

SEEKING TO SECURE: ON LINKING AADHAAR-GST REGISTRATION

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Ever since the Centre and the States passed the landmark legislation in 2016 adopting a single countrywide Goods and Services Tax (GST), the federal council that is tasked with overseeing all the regulatory aspects of the indirect tax has had its hands full. From recommending the rates that could apply to various products and services, to deciding on what could be tax exempted, the GST Council has had the onerous task of laying out the policy framework for administering the tax in a manner that benefits all stakeholders – the governments, the consumers and the suppliers along the value chain. Given the complexity of the legacy taxes that GST subsumed and replaced and the teething troubles of operating a new tax system, ensuring optimal outcomes has proved an abiding challenge. A significant concern relates to the loopholes that unscrupulous operators have sought to exploit, whereby revenue that ought to have accrued to the Centre and the States has leaked while allowing these elements to derive illicit profits. And the scale of some has been breathtaking. Earlier this month, the Directorate General of GST Intelligence and the Directorate General of Revenue Intelligence conducted a pan-India joint operation, which saw about 1,200 officers simultaneously conducting searches at 336 different locations. In the process they unearthed a network of exporters and their suppliers who had connived to claim fraudulent refunds of Integrated GST, with more than 470 crore of input tax credit availed being based on non-existent entities or suppliers with fictitious addresses. A further 450 crore of IGST refund is also under review.

It is against the backdrop of such cases, and the fact that frauds totalling up to a staggering 45,682 crore have been detected since the roll-out of the tax in July 2017, that the GST Council has decided “in principle” to recommend linking Aadhaar with registration of taxpayers. In its 37th meeting in Goa on Friday, the council also agreed to appraise the possibility of making the biometrics-based unique identifier mandatory for claiming refunds. Already the GST Network — the information technology backbone on which the whole tax system runs — has made it mandatory for new dealers registering under the composition scheme for small businesses to either authenticate their Aadhaar or submit to physical verification of their business, starting January 2020. The council too needs to follow the network’s lead and move swiftly to recommend mandatory linking for refunds, especially since that has proved to be the main source of most frauds. In a becalmed economy, neither the Centre nor States can afford to forego even a rupee of revenue that is due to the public coffers.

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