

## **GST rules tightened to curb tax evasion amid revenue deficit**

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- **The norms to seek GST registration have been tightened to ensure that only genuine firms get registered.**

**NEW DELHI :** The government has further tightened the goods and services tax (GST) rules, curtailing the use of tax credits and tweaking the electronic permits needed for goods transportation to check tax evasion amid a sharp shortfall in revenue.

Under the new rules, the finance ministry halved the extent of tax credits that can be claimed by businesses where the vendors have not uploaded invoices to 5% of their eligible tax credits. The new threshold comes into force on 1 January.

The Central Goods and Services Tax (Fourteenth Amendment) Rules, 2020, notified late on Tuesday also tightened the norms to seek GST registration and ensure only genuine companies are registered.

The new rule on input tax credit will further squeeze the liquidity of businesses, pushing them to enhance their working capital limits, said Rajat Mohan, senior partner at chartered accountants firm AMRG and Associates.

In case of businesses with sales of over ₹50 lakh a month, tax credit from raw materials and services could be used for only up to 99% of the final tax liability.

The rules also extended the distance goods can be transported with electronic permits with a day's validity.

Accordingly, e-way bills will be valid for one day to transport 200 km from 1 January, instead of the existing 100 km. In other words, only two days will be granted to cover a distance of 400 km against four days now.

Abhishek Jain, tax partner, EY, said businesses will now need to ensure that the movement of goods is completed within the revised timelines; or else they will have to extend their e-waybill validity before it gets expired.

The move signals the tax enforcement drive is getting scaled up amid a shortfall in tax receipts. After initially hand-holding businesses to transition to the GST regime, central and state authorities are now on a drive to enforce compliance.

Officials have also held nationwide searches since November in a crackdown on fake invoice rackets. GST authorities are now adding new anti-evasion features to the technology-driven tax system, which flags discrepancies in compliance.

Fake invoices are used in frauds, such as evasion of GST and income tax, diversion of funds from companies and manipulating books to obtain loans from banks.