

CBIC ACES-GST

APRIL 26, 2023

By Vijay Kumar

HAVE you heard of **CBIC ACES-GST**?

A little history. GST was not merely a simplification of the tax structure, but also a systemic reform with a focus on transparency, efficiency and speed in implementation and administration of taxes. Technology was a major component of the solution devised to fulfil these objectives. This could have been possible only when there was a strong IT Infrastructure and Service backbone which enabled capture, processing and exchange of information amongst the stakeholders. For this, Goods and Services Tax Network (GSTN), a Special Purpose Vehicle, was created. The GST portal developed by the GSTN is the front-end portal for the taxpayers for Registration, Returns, Payment and Refund modules.

Central Board of Indirect Taxes and Customs (CBIC) and the State GST authorities were given the option either to develop their own IT systems and applications to process the registration, returns and payment data as a back-end process and provide facilities to the taxpayers for other business-related activities namely Refund, Investigation, Audit, Exports, Adjudication/Appeal etc. or to avail of the services to be provided by the GSTN. A total of 27 States/Union Territories (UTs) had so far chosen the option of using GSTN system both for the front-end and back-end activities of their taxpayers and their tax officials (also known as Model - II states). On the other hand, CBIC and nine States/UTs opted for developing their own systems and applications (known as Model - I states) for their departmental tax officials for tax administration for processing the registration, returns and payment data as a back-end process and also to provide facilities to the taxpayers and its departmental officials for other business-related activities namely Refund, Investigation, Audit, Exports, Adjudication/Appeal etc.

Thus, as far as CBIC is concerned, GSTN is a pass-through portal, which provides front-end facility for registration, returns and payment and after performing certain validations, GSTN shares the information and scanned images of documents uploaded on their system by the taxpayers or received from other State tax administrations and stakeholders to the CBIC ACES-GST Application for further action. The Directorate General of Systems and Data Management (DG (Systems)), an attached office of the CBIC, is entrusted with the implementation of this back-end IT project. Overall, DG (Systems) is responsible for the design, development, programming, testing, implementation and maintenance of automated systems under CBIC, and for overseeing and managing the projects sanctioned by CBIC relating to information technology.

CBIC ACES-GST application is primarily meant for back-end processing of various GST functionalities like Refund, Investigation, Adjudication, etc., by the CBIC tax officers. Relevant modules of Automation of Central Excise and Service Tax (ACES) Application (the erstwhile IT system for Central Excise/Service Tax) were incorporated into the application. The final scope for this development was subject to the state of business processes applicable for Central Excise and Service Tax in the GST regime. The CBIC ACES-GST Application contains 11 modules viz. Access Control, Registration, Returns, Payment, Refund/Rebate, Exports, Audit, Dispute Settlement (Investigation, Adjudication and Appeal), Taxpayer at glance (TAG), ACES Migration, Mobile App. The CBIC ACES-GST Application intends to provide interface with other systems/applications both internally and externally. External interfaces are to be with GSTN, State Backend Systems, RBI, Banks, DGFT, MCA 21, CBDT, UIDAI, ICEGATE, ICES, RMS, ACES, EDW of CBIC etc. Internally, the interface is to be within different modules of the application.

Thus, the CBIC ACES-GST is a new system implemented by CBIC for tax administration in GST regime. Though primarily meant for back-office processing by departmental officers in GST regime, it has some taxpayer interfaces primarily related to Central Excise taxpayers.

Is everything fine with this new CBIC ACES-GST? To find out this, we have the Comptroller and Auditor General of India and the revered CAG recently submitted its report to Parliament on "IT Audit of CBIC ACES-GST Application" - Report No. 3 of 2023.

The main objectives of this IT Audit of CBIC ACES-GST Application were to seek assurance whether:

- (i) IT governance and IT security is adequate and effective;
- (ii) The functionalities of CBIC ACES-GST Application have been developed as envisaged and the intended benefits have been achieved including ease of tax administration; and
- (iii) The application has effective interfaces with other IT Applications.

It will be interesting to note that this application started even before GST came into existence, is still wobbling. In April 2015, as part of deliberations on preparedness for GST, the Department proposed development of an application, separate from the GST portal that would serve as the back-office solution for CBEC departmental users to process the registration, return and payment data captured by the GSTN portal.

Strangely, only one bidder participated in the bidding process for selection of Implementation Agency

No Records for Audit : One great consistent problem that Audit faces, is the reluctance of the Department to produce records for Audit and while embarking upon the audit trail, the first hurdle they found was the Revenue Department's averseness to produce records. In D.O letter F.No.232/MiscDAPs/2018-CX-7, dated 26 April, 2018, the CBIC instructed the field officers, "the request of the Audit for production of records must be acceded to". But in its Report No. 1 of 2021 on Indirect Taxes, the CAG observed, "Despite Board's instructions regarding cooperation with the C&AG during audit, by procuring and providing complete and comprehensive information, the department did not produce the complete records".

In the latest report, the CAG stated, "Due to limited production of records, Audit could not comment as to whether the Project Management office and Steering Committee were functioning as envisaged. The Department should ensure that the PMO and steering committee are functioning as envisaged, to monitor the progress of implementation of the project. The Ministry during the exit conference stated that all available office records were furnished before the audit team and also stated to share the same with Audit again"

However, the same was awaited (December 2022) and most probably Audit will wait forever.

No match : CAG noticed Instances of mismatch of the Taxpayer Type; regular taxpayers were shown as Composition Taxpayers in the application. CAG suggested that the Department should initiate corrective action to reconcile the data in the CBIC with the data in GSTN and map the correct Return type with the Registration Type. The Ministry accepted the recommendation and stated a reconciliation exercise in respect of the Registration Database between GSTN and CBIC has been initiated and corrective action is being taken to rectify the same in the CBIC database.

Now, you know why all this confusion - the data doesn't match. But why?

Refund - demand : CAG noticed that there was no provision for recovery/adjustment of interest on payment of outstanding demand, interest from the date of demand raised (Demand ID date) to the date of amount adjusted from refund due, from the final refund and suggested that the Department should ensure by working with GSTN that such a functionality is developed and deployed in the system to ensure recovery of interest on outstanding demand.

The Ministry stated that a liability under interest minor head cannot be adjusted against the amount that is sanctioned under the Tax minor head. However, this issue was taken up with GSTN for necessary action as per the statutory provisions.

The contention of Ministry is not acceptable to Audit. There is a provision to adjust outstanding interest liability against refund due in the refund order. However, there is no provision in the system to adjust the interest accrued on late adjustment of the outstanding demand for the period from the date of demand raised (Demand ID date) to the date of amount adjusted from final refund due.

Where is that digital signature? Audit observed, "The digital signature/e-Verification code of the proper officer mandated by the Rules were not available on the Registration Certificates. Such Digital Signature/e-signature has not been incorporated and adopted in any of the modules". Audit suggested that the Department should ensure the digital signature functionality incorporated and adopted in all modules proper for authentication of statutory documents by an individual officer in a non-repudiable manner.

Calculation of Interest : Audit noticed that, "There is no provision for automating the calculation of interest with the requisite details of tax payable, period and rate of interest being provided as inputs. Calculation of interest across all modules are designed for manual calculation,

exposing it to risk of computation errors. The Department should expedite the development of functionality for automated calculation of interest as envisaged".

The Ministry accepted the para and stated that the issue was being taken up with GSTN.

Pan is not same : Discrepancies were noticed between the Permanent Account Numbers (PANs) available in the CBIC ACES-GST application and GSTN Portal. In certain cases, Legal Names available in CBIC database were not matching with the GSTIN. Audit suggested that the Department should take appropriate action to reconcile the cases of mismatch in PAN, existence of incorrect legal names in the RCs and the details of the correct PAN based on which RCs had been issued.

The Ministry stated that they have noted the recommendation for compliance.

Audit found several lapses. Well, that is their job - okay a job well done, but will they correct?

Until Next week