State FM’s criticism of GST system ‘dishonest’, feels revenue dept

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REVENUE DEPARTMENT officials have expressed dismay over criticism of the goods and services tax (GST) system by some state finance ministers. Top tax officials told FE on the condition of anonymity that it was ‘dishonest’ for GST Council participants to criticise “frequent changes in law or rates” as these decisions were taken by consensus.

Earlier this week, West Bengal finance minister Amit Mitra had blamed the GST architecture, which, according to him, not only provided loopholes for tax evasion but was also tedious for taxpayers to comply. He also mentioned that over 140 circulars have been issued by the Central Board of Indirect Taxes and Customs (CBIC), hinting that such frequent changes in functioning were hampering GST stabilisation.

However, tax officials said that while the department has issued 147 circular on GST till date, West Bengal itself has issued 127 circulars in the same time. Another official said that it was decided by the GST Council that the central government would share circulars with state governments to help them issue similar directives following decision by the GST Council.

All such circulars are approved by the law committee — which comprises of the central and state tax officials — before they are issued. This process also provides state representatives to record their objections but it hasn’t happened, the official said.

In its October 2017 meeting, the GST Council decided that the notifications, circulars and orders which are issued by the central government with the approval of the competent authority would be forwarded to the GST Council secretariat, the official added.

States and central GST dispensation are currently at loggerheads over states’ protected revenue as the compensation fund struggled to generate enough resources in last fiscal, which is likely to get worse this year due to pandemic-induced lockdown and the sticky protected revenue (₹63,700 crore per month this fiscal) for states.

In the first quarter, the GST collection declined 41% to ₹1.85 lakh crores compared with the same period a year ago.