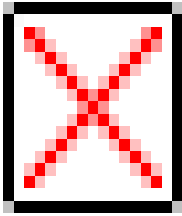


Use DIN to Reform GST Administration

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Tax Administrations in GST Regime have distorted and defeated the principal objective to guide the stakeholders for a unified GST in India by their unorganised approach. For the GST system to be successful, the total focus should be to provide (i) the common and unified legal framework for levy and collection of taxes, (ii) Procedures enabled through common portal for voluntary compliance by the Registered Persons and (iii) e-driven administration duly equipped with the ability to manage the data at the backend to detect tax evasion and to take timely, uniform, and transparent steps to safeguard Revenue without interfering in the day to day activities of the Registered Persons. As on date, the efforts to provide the common legal framework is moving in the right direction as it is driven by the feedbacks received from all the stakeholders being positively accommodated by the GST Council. The second purpose has been advancing well as the GST Network is adopting professional and user-friendly approach to facilitate the registered person for timely compliance of the front-end activities.

But as far as providing e-driven administration for fair tax management at the backend, the administrations are not making unified efforts that has totally let down the GST system. When real time data like e-way bill and e-invoice are available, the tax administrations have failed to take timely action to detect and prevent evasion in the early stages. Belated uncovering, followed by prolonged legal route to demand and recover the tax evaded by the authorities has only encouraged the fraudsters to manipulate their activities. Most of the administrations lack technological infrastructure and skilful manpower to undertake quick remedial action. The data received at the backend is not processed on day-to-day basis to detect the fraudulent players at an early stage. There is lack of concentrated efforts by the authorities, which has allowed the fraudulent activities by criminals to flourish. Further, the safeguard functions, later to the filing of returns, like scrutiny, audit, demand, prosecution etc., are not carried out in a uniform and transparent way as there is no digital back-end system developed to support and monitor such a function in an effective manner. The law and procedures as prescribed in the Acts /Rules are violated by the administrations time and again, as the various judicial pronouncements indicate. There is no proper combined monitoring system in place to carry out all the above-mentioned activities in a holistic and time bound manner.

The scrutiny of a return has to be based on a sound foundation with proper methodology and standard operating procedures. The Centre and some states have come out with such solutions independently, prescribing different norms and procedures thereby defeating the purpose of unification. Similarly, as there is no common or separate digital system evolved so far to carry out the functions of scrutiny, audit and demands etc., the executives continue to employ their own invented methods for conducting these functions. The article titled '[Non-uniform Implementation of Unified GST](#),' by the author could be referred for more inputs on this.

It is distressing to state that the officials themselves are not aware of the effective method they should adopt in the GST regime, as there is no support system evolved to manage, monitor, and administer the above stated functions which are essential for a successful self-assessment and voluntary compliance regime. Even after five years of implementation of GST, the administrations have not made much progress in this direction and thereby the GST system has got distorted. It is no more a simple and uniform GST as each administration is adopting divergent procedures and practices. The taxable person must understand the procedure followed in his jurisdiction and act accordingly to avoid the wrath of the jurisdictional administration. If the entity is spread across many jurisdictions, then it is becoming impossible for them to attend to the different legal requirements of each of the administration.

The above situation could be understood better with the example of implementation of DIN by the tax administration. By issue of circular No. [122/41/2019-GST](#)

dated 5th November 2019, the generation and quoting of eDIN on a communication issued by the officers of the Central GST and Central Excise and Service tax authorities to taxpayers and other concerned persons have been made mandatory with effect from 8th November 2019. As it was implemented by CBIC on its departmental platform, there was no such initiative taken by the state administrations, but for two states, Kerala & Karnataka. In the GST regime the Governments and the Council are always aiming at driving transparency in all its e-governance functions and eDIN embedded communication is a welcome step in this direction. The communications from central administration had DIN, which enabled the Registered Person to check the authenticity. As, like e-way bill and e-invoice, DIN is not hosted through the common portal, states did not attempt to provide this transparent measure. This caused huge hardship to the Registered Person as there was no way to find out the genuineness of the action by such administrations. The request to GST Council to implement this system across the GST realm did not receive favourable attention. In this regard the article [DIN tagged communications in Tax regime, dated NOVEMBER 18, 2019](#), may be referred to.

This deficiency in administration of GST was brought to the notice of the Supreme Court of India by way of a Public Interest Litigation under Article 32 of the Constitution of India, by Mr. Pradeep Goyal, a Chartered Accountant. The petitioner prayed for an appropriate writ, order, or direction to the respondents i.e., the respective States. It was prayed to direct the GST Council to take necessary steps to implement a system for electronic (digital) generation of a Document Identification Number (DIN) for all communications sent by the State Tax Officers to taxpayers and other concerned persons. It was further prayed to direct the GST Council to consider and take a policy decision in respect of implementation of the DIN system by all the states. It was argued that implementing a system for electronic (digital) generation of a DIN, will usher in transparency and accountability in the indirect tax administration and may prevent any abuse by the Departmental Officers of pre-dating communications and ratifying actions by authorizations subsequently made out in the files. The implementation of the DIN system is in the larger public interest as the objective of it is to bring in transparency and accountability in the indirect tax administration.

After due consideration of the arguments the Honourable Supreme Court [\[2022-TIOL-66-SC-GST\]](#) disposed of the petition by directing the Union of India / GST Council to issue advisory / instructions / recommendations to the respective States regarding implementation of the system of electronic (digital) generation of a DIN in the indirect tax administration. The Court required the concerned States to consider implementing the system for electronic generation of a DIN for all communications sent by the State Tax Officers to taxpayers and other concerned persons to bring in transparency and accountability in the indirect tax administration at the earliest. To implement this system across all administrations, is it not wise to host such a combined tool on the GST platform so that all administrative agencies could uniformly use? By doing so, the transparency and accountability of all communication could be centrally achieved and digitally managed to usher confidence in the minds of the Registered Persons.

Further the author feels that the generation of DIN should not become an end itself, but should be taken forward so as to reach the logical end of accountability, by recording trail of the later communications and activities, and to reconcile the outcomes for better measure of performance. The electronic records so aggregated by development of suitable software could be utilised to contain revenue evasion in an efficient manner. Unless such a back-end system of verification and scrutiny are put in place, the mere generation of eDIN will only act as an ornamental feature. Hope this wisdom prevails over the narrow approaches by the administrations to bring about unified GST implementation across India. As per Article 279A(6) of the Constitution of India, while discharging the functions conferred, the GST Council shall be guided by the need for a harmonised structure of GST and for the development of a harmonised national market for goods and services. This needs to be done on top priority by the Council to take the GST system closer to achieve the purpose of the unified GST Regime.

Hopefully, nothing is lost in the *din!*

[The views expressed are strictly personal.]

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