

Finding solution to GST conundrum

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In a recent meet at Pune, the Finance Minister asked the participants not to damn the goods and services tax (GST) as it is the law passed by the Parliament and the State legislatures. She was responding to a professional cost accountant who said, “As of today, everybody is cursing the government — industry is cursing, consultants are cursing, auditors are cursing...”.

A day earlier, the GST Council had constituted a committee of officers to consider wide range of reforms so that a comprehensive list of suggestions may emerge. The committee will consider looking into areas such as systemic changes in GST, including checks and balances to prevent misuse, measures to improve voluntary compliance, policy measures and relevant changes needed in the law, measures for expansion of tax base, improved compliance monitoring and anti-evasion measures using better data analytics and better administrative coordination. It was recognition that something is fundamentally flawed in the design and implementation of GST.

A week earlier, the finance minister of Punjab called for a fresh look at the GST structure, saying the current system was badly designed. “GDP has not gone up, tax collections are consistently going down, exports become cumbersome, filing of tax returns has actually become a nightmare,” he said.

Even a senior Member of Parliament from the ruling party has written in his recent book that the GST as a practical measure has been a flop and that the unwieldy paperwork of the GST has hurt ease of doing business. Thus, there are many who feel that GST is badly designed.

For exporters, the problems created by the ‘pre-import condition’ for imports under advance authorisation are continuing.

In October 2017, the government put this condition for grant of exemption from Integrated GST (IGST).

In January 2019, the government realised its mistake and removed this condition. In the meantime, the Department of Revenue Intelligence (DRI) went after the advance authorisation holders who availed IGST exemption on imports after making exports. Many of them paid up the IGST with interest but some went to courts.

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The Gujarat High Court, in the case of Maxim Tubes Company struck down the pre-import condition and restrained the DRI from coercive recovery of IGST. It was widely expected that the government would accept the judgment and the DRI also stopped chasing the exporters. The government, however, approached the Supreme Court and about three weeks back the apex court stayed the Gujarat High Court decision. The DRI has now re-opened all the cases and is busy summoning the exporters to its office in Kolkata, pressurising exporters to give statements to its convenience, threatening them with dire consequences if they don't pay up and so on.

The DRI is issuing summons and issuing show- cause notices proposing confiscation and penalties to even parties who have paid up the IGST with interest. Meanwhile, the denial of refund of IGST paid on export goods for advance authorisation holders who imported their inputs without IGST payment continues.

So, there is no dearth of people who feel harassed by the administration and would like to vent their frustration. They can be asked not to damn the GST but they cannot be restrained from thinking. Hopefully, the new committee will examine all the aspects and come up with useful suggestions for improvement.