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Despite so many feats, GST still a work in progress

EXIM MATTERS

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Since the hurried and chaotic launch of goods and services tax (GST) four years back, the taxpayers and consultants have learnt to cope with innumerable changes in the laws and technical glitches. After several slip-ups, the GST Network (GSTN), the digital platform through which almost all processes are carried out, is now functioning smoothly, barring some hiccups now and then.

Uniform laws, tax rates and procedures, introduction of e-invoicing, quarterly return monthly payment (QRMP) scheme, and tougher measures to deal with delay in filing the returns, use of data analytics etc. have helped voluntary compliance, tracking evasions quickly and faster movement of goods through various states. The e-invoice details now get auto-populated in GSTR-1. The GSTR-2A and GSTR-2B reports from the GSTN help the taxpayers chase the vendors who don't promptly report the supply details. Integrated GST (IGST) paid on imported goods gets auto-populated. The exporters get refunds automatically and more quickly than earlier.

However, there are many irritants such as restrictions on availing and utilising input tax credit (ITC), provision to suspend registration without hearing the taxpayer, lesser validity of e-way bills and so on. A major issue is the hold up of a conveyance due to minor defects in e-way bill when the matter has to be contested at the place where the conveyance is intercepted.

Most decisions of the GST Council have been unanimous but that is now getting more difficult because the adverse effects of some compromises made to attain consensus by appeasing the States are now showing up. The "principle of equivalence" (to fix the GST rate for an item at the aggregate of excise duty and sales tax in the earlier regime) was abandoned, resulting in lower tax rates for many items and consequent shortfall in tax revenues. The governments have responded by borrowing, raising the Customs duties, imposing fresh cesses and surcharges, increasing the excise duty and sales tax on fuel and so on. The Central government is unable to keep its promise to compensate the states for the shortfall in projected increase in revenues. So, the GST Compensation Cess may be extended beyond the initial five-year period. Thus, apparently, the consumers have gained through lower GST rates but they have to pay in other ways to make up for the revenue shortfall.

The states have been given jurisdiction over 90 per cent of the taxpayers having turnover up to ₹1.5 crore and 50 per cent of the taxpayers having turnover above ₹1.5 crore. Many GST authorities in the states are not as familiar with the complexities of the import and export trade or taxation of services. They are guided by the taxpayers and consultants most of the time, with obvious consequences. Their tax collection efforts are also relatively sloppy, as the States are assured of compensation for the shortfall in projected revenues. Rigorous tax audits have not taken place due to the pandemic. So, many compliance issues have not yet shown up. Most advance rulings are not fair but pro-revenue. A centralised authority for advance ruling has not been set up. GST appellate tribunals have also not been constituted.

So, while we celebrate what has been achieved so far in the past four years, GST is still work in progress. Hopefully, the GST Council will rediscover the spirit of co-operative federalism and move forward.

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