

# GST: The dawn of a new era

The govt, instead of in-voice-level data, should ask only for the GSTIN-level data to be matched at least in the initial years of implementation

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**JUNE 30, 2017**, downed the curtains on an archaic, complex indirect tax structure that existed in India for more than six decades. Festered with complexities and cascading of taxes, it was a no-brainer that this system would require an over-haul, paving the way for a much simpler and uniform indirect tax code for the country. The journey of the GST, which, most of the times, is touted as the largest tax reform since Independence or is termed a game-changer, has been a long one and many were sceptical about the introduction of this path breaking reform given our country's federal structure and the fiscal independence of the states. The GST Council, its chairman, its members, the erstwhile Empowered Committee of State Finance Ministers and every other stakeholder in this journey needs to be applauded for putting in a stupendous effort, especially in the last 10 months which has culminated in GST being implemented from July 1, 2017. The concept of "one nation, one tax, one market" has made a grand entry, with yesterday's grand event in the central hall of Parliament.

The indirect tax reform journey, which started way back in the 1970s when the L K Jha Committee for the first time initiated the idea of Value Added Taxation in India, has indeed come a long and hard way. It has taken us more than four decades to travel the path, from germination of the idea to introduction of a single GST, though with a dual levy. The concessions and the structural adjustments made all along the path certainly has made the Indian GST less efficient. The biggest adjustment was to have a dual GST structure in the country where the Centre would levy a CGST and the States would levy a SGST on the same transaction involving goods and/or services. The idea of having one national GST was thus put to rest and, along with it, the ease and efficiency of having a centralised regis-

tration was also shown the door. The telecom, banking, insurance and other such service companies having pan-India operations, however, were hoping against hope to get some relief on the centralised registration, not perhaps realising that given the federal structure of the country, a state-wise registration was inevitable. Once the dual levy structure was decided, there was a string of other concessions/adjustments which diluted the main concept of the GST. Key amongst them were having multiple rates for goods and services, provision of band of rates for state GST, etc.

Despite all these fallacies, the current structure of the GST is much better than its predecessors as there is a uniform code of conduct which would be followed across the country and the rates are also uniform (to begin with). To add to this, the very fact that all the concessional forms prescribed under the Central Sales Tax Act 1956 such as Form C, F, H, I, etc, are no longer required to be collected and submitted to the tax authorities, itself is a big relief to the trade and industry. There are still umpteen number of cases pending at various fora on demands raised by state commercial/sales tax authorities on account of non-submission of forms. The numbers would run easily into thousands of crores, all states put together. This one relief itself is more than enough for a business having pan-India operations to welcome GST with open arms. The removal of cascading of taxes, subsuming of CST, etc, is additional icing on the cake.

While GST would have its own set of challenges, the biggest changeover though is the role of the IT systems and

heavy dependence on upload and download of data for GST compliance. The government expects that every taxable transaction in this country is recorded and matched on the GSTN portal at the in-voice level, which is a very ambitious plan. All taxable persons (above a certain threshold) need to diligently and consistently upload in-voice level sales and purchases details onto the GSTN portal. Any mismatch would result in the buyer being denied the input tax credit which he/she would have earlier claimed, directly impacting his/her cash-flow. The government should reconsider the require-

ment of uploading in-voice-level data and ask only for the GSTIN-level data to be matched, at least in the initial years of implementation. As it is, the trade and industry is grappling to make every player in the value chain, GST ready. A cue can be taken from Form 26AS compiled for Income Tax purposes where the summary data is matched for verifying TDS claims.

As regards the states, the state of Jammu & Kashmir is the only state which hasn't joined the GST

bandwagon yet and hence doing business in J&K has now become more expensive, so have the goods and services procured from outside of J&K. The IGST levied on all supplies made to a dealer in J&K would not be available as a credit to him when he resells the same to a consumer in J&K. It is hoped that J&K adopts GST at the earliest.

This is just the beginning of the new era and still many challenges lie before the government as well as the trade and industry alike. Surely, all of them can be overcome, if one step at a time is taken to resolve them!

**For matching of compliance data, a cue can be taken from Form 26AS compiled for Income Tax purposes, where the summary data is matched for verifying TDS claims**