Making GST a Success

What is the issue?

- The reality of Goods and Services Tax (GST) in the field is worrisome as there is tax evasion and administrative hurdles.
- There is a need to make some fundamental changes to make GST a success.

What are the challenges?

- The tax administration is unable to fulfil the objective of providing a tight infrastructure to weed out evasion.
- The administration and the taxpayer have to contend with continuing changes in GST rates made by policymakers.
- New laws in other sectors have conflicted with GST implementation.
- Large businesses are as much prone to tax evasion as small, lending a touch of implausibility to the tax.
- Examination of systemic deficiencies and correcting them promptly are missing.
- The frequent dropping and jamming of the GST website have to be mitigated successfully if good taxpayers are expected to comply on time.

What is leading to tax evasion?

- The biggest challenge for the system has been its **inability to auto-populate linked information** from one tax form to another.
- The taxpayer has to report his sales, purchases and the GST return in three different forms separately.
- These forms are supposed to be linked electronically but are not.
- The introduction of GST without this basic linked-framework is now rearing its head in tax evasion.
- GST without the innovation of linkages is not fundamentally different from India’s earlier indirect tax structures.
- Similar modes of evasion continue under GST.

What are these modes of evasion?

- One method of evasion is **claiming huge amounts** of tax payment **through accumulated credit** (AC).
- Without field investigation there is no way to find if the AC used to pay tax

reflects the true picture.
- Another method is to show **large and false turnover** and, together with it, large input costs.

What would be the impact?

- False AC limits GST revenue collection, in turn constraining government expenditure disbursements.
- This will increase the pressure on tax collectors to increase collection haphazardly which will in turn limit legitimate input tax credit claimed by honest taxpayers.
- Fake invoices are used by brokers who are being used by company executives in particular sectors.
- Such brokers are the ones who make illicit profit through exploiting such businesses that they are supposed to serve.
- The Bankruptcy Code has not helped. It allows taxpayers to hide behind Section 13 on non-performing assets (NPAs).

How GST could be made a success?

- Terminating GST registration when a supplier goes out of operation should be considered automatic rather than pending the process.
- Ultimately, how GST fares will depend on the Indian taxpayer's attitude towards paying tax.
- Complementary policy and administrative actions are imperative.
- Policymakers should produce a consistent and stable tax rate structure.
- The model for auto-populating forms should be achieved without delay.
- Facilitation by the administration in refunds, de-registration and other functions should not be thwarted by the administration to meet revenue objectives.

Source: Business Standard

SHANKAR IAS PARLIAMENT
Information is Empowering