Concerns with GSTN

What is the issue?

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- Concerns over data security of GSTN, as **private players are stakeholders in it.**
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- Another question is whether the Comptroller and Auditor General of India (CAG) can audit the GSTN.
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- The CAG feels it has all the powers to do so; while the GSTN says it is best audited by a third party.
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What is GST and GST Council?

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- **GST** is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India (Except state of Jammu and Kashmir), to replace taxes levied by the central and state governments.
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- **GST Council** has been established as per Article 279A of the Constitution.
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- It is joint forum of the Centre and the States to make recommendations on important issues related to GST. Union Finance Minister is Chairperson of the council.
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- Besides, Union Minister of State (MoS) in-charge of Revenue of finance and Minister In-charge of taxation or finance or any other Minister nominated by each State Government are its Members.
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What is GSTN?

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- GSTN is a not-for-profit company set up primarily **to provide IT infrastructure and services to the Centre and States, tax payers and other stakeholders** for implementing the GST.
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- **Objective of GSTN:** To ensure that there is a strong IT infrastructure and service back bone, which enables capture, processing and exchange of information among the stakeholders, which would include tax payers, States and the Centre, Accounting Offices, banks and the RBI. Even before it could process the first invoice under the GST, GSTN is already hitting the headlines.
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What is the problem with shareholding?

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- The Centre and States each hold 24.5% in GSTN.
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- LIC Housing Finance holds 11%; while HDFC, HDFC Bank, ICICI Bank and NSE Strategic Investment Company hold 10% each.
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- Questions are already being asked as to **what business private companies have with an organization mainly supporting the Government** in managing a large tax database.
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- Principally, it centers on a **concern over data security.**
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- The Government says the data would be confidential but right now it is nothing more than an assurance.
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What about the audit of GSTN?

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- **Sections 139 and 143 of the Companies Act, 2013** categorically mention that the CAG can audit a company which is either owned or controlled by the state.
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- Technically, the CAG can audit all receipts and expenditures of a body or an

authority if it receives substantial grants and loans from the governments.
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- In its startup phase, the GSTN has funded itself with grants from the Government as well as some bank borrowing.
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- Once the GST is rolled out, GSTN has a revenue model in place and would not depend on the Government.
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- On the contentious issue of tax data, the GSTN says it holds the data in fiduciary capacity and that the CAG can gather the data from the States and the Centre or the Central Board of Excise and Customs.
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- The CAG's because past experience in terms of accuracy of tax data from State governments has not been good.
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What is the way forward?

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- This impasse between CAG and GSTN on audit doesn't need much deliberation.
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- The arithmetic accuracy of the books of account of the GSTN can be audited by any firm of accountants.
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- Since the CAG mostly do proprietary audits, it is necessary that the tax data and infrastructure be audited by the government auditor.
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Source: Business Line

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