

The lowdown on GST pitfalls

The Goods and Services Tax (GST) rolled out across the country on July 1. Since then, a number of teething issues have emerged — some more serious than others.

The most pressing problem is to do with the availing of input tax credits by exporters.

The problem, according to exporters, is that they have to wait an inordinate amount of time before the refunds are processed and paid. As a result, they say a large part of their working capital — estimated at about Rs. 65,000 crore — is stuck, rendering their businesses untenable. Another pressing problem is the capacity of the GST Network portal for filing tax returns. Since the rollout, the portal has fared poorly in the face of peak traffic. According to Finance Minister Arun Jaitley, the portal can process 1 lakh returns an hour, which translates to 24 lakh returns in a day.

The third issue being faced by the government is that taxpayers are missing the deadlines to file returns and so it cannot accurately estimate how much revenue GST is yielding.

For example, while the government said it had earned Rs. 90,669 crore from GST in August, it also said that only about 55% of registered taxpayers had filed their returns even five days after the deadline.

Input tax credits offset the taxes paid for inputs from the tax payable on the final output produced. The procedure is that a company pays the tax on both inputs and output and then applies for a refund for the tax paid on the inputs. The refund process, according to exporters, takes many months and so results in a large part of the working capital being locked up.

According to Mr. Jaitley, the problem of the online portal crashing is in large part due to the fact that businesses are waiting till the last moment to file their returns.

He said that only 25% of the taxpayers registered on the portal had filed their returns as of midnight of September 19, one day before the deadline for filing the returns for August. This means that a significant portion of the remaining 75% who logged on at the last minute faced server errors.

Tax experts, however, say that uncertainty over GST rules and rates is such that companies are using all the available time to make sure there are no errors in their returns.

The missed deadlines, according to the GST Suvidha Providers, are due to a variety of factors, including poor taxpaying habits, a clashing of deadlines, and the fact that the government has so far been lenient about missed deadlines.

The exporters' input tax credits being locked up is an issue because a large number of Indian exporters are small companies which cannot afford to have a significant portion of the working capital unavailable. They will not be able to make further purchases to run their businesses, they claim. With the server crashing when taxpayers log in to file their returns and many taxpayers missing their deadlines, the government cannot accurately measure its earnings from GST in a timely manner. All the data will be available with a delay.

Prime Minister Narendra Modi on Wednesday said he had told the GST Council to review the problems being faced by traders, and that the government was willing to make changes.

Two days later, the GST Council met and took a slew of decisions to ease the compliance burden

on exporters and small businesses. First, the Council announced that it would expedite the pending input tax credits payouts — the payment for July is to be completed by October 10, and for August by October 18. Exporters will have to pay a nominal 0.1% tax on exports until March 31, 2018. The government is planning to roll out a system of e-wallets that would ease the input tax credit refund process.

Companies with a turnover of up to Rs. 1.5 crore a year can also file returns and pay taxes once a quarter.

The composition scheme, meant to ease compliance for small units, will be extended to businesses with a turnover of up to Rs. 1 crore a year from the previous limit of Rs. 75 lakh. Mr. Jaitley also announced the creation of a Group of Ministers that will look into various other problems that have arisen during the rollout of GST.

TCA Sharad Raghavan

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

crackIAS.com