‘Major GST reforms likely this fiscal’

Even as the GST regime entered the fourth year on July 1, it is encountering the issue of low revenue growth and the resultant inability of the central government to fully compensate the states for their ‘revenue shortfall’ versus the constitutionally guaranteed annual growth of 14%. FE’s Sumit Jha spoke with finance secretary Ajay Bhushan Pandey on the reforms being undertaken to remedy the situation.

GST collection in June is close to ₹91,000 crore, about 9% less than the year-ago month. What proportion of the revenue is from taxes paid for transactions during May?

We are performing that exercise to find out from the available data but my guesstimate is that 70-80% of June collection would have come from transactions in May.

Lower-than-estimated collections have made it difficult to fully compensate the states for their revenue shortfall. What is the solution to this issue?

Last year (FY20), nominal GDP growth was around 7.5% but the domestic GST collection, leaving aside the import part as GDP growth can be compared only with tax growth from domestic consumption, was around 9%. Hence, the notion that lack of GST revenue growth is the sole reason for the compensation issue is not correct.

The answer to the compensation issue is in the law itself, which says that the compensation would be paid out from the designated fund. We have discussed this in the last three GST Council meetings, including options of augmenting revenue and tighter compliance. The solution could be a combination of several options on the table as the discussion is still continuing.

What are the important reforms expected for the GST structure and systems over the coming six months or so?

We have to improve the taxpayers’ experience, however small a unit may be or even when an issue may be affecting only one taxpayer. We have to ensure that each assesse gets as smooth an experience as anyone else among 1.24 crore registered taxpayers. On the policy questions, such as inverted duty structure or rate rationalisation, several groups have been constituted under the GST Council. The discussions are going on. Some decisions have been taken and more will be taken as we go forward. This is a continuous exercise and hopefully, within the next 8-9 months, many such decisions will be taken.

Is a decision due on further rate rationalisation?

This is something being discussed. What will be the exact nature of deliberations or the outcome thereof is up to the GST Council to decide. Of course, the council has always been sensitive to the needs of the industry and other taxpayers.

Over the last 3 years of GST, its IT platform has received a lot of flak. What is the solution to this and how the GSTN could be made to work for all taxpayers?

There is no parallel in the world for the IT platform where 1.24 crore people file their tax returns completely online without any manual interface. When you have such a large IT system, there are bound to be problems at some places, local to a particular tax sphere in certain situations. However, the problems for taxpayers should be brought down to zero. If you compare with the scenario three years back, and then compare to next year and to what we do now, the glitches faced by taxpayers is on a declining trend.

Nandan Nilekani (chairman of Infosys — the IT partners of GST Network) is involved in the personal capacity, for which we are thankful. We are working on completely eliminating problems, and over the next few months, we will continue to improve further.

Revenue leakage has been among the major concerns in GST. How has the trend been lately?

With the IT initiatives in the tax department, now all three systems — income tax, customs and GST — are talking to each other. The idea is to avoid overreach by tax officials and minimise discretionary decisions. In the last 7-8 months, we have generated red-flag reports in respect of few thousand entities using data analytics and identifying the places where tax evasion might be taking place.

Our success rate has been more than 70% and this would improve further. The data triangulation among income tax, customs and GST, along with data analytics is reassuring to the compliant taxpayers since they won’t be asked any questions if their returns are fine. They won’t even need to see face of the tax officer for years together.