

'ECONOMY IS ON FAST RECOVERY TRACK'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

*With GST collections hitting a record in December 2020, Finance Secretary **Ajay Bhushan Pandey** is confident that the economy is recovering fast and will bounce back over 2021. The 'Vivaad se Vishwas' scheme for resolving tax disputes has already helped settle cases worth Rs. 83,000 crore out of an estimated Rs. 8 lakh crore, he says.*

How much of a role did improved compliance play in the record GST collections last month?

The economy is undoubtedly on the fast recovery track.

We have also been working on improving compliance for over a year now. We now have a very close data exchange between Income tax, Customs, banks and GST [Goods and Services Tax], and are able to undertake data analytics, using artificial intelligence (AI).

We are able to trace all dubious transactions from the inception of GST — if someone has issued or availed a fake bill in July 2017, we are able to detect that as well. Even if the bill may have passed through multiple layers of intermediaries, we are in a position to create a network diagram quickly through our AI tools and we are able to identify who all have been partners in the tax fraud and we are able to take action against them.

You are bringing in more changes in the GST system from this month. Do you expect these to help sustain the collections and compliance levels seen in December?

This is our endeavour. We have taken certain steps for improving overall compliance. For instance, earlier, any taxpayer could claim input tax credit. Now, we are actually showing to him at the time of filing returns, that he is entitled to only 'x' amount of credit, calculated based on the returns filed by his suppliers. Therefore, any excess input tax credit (ITC) claim and thereby, understating tax dues, will become very difficult.

Till the last month, we had a rule that said one could not take ITC more than 10% of what is available from his suppliers. Now that is reduced to 5%. What it means, in turn, is that we have now 95% of invoices being matched.

So these are the systemic changes we have made that is leading to easier compliance for honest taxpayers and deterring those who used to be on the fringe and were looking for an opportunity to game the system. Now, things are getting harder and harder for them.

Revenue receipts stood at 40% of the Budget target by November 2020, corporate tax collections are sharply down ...

I wouldn't like to go into the exact numbers because we are amidst the budgetary exercise. We will present our revised estimates at the time of the Budget. So, it will be very premature for us to say what the deficit could be ... If you look at total direct tax collections in the current year, we are down by 9.9%, which also has to be seen in the backdrop of the severe impact of the first two quarters.

Direct Tax collection is not always proportionate to turnover. If the turnover is below a certain level, one may go into losses and may not pay any direct tax at all. We will see the impact of this

factor.

In addition, we had also taken a series of steps to provide certain benefits to the taxpayers. The TDS amount that constitutes a major part of our collections, we reduced that by 25%. So, despite the 25% reduction in TDS and the abolition of dividend distribution tax and COVID, we are seeing only a 9.9% reduction in the direct tax collection by December, which shows an improvement in trends.

Do you expect more shortfalls in compensation revenue for States over 2021-22?

We will have to watch. Considering the current measures we have taken, the revenue position should improve. But how much, and to what extent it will meet the 14% compounded growth (in revenues payable to States), is something we will have to see.

What has been the response to the Vivaad se Vishwas Scheme (VSVS) for resolving tax disputes?

The VSVS dispute settlement scheme got a little setback at the outset as it was launched on March 15, 2020, and then we were immediately struck by the novel coronavirus pandemic. We have received 96,000 cases worth Rs. 83,000 crore out of 5 lakh appeals pending in various appellate forums. Now, we have further extended the last date till January 31 seeing the good response and we hope we will get many more cases by then.

We have made systemic changes that is leading to easier compliance for honest taxpayers

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