



E-ISSN: 2789-8830  
P-ISSN: 2789-8822  
IJCLLR 2021; 1(2): 53-57  
Received: 01-05-2021  
Accepted: 20-06-2021

**Majid Alam**  
GST & Income Tax  
Practitioners The Tax Services  
Accounting & Taxation  
Consultancy  
B. COM, BN Mandal  
University, Madhepura, Bihar,  
India

# International Journal of Civil Law and Legal Research

## **GST: A game changer of the Indian economic system with special focus to E-way bill in India**

**Majid Alam**

### **Abstract**

The E-way bill, an accompaniment to the nationwide Goods and Services Tax (GST), has total most as much media attention as the term input tax credit in the last few months. But after being rolled out on February 1, 2018 with much fanfare, the E-way bill has met with the same fate as some of return filings on the GST. It been deferred indefinitely after taxpayers complained of technical glitches that stymied all their attempts to generate it online. The e-way bill trials having begun ahead of a nationwide launch, companies are worried about their preparedness, supply disruptions and the ability of the goods and services tax network (GSTN) to bear the additional load. The e-way bill is a key element of GST but its implementation had been deferred to give companies time to get used to the indirect tax regime, which was put in place on July 1 last year. The e-way bill, which will be required to transport any item worth more than Rs 50,000 within the country, is to be made mandatory from February 1, earlier than scheduled, as per a December 16 decision of the GST Council. It's proposed to be a permit of sorts in electronic format that will contain details of the goods being transported. The early adoption of the e-way bill follows a decline in GST revenue in the past few months amid fears of tax evasion. From a peak of over Rs 95,000 crore a month, GST revenue fell to about Rs 81,000 crore last month but that also follows a lowering of rates on about 200 items of daily use in November to lower retail prices. The e-way bill system was to have been started from April 1, 2018. GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017. In this article, we take a closer look at what is GST and the reason why it is making business and taxes simpler and easier. Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic drinks are taxed separately by the individual State Governments.

India, being a fast developing nation, faces the problem of tax evasion in the significant areas of the economy. A new digital reform part of the Goods and Services Tax implementation in India, named as E-Way bill, has surely become a game-changer in this matter recently. If the states in India could implement it successfully, that would surely have a positive impact on the economic system as the concept of Goods and Service Tax and the Goods and Service Tax Network (GSTN) becomes more transparent and the new digitalization technique renders a number of benefits to the parties involved and protects the interest of the Government. This paper is a conceptual study on the E-Way bill system introduced in India and is done on the basis of secondary data collected from various websites. This study attempts to understand the very purpose behind such a digital movement and how this would transform the logistics industry of the country. The study also focuses on the importance of the system and its current state of operation. The study gives due importance to the analysis of e-way bill system with special reference to the case of Uttar Pradesh. The study found that the mechanism of E-Way bill is an excellent step taken by the Government of India to facilitate transportation of goods, both inter-state and intra-state, avoiding completely the scope for tax evasion. The e-way bill system, to a great extent, renders transparency in the transit of goods and changes the image of the country at large by transforming the methods of verifying and validating the authenticity of the transactions. It had proven that the corruption reduces as the human intervention is eliminated. If implemented properly, e-way bills would have the potential to re-structure the entire logistics industry and bring a revolution in the transportation of goods throughout the country.

**Keywords:** E-Way Bill, GST, GSTN goods and services tax network goods and services tax, nationwide launch, technical glitches

### **Introduction**

The E-way bill, 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 50,000 are shipped inter-State or intra-State. The E-way bill must be raised before the goods are shipped and should include details of the goods, their consignor, recipient and transporter. The transporter has to carry the invoice and the copy of E-way bill as support documents for the movement of goods.

**Corresponding Author:**  
**Majid Alam**  
GST & Income Tax  
Practitioners The Tax Services  
Accounting & Taxation  
Consultancy  
B. COM, BN Mandal  
University, Madhepura, Bihar,  
India

He can also carry the E-way bill number, mapped to an RFID (radio frequency identification device). Though 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 a consignment is found without an E-way bill, a penalty of Rs. 10,000 or tax sought to be evaded, whichever is greater, can be levied. GST laws flexibly allow any of the parties to a transaction – the consignor or the recipient – to generate the E-way bill, provided they are registered. Whether goods are transported on one's own or hired conveyance, by air, rail or road, the E-way bill has to be generated. Where the goods are handed over to a transporter for conveyance by road and neither the consignor nor the consignee has generated the E-way Bill, the transporter becomes liable to generate it. When the consignor or transporter generates the E-way bill, the recipient for the consignment has to either accept or reject it on the portal. If no action is taken by the recipient in 72 hours, it shall be taken as accepted.

E-way bill is a compliance mechanism conceptualized by the Goods and Service Tax Council headed by Shri Arun Jaitley, the Union Minister of Finance & Corporate Affairs. In the 24th meeting of the GST Council it was propounded that the E-way bill system will be implemented for inter-state transit of goods from 1<sup>st</sup> February, 2018. Under this scenario understanding the implication of e-way bill in our country is crucial. A way bill is a document issued by the carrier, relating to the details of the shipment of goods. Therefore an e-way bill or electronic way bill is an electronic document produced, containing details regarding the consigned goods for transit prior to the commencement of movement. Under rule 138 of the CGST Rules, 2017 "information is to be furnished prior to the commencement of movement of goods" and "is to be issued whether the movement is in relation to a supply or for reasons other than supply". An e-way bill can be generated using the GST portal with the help of GST Network or GSTN. An e-way bill should be furnished either by the consignor or consignee if he/she is consigning goods of value more than Rs. 50,000. E-way is considered as an effective tool to track movement of goods and check tax evasion. Therefore in view of this present scenario our study intends to throw light on the concept of e-way bill, its implication on our economy and its effective implementation with reference to the case of Uttar Pradesh.

### **Importance of the study**

E-way bill is an electronically generated document which is required to be generated for the movement of goods of more Rs.50000 from one place to another. The e-waybill under the GST regime replaces the way bill which was required under the VAT regime for the movement of goods as the waybills obtained from VAT authorities are notorious for restricting movements of goods across states. This study is to understand the concept of e-way bills and its implications and the effective implementation in the Indian economy. This paper also analyse the effective implementation of e-way bill by Uttar Pradesh. Research methodology this study is intended to throw light on the concept of e-way bill, its implications on our economy and its effective implementation with reference to the case of Uttar Pradesh. The data is collected from secondary sources such as newspapers, books and websites which focused on various

aspects of e-way bill **OBJECTIVES** To understand the concept of E-way bill. To study the functioning of E-Way bill mechanism. To understand the implications of E-way bill in the Indian Economy. Study on effective implementation of E-way bills system by the state of Karnataka.

### **Analysis**

#### **Concept of e-way bill**

Way bill is not a new concept at all instead existed, before GST regime came into existence, under the VAT regime in the name of Way bill or road permit, etc. But the same was applicable only in the case of inter-state movement of goods, whereas in the GST e-way bill system, both inter-state and intra-state transportation of goods are considered. Earlier, in order to verify the bulk transport, it was made compulsory to carry delivery note, along with the consignment, issued by the VAT offices. At the end of every month, the tax payer concerned should submit the statement of forms issued till date to the authority concerned. The implication under this system was that the system would ensure systematic recording of transits he/she has come across. But the system was found inefficient since the forms were maintained in duplicate by the taxpayers

#### **GST's e-way Bill System can Hit Flow of Goods**

When GST went live on July 1, it was announced that the facility for online generation of e-way bills would be notified later. Over the first few months of the GST's implementation, many technical issues came up, forcing the GST Council to further postpone mandating e-way bills. As with all other major GST concepts, it was announced that the e-way bill system would be introduced by March 31. After the recent meeting of the GST Council, it was announced that all inter-State movement of goods worth over Rs 50,000 and those that travel more than 10 km from their origin would be tracked for e-way bills with effect from February 1. Individual States would need to notify their e-way bill rules by June 1. Some States (eg: Karnataka) already have a robust e-way bill mechanism while others would toe the line drawn by the GST Council.

#### **Purpose of E-Way Bill**

E-way bill is a mechanism to ensure that goods being transported comply with the GST Law and is an effective tool to track movement of goods and check tax evasion.

#### **Enforcement**

The Commissioner or an officer empowered by him in this behalf may authorize the proper officer to intercept any conveyance to verify the e-way bill or the e-way bill number in physical form for all inter-State and intra-State movement of goods. The physical verification of conveyances may also be carried out by the proper officer as authorized by the Commissioner or an officer empowered by him in this behalf. Physical verification of a specific conveyance can also be carried out by any officer, on receipt of specific information on evasion of tax, after obtaining necessary approval of the Commissioner or an officer authorized by him in this behalf. A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of FORM GST EWB-03 within twenty-four hours of inspection and the final report in Part B of FORM GST EWB-03 shall be recorded within three

days of such inspection. Once physical verification of goods being transported on any conveyance has been done during transit at one place within the State or in any other State, no further physical verification of the said conveyance shall be carried out again in the State, unless a specific information relating to evasion of tax is made available subsequently. Where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in FORM GST EWB-04 on the common portal.

### **E-Way Bill and Small Scale Industries**

Road transport in India is a crucial part of the country's transport and logistics industry. With a 10% annual growth every year, the sector has reaped the benefits of rapid expansion in the automobile industry, changes in taxation, and the boom of the e-com sector which relies on logistics for pan-India service.

### **Effects of E-Way Bill on the Economy**

Logistical speed-breakers cost the Indian economy an extra \$45 billion or 4.3 per cent of GDP every year, a McKinsey report says. Therefore, any change in the system that brings about even small benefits is to be welcomed. If you are a retail investor in the shares of manufacturing companies, remember, seamless shipments perk profits and returns. The LPI Survey by World Bank in 2014 put logistics costs at 14 per cent of the total value of goods in India, while it is only 6-8 per cent in other major countries. The GST E-way bill combination was expected to trim logistics costs by 20 per cent. While all this looks pretty good on paper, it is contingent on the GST backbone working flawlessly to root out errors and mismatches, even when deluged by traffic.

### **Effects of E-Way Bill on Consumer**

Thanks to the Goods and Services Tax (GST), most states have dismantled border check posts, a step that improved supply chain efficiency and could potentially reduce cost of goods for the consumer. But the e-way bill mechanism, effective October 1, could dent these prospects until a well-equipped technology system evolves and small businesses, vendors and transporters also assimilate it, feels the industry. The objective of the e-way bill is to enable the taxman to track movement of goods and thereby ensure that the state, where the sale takes place, gets the tax revenue. An e-way bill will have to be generated on the common GST Network portal for goods worth more than '50,000, either by a registered person or the transporter the validity of the bill will depend on the distance that the goods are to travel. Though the government has addressed some of the concerns of the industry - instance, it allowed deemed acceptance of the goods 72 hours after the bill is generated – the industry still feels that the system could prove to be cumbersome. For

### **GDP Forecast**

At another level, he felt that GST would make GDP forecast for more credible. Every transaction is likely to get accounted under the GST regime. Every trader will have to account for the purchase and sale. This will make for a more credible GDP figure also; cascading of tax at different points will be less because of input tax credit. And, all the input tax credit cannot be falsified. This will drive towards better discipline, genuineness and transparency, he said. To

a question, he said that the real estate sector had faced a number of challenges. The unapproved land issue in Tamil Nadu, the short-term negative e poor understanding of RERA (Real Estate Regulation Act) - the sector impact of demonetization, the was grappling with too many things. All of these have resulted in a temporary setback for the industry. Real estate sector has to reorganize itself in line with the RERA requirements. With the implementation of RERA, that contains some harsh measures, many small-time builders could disappear or they could merge with the larger ones. Choice will then be between the few big builders. In the longer-term, RERA would bring lot of confidence to buyers in terms of discipline. GST could result in a price increase in the housing sector, he said. Nevertheless, he admitted that there could be a buyer resistance.

### **GST**

E-way bill to help Monitor Interstate Movement of Goods After healthy collections in the first three months, tax receipts in October had dipped by about 10% compared with September. Finance Minister Arun Jaitley had said that the introduction of the e-way bill system would help prop up revenue collections, hinting it would enable the government to track tax evasion far better. There are future stages GST invoice matching, e-way bills now that's going to really make sure that evasion becomes all the more difficult. The Council has already taken some decision with regard to some time frame for the e-way bills itself that itself will help in bumping up collections somewhat. Till such time as National e-way bill government said in a statement. However, it was represented by the trade and transporters that this is causing undue hardship in interstate movement of goods and therefore, bringing in an early all India system of e-way bill.

Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic drinks are taxed separately by the individual state governments.

### **Impact of Implementing e-Way Bill in Its Present Form**

The provisions of e-Way Bills as per 'e-Way Rules' have certain significant provisions impacting the industry and the transportation and logistics sector.

- E-Way Bill needs to be generated for every consignment exceeding INR 50,000 in value, subject to certain exemptions. Previously, the Goods and Services Tax Network (GSTN) portal struggled to cope up with the increased traffic during return filings. The addition of e-Way Bill system to the portal without adequate strengthening of the back-end infrastructure may result in further delays and difficulties for businesses.
- A certain class of transporters may be required to embed a unique Radio Frequency Identification Device (RFID) on their conveyance and map the e-Way Bill to the RFID. This will result in additional cost for the transporters and there is a possibility of raising queries and harassment by the authorities on any anomaly or digression noticed.
- E-Way Bill once generated will be valid for one day where the goods are to be transported for a distance of up to 100 kilometres. The validity period will increase by one additional day for every additional 100 kilometres or part thereof. Considering the deficient transportation infrastructure in most parts of India, this

validity period appears unrealistic and many assesses may find themselves renewing the e-Way Bill frequently, increasing the compliance burden.

- The e-Way Bill rules empower the Commissioner to authorise interception of any conveyance to verify the e-Way Bill. Such a significant power to the Commissioner contradicts the government's commitment to abolish check-post system and can potentially result in harassment from tax officials.
- All accepted e-Way Bills will be reconciled automatically in GSTR-1 during return filing. This will curb the black economy as transportation of goods without a valid invoice and raising of tax invoices without actual movement of goods will no longer be possible.

### **Compliances Associated with E-Way Bills**

Compliance has been the bane of the Indian logistics industry for a while now. The waybills obtained currently from VAT authorities are notorious for restricting movement of goods across states. While e-way bills should help in free-flow of goods, it does not mean that transporters do not need to follow rules anymore. The CBEC has already released a detailed guideline on the use of e-way bills which list out the following compliances:

1. A new e-way bill must be generated whenever the mode of transport of a consignment is changed.
2. When more than one consignment is transported across state borders, the serial number for the e-way bill associated with each consignment must be indicated on the common portal.
3. E-way bills generated for goods not transported must be cancelled within 24 hours. They cannot be cancelled if verified during transit.
4. Recipient of the consignment must accept or reject the bills. The system will assume the bill has been accepted if no alternate communication is provided within 72 hours.
5. The person-in-charge of the conveyance must carry certain documents such as the invoice or bill of supply for verification.
6. The transporter can also carry the details of the e-way bill on a RFID device (Radio Frequency Identification Device).
7. Physical verification of the consignment can be done if there is any 'specific information' relating to tax evasion or any other malpractice. Otherwise, goods once verified can continue unimpeded through the rest of the journey.
8. Verifying officers would need to submit a summary of inspection within 3 days of verifying a consignment.
9. Transporters will have the right to upload queries on the GSTN portal if their vehicle is detained for more than 30 minutes without valid reason.
10. E-way bills will be valid only for certain period of time.

### **Impact the Industry**

On the face of it; the rules for e-way bill compliance do look really easy to follow. The fact that it can all be done online aligns well with the dream of a digitised economy. But realistically speaking, ensuring that every transporter - especially in the smaller towns - knows how to use the GSTN portal properly will be a headache for the government. Internet connectivity in India, especially while

on the go, is also an issue so there is no guarantee that transporters will be able to use the GSTN portal to address their grievances (If any) while on the road. The same goes for the RFIDS and RFID readers. The idea of an automatic mode of verification for transport vehicles at major checkpoints seems very ideal, but ensuring this delivers may be difficult. Let us also look at what this means for the e-com industry. The rules say that a fresh e-way bill must be generated every time the mode of transport is changed. E-com retailers use several modes of transport to ensure that goods reach their required destination from the warehouse or the manufacturer's location. A shipment from Kerala can be transported by a goods truck till a warehouse in Delhi, and then a bike courier could be employed to deliver the product to the customer's doorstep. E-com retailers can potentially end up generating a large number of bills for every shipment due to this reason. Many a times customers end up cancelling orders even while the goods are in transit, or return goods already purchased. Fresh e-way bills have to be generated each time this happens. E-com retailers who use third party logistics will be able to generate e-way bills only when the transporter also uploads details on the GSTN, which can cause potential delays in shipment.

### **Finding**

E way bill is one of the major digitalization movement put forth by the Government of India. It is in its implementation process and not yet been established in majority states of India. So its success rate is not predictable. The system can be considered an intelligent step towards E-Governance. It poses a major threat to the unorganized segment of the Indian economy through more transparent documentation processes and tax payment system which is being undertaken by way of E-way bills. E-way bill results in a smooth and efficient transportation system and paves way to a more systematic and developed logistics industry. The mandatory enrollment in E-way bill portal ensures elimination of tax evasion. In the case of Karnataka, the simplicity in their rules and regulations made the scheme easily implementable and adaptable among the users. The earlier existence of a similar system, E- SUGAM, made the transition to GST E-way bill more consistent.

### **Conclusion**

The system of E-way bill, being an intelligent digitized step, will become the game-changer of the Indian economic system. Though its simple and time-bound process, the system will prove to be a transformer of the overall logistics scenario in India. If the system is effectively implemented throughout the nation, it would result in a more organized and efficient tax system, which would in turn result in the country's development in terms of revenue generation and reduction of tax evasion. Rather than judging the system with political biases, we should try to see the future prospects that the system would bring to the nation in the long run and should work together to make it an effective system that would contribute to the overall development of our country, India.

The e-Way Bill system has inherent complexities associated with it and a rushed implementation without adequate preparation on the part of authorities and the businesses can be catastrophic. However, a nationwide e-Way Bill system will be an effective tool in the hands of the Revenue to curb tax evasion. An effective e-Way Bill mechanism

complemented by co-ordination between various departments of the government has the potential to restrict the black market economy by making businesses accountable for every invoice raised and every movement of goods caused. Both GST and demonetization were to formalize the economy and expand the tax base, but considering the fact that India has a large expanse of micro, small and medium enterprises that generate a significant portion of employment, these moves have affected these clusters' existence, leading to job losses. In some of these clusters, tax arbitrage was the reason for their competitiveness and existence, and with GST attempting to formalize these sectors through processes like invoice matching, e-way bill and reverse charge, there will be some collateral damages in the interim. But that's a pill we will have to swallow to expand our tax base, e-way bill and reverse charge, the e-way bill provisions aim to remove the ills of the erstwhile way bill system prevailing under VAT in different states, which was a major contributor to the bottlenecks at the check posts. Moreover different states prescribed different e-way bill rules which made compliance difficult. The e-way bill provisions under GST will bring in a uniform e-way bill rule which will be applicable throughout the country. The physical interface will pave way for digital interface which will facilitate faster movement of goods. It will be some collateral damages in the interim. But that's a pill we will have to swallow to expand our tax base. bound to improve the turnaround time of vehicles and help the logistics industry by increasing the average distances travelled, reducing the travel time as well as costs.

## References

1. Garg Girish. Basic concept and features of GST in India. 2014.
2. Kelkar Vijay, *et al.* Report on implementation of the fiscal Responsibility and Budget Management Act 2003, Ministry of finance, Government of India, New Delhi. 2004.
3. Khan MA, Shadab N. Goods and Service Tax (GST) in India: Prospect for states.
4. Ministers TE. First discussion paper on good and service tax of India, New Delhi. 2009.
5. Agarwal S. A Complete Guide Goods and Services Tax. Mumbai: Bloomsbury. Kelkar, N. (2017, July 2). Rockey Start. The Week. 2016, 52-54.
6. Patrick M. All Eyes on GST: How will Kerala benefit? Retrieved from Kochi Post. 2016 Aug 9.
7. Sebastian J. Goods and Services Tax: Rationale, Relevance and Implications for India's Fiscal Federalism. Thiruvananthapuram: ISDG. 2016.
8. Tax C. Cear Tax Guru. Retrieved from [www.cleartax.com/gst](http://www.cleartax.com/gst)
9. Datey VS, GST Ready Reckoner. Taxmann, 4th Edition. 2017.
10. Abhishek Rastogi A. Professionals Guide to GST - From Ideation to Reality, Lexis Nexis
11. Nitya Tax Associates, Basics of GST, Taxmann, 1st Edition. Girish Garg, Basic Concepts and Features of Good and Service Tax In India, International Journal of scientific research and management (IJSRM). 2016 Aug 2.