

STILL GST CAN BE SAVED!!
GST CHAOS – REASONS AND SOLUTIONS
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GST was introduced in India on 1st July 2017 and in pre-GST discussions it was apprehended that the procedures of GST are not simple and it will be difficult for the trade and Industry to follow the same. Simplification of indirect taxation should be the motto of the GST but at the initial stage the procedures were formulated so hard to follow and after 18 Months the situation is the same even after introduction of so many “so called” measures of simplification and now the situation is here that the question is gaining importance day by day “Still can we save GST?”.



GST was supposed to be introduced as a simple indirect tax as against so many indirect taxes in vogue in pre- GST era to increase the tax base and further increase the revenue both at centre and state but it appears that instead of making it main object the GST in our country it was introduced with sole object how tax evasion can be checked and in this zeal the main object of the GST were put on backseat or forgotten and procedures were made stringent without considering the practical aspect of the capacity of the dealers and available capacity and speed of information technology systems available in the country.

In this article we will analyse what are the reasons of this chaos but first of all we should be agree on one fact of GST that whatever may be respect we all Indian Citizens have in their mind about the IT company handling GSTN , it is the fact that GSTN is a total failure in these 18 Months . There may be reasons beyond control of the IT sector due to complexities of the procedures of GST but the worst sufferers of this failure are the Dealers and professionals and further the GST administration's zeal the impose "Late fees" in such a bad situation has put more Sault on the wounds of the sufferers .

Before going for what and who is responsible for this situation, let us take a quick look at the possible solutions:-

1.	Tax should be deposited on Monthly basis and GST return should be made quarterly in all the cases.
2.	Stop GSTR-3B and monthly requirement should be to deposit the tax through Challan with only single ledger.
3.	Quarterly return should be only one and all the sellers and Purchasers should fill the details of sale and purchases in the “Dealer to Dealer” format instead of Bill to Bill format. The centralize software which will create and post the mismatch in the account of seller and purchaser so that they can settle it instead of Lakhs of dealers matching their individual data.
4.	The edit and rectification facility should start immediately for GSTR-3B filed by the dealers till date.
5.	There should be only one Return in three months and all the information should be taken at that time instead of separate returns for a single dealer to be filed on different dates. 30 days time should be given to file the quarterly return.
6.	The amount of Late fees should not be more than 10% of tax payable by the dealer for the particular quarter.
7.	There should be rectification facility to rectify all the return before filing of annual return.
8.	There should be strong action against selling dealer in case of continuous mismatch instead of recovering the amount from the purchaser who himself is a sufferer. For revenue this is very simple formula but for trade and industry it is illogical punishment. The recovery from the purchaser should be last resort. The cancellation of Registration, attaching the property and further taking all the legal action against such dealers should give a confidence to the Trade and Industry to follow the GST.
9.	There is a provision that if payment is not made within 6 Months then ITC on such supply will be reversed but the seller does not have the power to report such non payment. The power in this respect should be given to the seller.
10.	The simplification of return should be introduced immediately instead of postponing it to later date. The case is that You know that there is a problem and dealers are suffering, further you know that solution also but you want to introduce it later!!!!!!!

	What is the logic? The dealers are suffering since last 18 Months!!!!
11.	The capacity of GST Net work should be increased to 15 Lakhs per return at a time instead of 1.50 Lakhs return at a time to solve the problem for next 5 years.
12.	If a dealer logged in once for filing of return but failed to file the return due to capacity of GSTN or other technical glitches, his Individual date of filing of such should automatically be extended for 15 days since it is not possible for a dealer to check the GSTN again and again to check whether GSTN is ready to accept the return or accepting the return or not. This system should be followed till the GSTN get the required capacity, speed and quality.
13.	Redraft the Annual return and reconciliation statements – 9A, B and C to a Logical format.
14.	GST Administration and GSTN should be made accountable for introduction of all the GST forms on schedule time.
15.	GSTN should be made accountable so that dealer can file their returns even on Last dates.
16.	There should be composition scheme for Service Sector having turnover up to 50 Lakhs and the rate of Composition tax should be fixed between 3 to 5%.
17.	Keep only “ Sin & Luxury items ” in 28% and this should be done as soon as possible.
18.	Proper and specialized training should be given to the GST officials both at state and centre specially the officials who are checking goods in Transportation of goods and e-way bills. There should be single rule with respect to e-way bill in every state.
19.	The late fees charged from dealers should be returned to their accounts since they have filed their returns in adverse conditions and paid the late fees. If late fees can be waived for non filers then there is no logic to penalize these dealers.
20.	Reverse charge is a very confusing concept having very little financial effect. Instead of postponing it again and again , it should be abolished permanently.



The Reasons responsible for the GST chaos

18 Months have gone when GST was first introduced in our country and the problems of GST and GSTN are increasing day by day and the so called measures introduced by law makers are also failed to solve the problems. First we have to find out who is responsible for this situation so the effective remedial actions can be taken immediately Instead of blaming one and other.

The GST in India was introduced with good intentions and strong will of the lawmakers and it was a very bold step of the Government for the growth of the economy and simplification of indirect taxation system of the country. The way in which law was framed was the only way to introduce GST in the country like ours where the system of governance is “**Federal**”. The state and the centre both have the right to tax hence the Dual GST was introduced which was accepted by all the stakeholders i.e. the Centre, the States and the Taxpayers. So there was no mistake on the part of Law as it was introduced. The trade and Industry was also very keenly waiting for the GST.

Now come to the procedural part of GST and here big mistakes were done initially and continuously. First it was advertised very casually

and unnecessary enthusiastically. The procedures were very tough but initially referred and advertised the same as very simple. See that for return filing it was said **“Neighbouring Child can file it”** which turned into a big GST joke. The initial official explanations were very casual and contradictory. The author himself pointed out so many mistakes on GST official twitter reply account. It shows that since inception, there was a lack of specialisation in GST Management which day by day increased the problems.

See one more example. The composition dealers at the initial stage have to pay tax both on taxable and exempted Goods which were illogical but it was defended very enthusiastically at initial stage with so many unreasonable reasons and later the tax was withdrawn.

The tax was introduced as **“One Nation One tax”** but the tax ledger itself has three taxes SGST, CGST and IGST plus Cess, Interest and Late fees and the law makers have taken 18 Months to realise that one tax ledger will not only be sufficient but convenient for the dealers but till today lot of dealers have suffered accidentally while following the lot of ledgers by wrong deposit of tax. Now they have realised that this was a mistake and now they will introduce only one ledger though the problem was brought to their notice in the August 2017 itself by lot of experts.

The return filing procedure as introduced at initial stage of introduction of GST was very tough and impractical. It is tough today also but in that case the major reason is GSTN but see the initial program that was framed as the **“Dealers have no other business but filing returns only”**. Let us See the initial scheme:-

Name of Return	Description	Time Limit
GSTR-1	Return of Monthly Supply Outwards	Up to 10 th of Following Months
GSTR-2	Return of Monthly Supply Inwards	Up to 15 th of the following Month (This return cannot be filed before 10 th hence the return has to be filed between 10 th to 15 th of the following Month.
GSTR-3	Return for Monthly Tax Liability	Up to 20 th of the following Month
GSTR-9	Annual Return	Up to 31 st . Dec. following the close of Financial Year.

The purchaser has to check auto populated purchases from the GSTR-1 of the seller in the return of Inward supply i.e. GSTR-2 and approve it and the seller has to correct his return of outward supply after receiving objections from the Purchaser. The procedure was not only cumbersome but full of confusions also and it appears that our bureaucrats while drafting such a tight and tough schedule must have in their mind that the dealers are also employees of the Govt and they have only work in their hands is to prepare and file return and business is being done by somebody else on their behalf. The GST is imposed on Lakhs of dealers and majority (More than 75%) are small dealers hence such a tight and confused schedule was not practically viable for them. The fact is that the bureaucracy has always misled the political leadership that the system of the return filing under GST is very “**simple**” and that move proved very simplistic for the GST administration.

At the start the system itself was not ready for such tough plan hence an alternate form GSTR-3B was introduced for initial 2 Months and now this form is still in existence though 18 Months have already gone since its introduction.

One More form GSTR-1 is there and it is filed on Monthly basis by big dealers and for small dealers it is filed on quarterly basis. The details required in this **Form** are **“Bill to Bill”** which is increasing the volume of information and data. This large volume of information has two major problems. First it takes too much time of dealers every Month or Quarter and further GSTN is always clogged with this volume of data and always collapsed on last two days of filing of this return. The Govt. is regularly postponing the date of this form but this is not the permanent solution. The law makers should have faith on the dealers and make this detail **“Dealer to Dealer”** instead of **“Bill to Bill”**.

It is necessary to check the tax evasion but it should be done with practical and viable procedure of law which can be followed by majority of tax payers easily. After all **“Ease of doing business”** and **“Simplification of Taxation law”** are agreed principals. The law should be practical and it should be made in such a way that a law abiding dealers can follow it with ease. **GST** was introduced for simplification of indirect taxation system in the country.

The matching system of Bills as introduced in the present **GST** is not very good system. As per this system the sales or supply filed by a selling dealer is auto populated in the **GSTR-2A** of the purchaser then purchaser have to check it and if there is any difference then he has to contact his selling dealer to correct it . Each and every dealer has to check his **GSTR-2A** either manually or through the help of software. Lakhs of dealers are doing this exercise every month or quarter. A practical alternate system can be developed. Quarterly return should be only one and all the sellers and Purchasers should fill the details of

sale and purchases in the **“Dealer to Dealer”** format instead of **“Bill to Bill”** format. The centralized software will create and post the mismatch in the account of seller and purchaser so that they can settle it instead of Lakhs of dealers matching their individual data. This system was very successfully implemented in **VAT** regime in most of the state without any problem.

One big question is asked so many times. **“Any Home work was done before implementation of GST?”**. The answer is **Yes**. The GST was a very big reform so Home work must have been done but its quality of the same is questionable since lot of problems which can be solved if the thought process was practical at the time of planning stage. Now daily we are reading adverse comments in National English and Hindi News Papers against the current status of GST hence it is very appropriate time for our Government to take corrective actions with speed since the need of the hour is that the corrections, rectifications and simplification should be made immediately.

The return process coupled with the problems created by the GSTN is a cumbersome process and back to back returns are creating hurdles in ease of doing business. The **“Neighbourhood child can file the GST return easily”** phrase has turned out to be a biggest joke of the GST and even trained professionals are facing difficulty in filling of GST returns.

“The GST will prove the **“Sanjivaneer”** for Indian economy and it will boost the growth of India Economy” significantly. These were the initial welcome statements from certain sector of Industry but at that time I wrote that these are very premature statements and were made without realising the fact that a Taxation system alone cannot boost the economic growth but it can ruin the economic scenario of a country if badly introduced. No serious **red signals** are there yet as a result of GST because financial implications of GST are not still fully

analysed but need of the hour is to take remedial actions as early as possible and simplify it so that it can become useful for Indian economy. This is the sole purpose for which GST was introduced.



Message from the Writer

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Yours truly

- **Sudhir Halakhandi**
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