

Managing GST

Further simplification of the GST system is needed to boost collections

The strong GST collections since last October indicate that the new indirect tax system is finally falling in place, following teething troubles in the first few years. These collections can be further bolstered through simplification of the system and greater surveillance, by both the Centre and the States. GST collections have sustained above the ₹1 lakh crore mark since last October, recording an all-time high of ₹1.19 lakh crore in January. The improvement in tax collection is due, in large part, to the improvement in consumption and business conditions since the second quarter of this fiscal year, as the economy began unlocking. But the boost also seems to have been led by certain initiatives by the GST authorities.

The most significant of these is the implementation of e-invoice uploads by GST payers. Under this system, details regarding all invoices for B2B transactions have to be entered in an invoice registration portal, which is then transferred to the GST and e-way bill portals. The details captured from the e-in-

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voices are used to populate the GSTR-1 return and part-A of the e-way bills thus leading to automatic filling of returns, which was the original objective of the GST system. With the buyer's GST return also capturing the details

in the e-invoices, tax evasion becomes quite difficult. This system has been implemented in a phased manner since last October, beginning with largest taxpayers with turnover exceeding ₹500 crore, and the higher collections since then could partly be due to this. With smaller taxpayers also being gradually moved to e-invoicing system — businesses with turnover up to ₹50 crore have to upload e-invoices from April 1 — the leakages are set to reduce further. Another factor behind higher GST collections appears to be the authorities using the data collected at the GST portal more effectively to identify tax evasion. The completion of the GST audit for FY19 has also helped identify the inadvertent errors being made by taxpayers and correcting these has also helped get the system on its feet. Besides these, the crackdown on people issuing fake invoices to avail input tax credit is also acting as a deterrent to such malpractices, helping plug leakages.

It is well that the new GST returns that were to be implemented from October 2019 have been put on the back-burner for now. Frequent changes to returns will increase the compliance burden on taxpayers, besides leading to more cost. The tax authorities should however continue to simplify the tax returns and the tax filing process to improve compliance. Reduction of the multiple tax slabs under the GST to move towards the revenue neutral rate, as suggested by the Fifteenth Finance Commission, is also something that the GST Council needs to consider seriously while addressing the inverted duty structures existing between inputs and final products of some goods. The States should also step up their efforts to improve GST compliance to make the system function effectively.