

PRELIMINARY OBSERVATIONS BY CAIT ON DISCUSSION PAPER ON GST

It will be appreciated that the traders are basically the 'Tax Collectors' who collect specified tax from a person and depositing the same in the Government treasurer and that too without any remuneration whereas on the hand subject to several penalties, in case of even a small mistake. For the purpose of Indirect Taxes, the traders have been wrongly defined as 'tax payers'. It is submitted that in the light of ground realities, the status of Tax Collector may be recognized in GST at least.

Although the Discussion Paper prescribes a Dual GST system in India duly supported by the reasons thereof but we feel that perhaps the Dual GST system because of its nature and multiple authorities will entail a cumbersome procedure which a common shopkeeper even in the remote area may not be able to comply with resulting into some hurdles in expanding the tax base whereas widening of tax base is the essence of the GST system. It is therefore, suggested that a rethinking may be given and the recommendations of the Kelkar Committee for Single Rate GST may be taken into consideration.

We have received a suggestion in this regard from our member Ahilya Chamber of Commerce, Indore, which we are narrating below:

"States are objecting to a single GST on the assumption (rightly) that then they will lose their sovereignty and will become totally dependent on Centre for revenue. Is it possible that :

1. There be a single GST as was originally proposed.
2. The entire revenue goes to the states and states give a certain percentage to centre.
3. Since Centre will have huge revenue from Direct Taxes, from which some percentage will be due to states, it can always withhold/adjust this amount if any state does not pay in time.
4. This arrangement will strike a sort of balance between States and Centre on revenue sharing and will save Industry and Trade from the miseries and hassles of a dual GST."
5. This will drastically reduce the administrative cost for both the state/centre and Industry & Trade resulting in enormous national savings.
6. It will immediately overcome whatever resistance to states is having to GST at present.

It is therefore urged that a Single Rate GST system will have far better consequences in terms of voluntary compliance and revenue generation.

It is submitted that keeping into consideration the devaluation of rupee and constant inflation, the threshold limit of Rs. 10 lakh in SGST and Rs.1.5 crore in CGST seems to be irrational. Therefore, it is suggested that threshold limit may be suitably revised keeping into consideration the above factors. It is also suggested that threshold limit may be made 'optional' by inserting suitable words in the statute.

The issue of IGST needs to be deliberated in the light that in any case the exporting dealer should get input credit immediately as in the present VAT system the refund procedure is very complicated and it is almost difficult to get the refund from the Department without any harassment.

Items of daily needs even of a common man like Food grains, Tea, Milk, Vegetable, Bread, Meat, Weights and Measures, Fish, Salt and particularly kerosene stove, lamp etc. may be kept as exempted items.

Textiles of all kinds in other words Cloth of all kinds may also be kept as a tax exempted item.

Treatment to Stocks as on 31st March, 2010 on which VAT has been paid needs to be elaborated.

The Stock Transfers should be absolved from any kind of tax liability.

All Kind of Road permits and Check Posts may be abolished to treat India as a Free Trade Zone.

All kinds of C Forms, F Forms or any other statutory Forms should be abolished.

Refunds, if any, should be automatic through system based controls.

Some sort of effective mechanism has to be developed to ensure that benefit of reduction in cost must be passed to end consumer. The large manufacturers & companies may be advised by virtue of law to declare their Pre-GST & Post-GST cost of production to the respective State taxation department.

Beside central & state taxes, the local Governing bodies like Municipal Corporation etc are also levying several commercial taxes. Either such taxes may also be amalgamated in GST or a lowest uniform tax structure may be levied to avoid any kind of disparity in taxes & rates between local bodies of different states.

The VAT registration Number should itself be construed as GST no. & traders should not be asked to apply afresh. The procedure of obtaining new GST registration numbers should be made simple & easy.

There should be a uniform tax structure, uniform tax rates, charging sections and definitions etc. should remain the same across the Country leaving no scope of any diversion of trade from one State to another State.

There should be a Central law to check the deviations, if any, made by any State and such deviations should be dealt firmly with severe penalty.

Input tax credit on capital goods will also be available for traders and manufacturers.

For all exports made out of the country, tax paid within the State will be refunded in full.

Under GST, simplified form of returns may be prescribed so that even a small shopkeeper may submit the return on his own.

This GST design may also significantly bring in simplicity and transparency in the tax structure.

Since the GST is likely to be based on electronic and computerized system, it is submitted that traders who opt for installing the computer system may be assisted by the Government in making available the system at a subsidized price. In many areas, perhaps, a policy of installing the Computer Kiosks by the Department which is authorized to process the return electronically subject to a very nominal fee will be an ideal situation.

The GST software may be made available without any cost to the trader or else the traders may be allowed to download the software from the website of either the Empowered Committee or respective States Websites.

On the basis of our past experience, it is submitted that Websites may be updated on regular basis to give most updated and authentic information.

Besides going for computerization system, manual system may also be kept operative as sizeable number of traders may not opt for computer process because of their limitations.

It is suggested that as it was done in the case of introduction of VAT, at least the first two years of GST implementation may be treated as 'transitional period' and it is to be ensured that no penal action is taken against any trader except the willful tax offenders.

Awareness Drive:

Once the roadmap is finally ready, a mass awareness drive may be launched across the Country to make stakeholders aware about the modalities of GST and other related issues which may include workshops, seminars, debates and discussions with active assistance of the trade associations.

A special working group on GST may be formed both at the Centre and the States comprising of officials and stakeholders representatives to ensure smooth implementation of GST.

It is observed that most often, there arises a difference between the Department and the Assesse on a particular issue, an independent authority may be constituted to look such cases and give its ruling.

Once the Acts and Rules are framed, no frequent changes in the said Acts and Rules are allowed as such a practice de-stabilize the taxation system.

The rulings given by the learned Authorities in a particular case is taken as a bench mark for other cases as well. It is suggested that the affect of such ruling may be kept only upto the case concerned.

By and large, the traders and other sections of the people are inclined to abide by the law but equally afraid of the lengthy process, victimization and harassment at the hands of officials who are crowned with discretionary powers, we suggest that in the larger interest of the economy, such a system must come to an end and a most simplified, transparent and responsible system may be placed which will certainly widen the tax base and will result into augmentation of much revenue.

Unfortunately, in our Country, the laws are made keeping in to consideration the minimal percentage of people those who offend the law and the rest of the traders have to suffer the wreath of the system. It is urged that since GST is ultimate tax reform in indirect taxes, the Acts and Rules may be made for those people who are abiding the law to encourage them to give better performance.