



## THREE YEARS OF GST: THE JOURNEY SO FAR & THE ROAD AHEAD

**CMA Bhogavalli Mallikarjuna Gupta**

Product Evangelist

Logo Info Soft Business Technologies Pvt Ltd

India has implemented a uniform tax across India for the sale of goods & services, which was previously ruled by a plethora of taxes. Many say that GST is major tax reform in India post-independence, but in reality, it is a business process reform as it has forced the trade and industry to change the business process and adapt the rule of the land. The major taxes that were merged with GST are Central Excise, Service Tax, and VAT. Apart from these taxes, many other taxes were merged into GST. The major change is with the rollout of GST; both the Goods and Services are being governed in the same law through the treatment and procedures are different due to the nature of the transactions. The rollout of GST has also brought in federalism in a true spirit as the Central Government and the State Governments are making decisions collectively through the new Constituted GST Council. To date, the GST Council has met for 40 times, and only on occasion, there was voting over the decisions taken.

GST is a game-changer for the Indian Business as it has made India a single market and eliminated the complexity of state-wise Taxation and rates. India is a large country, and it has a lot of diversity and complexity. With such complexities and diversities, it is not possible to have a cakewalk. These are the teething troubles we are seeing, and every reform has to pass through this phase. This also requires the change in the mindset of the stakeholders for the successful rollout of GST. We have made remarkable progress, and still, there is a lot of room for improvements, based on the inputs across the stakeholders. As CMAs also have to partner with the Government and make this reform the most successful across the globe.

The process of GST is made totally faceless right from registration to return filing and other areas as we have adopted digitalization. The digitalization had come with its own set of challenges as we Indians normally tend to file returns only at the 11th hour. Some black sheep are also exploiting the system, and to curb there; the GST Council has adopted e-waybills, matching for availing input tax credit and to be rolled out are new return formats and e-invoicing.

During the last three years, we have a slew of notifications/circulars/orders have been issued. Though people say it negatively, it is good news, as the Government is listening to all the stakeholders and trying to address the anomalies from time to time.

Central Goods & Service Tax					
Years	General	Rate	Circulars	Orders	Removal of Difficulties
2017	75	47	26	11	1
2018	79	30	55	4	4
2019	78	29	49	2	10
2020	54	3	11	1	1
<b>Total</b>	<b>286</b>	<b>109</b>	<b>130</b>	<b>18</b>	<b>16</b>

State Goods & Service Tax					
Years	General	Rate	Circulars	Orders	Removal of Difficulties
2017	12	47	2	1	0
2018	4	30	1	0	0
2019	4	29	1	0	3
2020	5	3	0	0	0
<b>Total</b>	<b>25</b>	<b>109</b>	<b>4</b>	<b>1</b>	<b>3</b>

Union Territory Goods & Service Tax					
Years	General	Rate	Circulars	Orders	Removal of Difficulties
2017	11	47	0	1	0
2018	15	30	0	0	0
2019	2	29	0	0	3
2020	2	3	0	0	0
<b>Total</b>	<b>36</b>	<b>109</b>	<b>0</b>	<b>1</b>	<b>3</b>

Union Territory Goods & Service Tax					
Years	General	Rate	Circulars	Orders	Removal of Difficulties
2017	1	7	1	0	0
2018	1	2	0	0	0
2019	1	3	0	0	0
2020	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>0</b>

On average, two notifications were issued for every three days. Though it looks alarming, many are related to the extension of the due date of return filing. Now let's see some of the changes which were supposed to be implemented but were withdrawn or exempted from time to time to facilitate the trade and industry and also improve the ease of doing business. Apart from these, the Government has also made a lot of technological changes to the GSTN portal to provide a lot better user experience and file returns without any technical glitches and hassles.

### 1. Registrations

The threshold for registration started initially with Rs 20 Lacs both for goods and services, but later point of time, the thresholds are different for Goods and Services. The number of GST Registrations have nearly doubled during the last three years from about 65 lakh registration pre-GST Regime to about 1.23 crores as on 31st March 2020. Though the number looks remarkable, the Tax GDP Ratio of our country is about 11% \* compared to 34% in the OECD Countries, here we have a long way to go forward and increase the tax GDP Ratio. Then only the fiscal situation will improve remarkably.

The threshold for the composition taxpayers has increased from time to time to facilitate more and more taxpayers to ease their compliance requirements. When the CGST Act was passed in 2017, it started with Rs 75 Lacs, and now the same has been increased to Rs 150 Lacs through Central Goods and Service Tax (Amendment) Act 2018.

As per the current provisions, Composition taxpayers cannot do business online, but with the current pandemic like situation, it is becoming new normal, and it is recommended to have the same enabled for them.

[\\*https://economictimes.indiatimes.com/budget-faqs/what-is-tax-to-gdp-ratio-where-does-india-fare-on-this-indicator/articleshow/73222499.cms](https://economictimes.indiatimes.com/budget-faqs/what-is-tax-to-gdp-ratio-where-does-india-fare-on-this-indicator/articleshow/73222499.cms)

### 2. Supply

The concept of the sale, manufacturing, service & purchase is replaced with a single word called Supply. Though this is a welcome move, it will put an end to a lot of litigation, but the definition of Supply is to be defined further to avoid litigation else, it will defeat the whole purpose.

### 3. Time of Supply

Like in most of the countries where GST/VAT is implemented, the advances are also taxed. India has also implemented the same on receipt of advance for the Supply of goods as well as for services. The service taxpayers were used to it but not the dealers who are registered under Central Excise and VAT. As the business we were not prepared, they were not able to address the same, to extend a helping hand to the small taxpayers who are supplying goods, GST on advances has been exempted for taxpayers who are having a turn over less than Rs 150 Lacs wide Notification No – 40/2017 Central Tax Dated 13th October 2017 and all taxpayers wide Notification No – 66/2017 dated 15th November 2017. Till now, the taxes on advances are exempted and will continue for some more time due to the catastrophic effect of COVID-19.

### 4. Reverse Charge

Reverse charge is levied by the Governments across the globe to track the small taxpayers. This process will eliminate the burden on the small taxpayers and the tax administration and reduce the cost of collecting taxes. Similarly, in India also under GST, reverse charge is being levied on purchase from unregistered taxpayers. Though it is a good move, it has put a lot of hardships on the regular taxpayers and faced resistance as they are not exposed in the erstwhile tax regimes. Again, to provide a helping hand to the trade and industry, the Government has given a lot of relaxations in the initial period where it said if the inward supplies from unregistered taxpayers are less than Rs 5000/- per day, then Reverse Charge is exempted notified wide Notification No 8/2017 – Central Tax (Rate) 27th July 2017. Still, the trade is not happy for two reasons; the registered taxpayers were not willing to do transactions with unregistered taxpayers as they have to pay tax on reverse charge basis and it is increasing their working load and also impacting cash flows, as Reverse Charge has to be paid through cash only. Based on the trade and industry inputs, again on 13th October 2017, wide

Notification No 38/2017 – Central Tax (Rates) has been issued where they have the threshold limit of Rs 5000 dropped and reverse charge on inward supplies from unregistered taxpayers has been exempted 31st March 2018. The exemption is extended up to 30th June 2018 wide Notification No 10/2018 – Central Tax (Rates) dated 23rd March 2018. Again, it is exempted till 30th September 2018 wide Notification No 12/2018 – Central Tax (Rates) dated 29th June 2018.

The exemption was further extended till 30th September 2019 wide Notification No 22/2018 – Central Tax (Rates) dated 6th August 2018.

The issue of exempting frequently is causing hardships to the trade and industry, as well as for the tax administration. Keeping in view of these challenges, Section 9(4) of the CGST Act 2017 has been replaced wide Notification No 2/2019 Central Tax dated 29th January 2019 based on the Central Goods and Service Tax (Amendment) Act 2018. As per the provisions of section 9(4), RCM will be applicable to a specified class of registered persons when they have inward supplies from unregistered suppliers.

With this amendment, the challenges of RCM has been suspended for the time being, and going forward, the department will notify the same, and by that time the taxpayers will be used for it and will not have any further challenges at that point of time.

Reverse charge, as per the provisions of Section 9(3), which applies to a specific category of goods and services, is applicable today, and the list of the goods and services is updated from time to time.

#### 5. e-waybills

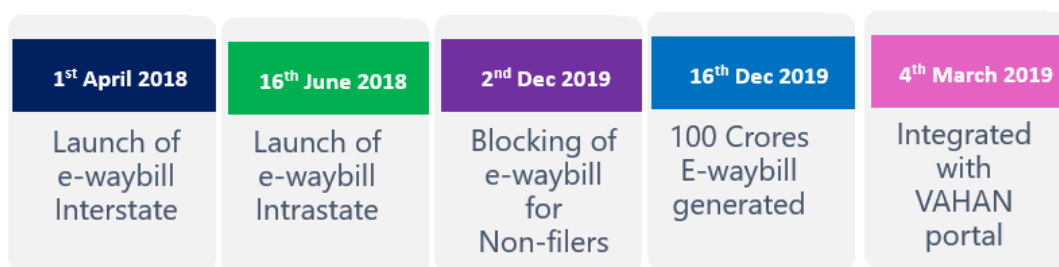
With the rollout of GST, physical check posts are removed for vehicles carrying goods while entering or exiting the state. This has resulted in huge savings for logistics companies. The travel time from Sriperumbudur (near Chennai) to Bhiwandi (near Mumbai) was reduced by almost half of the time\* it used to take prior the rollout of GST

\*<https://www.financialexpress.com/opinion/how-gst-helped-the-country-sign-a-free-trade-agreement-with-itself/1809031/>

This has resulted in huge savings to the logistics companies as they can run more kms per month, and for the taxpayers, the Min/ Max Quantities have been reworked due to the reduction in transit time. For this reason, only GST is to be dubbed as a business process reform rather than tax reform.

As part of self-compliance, the taxpayers are required to issue e-waybill during the movement of

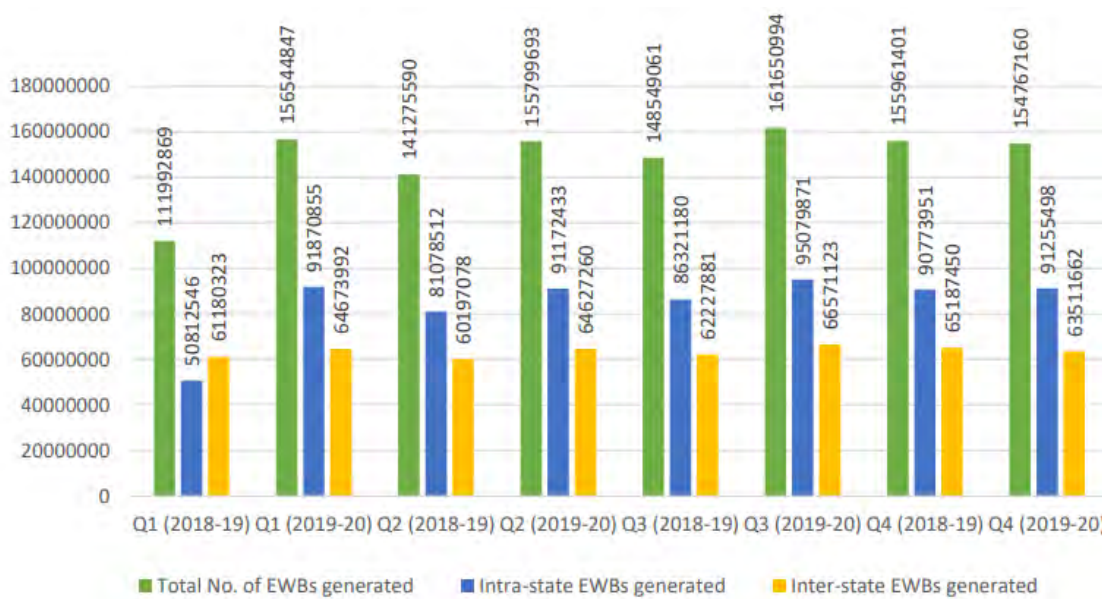
### 2 Years of e-waybills



goods. These provisions are not new to the Indian Taxpayers as they were applicable in VAT, which was state-specific. With the concept of One Nation One Market, the complexity of state-wise waybills and challans is replaced with e-waybill in GST. The implementation of e-waybills has started with technical glitches, and as a result, the same had to be postponed for a future date. After

the rollout of the e-waybills second time, there was no looking back. The interstate movement was implemented in a phased manner.

The flip side of the e-waybill is that it has defeated the concept of One Nation One Market as the states were given the flexibility to frame rules on the threshold and list of goods for which e-waybill is required for intrastate movement of goods. This provision has brought back the pre-GST era challenges, and it can be called as Old Wine in New Bottle.



After the rollout of e-waybill, many changes have been implemented, like determining the distance between two different places based on Pin Codes or validating the vehicle number through which the goods are transported as the e-waybill portal is integrated with the Vahan system. These measures have resulted in the minimization of frauds and misuse of e-waybills.

## 6. Input Tax Credit

One of GST's major benefits is that input tax credit is available seamlessly across the supply chain, thereby making the goods and services to the end consumers at a lower price. As per the provisions and the formats released at the time of rollout, the input tax credit can be availed only on matching, i.e., when the supplier files his return, the same is reflected in GSTR – 2A and the taxpayer has to accept the same. Matching could not be implemented from day one of the rollout of GST, and it has resulted in a loss of revenue collection to the Government due to some black sheep in the system, where they were claiming input tax credit without matching. Almost every other day, there is a news article on fake invoicing or availing input tax credit wrongly.

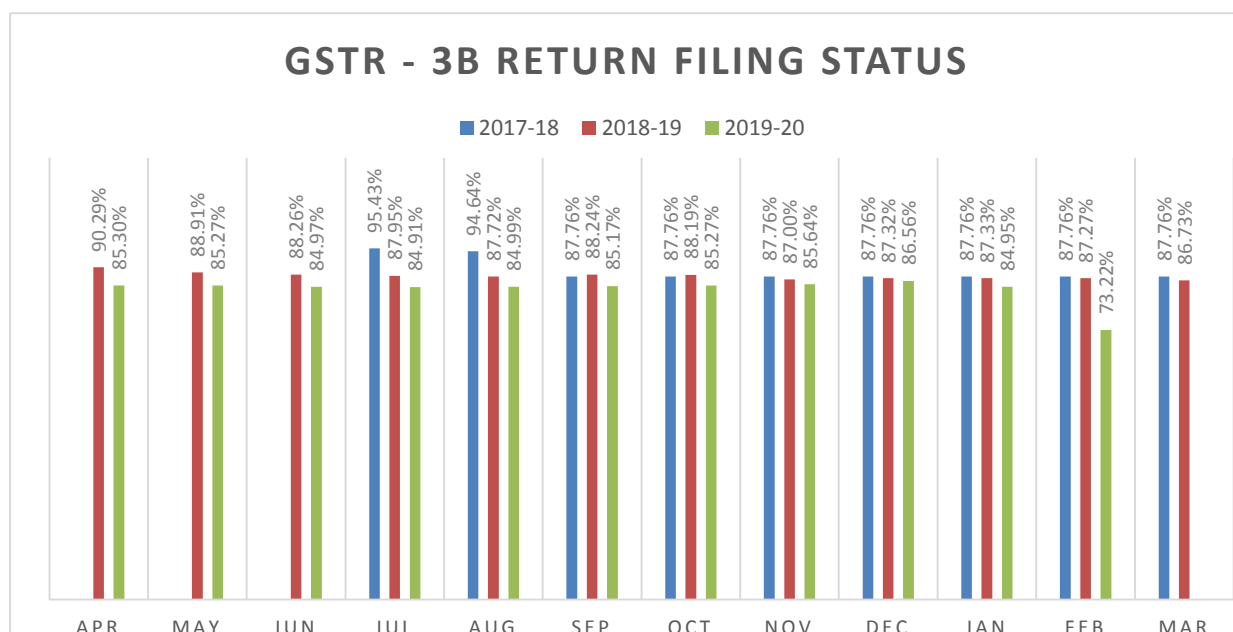
To keep such black sheep away from the system and to encourage the return filing, the Government has recently introduced restrictions on availing input tax credit. On 9th October 2019, Notification No 49/2019 – Central Tax was issued where it was made mandatory for matching before availing input tax credit. The matching has to be done manually by the taxpayers based on the data auto-populated in GSTR – 2A from the Suppliers GSTR – 1. The restriction of 20% is again reduced to 10% wide Notification No 75/2019 – Central Tax Dated 26th December 2019.

The lockdown has disrupted all the business. It has impacted the cash flows, providing a helping hand to the trade and industry. The Government has wide Notification No 30/2020 – Central Tax dated 3rd April 2020. As per this Notification, the restriction for matching is applicable only for Sep 2020, where the restriction is determined on a cumulative basis for the months of September 2020.

Once the new returns are implemented, the matching can be done in returns and not required to be done outside the system. The data uploaded by the supplier in Anx – 1 will be auto-populated in Anx – 2 of the recipient. Once accepted by the recipient, the same is updated in the returns for adjusting the output tax liability.

## 7. Return Filing

In GST, the determination of liability is on a self-assessment basis, and every registered taxpayer has to file returns at regular intervals through online only. There were many technical glitches in the initial days, and as a result, the taxpayers were not able to file the returns. The same has been addressed to a large extent. The Government has even bifurcated the filing of returns to minimize the load on the servers and provide a better user experience.



Data source is GST portal.

The due dates for filing of returns have been extended from time to time, but the same is not being utilized by the taxpayers. If we see the return filing statistics, we are still miles away from achieving 100%. Till 22<sup>nd</sup> June 2020, the number of returns filed on the GST portal stands at 54.71 Crs. If we see this number in a standalone manner, it is huge, but compared to the actually registered taxpayers, the number is not that great.

From the graph above, we can see that we have not seen 100% return filing for any month. The Government has not implemented enforcement in the initial period to provide the taxpayers some leeway for the taxpayers to adjust and adapt to the new provisions of the law and get used to the filing of returns online.

With the pandemic like situation, the Government has extended the due dates for filing of returns from Feb 2020. The actual status will be known only once the due date is over. The Government has given many amnesty schemes to encourage the return filing from July 2017 to till date by reducing the late fee and capping the late fee per return. Though the due dates were extended, the taxpayers who have defaulted can file the returns with minimal late fees. But the flip side is that the taxpayers cannot avail the input tax credit for the first two years as the due date for the filing of September returns has passed. Frequent extension of due dates is being done to encourage the late filers, but at



the same time, it will discourage the honest taxpayers in the filing of the returns, and this will result in the lower tax collections. Capping of lower late fees for the defaulted taxpayers will also create a sense of restlessness in the honest taxpayers for paying huge amounts. Simultaneously, the departmental officers cannot complete the assessments, and for the tax professionals, it becomes a challenge to keep track of the revised dates from time to time.

Since matching is being done outside the system and lot of tax frauds are happening as there is no validation of data for the processing of refunds or verifying the Annual Returns data, new return formats are being introduced from 1st October 2020 where the taxpayers will be uploading the data in Anx – 1 for outward supplies at HSN level. This will provide loads of data for the department and enable them to go behind the errant taxpayers.

## 8. Refunds

Refund of taxes is normally given in cases where the tax is remitted wrongly or in case of Zero Rated Supplies or in the case of inverted duty structure etc., As per the draft document issued before the launch of GST, it was proposed to be online, and the amount was supposed to be credited to the applicants' bank account at the earliest. But the systems were not ready at the time of launch of GST, and as a result, the taxpayers had to face a lot of hardships for claiming the refunds as it was manual, and another challenge was some of the departmental officers were not aware of the processing of refunds.

Over a period of time, the challenges were addressed, and now the refund processing is simple in case of zero-rated supplies with payment of taxes. Once the returns are filed and the export data matches with the ICEGATE portal, The refund amount is automatically credited to the exporters' bank account. In the case of exports without payment of duties,

Refund amounts are being claimed fraudulently. To address them, now more stringent measures are being adopted and inverted duty structure, now the HSN codes are also required to be reported while filing the refund application. Many circulars are being issued from time to time to clarify the issue of refunds. During the last three years, about 22 circulars were issued. Though the numbers look to be very big, the other side is the Government is listening to the taxpayer's woes and trying to fix the same from time to time.

## 9. Advance Ruling

Advance Ruling is not new to the Indian Taxation; even in GST also Advance Ruling is implemented, but the only difference is, the advance ruling benches are at the state level. There is an appeal mechanism for Advance Ruling if the aggrieved party is not satisfied with the order passed by the Advance Ruling Authority, the same can be appealed with the Appellate Authority for Advance Ruling and can be appealed with National Appellate Authority for Advance Ruling (yet to be notified).

Since advance ruling is at the state level, it is creating challenges for the applicants if they are having a presence in multiple locations. We have seen contradictory rulings are issued in the case of M/s. Giriraj Renewables Private Limited or some controversial orders issued in the case of Directors Remuneration, which got clarified as there was circular issued on the same matter.

There were delays in the initial days of the rollout of GST for the issue of orders by the Authority for Advance Ruling, but now the same is more or less addressed. In the initial days, the application has to be filed manually as the portal was not ready.

The number of orders passed by various state benches of Authority for Advance Ruling till May 2020 is 918, and the majority of the orders are passed in the state of Karnataka, Maharashtra, West Bengal & Tamil Nadu and 156 orders were passed by the Appellate Authority for Advance Ruling across India.

**10. e-invoice**

e-invoicing refers to the process of issue of invoice by the supplier, which is validated by the tax department online and sharing the same with the recipient. At the time of validation, the tax authority issues a unique number, and the same has to be printed on the tax invoice in India along with QR code.

e-invoice was supposed to be implemented in India from 1<sup>st</sup> April 2020, but now the same got postponed to 1<sup>st</sup> Oct 2020. In India, e-invoicing process is different from the process followed in the EU, where the taxpayers have to pay for the services as the private parties manage them, whereas, in India, it is free of cost and managed by the GSTN (the nodal agency for GST related IT Services). The implementation of e-invoice in India is applicable for taxpayers having a turnover above Rs 100 crores for B2B transactions, and the e-invoice is required to be generated on the Invoice Registration Portal. Keeping in view of the challenges faced by the taxpayers for filing of returns, the Government has notified 10 different portals, to minimize the challenges in the generation of e-invoice and also ensure that there are no business disruptions due to the rollout.

Unlike in other countries, where e-invoice is implemented, Business to Government Transactions are not being considered. The transactions which are being considered are

- B2B – Business to Business
- SEZWP – SEZ Supplies with payment of Taxes
- SEZWOP – SEZ Supplies without Payment of Taxes
- EXPWP – Exports with Payment of Taxes
- EXPWOP – Exports without Payment of Taxes

Once the invoice is validated and issued, the following attributes will be returned, and the same have to be stored in the ERP / Accounting package for future reference.

The attributes are

- IRN Number
- Acknowledgement Number
- Acknowledgement Date
- QR Code
- Signed invoice

Similar to the encryption used in the digital signatures, algorithm SHA256RSA is used. The IRN number generated for each invoice is unique, and the length of the string is 64.

Apart from the e-invoicing, the taxpayers who are having a turnover above Rs 500 crores, it is optional for them to print the payment QR Code on the tax invoices in case of B2C transactions.

Though e-invoicing is a good tool for curbing tax evasion, it should be started with companies that have higher turnover and for a limited number of transaction types like in the other countries.

**11. Technology**

Goods and Service Tax in India is heavily driven on technology for the tax administrators as well as for the taxpayers as return filing is online for all taxpayers including the filing of the application for obtaining registration or amendment of registration or payment of taxes or filing of the application for claiming refund to some extent. To address the technological related support for GST, a separate entity is formed called Goods and Service Tax Network, and it is now completely held by the Central Government & State Governments. The portal maintained by the GSTN is [gst.gov.in](http://gst.gov.in), and this portal is used from obtaining registration to the filing of returns.

For the generation of e-waybills, there is a different portal, and it is maintained by the National Informatics Centre, even the proposed e-waybill is being developed by them only. In the initial days

of the rollout of GST, the portal was not stable and had taxpayers had to face a lot of issues. Now the portal is more or less stable but a long way going forward to enable all the forms under GST.

The major difference between the Indian and other nations when it comes to technology, GSTN uses open source software's, and they are highly secure and safe. The services are offered free cost to the taxpayers. Even the proposed e-invoice is being provided free of charges to all the eligible taxpayers. With almost three years of rollout of GST, vast data is collected by the department and based on the data, analytics are being used to detect frauds and errant taxpayers. As part of this only, the blocking of e-waybill is implemented to disable the generation of e-waybills. The errant taxpayers are flagged and monitored from time to time.

Even the State Governments have adapted technology and developed in-house built apps for monitoring the return filing status, validation of registrations, identifying the fake invoices, etc.,

The taxpayers are also forced to adopt the technology. Adoption of technology by the large taxpayers is not a challenge as they have budgets, but when it comes to the small taxpayers, it is a challenge as they have limited resources and knowledge. To address this, the GSTN has identified software vendors like Logo Infosoft, Cygnet, Focus, etc., These accounting and billing software's are could based or on-premises and some of them like Vyapari, Zoho, etc., are having mobile-based applications. Few of these are cloud-based and makes the life of the taxpayers easy as the tax professionals need not enter the data manually and also wait for the records, especially in COVID like situations. These software's are freely available for taxpayers having turnover below Rs 150 lacs till 31<sup>st</sup> March 2021.

Though we are completing three years of rollout of GST, we are still facing some teething troubles. No reform like GST will not be hassle-free from day one, and it will take some time to mature and for the dust to settle down. The Central Excise Act passed in 1942 is still undergoing litigation in the courts. The trade, industry, and professionals have to work hand in hand to make the reform a successful one. Some of the provisions like taxpayer rating, a refund for the international tourists, or the National Appellate Authority for Advance Ruling are not yet notified. These should be notified at the earliest as it will increase the user experience for the taxpayers and helps in ease of doing business.

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