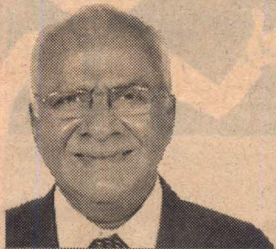


Collection issues with GST regime



EXIM MATTERS

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After the 25th meeting of the goods and services tax (GST) Council on Thursday, the Union finance minister flagged falling revenues as a major concern and talked of tougher measures to curb evasion. The trade should now get ready to answer many queries regarding the transitional credits claimed, classification, correctness of returns filed and so on.

To be fair, collection of a mere ₹3070 million from about 1.7 million composition dealers in the July-September quarter is a surprise. Even assuming a minimum annual turnover of ₹2 million (₹ 0.5 million for a quarter), one per cent of the turnover as tax should have given the government at least about ₹8500 million as revenue. Collection

of 36 per cent of this amount suggests under-reporting of turnover.

This shortfall comes on top of falling revenue collection from other registered dealers, from ₹920 billion in July to around ₹830 billion in November. So, the government has every reason to find why and take remedial measures. The apprehension is that it might unleash an adversarial tax regime. The minister said the e-way bill is an anti-evasion measure that will be mandatory for inter-state movement of goods from next month. On a trial basis, 14 states have already rolled out e-way bills for such movement. They and the other states are also expected to make these bills mandatory for intra-state transport of goods. Once introduced as an anti-evasion measure, it can be expected that teams of inspectors in mobile squads will stop trucks at various stages of their journey and examine the documents.

Another anti-evasion measure hinted at is a reverse charge mechanism for composition dealers. This might work on supplies from composition dealers to registered dealers. Such supplies might not be too significant. On supplies of composition dealers to unregistered persons that might constitute a major part of their turnover, the government might still have to rely on declaration of turnover but institute more verifications, audits, surveys and inspections to

get a better assessment.

Despite concerns regarding falling revenue, the GST Council has decided to cut the rates on 29 goods and 54 services. The principle of equivalence the government talked of while fixing the rates in June has been quietly buried. The government should now come out with figures on how much revenue is lost on account of reduction in tax rates, rather than only talk of tax evasion. In its next meeting, the Council is expected to take key decisions regarding a single monthly return for registered dealers and bringing petroleum products and real estate within the ambit of the GST regime. The move towards a single monthly return nails the government's claim in the run-up to GST and thereafter that three monthly returns is only a myth and that there is only one return.

During the interaction with journalists after the GST Council meet, there was no mention of refunds due to exporters or the figures of transitional credit claimed by registered dealers. The decision to disburse to states half the Integrated GST collection with the government is also only an ad hoc dispensation. Overall, the government seems to have got into making of Budget 2018 without adequate reliable data.

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