Transporter ID. This is because you can't create multiple e-way bills against a single invoice as it will cause a problem in populating the data in the GSTR-1. The following flow chart shows when E-Way bill is generated, who can generate E-Way bill and what is required to fill generate E-way bill.



Source: Compiled by Author from Amended Rule 138 of CGST Rules 2018

An E-way Bill needs to be generated in relation to the following transactions:

- Movement of goods in relation to their supply for a consideration.
- Movement of goods for reasons e.g. sales returns or movement for repair of goods, free of cost supplies, etc.
- Domestic procurement of goods from an unregistered person.
- Import of goods from outside India

The E-way bill (Form GST EWB-01), short form for Electronic way bill, is a document to be generated online under the GST system, when goods of the value of more than Rs.50,000 are shipped inter-State or intra State. The E-way bill must be generated before movement of goods commences.

The transporter has to carry the invoice and the copy of E-way bill as support documents for the movement of goods. He can also carry the E-way bill number, mapped to an RFID (radio frequency identification device), an SMS (electronic form). Check posts have been abolished under GST, a consignment can be intercepted at any point for the verification of its E-way bill, for all inter-state and intra-State movement of goods. If any goods are found without an E-way bill, penalty of Rs.10,000 or tax sought to be evaded, whichever is higher, can be levied. It can be generated by any one consignor, consignee or transporter.

Validity of e-way bill

Less than 100 Km	1 day
More than 100 km but less than 300km	3 days
More than 300 km but less than 500 km	5 days
More than 500 km but less than 1000 km	10 days
More than 1000km	15 days

Source : Amended Rule 138 of CGST Rules 2018

GST levy and the E-way bill were expected to root out such transit delays and at the same time plugging tax evasion. Every E-way bill generated by a supplier, recipient or transporter is to be automatically updated in the outward sales return (known as GSTR-1) of the supplier, leaving little scope for tax evasions on shipments. In the previous tax regime, tax officials had to manually cross-check the way bill with the tax returns filed to verify if all the consignments came within the tax net. There are two types of E-way bills

- 1) Inter-state E-way bill (for movement of goods from one state to another).
- 2) Intra-state E-way bill (for movement of goods within state).

COMPONENTS OF GST

It comprises of

1. Central GST(CGST)
2. State GST(SGST)
Both for Intra-state supplies of goods and services.
3. Integrated GST (IGST) for Inter-state supplies of goods and services and Imports.
4. Compensation Cess for Domestic and Import of goods.

THE STUDY

The present investigation is based on data collection of E-way bills generated and GST Collection for the period April 2018 to March 2020 (24 Months). The data is secondary in nature and collected from News papers and websites.

VARIABLES

The dependent variable under this study is GST collection (revenue) and independent variable is E-way bills generated.

CONCEPTUAL MODEL

This paper examines relationship between two above mentioned variables.

Table1:

Period	NO.of E-way bills Generated	GST Collection in Crores
Apr-18	27996004	103459
May-18	37231666	94016
Jun-18	46765199	95610
Jul-18	44210436	96483
Aug-18	48951124	93960
Sep-18	48114030	94442
Oct-18	53508130	100710
Nov-18	45062425	97637
Dec-18	49978506	94726
Jan-19	51017472	102503
Feb-19	50035853	97247
Mar-19	54908076	106577
Apr-19	52524591	113865
May-19	54274593	100289
Jun-19	49745663	99939
Jul-19	52168892	102083
Aug-19	51222477	98202
Sep-19	52408324	91916
Oct-19	52871132	95380
Nov-19	53386149	103492
Dec-19	55393713	103184
Jan-20	56922653	110818
Feb-20	57185697	105366
Mar-20	40288969	97597

Source: www.gst.gov.in & www.pib.gov.in

Table 2:

Pearson Correlation (r)	0.3208776
Number of Observations(n)	24
t-Test for correlation coefficient (Tr)	1.5890789
Degrees of Freedom (df)	22
P	0.1263116

Source : Author's Calculation

The study finding indicate relationship between independent variable e-way bills generated and dependent variable GST collections as demonstrated by the r value represents correlation value of .321 which indicates a low degree of correlation. The critical value table for t –distribution at 22 degrees of freedom (two –tailed test) was obtained at 2.819 at 1% level of significance. Since the calculated t = 1.589 < 2.819 critical t value at 22 degrees of freedom, the Hypothesis H0 is “No significant correlation between E-Way bill generation and GST Revenue” is accepted. In other words, there is no significant positive relationship between E-way bill generation and GST Revenue.

CONCLUSION & DISCUSSION

GST is a long term strategy planned by the Government and its impact shall be seen in the long run only. E-way bill is one of the major and intelligent digits step towards E-Governance. It is a major threat to the unorganized segment of the Indian economy through transparent documentation process. It would lead to efficient tax system, increased revenue generation and reduction of tax evasion. The study conducted shows that even by implementing the E-way bill mechanism the GST revenues does not rise, low correlation as calculated in Table no.2 is 0.32 which shows that there is a long way to go. The purpose is still not achieved. Problems of No invoicing, Under invoicing, Misclassification of goods in lower tax rate, Triad of corrupt businessmen, corrupt transporters, corrupt tax officials are some of the reasons for the low correlation.

SCOPE OF FUTURE STUDY

Central Government through GST Council is working hard to introduce the measure to increase the GST law compliance. They have introduced the E-invoice system for the assessee who have Turnover greater than Rs.500 Crores. It will cover maximum large manufacturing units. This requirement is along with E-way bill. It may increase the GST collections as expected by the Government. It is expected that the chain of invoicing will continue and help in GST

collections rise. Government will trace the goods through this additional system. In future the study can be conducted to know the effect of both E-way bill and E-invoice system.

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