ONE-STOP DESTINATION FOR TAXMAN AND TAXPAYER

Corona-tailored hugger-mugger - Are we not anxious to leave 2020 in dust!

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COVID-19 has cut a deep trench through the year gone by. And it created a frigid fog of thick uncertainty on all fronts of human life! Pandemic-bludgeoned civilisation has witnessed the abyss of Dickensian conditions as well as comic characters and is now visibly desperate to switch over to a new leaf if not the one left behind prior to the outbreak! All of us are anxious to leave 2020 in the dust. But before we barrel onwards, let's take a look back on what happened in taxation sphere and how our policy-makers really dealt with the dumpster fire!

This Column had reported through (Cob(Web)-692 on January 2, 2020 - Taxation - Many vexatious issues get carried forward to 2020!). One of the issues was the blazing trail of ITC scamming through fake invoices. I had commented that going by the deepening trenches being dug in the treasury, life of India Inc may turn tougher in 2020! I had observed that

"... though e-invoicing is going to be implemented to keep an eye on genuine invoices but one cannot rule out many other administrative measures to deal with this menace ..."

And a bucket of punitive measures have recently been notified. With the number of ITC scams zooming past 12000 and over 365 persons, including a woman and Chartered Accountants, being arrested, the policy makers did not know how to deal with the soaring spirit of careless frivolity where all was hugger-mugger in the economy! Taking a chilling dip into the dark side of the on-going nationwide racket, the North Block has hastily amended Rules through Notifications NosÂ 92,Â 93Â andÂ 94
, dated December 22, 2020. Amendment to Rule 21A is a step towards systemic tightening of new registration by identifying fake dealers. It is hoped that capturing of Aadhaar data may act as scarecrow for fly-by-night operators. New Rule 86B scissors the liberty to use ITC and now warrants minimum one per cent payment through cash ledger. Every GST expert in the economy knows that Rule 86B necessarily chums up with Rule 36(4) which has been amended to further cap ITC at five per cent. Undoubtedly, all these stern policy prescriptions have eerie implications for honest taxpayers who have seemingly welcome them with toothy grin and largely believe that our policy makers have unfortunately behaved like 'heedless carousers' on the streets! (Also read Cob(Web)-693 -

GST - Preventing Frauds - Media is double-edged Sword, use it wisely! & Cob(Web)-695 -

GST Bureaucracy needs to develop the Art of Listening! & Cob(Web) - 696 -
Budget 2020 - My expectation from FM - A roadmap for non-adversarial tax regime!)

In February month in Cob(Web) - 698
, I had highlighted how North Block watches as GSTN plays havoc with PM's historic reform! My unfettered outbursts had described the GSTN as a 'dark charade'! My ranting did not stop and termed the technology platform as a continuing agent of chaos which may end up tarring Mr Modi's legacy! North Block mandarins were also not spared for letting the tantrum of GSTN CEO run its full course! My slingshot was in response to avoidable court cases on procedural inconvenience grounds and the resultant canyon of trust between the Govt and the taxpayers. Pachydermic approach of the GSTN had hugely impaired public perception about the abyss arising out of the historic reform! After 10 months, I am happy to report that several timely steps were taken, including putting a bureaucrat-turned-technocrat at the helm and mid-course gentrification has earned back the trust of the repelled taxpayers drenched in grief! GSTN new administrative layer has righted many wrongs and has honed the art of running elbow-to-elbow with the rules-amending bureaucracy in the North Block! Let's all heave a sigh of relief and look forward to timely online as well as offline tool-kits developed by the GSTN with nerdish passion for flawless facilitation!

In the early weeks of the month of March, I had, to deal with COVID-19, urged the GST Council to brace up for relief package (See Cob(Web) - 702 & 703 - Shrinkonomics - GST Council forfeits chance to race ahead of COVID-19!
). My wish was to see the GST Council cresting to a point of being a foresighted and forward-looking recommendatory policy-making body! But, like most public policy institutions, the Council hewed to the mundane and insipid standards! I had wished that it would have paid attention to what Winston Churchill had once remarked -

"In wartime, truth is so precious that she should always be attended by a bodyguard of lies."

COVID-19 has ungraciously proven that it is deadlier than any war this world has fought in its history! And the Council could have demonstrated its pro-economy intent (the truth) surrounded by a hoopla and attended by a bodyguard of lies in terms of relief measures to be unfolded if the Government fails to bend the epidemic curve downward! The fact that no government in any country, including the USA, would ever admit any failure to curb the surge of coronavirus, the GST Council should have at least deliberated on broader contours of a possible relief package which would have helped positive sentiments in the economy. After all, deception is a proven art during 'wartime' and all militaries of repute do practise it to bamboozle enemy forces!

Yet another GST-related issue which ignited fire in the federal ring was that of compensation to States. I had reported in the Cob(Web) - 723 that Compensation Cess had turned into poisoned chalice for States. The 'State-actors' roared to the throat of the Union of India after the Centre, relying on the AG's opinion, made it clear that it would not compensate for the losses arising out of the pandemic! Reacting to the curveball with griping pain, many State Finance Ministers cast stripes of long shadow over the very basic structure of cooperative federalism. A few of them conspired to knock at the doors of the highest judicial form and called for immediate holding of the GST Council's meeting. Using weird algorithms the Central bureaucracy came out with some statistics - projected shortfall in the compensation kitty and the losses arising out of the raging pandemic. The States questioned the very stomach of the computation. Several Chief Ministers, struck hard on their rickety financial conditions by COVID-19, directly wrote to the Prime Minister and the North Block was turned U by the sweep of political hollering. The Union Finance Minister came under pressure from a panoply of several actors and caved in favour of the States.

On the international taxation front, I had reported in Cob(Web) - 733 that the impasse over digital tax would cast a fresh bout of trade war over the global economy. Taxing digital businesses has triggered many bouts of geopolitical clashes between the USA, home to mega tech players like Google, Facebook, Apple and Amazon, and the EU. Frustrated by the inordinate delays over finalising the roadmap as part of the OECD's BEPS Project, several EU and non-EU countries, starved of much-needed revenue during corona times, had come up with their own taxes on digital services. The Trump Administration harshly avenged such moves and the entire fiscal battle metamorphosed into mini-trade war. Though the EU move has got tacit support of many developing countries like India and digital businesses have registered abnormal acceleration during the COVID-19 months but a direct horn-locking has been averted. A new deadline has been fixed for the OECD to broker a compromise on this issue and the OECD seemingly pins high hopes from the Biden Administration but it has the potential to remain a high-octane controversy for several years to come!

Though there were many other important and elbow-gripping events during 2020 but this Column would be incomplete if I fail to talk about the loss of Pranab ***Da*** - The Gulliver of Indian Taxation (See Cob(Web) - 727). Despite coronavirus, discord and dysfunction all around, Pranab ***Da*** was an unmitigated source of wisdom and advisory even for the Modi Government. His experience drizzled with magical realism was indeed a source of strength for the Indian Republic, not only on the issue of taxation but also exemplary cooperative federalism. Wisdom accumulated out of his long political inning was a cushion of comfort for all political leaders cutting across the party lines. At this delicate hour of a border stand-off with an unruly and expansionist neighbour, India would not have missed him more! Let's look forward to 2021, laced with sanity and delightful news on taxation front!

Wishing All TIOL Netizens a Very Happy New Year!