GST’s complicated

With collections from the goods and services tax peaking at over 1 lakh crore in April, industry hoped the GST Council would make life simpler for an increasingly compliant tax-payer base. Indeed, at its meeting last week the Council decided to introduce a new compliance system under which a single monthly GST return will have to be submitted by firms, barring a few exceptions. However, this will only be done in a phased manner — with the first of three transition stages to begin six months from now. Discussions over simplifying GST returns have been under way for months and considered by the Council, a committee of officers and a Group of Ministers. Nandan Nilekani, chairman of Infosys Technologies, the firm in charge of the GST Network’s IT system, has been consulted. Yet, the solution offered has gaps. For instance, in the second stage of the transition to simpler returns, buyers will get provisional input credit even if the seller doesn’t upload the invoices. While this could lead to disputes, in the third stage input credits will only be granted after sellers upload invoices. If a seller defaults on depositing GST dues collected from a buyer and remains evasive, the authorities can reverse the credit availed by the buyer for such outstanding taxes.

In any case, the timelines for the transition are long and bring fresh uncertainty for businesses still recovering from the initial jitters and confusion around the tax regime. Firms will again have to cope with significant changes in accounting software in the middle of the financial year. The Council, credited with swift and significant course correction in GST processes in its initial months, could have done more. The most troubling is the Centre’s push for the imposition of a cess on sugar over and above the 5% GST levied on it. A cess at the rate of 3 a kg is proposed to alleviate ‘deep distress’ among sugarcane farmers. Not surprisingly, this faces opposition from several States. It has been rightly argued that this will burden consumers while favouring larger sugarcane-growing States like U.P. and Maharashtra. In addition, a special sugar cess will signal a looming breakdown of the basic tenet of GST: the abolition of such cesses and surcharges, barring the compensation cess for funding States’ revenue losses for five years. Along with a proposal to reward digital GST payments, this has been referred to new ministerial groups, which are to revert in a fortnight. Lastly, the decision to make the GSTN a 100% government-owned firm, instead of the present structure with 51% private ownership, explains neither how this will address data security concerns nor the impact on the Network’s functional efficiency, which was the original stated intent for giving private players an upper hand in operations.