

GST is so good...

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By Vijay Kumar

I was very happy to read the following: Â

GST, India's biggest tax reform, was launched with the objective to streamline taxation and reduce compliance burden. Â

Since its launch, the country has witnessed digitisation in tax compliance and improved supply chain efficiencies. Â

It is a tax regime founded on a technology-based monitoring system with e-returns, e-invoices, and e-way bills. Â

It is also vital to recognise the effectiveness of the centre-state collaboration under the auspices of the GST council, which has ensured policy implementation uniformly across states. Â

In addition to unifying indirect tax methods, GST was introduced to build an end-to-end, technology-based tax ecosystem to lower compliance burden on businesses and improve the EoDB while also curbing tax evasion. Â

The government's continued adoption of progressive concepts, such as e-invoicing and establishing GSTN, which is trans coded with advanced analytical tools to leverage taxpayer data, has resulted in positive outcomes for businesses and tax authorities. This move has also increased transparency and controlled tax evasion. Â

The government is progressively updating the reporting and compliance processes using emerging technologies and automating key areas. Â

About 38 percent industry professionals believe that the recent digitisation efforts by the government have been helpful while 57 percent are of the view that it was partially helpful. This is perhaps in anticipation of the long-term plan to introduce fully automated return filing. Â

Perhaps due to the multiple changes in return filing formats and their contents over the past five years, GST has also ushered and hastened the process of tax ERP automation. This leads to efficiencies in data management, compliance, and analytics. Â

In May 2022, GST collections crossed the INR 1.4 lakh crore mark for the fourth time since the inception of the law. This achievement indicates that the economy is showing signs of bouncing back after the pandemic and the overall positive outlook for businesses. Â

Responses indicate that the removal of cascading effect of taxes has positively affected pricing and cost of goods and services to end consumers. The country has also not witnessed an unprecedented increase in price of goods and services as was feared at the time of implementing the new taxation regime. Â

Uniform taxation across the country and removal of state barriers have also helped companies optimise their supply chain. Â

The government's ongoing initiatives have revolutionised the GST landscape. The industry has backed the government through its substantial policy reforms and technological improvements. Â

The automation of tax compliances has been a big win. It has brought about major synergies and efficiencies compared with the erstwhile regime, following the introduction of a 'one-stop-shop' portal (GSTN) to ensure compliances under GST. Â

About 59 percent leaders have acknowledged the government's efforts in proactively issuing instructions and clarification, and streamlining processes, etc., where necessary. This has helped avoid unnecessary pile up of litigation and unending disputes. Â

Data analytics: GST helps provide a plethora of data that can help with data analytics and better decision-making for leaders. Â

The tax structure of GST enforces self-monitoring and compliance by the entire value chain, with raw material to retail under a single system. Â

If GST is so good, what are we crying about? Of course, just like with every good system, there are a few irritants, which only go to prove that the system is working well. Â If you don't understand this simple concept, you don't understand GST.

### **Key challenges to be addressed** Â

Changing tax regulations/interpretations, including contrary views by authorities, is the top issue faced while complying with the GST law. There is also lack of uniformity in the manner in which information/ data are sought across states, resulting in duplication of efforts and delay in the closure of proceedings. Â

Industry experts from the consumer, technology, life sciences and healthcare sectors also ranked dual investigations by multiple tax authorities as the highest cause of concern. Â

The process of matching and reconciling ITC claims with auto-generated input tax credit data has increased the onus on recipients and enhanced the risk of ITC disallowance in their hands due to default of their suppliers. Â

Multiple state-level audits of taxpayers and cross-empowerment have led to increased operational complexities and litigation for taxpayers. Â

Challenges in functioning of the advance ruling mechanism: Divergent rulings and absence of standardisation in rulings have also posed a major hurdle in making tax decisions for industries under the GST regime. Â

While the positives of GST implementation are many, some ground still needs to be covered as far as implementation efforts go, especially to ease burden of taxpayers during audit/investigation proceedings. Â

With petroleum outside the ambit of GST, a large part of the economy is still outside the tax net. Rationalisation of tax rates and expansion of the GST net also feature in the top five asks of leaders. Â

Digital satisfaction levels are perhaps lower for MSMEs in comparison with large and very large corporates due to the restricted availability of resources. Â

While a majority of the industry professionals ranked overall input credit management vis-à-vis GST rules as the top issue in complying with GST laws, professionals in the consumer sector and MSMEs ranked 'keeping track of changing tax landscape and developments as the top issue. Â

GST litigation still in nascent stage: While significant improvement in technology enabled compliance has taken place, different types of disputes under GST continue to arise given that we are still in the nascent years. Â

Delay in setting up the GST tribunal: Setting up the GST tribunal has also seen an inordinate delay. This is resulting in inconveniences to the extent that even for disputes where companies could have expected relief at the first appellate authority, they are forced to approach high courts (that increases their cost of litigation and the efforts involved). Â

Change in mindset and relook at reforms: The government also needs to strike a balance between implementing revenue augmentation measures and ensuring EoDB for taxpayers. A change in mindset, coupled with a hard look at some of the regressive provisions, including powers of *suo moto* suspension, will go a long way in providing the further thrust to the Indian economy. Â

The government could consider evaluating the introduction of faceless assessment in the GST regime to reduce the interaction between taxpayer and tax official during audits and assessments. This will not only make arbitration and scrutiny by tax authorities more transparent but also reduce tax evasion. Â

Need for increased focus on EODB: A majority of experts agree that there needs to be an increased focus on EODB measures, including increased uniformity in the application of the law across states, resolution of dual investigation by the centre and states, and a dispute resolution mechanism to resolve conflicting rulings by states. Â

Expanding the GST net: With petroleum and real estate outside the ambit of GST, a large part of the economy is still outside the tax net. Bringing these sectors within the purview of GST will add to the credit fungibility and reduce cost of goods and services to consumers. Â

Dispute resolution and litigation management: Setting up of the GST tribunal and evaluating a pan-India dispute resolution mechanism for companies to address situations of differing views between states as well as between the centre and the state will go a long way in setting up an integrated redressal mechanism under GST on disputes and help expedite closure of GST matters. Â

Well, who gave us the above wisdom? It was from a survey by Deloitte. In its press release, Deloitte stated,

Giving a thumbs up to the GST regime, 90 percent Indian CXOs across key sectors have backed this dynamic and technologically driven indirect tax regime. Industry leaders are of the view that 'one nation, one tax' reform has certainly brought down barriers across the country and made doing business easy and effective for both businesses and taxpayers. The GST regime has also positively affected the prices and costs of goods and services to end consumers, along with helping companies optimise their supply chains.

It was this 90 per cent acceptance that the Finance Minister mentioned in the Lok Sabha on 1st August 2022. She said that the survey showed,

ninety per cent of Indian industry leaders feel that the GST has made doing business easier by bringing down barriers across the country.

She assured us in Parliament that

There is no GST on crematorium, funeral, burial, or mortuary services .

**Until Next week**