



Ministry of Finance
Government of India



75
Azadi Ka
Amrit Mahotsav

FIVE YEARS OF GST



GST@5: साधन, देश के सर्वांगीण विकास का



CONTENT

01

BACKGROUND

02

CHALLENGES & SOLUTION

03

A UNIQUE
MODEL

04

THE JOURNEY TILL
1st JULY, 2017

05

GST COUNCIL –
THE JOURNEY SINCE
THE LAUNCH OF GST

06

**GST: THE BALANCE
BETWEEN TRADE
FACILIATION & COMPLIANCE**

07

**SUCCESS STORY
IN NUMBERS**

08

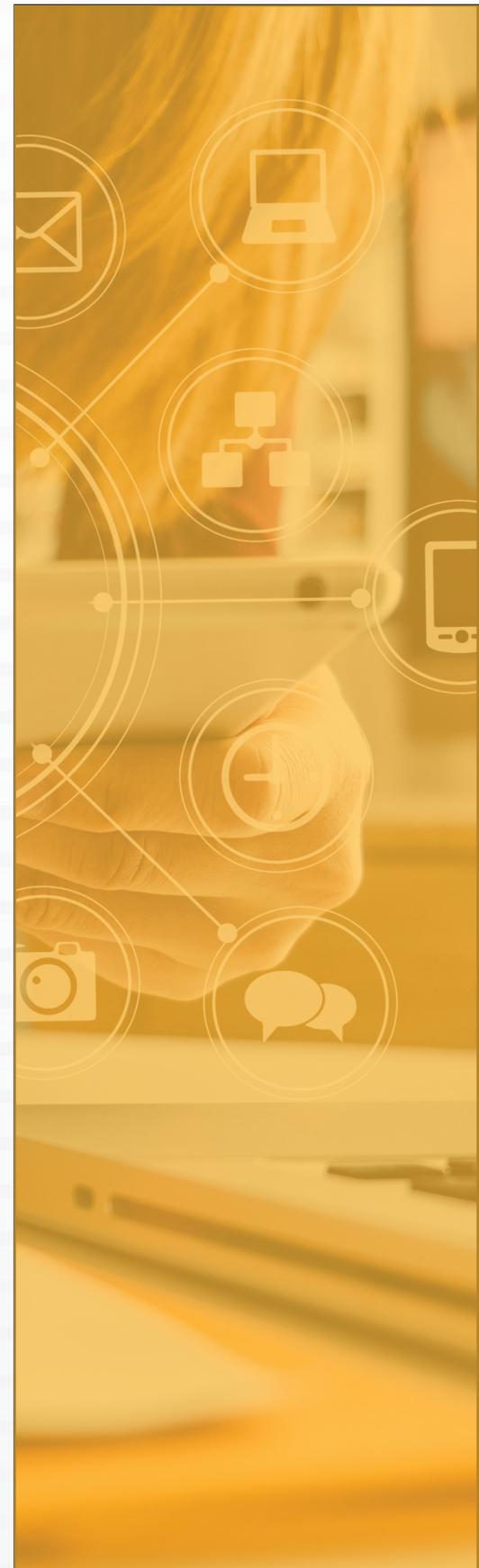
**GST: A TRULY
DIGITAL TAX**

09

**OUTREACH AND
CAPACITY BUILDING**

10

**THE JOURNEY
CONTINUES...**





Foreword

Anniversary is an occasion for jubilation and exuberance. Today, when the Nation celebrates the fifth anniversary of the biggest tax reform in the history of our country, I am reminded of the words of Hon'ble Prime Minister Shri Narendra Modi, spoken on the historic occasion of launch of Goods and Services Tax, in the Central Hall of Parliament.

“In legal parlance GST may be known as Goods and Services Tax. But the benefits of GST will positively ensure it to be “Good and Simple Tax” for the citizens of India.”

The journey of GST during these last five years has been guided by this vision. The innovative digital and legal solutions introduced during these years in GST have actually made it a good and simple tax. This booklet captures the story of the ongoing saga. I will not delve further into the specifics and take away the joy of discovering these from the reader.

The Directorate General of Taxpayer Services (DGTS) has been an integral part of this story. I congratulate the entire team DGTS for their continuing meticulous efforts in disseminating information for the taxpayer about GST even before its inception, which today has borne another fruit in the form of this booklet.

Jai Hind!



A handwritten signature in black ink, appearing to read 'Pramod Kumar', written over a white background.

Pramod Kumar
DG, DGTS



01

BACKGROUND



G

BACKGROUND

“

Just as Sardar Vallabh Bhai Patel unified India by helping several princely States subsume into a common entity, the GST will bring economic unification. If we take into consideration the 29 states, the 7 Union Territories, the 7 taxes of the Centre and the 8 taxes of the States, and several different taxes for different commodities, the number of taxes sum up to a figure of 500! Today all those taxes will be shredded off to have ONE NATION, ONE TAX right from Ganganagar to Itanagar and from Leh to Lakshadweep.”



- Hon'ble Prime Minister Shri Narendra Modi on the launch of GST



India is a socialist, secular, democratic republic and follows a federal structure that includes both the Central and State-level governments. The governments at both the levels share the responsibility to manage country's developmental needs. The primary source of income for both the government is tax. In other words, a tax is a contribution that a person makes towards the development of the country.

In India, the power to tax vest in both the Central and State governments. The power to levy and collect taxes stems from the Indian Constitution, which divides the power between the Central and the State governments.

Prior to the launch of unified tax system as GST, Indian indirect tax regime was highly fragmented. Centre and States were separately taxing goods and services. The Centre was empowered to tax goods at the production or manufacturing stage, whereas the States had the power to tax goods at distribution stage. The Centre was also empowered to levy tax on services. This structure of taxation suffered from various shortcomings.

There were multiple taxes like central excise duty, service tax, VAT, CST, purchase tax, entertainment tax etc. Additionally, there was multiplicity of rates, laws and procedures. This caused heavy compliance burden on the taxpayers. Imposition of tax-on-tax or cascading of taxes was another serious problem. For example, VAT was levied on a value that included central excise duty.

Input tax credit chain broke as goods moved from one State to another, resulting in hidden cost for the business. There were tax nakas at every inter-State border, creating bottlenecks in inter-State transport of goods. Every State was effectively a distinct market for the industry as well as consumer. Industry's choice of locating factories or warehouses was heavily influenced by the prevailing tax regime rather than pure business considerations, making the industry uncompetitive.

Some of the primary problems with the pre-GST tax regime were:

01/ *Taxation at manufacturing level*

Central excise duty was levied on goods manufactured or produced, limiting the taxable event at manufacturing point leading to a narrow base and posed a severe impediment to an efficient neutral application of tax.

The States were precluded from taxing services. This arrangement posed difficulties in taxation of goods supplied as part of a composite works contract involving a supply of both goods and services, and under leasing contracts, which entail a transfer of the right to use goods without any transfer of their ownership.

02/ *Exclusion of Services*

03/

Tax Cascading

Tax cascading means a tax-on-tax. Tax cascading occurred under both the Centre and the State taxes. The most significant contributing factor to tax cascading was the partial coverage by the Central and the State taxes. Under the erstwhile system, tax payable at the time of sale was levied on a value which already included the tax paid at the time of manufacture that is central excise duty. Furthermore, there were certain taxes for which input credit tax was not admissible which thus formed a part of the cost of the goods. Moreover, input tax credit in respect of CST on inter-State sale of goods was not admissible. All these taxes become a part of cost of goods thereby leading to cascading.

The advancement in information technology had blurred the distinction between goods and services. In the present scenario, goods, services and other supplies are being packaged through as composite bundles and offered for sale to the consumers. Neither the Central nor the State government could levy tax on such bundles in a seamless manner.

05/

Complexity

In spite of the improvements made in the tax design and administration over the years, the tax regime remained complex. They were subject to disputes and court challenges and the process for resolution of disputes was slow and expensive. At the same time, the systems suffered from substantial compliance gaps, except in the highly organised sectors of the economy.

06/

Lack of uniformity in VAT provisions and rates

The VAT structure lacked uniformity across the States which was not only confined to the tax rate but also extended to procedures, definitions, computations and exemptions.

Fixing the situs of the sale transaction that is whether the sale takes place in one State or another was a major conflict as it affects the revenue of the State. CST that is Central Sales Tax was a tax levied on inter-State sale of goods by the Central government but the power to collect and retain the CST was vested with the State government.

07/

Local Sale v/s Central Sale

04/

Complexity in determining the nature of transaction

08/

Interpretational Issues

Problems also arose in respect of interpretation of various provisions and determining the category of the commodities. To decide the nature of transaction that is whether an activity was sale or works contract; sale or service was not free from doubt.

Thus, a reform was necessary to simplify the tax structure, to facilitate free flow of goods and services throughout the country and to bring in transparency through a robust IT infrastructure.

“ The complexities of the Pre GST regime formed the cornerstone for implementing the GST. Thus, GST was a positive step in shifting the Indian economy from the informal to the formal economy... ”

The introduction of the Goods and Services Tax (GST) was a significant step towards making India economically competitive by ushering in higher transparency, lower transaction costs and improved compliance. It was the much-needed transformation in the field of indirect tax system of the country. It was launched with the objective to streamline taxation and reduce compliance burden.

More than 17 taxes including both of the Centre and the States i.e., Central Excise duty, Additional duties of excise, Excise duty levied under Medicinal & Toiletries Preparation Act, Additional duties of customs, Service Tax, State VAT or Sales Tax, Central Sales Tax, Purchase Tax, Entertainment Tax, Luxury Tax, Entry Tax, Taxes on lottery, betting & gambling and other surcharges & cesses were subsumed into a single Goods and Services Tax (GST). Constitution was further amended to provide concurrent powers to both the Centre & the States to levy GST. The objective was to mitigate the ill effects of cascading or double taxation in a major way and pave the way for a common national market.



Ek Bharat Shreshtha Bharat

Since its launch, the country has witnessed digitalisation in tax compliance and improved supply chain efficiencies. It is a tax regime founded on a technology-based monitoring system with e-business processes like, e>Returns, e-Invoices, e-Way bills, etc. It was also vital to recognise the effectiveness of the Centre-State collaboration under the auspices of the GST council, which has ensured policy implementation uniformly across States. Despite the scale of the COVID-19 crisis, the government and the industry was agile in adjusting to the “new normal” and restarting economic activity. GST has made Indian products competitive in the domestic and international markets owing to the full neutralisation of input taxes across the value chain of production and distribution.

In the words of Hon'ble Prime Minister Shri Narendra Modi, the Goods and Services Tax (GST) is “a path-breaking legislation for New India”. This revolutionary taxation system was rolled out on the midnight of 01st July, 2017 in a ceremony held in the Central Hall of Parliament. GST is not merely a tax reform but a milestone in realising Sardar Vallabhbhai Patel's dream of building.



02

CHALLENGES & SOLUTION

S

T



“GST is the taxation system of New India; of the Digital India. It is not merely Ease of Doing Business. It is demonstrating Way of doing Business. GST is not just a tax reform, but it is a landmark step towards economic reforms. Beyond the taxation revamp, it is also paving the way towards social reforms. It is an avouchment for corruption free taxation system. In legal parlance GST may be known as Goods and Services Tax. But the benefits of GST will positively ensure it to be ‘Good and Simple Tax’ for the citizens of India.”

- Hon'ble Prime Minister Shri Narendra Modi on the launch of GST (01st July 2017)

GST

CHALLENGES & SOLUTION

GST was designed and structured as a destination-based tax to replace the erstwhile origin-based taxation. It follows a multi-stage collection mechanism. In this, tax is collected at every stage and the credit of tax paid at the previous stage is available as a set off at the next stage of transaction. This shifts the tax incidence near to the consumer and benefits the industry through better cash flows and better working capital management.

GST aimed to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level. By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.

However, implementation of destination-based regime in GST from an origin-based taxation system in pre GST era posed challenges of its own.

A uniform and dynamic decision making, and an administrative system was required to be put in place for both the Centre as well as the States. Robust IT infrastructure was needed to ensure compliance while keeping the processes simple and user-friendly, especially for smaller taxpayers. Strategic outreach management was required to reach out to taxpayers, to make them aware of the changes GST regime brought in and consequently to make them accustomed to the IT driven processes in GST.

CHALLENGES

MEASURES TAKEN

Lack of uniform and dynamic decision making and administrative coordination between the Centre and the States

In order to ensure uniformity in law, procedures and tax rates, a GST Council was set-up as per provisions of the Constitution, with representation from both the Centre and the States. The GST Council took a proactive and dynamic approach and held regular meetings for addressing these issues, resulting in a number of changes in GST laws and procedures and issuance of various notifications and circulars.

- 47 meetings held so far and all decisions except one were taken by consensus

Lack of robust IT system to digitalise the process of GST

GSTN was set-up with shareholding of the Central & the State governments to develop and manage the centralised IT platform for GST. All the processes in GST, right from the very first step of taking registration to filing returns to making payment to claiming refund are online:

- Centralised IT system, especially the front end for taxpayers for all business purpose and back end for tax administration for most States*
- All business processes from registration to paying taxes, filing returns, claiming refunds, dispute management, etc. made electronic*
- Taxpayers and tax administrators on single platform*

Multiple tax administrations

Keeping in view the administrative challenges, taxpayers were administratively assigned between the Central and the State tax administrations, along with cross empowerment of powers in respect of all functions other than enforcement functions.

- Concurrent levy on common taxpayers' base*
- An innovative concept of administrative assignment of taxpayer base*
- Cross empowerment of officers under the Centre/State GST laws*
- All the above steps led to a single interface for taxpayers*

Balance between the need for compliance and trade facilitation

While compliance is important, trade facilitation is crucial for the economy. The GST Council took proactive approach to enhance the taxpayers experience and to ensure the ease of compliance. For ensuring compliance, an extensive use of technology has been made to take targeted action against tax evaders.

- 869 Notifications, 174 Circulars, 19 Orders, and 19 Removal of Difficulty Orders (RoD) have been issued by the Central government towards this end. Similar Notifications, Circulars, Orders have been issued by each of the State governments.

Requirement of capacity building of officers of both the Centre and the State governments

- National Academy of Customs, Indirect Taxes & Narcotics (NACIN), in coordination with State Training Academies imparted training to almost all the officers of the Centre and the State governments. The trainings are continuous and ongoing to help the officers keep pace with changing laws, procedures and technology.

Requirement for dynamic stakeholder outreach campaign for creating awareness and taking feedback

Regular engagement was kept with the stakeholders to take feedback about the issues and problems faced by them. Effective communication of new tax reforms through various outreach activities have been carried out through print media, social media, town hall meetings, GST-Ki-Master classes and webinars.

It has been five years since GST was rolled out. GST has been a landmark indirect tax reform, subsuming more than 17 indirect taxes and 13 cesses levied by the Centre and the States, thus paving the way for

'One Nation-One Tax-One Market'.







03

**A UNIQUE
MODEL**

A UNIQUE MODEL

The GST regime was structured to address the shortcomings of the previous tax regime and to make the market more competitive. Indian GST system is unique when compared to all other countries, considering its federal nature. The regime gave power to both the Centre and the States to concurrently tax the complete supply chain from production to distribution, and both on goods and services. GST also removed barriers within the country and has ensured uniformity in indirect taxation laws and procedure throughout the country.

The GST regime was uniquely structured with the following key components:

01

Concurrent levy by the Centre and the States

The GST regime gave power to both the Centre and the States to tax the complete supply chain from production to distribution, and both on goods and services.

03

e-Invoicing

e-Invoicing was introduced to automate tax filing processes for taxpayers.

Cooperative Federalism

The GST regime was strategically designed to promote synergistic governance by concurrently sharing the powers and responsibilities among the Centre and the States.

02

e-Way bill system based on a 'Self-Declaration Model'

Unlike other countries, India introduced an e-Way bill system, to automate and ease out the flow of goods across the country.

04

The GST regime integrated the entire country into a common market with common tax rates and procedures and removed the economic barriers. It was envisaged that the shortcomings of the previous tax regime would be addressed by GST by subsuming of multiple Central and State taxes and by removing the cascading of taxes through a free flow of inter-State input tax credit. It gave concurrent power to both the Centre and the States to tax the complete supply chain from production to distribution, and both on goods and services. GST also removed barriers within the country and has ensured uniformity in indirect taxation laws and procedure throughout the country.



A simpler tax regime was introduced so that the taxpayers need not maintain multiple records and compliance. It also increased transparency in the entire indirect taxation system in helping the industry take proper input credit and government to verify the correctness of taxes paid and consumer to know the exact amount of taxes paid. The GST has provided the much-needed boost to the government revenue by widening the tax base and improving the taxpayer compliance. GST, being largely technology driven, reduced human interface leading to improved transparency in processes. India introduced an e-Way bill system based on a “Self-Declaration Model”. Subsequent to introduction of e-Way bill system, border check-posts have been removed by various State authorities, providing a common market and hassle-free movement of goods throughout the country, thus realising the goal of “One Nation, One Market”.

Also, e-Invoicing was introduced in India for taxpayers having turnover above Rs. 20 crore in a graded manner. e-Invoicing not only eased the processes for the taxpayers but also helped the tax authorities in combating the menace of tax evasion.

It provided the much-needed boost to **Indian exporters, enabling them to compete in the international market.** Under GST regime, it is envisaged that the exporters with clean track record are given immediate refund of 90% of their claims arising on account of exports within 7 days. It also brought in increased **‘Ease of Doing Business’** by making India a common market with common tax rates and procedures. It also gave a boost to **‘Make in India’** initiative by making goods and services produced in India competitive in the National as well as International market.

KEY HIGHLIGHTS OF GOODS AND SERVICES TAX ACT

Taxable Event:

- Tax on supply of goods or services rather than on manufacture / production of goods, provision of services or sale of goods
- On intra-State supplies of goods or services - CGST & SGST shall be levied by the Central and State government respectively, at the rate to be prescribed
 - Maximum rate ring fenced in law to 20% each
- On inter-State supplies of goods or services - IGST shall be levied by the Central government, at the rate to be prescribed
 - Maximum rate ring fenced in law to 40%

Place of supply:

- The new tax regime under GST lays down elaborate Rules to determine the place of supply in case of inter-State supply of goods and services

Liability to pay:

- Under the GST regime liability to pay tax arises only when the taxable person crosses the exemption threshold

Composition Scheme:

- The GST tax system has introduced a composition scheme for levy of tax on fixed rate on aggregate turnover up to a prescribed limit in a financial year (Composition scheme) without participation in ITC chain

Time & Value of supply:

- Elaborate principles devised for determining the time of supply of goods or services with following being crucial determinants with certain exceptions:
 - Date on which supplier issues invoice
 - Date on which supplier receives the payment, whichever is earlier

- Tax is to be paid on Transaction Value (TV) of supply generally i.e., the price actually paid or payable for the supply of goods or services

Input Tax Credit (ITC):

- ITC is available in respect of taxes paid on any supply of goods or services used or intended to be used in the course or furtherance of business
- Negative list approach for non-allowance of ITC
- ITC of tax paid on goods or services used for making taxable supplies by a taxable person allowed subject to four conditions:
 - possession of invoice
 - receipt of goods or services
 - tax actually paid by supplier to government
 - furnishing of return
- Full ITC allowed on capital goods in one go
- Proportionate credits allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes
- Proportionate credits allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies
- ITC to be reversed in case of mismatch
- Input Service Distributor mechanism for distribution of ITC of centrally procured input services

Registration:

- Every person whose turnover in a year exceeds the threshold is required to take registration
- However a person, who is not liable to be registered, may take voluntary registration

- Certain suppliers are to mandatorily obtain registration irrespective of the threshold
- Registration to be given by either Central or State Tax Authorities on a common e-application
- PAN based Registration to be obtained for each State from where taxable supplies are being made
- A person having multiple place of businesses, in a State may obtain separate registration for each such place of business
- Deemed registration after the prescribed working days from date of application unless objected to

Payment:

- System of electronic cash ledger and electronic ITC ledger
- Payment of Tax is made by way of the debit in the electronic cash or credit ledger
- Tax can be deposited by internet banking, NEFT/RTGS and Over the Counter
- Cross-utilisation of ITC between CGST & IGST, between SGST/UTGST & IGST allowed
- Provision for TDS on certain entities
- E-Commerce Operators, facilitating supplies by other suppliers, to collect Tax at Source (TCS), at the time of supply, out of payments to be made to such suppliers

Refund:

- Time limit for refund of tax or interest is two years
- Refund to be granted within 60 days from the date of receipt of complete application
- Refund claim along with documentary evidence to be filed online without any physical interface with tax authorities

- Provisional sanction of 90% of refund claim on account of zero-rated supplies within 7 days
- Tax refund will be directly credited to the bank account of applicant

Assessment, Scrutiny of Returns and Audit:

- Self-assessment of tax
- Scrutiny of returns filed by the taxpayers to be conducted in certain cases
- Audit of taxpayers, selected based on well defined risk parameters, to be conducted at the place of business of the taxable person or at the office of the tax authorities, after prior intimation to taxable person
- Audit to be completed within 3 months, extendable by a further period of 6 months

Demand:

- Adjudication order to be issued within 3/5 years of filing of annual return in normal cases & in fraud / suppression cases respectively
- SCNs to be issued at least 3 months / 6 months prior to last date of passing adjudication order in normal cases and in fraud / suppression cases respectively
- Taxable person can settle demand at any stage, right from audit/investigation to the stage of passing of adjudication order and even thereafter

Power of officers and taxpayers right to appeal:

- Officers to have power of search & seizure with inbuilt safeguards
- Restricted power to arrest and for prosecution
- Elaborate provisions for appeals up to Supreme Court



Other features:

- Advance ruling mechanism
- Comprehensive transitional provisions for smooth transition to GST
- Provision for job work
- System of GST compliance rating
- Anti-profiteering provision to dis-incentivise non-passing of price reduction benefits to consumers

GST has irrefutably transformed India into one unified marketplace. Manufactured goods and services are on same tax platform and all goods and services are subjected to same tax rates throughout the country.

It was quite a revolutionary journey for government, industries as well as consumers for accepting and adapting to the reforms or changes introduced in such a short span of time.





04

THE JOURNEY

TILL 1st JULY, 2017



THE JOURNEY TILL 1st JULY, 2017

Launch of GST was a win-win situation for the entire country. It benefited all stakeholders namely industry, government and the consumer. It lowered the cost of goods and services, gave a boost to the economy and made the goods and services globally competitive. But it took over 10 years to ideate, deliberate, formulate and implement this Act!

- The idea of adopting Goods and Services Tax (GST) - a unified tax system for all goods and services throughout the country was first suggested by the Atal Bihari Vajpayee Government in 2000.
- An Empowered Committee of State Finance Ministers (EC) was established by the Vajpaae Government in the year 2000 to recommend reforms for sales tax regime in the country.
- In 2003-04 Fiscal Responsibility and Budget Management (FRBM) Committee was formed which recommended introduction of GST and in 2006, the then Union Finance Minister, in the 2006-07 Budget Speech, announced introduction of GST from 01st April, 2010.
- The Empowered Committee was requested to come up with a roadmap and structure for GST based on their experience in designing the State VAT.
- Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central government, the EC released its First Discussion Paper (FDP) on the GST in November, 2009.
- In 2011, Constitution (115th Amendment) Bill, 2011 for incorporating relevant provisions of GST was introduced in Parliament and the Bill was referred to a Standing Committee for a detailed examination. However, the Bill lapsed in 2014, with the dissolution of 15th Lok Sabha, necessitating a fresh Constitutional Amendment Bill.
- In December, 2014, the then Finance Minister, Arun Jaitley, introduced the Constitution (122nd Amendment) Bill, 2014 in the parliament. In May, 2015, the Constitution Amendment Bill was passed by the Lok Sabha.
- After its passage in Lok Sabha, the Bill was sent to Rajya Sabha wherein it was referred to the Select Committee of GST. The Select Committee submitted its report in July, 2015 and the bill, with certain amendments, was passed by Rajya Sabha on 03rd August, 2016 and by the Lok Sabha on 08th August, 2016.
- After ratification by 50% of the States, the Hon'ble President of India gave his assent to the Constitution Amendment Bill to become an Act in September, 2016. Constitutional changes made vide the Constitution (101st Amendment) Act came into force w.e.f. 08th September, 2016.

- Goods and Service Tax Network (or GSTN), a special purpose vehicle, was established in March, 2013, for automation of business processes with equal participation of the Centre and the States.
- GST Council was set up on 15th September, 2016 and the first meeting was held on 22nd and 23rd September, 2016. Subsequently, 17 more meetings were held till 30th June, 2017 and the Council made recommendations on all aspects of GST framework such as GST Law, GST Rules, the rate of tax on goods and services, the compensation formula, the administrative mechanism for handling the taxpayers, etc.
- Four Bills related to GST namely the Central GST Bill, 2017; the Integrated GST Bill, 2017; the Union Territory GST Bill, 2017 and the GST (Compensation to States) Bill, 2017 were passed by Lok Sabha on 29th March, 2017 and thereafter by the Rajya Sabha on 20th April, 2017.

The GST was finally launched w.e.f. 01st July, 2017 in the entire country except in J&K. The GST was introduced in J&K on 08th July, 2017; and India, in addition to being a political union, also became an economic union.



GST Council – The force behind the reform...

Following the enactment of the Constitutional (101st Amendment) Act, the GST Council was established on 15th September, 2016 as a joint forum of the Centre and the States, headed by the Union Finance Minister as the Chairperson. The Union Minister of State and in-charge of Revenue of Finance was onboarded along with the Minister In-charge of Finance or Taxation or any other Minister nominated by each State Governments as “Members”.

As per Article 279A (4) of the Constitution, the Council was entrusted to make necessary recommendations to the Union and the States on important issues related to GST like the goods and services that may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/ disasters, special provisions for certain States, etc.

As stated earlier, the Council met 18 times within a short span of nine months from its inception on 15th September, 2016 to 30th June, 2017 and made recommendations on all aspects of GST necessary for its launch. Some of the major recommendations are as follows:





**MAJOR
RECOMMENDATIONS
THAT LED TO THE
LAUNCH OF THE
HISTORIC GST REGIME**

(22nd - 23rd September, 2016)

- Council recommended to roll out GST w.e.f. 01st April, 2017

1st Meeting



2nd Meeting

(30th September, 2016)

- GST draft rules for registration, payment of tax, returns, invoice, refunds, etc. recommended
- Nominal growth rate of 14%, for calculation of compensation amount payable to States, recommended

(03rd - 04th November, 2016)

- Four rates structure namely, 5%, 12%, 18% and 28% recommended

4th Meeting



On 01st July 2017, GST was announced and implemented officially. The then Finance Minister Shri Arun Jaitley welcomed the gathering by saying that India can collectively think and act with maturity for a broader purpose. He described GST as the biggest and most ambitious tax reform and said that the consensus among various parties that had brought GST to launch was a high point in Indian polity at a time when the world was seeing slow growth and divisiveness.

At the stroke of midnight hour, the Hon'ble President and the Hon'ble Prime Minister pressed the symbolic button to signify the launch of GST. India had entered the era of One Nation, One Tax, One Market.



16th Meeting

(11th June, 2017)

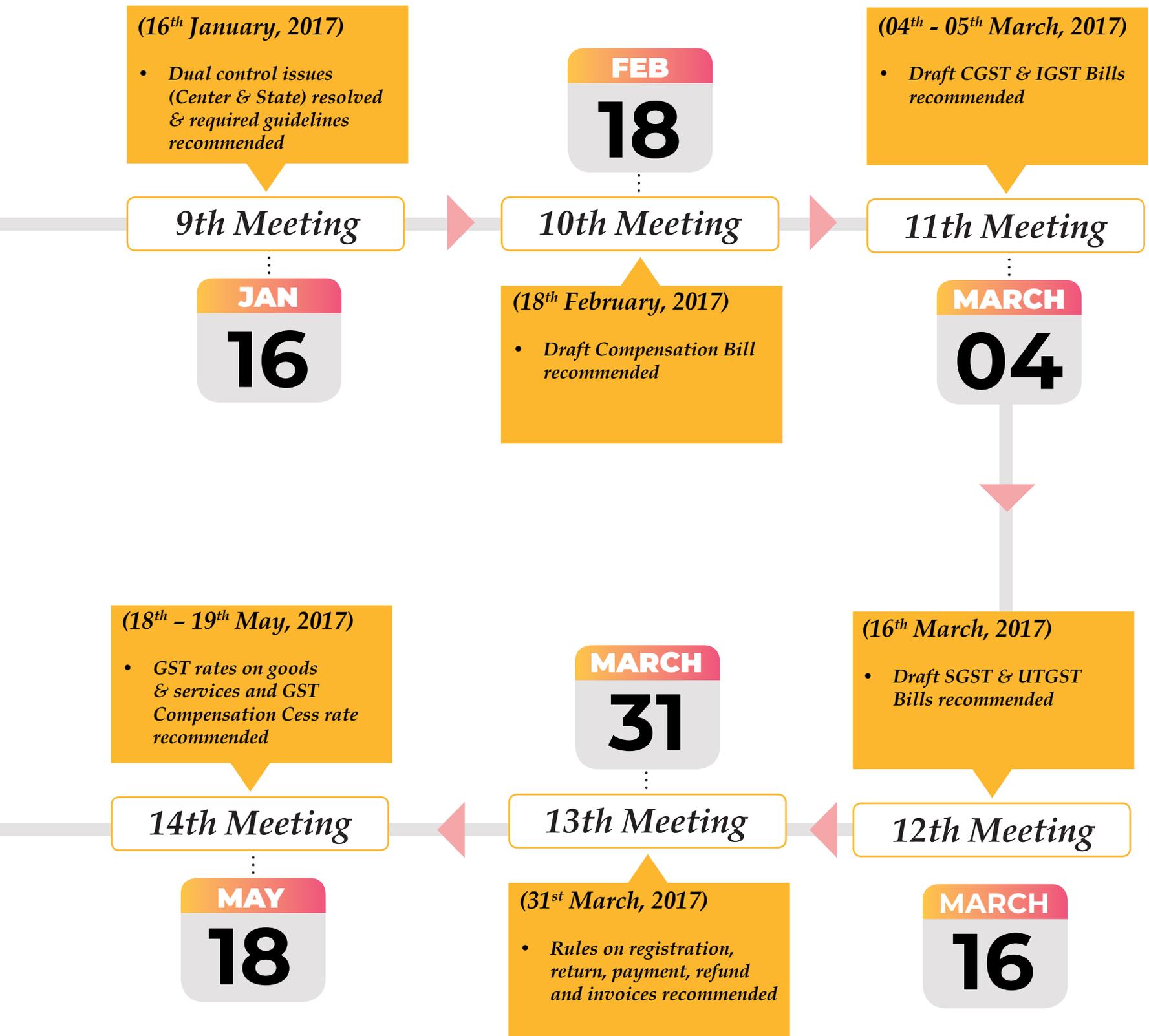
- Accounting Rules recommended

(03rd June, 2017)

- Rules on remaining business processes recommended
- GST roll out w.e.f. 01st July, 2017 recommended

15th Meeting







GS

05

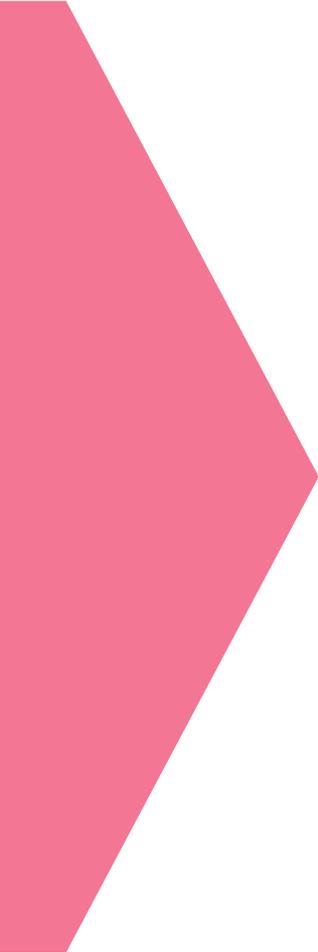
**GST COUNCIL-THE
JOURNEY SINCE THE
LAUNCH OF GST**



GST COUNCIL – The Journey since the launch of GST



GST is a work in progress. The Council has been consistently reviewing the situation and has been continuously recommending the course correction. It kept its hand firmly on the pulse of the Nation, the changing economic landscape such as requirement of Ease of Doing Business, the emerging priorities of government such as Make in India initiative, AatmaNirbhar Bharat, Digital India, the challenges that arose from time-to-time such as, COVID-19 pandemic and feedback received from various stakeholders as well as the need to strike a balance between the trade facilitation and the requirement of better compliance. So far, it has met 29 times after the launch of GST to review and recommend any further changes or modifications.



**KEY DECISIONS OF
GST COUNCIL THAT LED
TO A SUCCESSFUL
IMPLEMENTATION OF
GST IN INDIA**

21st & 22nd Meeting



**05th August, 2017 &
09th September, 2017**

- *Relief for MSME Sector*
- *Reduction in GST rate on most job work services from 18% to 5%*
- *Reduction in GST rate on works contract services supplied to government from 18% to 5%*

23rd Meeting



**10th November,
2017**

- *GST rates rationalisation (Pruning of list of 28% rated goods)*
- *Reduced GST rate on restaurant service from 18% to 5%*

24th Meeting



**16th December,
2017**

- *Introduction of e-Way bill system*

25th Meeting



15th January,
2018

- *GST rates rationalisation*
- *Reduction in GST rates on theme parks, water parks, joy rides etc. from 28% to 18%*
- *Exemption on reinsurance of exempt insurance schemes for the poor and farmers*
- *Reduction in GST rate on job work for leather goods & footwear to 5%*
- *Enhanced limit for exemption on RWA services from Rs. 5000/- to Rs. 7500/-*
- *Reduction in GST on construction of metro & monorail from 18% to 12%*

26th Meeting



10th March,
2018

- *Introduction of e-Way bill for intra-State movement of goods in staggered manner*

28th Meeting



21st July, 2018

- *Rate changes including further pruning of list of goods attracting 28% rate*
- *Rate reduction for specified handicraft items*
- *Refund of accumulated ITC on account of inverted duty structure for textile sector*

31st Meeting



22nd December,
2018

- *Interest to be levied on Net Tax liability*
- *70:30 valuation scheme for renewable energy equipment to resolve disputes*
- *GST rate on cinema tickets above Rs. 100/- to be reduced from 28% to 18% and on those up to Rs. 100/- from 18% to 12%*

32nd Meeting



10th January,
2019

- *Higher threshold limit for Supplier of Goods*
- *Composition Scheme for Services*

33rd Meeting



24th February,
2019

- *Special Scheme for Real Estate Sector*

35th Meeting



21st June, 2019

- *Introduction of e-Invoicing*

37th Meeting



20th September,
2019

- *Compliance relief for MSME Sector*
- *Amendments in GST Acts in view of creation of new UTs of J&K and Ladakh*
- *Refund Disbursal by Single authority*
- *Filing of Annual Return in FORM GSTR- 9 to be optional for taxpayers having Aggregate Annual Turnover up to Rs. 2 Crore*
- *Filing of reconciliation statement in FORM GSTR -9C waived for taxpayers having Aggregate Annual Turnover up to Rs. 5 Crore*
- *GST rate on diamond reduced from 5% to 1.5%*
- *Restructuring of GST rates on hotel accommodation with maximum rate to be reduced from 28% to 18%*

38th Meeting



18th December,
2019

- *Amnesty Scheme for late fees for delayed filing of returns*
- *Single uniform GST rate on Lottery*

39th Meeting



14th March,
2020

- Rationalisation of Inverted duty Structure on certain goods
- Introduction of FORM GSTR- 2B
- Reduced GST rate on aircraft MRO services to be reduced from 18% to 5% to boost domestic MRO industry

40th Meeting



12th June
2020

- Amnesty Scheme for Late Fee and Interest for delayed filing of returns

42nd Meeting



5th & 12th
October, 2020

- Enhancement in the features of Return filing process
- QRMP Scheme

43rd Meeting



28th May,
2021

- COVID relief measure (Rationalisation of duty on specified COVID related goods)
- Reconciliation Statement in FORM GSTR-9C to be self-certified

44th Meeting



12th June,
2021

- *Reduction in GST rates of COVID related items*

45th Meeting



17th September,
2021

- *Reduction in GST rates of COVID related items*
- *Special scheme for supplier of bricks, etc.*
- *Clarifications related to GST rates on goods*

46th Meeting



31st December,
2021

- *Deferment of revised rate structure on Textile Sector*

47th Meeting



28th and 29th
June, 2022

- *Rate rationalisation to remove inverted duty structure on certain goods & services*
- *Refund of accumulated ITC not to be allowed in certain cases*
- *Rate changes on certain goods & services*
- *Clarifications on GST rates on certain goods & services*
- *Certain trade facilitation measures by way of amendment in CGST Rules like change in formula for calculation of refund in inverted duty cases, further waiver of late fees for delay in filing of GSTR-4, additional modes for payment of tax, etc.*
- *Clarifications on certain procedural issues*
- *Certain measures for streamlining compliances in GST*





06

GST – THE BALANCE BETWEEN TRADE FACILITATION AND COMPLIANCE

GST – THE BALANCE BETWEEN TRADE FACILITATION AND COMPLIANCE

.....

The GST Act was envisaged to harness the power of technology to make the process of tax filing more citizen friendly so that the level of unintentional non-compliance comes down while the monitoring of tax offenders can be done efficiently. GST was structured to be technology driven so that there is less scope for compliance issues, tax evasion, corruption and to enhance the user experience for both the taxpayers and tax officers. Thus, the end-to-end tax administration is digitalised under the GST regime.

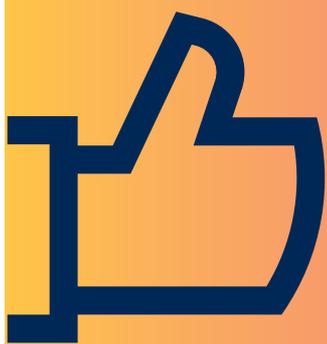
GST regime provided the much-needed provision for a single technology platform for all compliance and introduced some of the path breaking innovations such as e-Way Bill, e-Invoice and e-Payments which have transformed the indirect taxes compliance ecosystem completely. The GST regime witnessed systematic digitalisation of the entire GST ecosystem paving the way to a digital economy.

Goods and Services Tax Network (GSTN) provided the one stop platform for all GST compliance requirements namely, registration, issuing e-Invoices to help in tracking tax credit, generating e-Way bills for easy movement of goods across the country, claiming input tax credit, making tax payments, furnishing all returns, filing refund claims, all processes relating to compliance verification by the tax officers and dispute resolution. Digitalisation of GST ecosystem has been a massive achievement and has worked efficiently and the erstwhile tax regime comes nowhere near if one were to compare the two.

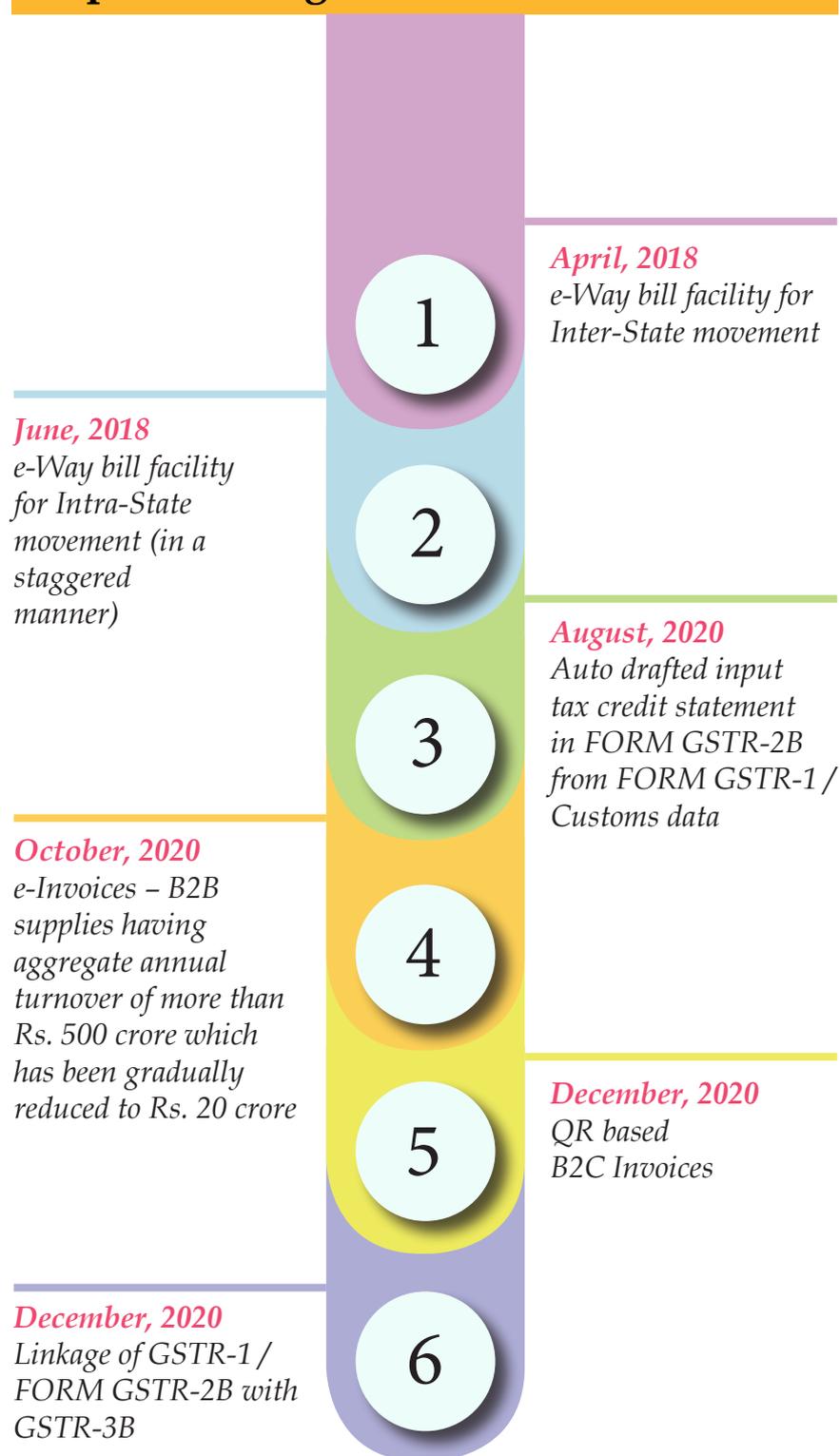
e-Invoice has been a game changer. It has provided the standard protocol for communication of e-Invoice data within the ecosystems of tax administration and taxpayers. It has enabled real-time authentication and validation of B2B transactions by creating a seamless ecosystem for ensuring transaction level compliance verification. It has helped in auto-population of details of B2B supplies in GSTR-1 doing away with the need to punch in the data again. Another benefit it has led to is the reduction in human errors that used to occur earlier. The enhanced data discipline has on the one hand made life easier for the taxpayers and has made the entire process efficient and effective on the other hand. It has also enabled easy generation of e-Way bills. The details of outward B2B supplies are auto-populated in GSTR-1 from the data related to e-Invoices and e-Way bills. An auto drafted FORM GSTR-2B is generated for the recipient(s) of goods/services from the GSTR-1 of the supplier. This gives transparency and confidence to the recipients while availing the input tax credit.

Introduction of GST has given a big impetus to digitalisation and spurred a complete digital environment to support e-Compliances. Technology enablement of GST regime has led to a 360-degree development of a digital support network with establishment of GST Suvidha Providers (GSPs), Application Service Providers (ASPs), Invoice Registration Portals (IRPs), companies supporting digital payment through Dynamic QR Code on B2C invoices, service providers supporting digital record retention and digital record retrieval and service providers providing analytics and automation solutions.

A recent survey shows that about 90 per cent of Indian industry leaders feel that GST has made doing business easier by bringing down barriers across the country...



Some of the major initiatives to promote digitalisation in GST era



The GST regime has also positively affected the prices and costs of goods and services to end consumers, along with helping companies optimise their supply chains. Automation of tax compliances and introduction of e-Invoicing / e-Way bills emerged as the most beneficial reforms introduced by the government as per the survey.

Survey reveals that the industry lauds government for automating tax compliances including filling returns, introducing e-Invoicing / e-Way bills facility, issuing timely GST circulars on contentious tax issues and clarifications, ensuring regular engagements with trade bodies and associations on industry-related issues and expediting sanctions of refunds to exporters.

The government's ongoing initiatives have revolutionised the GST landscape. The industry has backed the government throughout the process of policy reforms and technological improvements. The automation of tax compliances has brought about major synergies and efficiencies compared with the erstwhile regime, following the introduction of a 'one-stop-shop' portal (GSTN) to ensure compliances under GST.

Some of the major policy initiatives undertaken for improving Ease of Doing Business

APRIL 2018

e-Way bill facility introduced: For inter-State movement

FEB 2019

Inclusion of certain transactions in schedule III with availment of ITC - retrospectively w.e.f. 01st July, 2017

JUNE 2017

Supplier with all supplies under RCM exempted from registration

JUNE 2018

e-Way bill facility introduced: For intra-State movement: (in a staggered manner)

FEB 2019

Schedule II activities or transactions linked with Section 7 of CGST Act - retrospectively w.e.f. 01st July, 2017

OCT 2019

Optional Annual Return (GSTR-9) for taxpayers having aggregate annual turnover up to Rs. 2 crore - For Annual Return for FY 2017-18 onwards

OCT 2019

Waiver of Reconciliation Statement (GSTR-9C) for taxpayers having aggregate annual turnover up to Rs. 5 crore - For Reconciliation Statement for FY 2017-18 onwards

APRIL 2020

Transfer of funds from one head to another in Electronic Cash Ledger

FEB 2020

Staggered filing of returns - For January, 2020 return (due to be filed in February, 2020) onwards

MARCH 2019

Openness in sequencing of utilisation of ITC

JUNE 2020

Filing of NIL return by SMS

JUNE 2020

Power to issue ROD - 5 years

FEB 2019

Limit on maximum amount of pre-deposit for filing of appeal

SEPT 2020

Interest on Net Cash Liability - retrospectively w.e.f. 01st July, 2017

FEB 2019

No requirement for audit for entities audited by CAG

JAN 2021

Delinking of Credit Notes with each invoice

FEB 2019

RCM under Section 9(4) of CGST Act to be limited to notified class only - w.e.f. February, 2019

AUG 2021

Self certified Reconciliation Statement (GSTR-9C) for taxpayers having aggregate annual turnover of more than Rs. 5 crore - For Reconciliation Statement for FY 2020-21 onwards

With the many incentives provided to the exporters, the government has an aim of increasing the output and the quality of exports from India as envisaged in its “Make in India” policy. Under the GST regime, export of goods or services has been treated as ‘zero rated supply’ i.e. the goods or services being exported shall be relieved of GST levied upon them either at the input stage or at the final stage. Supplies to SEZs developers and SEZ units are also zero-rated. The procedures relating to export have also been simplified so as to do away with the paperwork and intervention of the department at various stages of export. The benefit of zero rating can be taken either by payment of integrated tax and claiming refund thereof subsequently or exporting without payment of integrated tax under Letter of Undertaking.

In case of refund of integrated tax paid on export of goods, the shipping bill itself is considered as a refund application and no separate refund claim is required to be filed by the exporter. Refund process has been made completely automated w.e.f. 26th September, 2019 and refund is disbursed centrally i.e. there is a single disbursement authority for refund of CGST, SGST, UTGST, IGST and Compensation Cess.

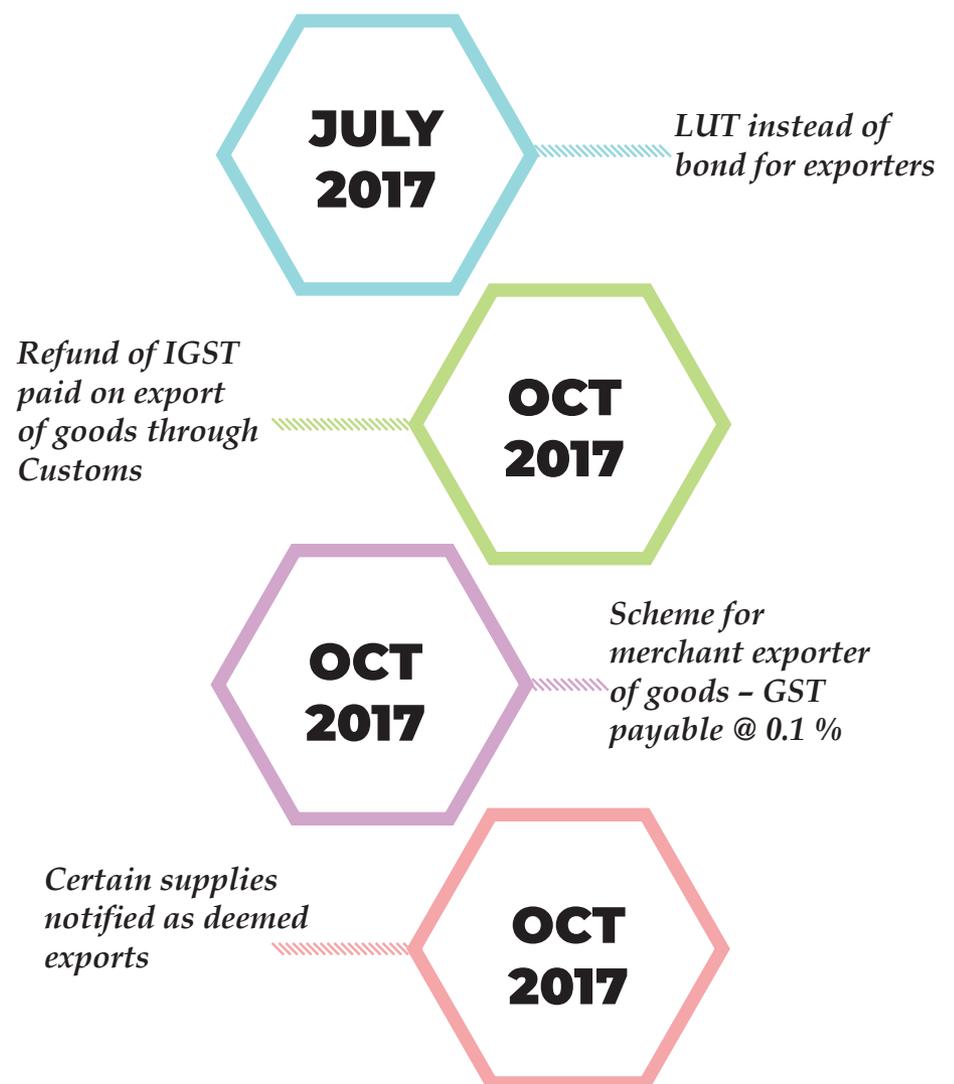
Relief has been given to exporters by allowing utilisation of the Advance Authorization (AA)/ Export Promotion Capital Goods (EPCG)/ 100% EOU schemes for sourcing inputs etc. from abroad as well as domestic suppliers.

Special procedure has been put in place for merchant exporters to allow them to procure goods from domestic suppliers at a nominal GST of 0.1% for export. This has provided a big thrust to the growth of the export sector and has resolved their working capital issues.

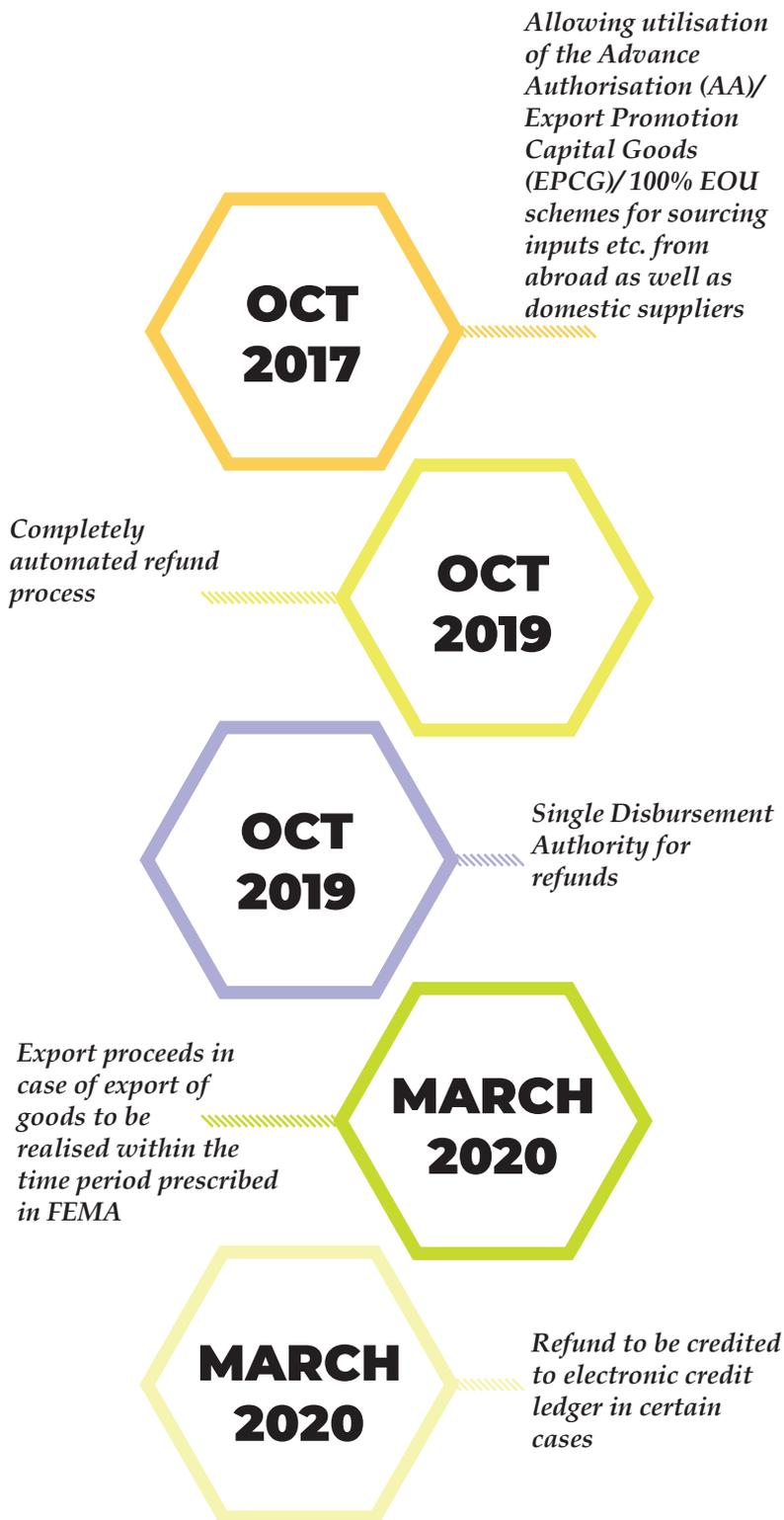
Furthermore, there was no facility for the taxpayers to withdraw a refund claim filed by them erroneously and the only option left for them was to file an appeal against the rejection on the said claim. Now, the taxpayer has an option to withdraw the refund application. This has resulted in saving of time and efforts for the taxpayer, leading to faster availment of refunds.

GST gave a major boost towards 'Make in India' and Exports...

Some of the major policy initiatives undertaken to provide an impetus to Exports



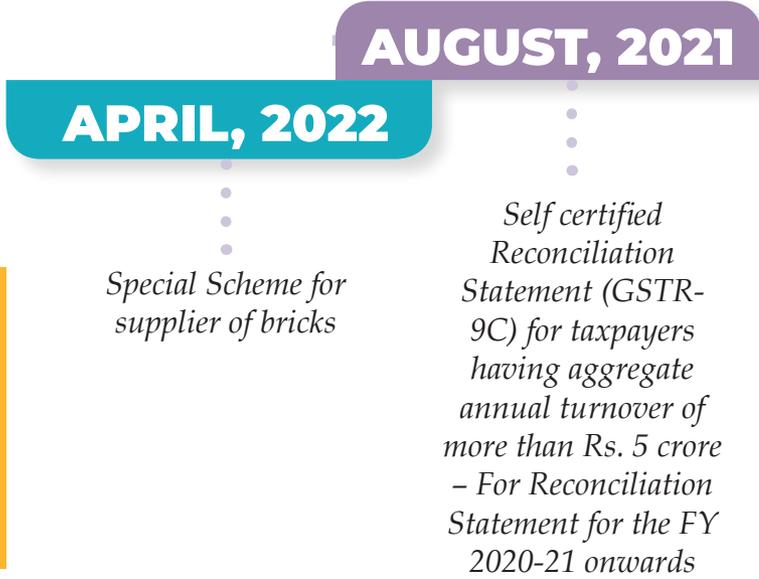
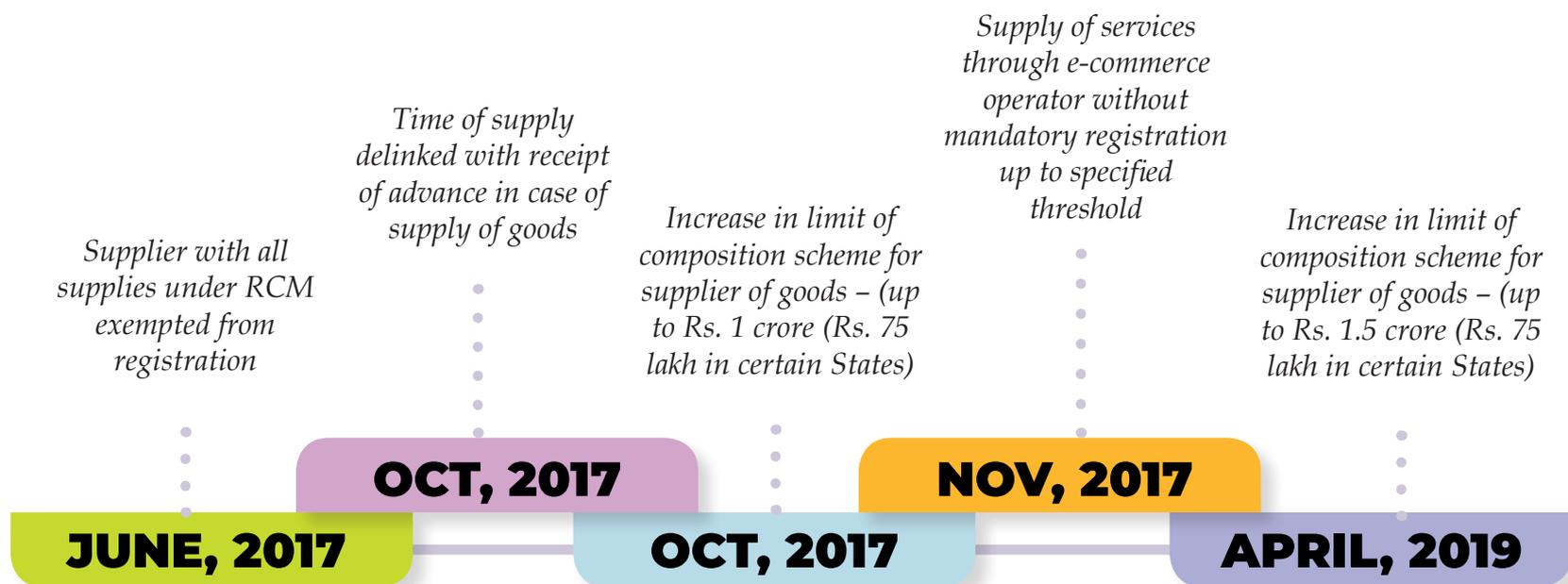
The GST Regime has created an enabling environment for the Micro, Small and Medium Enterprise (MSME) to grow



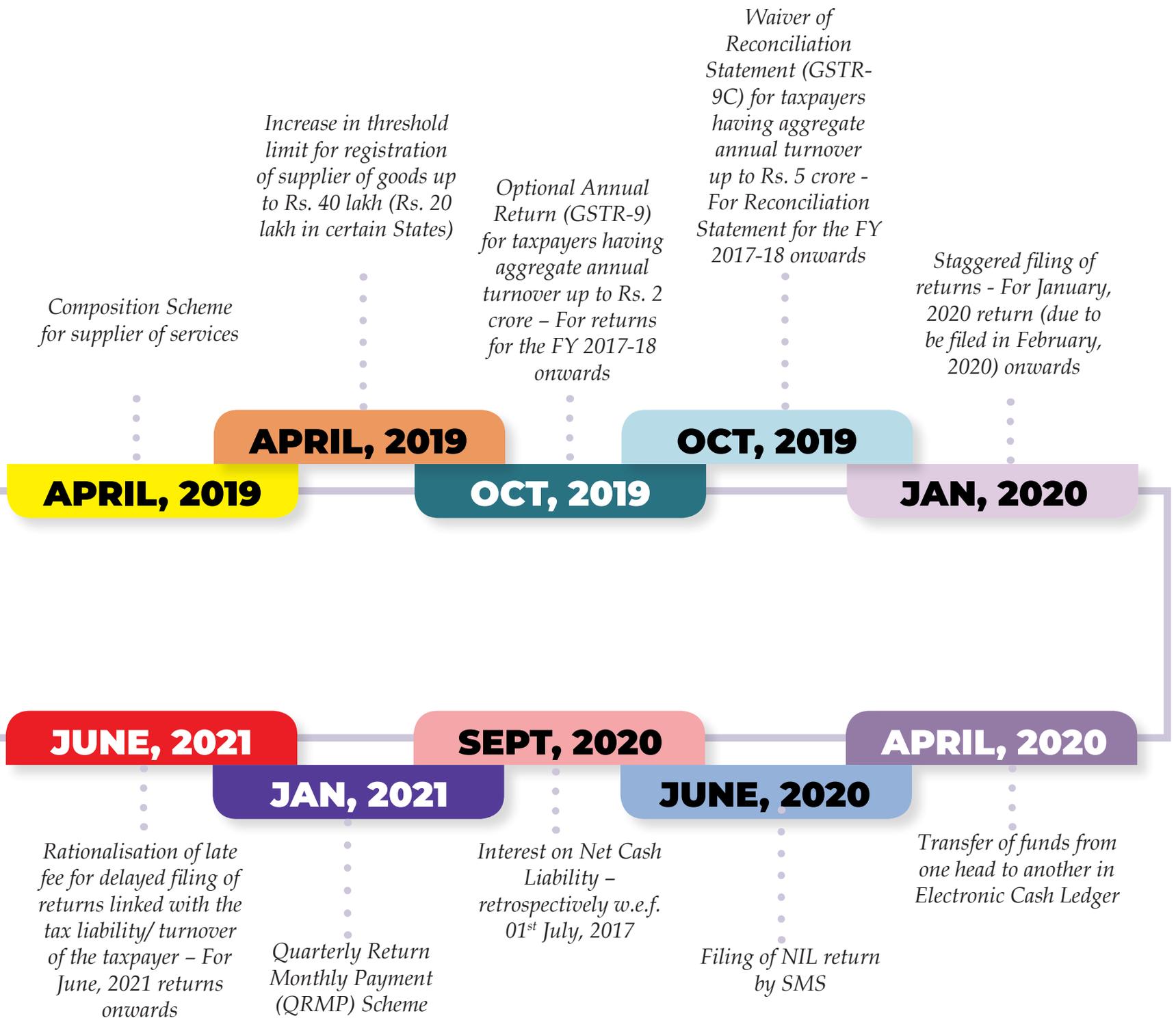
The MSME sector has long been regarded as the chief driver of the Indian economy. MSMEs have emerged as the principal employment-creating segment in India and have delivered stable and consistent growth. The impact of GST on MSMEs has been positive.

Earlier VAT exemption and composition scheme thresholds were very low. In GST, threshold exemption limit has been initially fixed at Rs. 20 lakh which has subsequently been raised to Rs. 40 lakh for supplier of goods. A revamped composition scheme, which allows small businesses to pay a fixed rate of tax on their turnover without much paperwork, has been introduced. The aggregate annual turnover limit under the Composition Scheme is now Rs. 1.5 crore for supplier of goods and Rs. 50 lakh for supplier of services. GST has opened up new avenues through quick bill discounting and loans to MSMEs. Compliance burden on MSMEs has reduced significantly with the option of availing the QRMP (Quarterly Return with Monthly Payment) scheme by the taxpayers having aggregate annual turnover up to Rs. 5 crore.

Many other simplification measures have been introduced for easing the compliance burden of return filing for the MSME sector such as filing of NIL returns through SMS; staggering of dates to avoid crowding on the last date, etc.



Some major policy initiatives undertaken to provide relief to MSMEs sector:

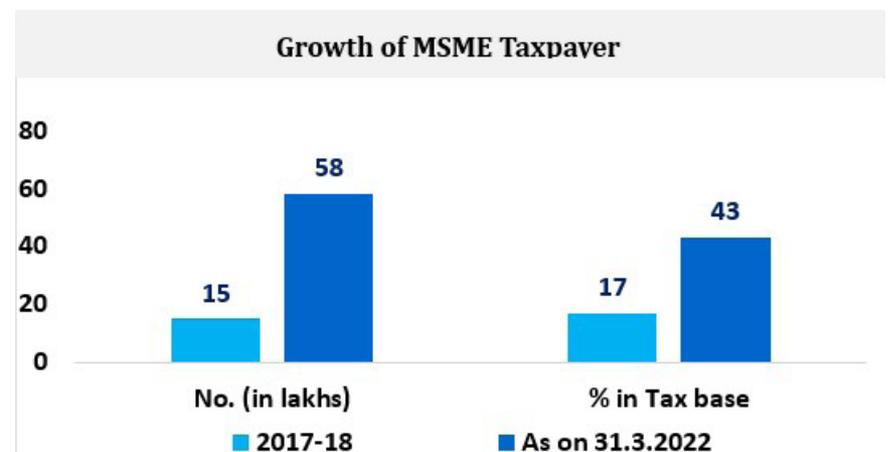


Key Impact of GST on MSMEs are:

- **Unified Market across Country** helped in uniform GST rates across the States obviated reduction of price hits or cuts enabling inter-State market for MSME, eliminated cascading effect of taxes and facilitated improved market expansion through improved inter-State procurements.
- **Simplified Online Business Processes** through easy online process of application with strict timelines without any physical interventions, online payment of taxes & transfer of cash balance from one accounting head to another, online return filing with QRMP scheme for taxpayer having aggregate annual turnover up to Rs. 5 crore, online processing of refund.
- Special measures for MSMEs provided ease of compliances through Composition Scheme, QRMP Scheme, optional annual return and waiver of annual reconciliation statement.
- Seamless flow of ITC helped MSMEs in reduced cost of production/supplies and price competitiveness.
- GST Registration & return compliance, by themselves are the most authentic testimony of the Vendors, particularly in the MSME sector. PSUs and major Business entities, as well as the buyers of other States/UTs have been procuring Goods/Services from GST registrants- hence the marketing opportunities have improved for MSME.

- Registration on Udyam portal for GSTIN holders, facilitates MSMEs in getting government tenders, direct tax benefits, reduced interest up to 1.5% on loans from Banks, 1% lesser interest on over drafts and concession on electricity bills.
- MSMEs are relieved of the multiple taxes/returns under GST regime & are the biggest beneficiaries of the online business processes/simplified schemes, otherwise not available, for those out of GST net.
- Moreover, e-Commerce sector is one of the most popular opportunities among many enterprises. Operating an e-Commerce business mandates having a GST Registration. Most of the MSMEs are now entering an online world.

For all the above reasons, GST has been a big boon for MSME sector which is reflected from the growth in MSME sector as depicted below.



The new tax regime is completely digitalised to enhance the monitoring of end-to-end tax filing process, leaving very little room for tax offenders...

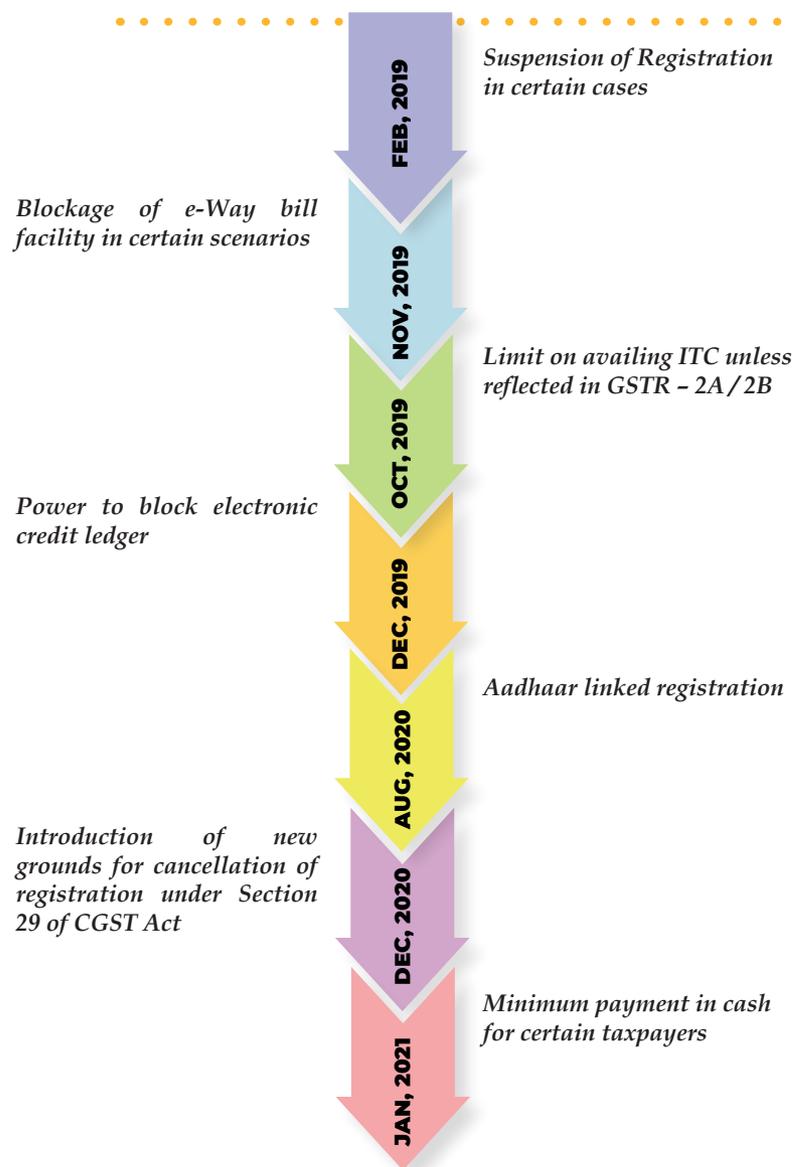
Balance between facilitation and compliance

The international experience shows that the pain of any value-added indirect tax regime is the problem of fake entities or missing dealers. These entities exist merely on papers to commit tax fraud and vanish soon thereafter. At the same time, there is also a need that a honest taxpayer is safeguarded from undue departmental interventions. Therefore, there is a need to strike a balance between the requirements of facilitation and compliance. In order to address this problem, several steps have been taken by the GST Council with inbuilt safeguards such as:

- Aadhaar authentication for new applicants has been made mandatory from August, 2020. As per the guidelines under the GST regime, if Aadhaar authentication is not done or if the authentication fails, then registration will be granted after physical verification of business premises within 30 days of submission of application for registration.
- To prevent fake dealers and shell companies from passing on fake credit, without filing their GSTR-3B returns and without paying taxes, a provision has been made to block furnishing of outward supply statement in GSTR-1, if the previous month's GSTR-3B return has not been filed.
- Blocking of e-Way bills on account of non-filing of returns for two consecutive tax periods has been introduced from November, 2019. Thus, a taxpayer who fails to file returns and pay the requisite tax, for two or more consecutive months, will not be able to generate e-Way bills.

- Blocking of e-Way bill in case of registered persons whose registration is suspended has also been introduced w.e.f. January, 2021.
- A provision has also been made for blocking of input tax credit which has been fraudulently availed or is ineligible for a period not exceeding one year in certain cases.

Some of the major initiatives undertaken to check and curb the tax evasion are:



GST has also brought in reforms in return filing process...

A major break from the erstwhile tax regime has been the introduction of electronic return filing which are generally known as GSTR-1 and GSTR-3B. But this was merely a beginning paving the way for subsequent transformation of the entire return filing experience. The advantages offered by the digitalisation of the processes have been leveraged upon such as, the data linkages, auto-population etc. through the Return Enhancement and Advancement Project (REAP) and certain other initiatives such as:

- *REAP has made available auto drafted input tax credit statement in FORM GSTR-2B w.e.f. August, 2020, containing details of inward supplies and input tax credit available to the taxpayers during the month, thus helping them in determination of their self-assessed input tax credit. Besides, auto-populated return in FORM GSTR-3B, along with editing facility, has been made available w.e.f. December, 2020 from their own outward supply statement in FORM GSTR-1 and from the details of the supplies furnished by their suppliers, as made available to them in FORM GSTR-2B. This has facilitated and eased the return filing process immensely. This reform has enabled more people to file their returns in time, which is clearly reflected in GSTR-3B filing behavior.*

- Return filing percentage for GSTR-3B, filed till the end of filing month, which plateaued around 71-72% earlier, has now increased to 85-90%. Auto-population has also improved data quality in statutory returns which, in turn, facilitates efficient intervention by tax officer for scrutiny/audit. Filing of NIL return through SMS has been enabled w.e.f. June, 2020 to allow filing of NIL GSTR-3B, GSTR-1 and FORM CMP-08 from the registered mobile number, without logging on to the portal.
- QRMP Scheme for taxpayers with aggregate annual turnover of up to Rs. 5 crore has been introduced w.e.f. January, 2021 which has significantly reduced the number of returns to be filed by taxpayers from 24 to 8 (2 per quarter). About 89% of the taxpayers are eligible for this scheme.
- Requirement of furnishing annual return (GSTR-9) by taxpayers having aggregate annual turnover up to Rs. 2 crore has been made optional.
- Requirement of furnishing reconciliation statement (GSTR-9C) by taxpayers having aggregate annual turnover up to Rs. 5 crore has also been waived off.
- The self-certified annual reconciliation statement (GSTR-9C) by the taxpayers having aggregate annual turnover of more than Rs. 5 crore has been prescribed for the reconciliation statements for the FY 2020-21 onwards.

Some of the major initiatives undertaken to enhance the return filing experience are:

October, 2019 Optional Annual Return (GSTR-9) for taxpayers having aggregate annual turnover up to Rs. 2 crore - For Annual Returns for the FY 2017-18 onwards

March, 2020 Waiver of Reconciliation Statement (GSTR-9C) for taxpayers having aggregate annual turnover up to Rs. 5 crore - For Reconciliation Statement for the FY 2018-19 onwards

June, 2020 Filing of NIL return (GSTR-3B) by SMS

July, 2020 Filing of NIL return (GSTR-1) by SMS - (GSTR-1)

August, 2020 Auto drafted input tax credit statement in FORM GSTR-2B made available to the taxpayers

October, 2020 e-Invoices - B2B by suppliers having aggregate annual turnover of more than Rs. 500 crore which has been reduced to Rs. 20 crore in graded manner

October, 2020 Filing of NIL return (CMP-08) by SMS (CMP-08)

December, 2020 QR based B2C Invoices

December, 2020 Linkage of GSTR-1 / GSTR-2B with GSTR-3B

August, 2021 Self certified Reconciliation Statement (GSTR-9C) for taxpayers having aggregate annual turnover of more than Rs. 5 crore - For Reconciliation Statement for the FY 2020-21 onwards

GST has also brought in reforms in refund filing process making it easier for businesses to claim refunds

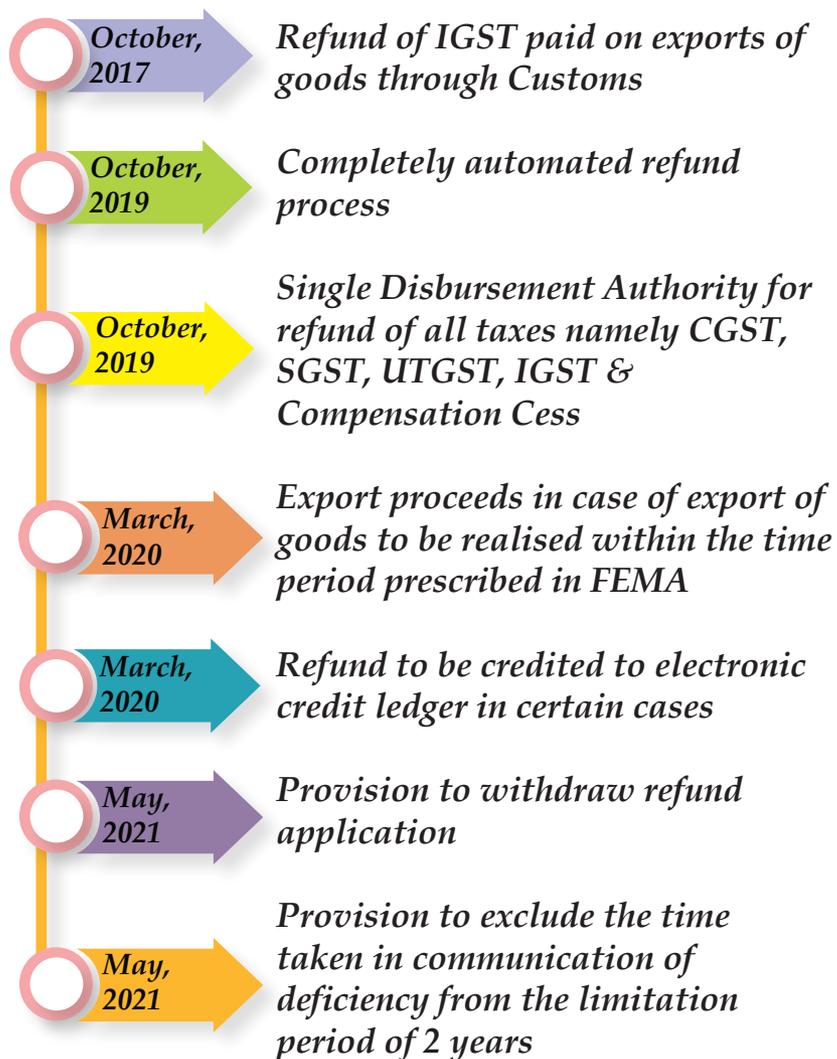
Refund claims are an essential feature of any taxation system. This is for the simple reason that sometimes it is not possible for the taxable person to determine his tax liability correctly. Sometimes, it may also so happen that due to the change in business decisions, the nature of certain transactions change or some of the transactions are reversed / altered / cancelled outrightly. It may also happen that as a matter of abundant precaution a taxpayer may pay upfront an amount as tax that otherwise was not liable to be paid. Refunds also arise on account of exports which are zero rated because a nation would want to export its goods or services and not the taxes levied thereon to ensure the competitiveness of the export merchandise. A faster and hassle-free refund process helps the business in reducing their working capital requirement on the one hand and overall economic activity on the other. Refund also arises on account of inverted duty structure in certain cases.

Experience also shows that refund process is prone to frauds. Unscrupulous elements often try to make use of loopholes in the legal provisions to rob the exchequer of revenue.

Therefore, there is a need to have suitable safeguards inbuilt into the process to prevent such misuse.

Accordingly, like any other tax regime, GST regime also provides for grant of refunds in case of exports, in cases of inverted duty structure and wrong payment of taxes. An elaborate refund mechanism is in place, with proper safeguards, to ensure hassle-free grant of refunds. The refund process has been further streamlined over last five years.

Some of the major initiatives to streamline the refund process:



Tax rate structure has also been revised over the time to improve market competitiveness...

The rate structure under the GST regime was worked out after taking into account the incidence of the Central and State taxes subsumed under GST. It has subsumed over 17 taxes, cesses and surcharges of the Centre and all the States on supply of goods and services. The Central taxes subsumed under GST included – Central Excise duty, Service tax, Additional duty of Customs, Special Additional Duty of Customs (SAD), certain cesses and surcharges related to supply of goods and services, etc. The State taxes subsumed under GST included VAT (Sales tax), Central Sales tax (levied by the Centre and collected by the States), Entry tax, taxes on luxury, entertainment, lottery, betting and gambling, advertisements, certain cesses and surcharges related to supply of goods and services, etc.

The GST Council during its initial deliberations had set certain guiding principles in respect of bands of rates of GST and GST Compensation mechanism, which included:

- A category of goods which shall be exempt from GST and this will include items like food grains;
- A low band of tax rate of 5% and would generally cover goods which attracted combined tax rate of Central Excise and VAT between 3% and less than 9% in pre GST times. Such goods are normally consumed by the vulnerable sections of the society or have high impact on inflation;
- A standard tax rate of 12% and would generally cover goods which attracted combined tax rate of Central Excise and VAT between 9% and less than 15% in pre GST phase;
- Another standard tax rate of 18% and would generally cover goods which attracted combined tax rate of Central Excise and VAT between 15% and less than 21% in pre GST regime;
- Higher band of tax rate of 28% and would generally cover goods which attracted combined tax rate of Central Excise and VAT equal to or more than 21% in pre GST regime.

The broad objectives kept in mind while working out the GST rate structure were that the rate structure may be revenue neutral; impact on consumers and inflation is minimal and items of mass consumption should not be taxed at higher rate and proposed GST rate structure should not be regressive in nature.

Original GST rate structure: Accordingly, GST rates were notified w.e.f. 01st July, 2017, wherein certain items such as agriculture and primary products, electrical energy, books and newspapers, specified medical use items, etc. were kept in exempt category. Most other items were mapped into a four-slab rate structure comprising of 5%, 12%, 18% and 28% rates. For Gold and precious metals, and diamonds and precious stones, other than unworked or synthetic, GST rate of 3% was prescribed, while unworked and synthetic diamonds and precious stones attracted GST rate of 0.25%.

Initial changes post GST roll-out: Since the GST roll-out, the GST rate structure has been further simplified on recommendations of the GST Council. In the initial days, the changes to GST rate were more frequent and broadly, the rates were further reduced or more exemptions were given. In a major step, the highest 28% GST rate slab was substantially pruned in November, 2017, from 224 tariff headings to only about 50 tariff headings. Thereafter, it is mostly luxury items or sin goods such as tobacco products, motor vehicles, yachts, air conditioners, personal use aircrafts, etc. that remain in this rate slab.

Recent trends in GST rate changes: In the last few years, the rate structure has attained fair degree of stability and the changes to GST rates have been minimal. These changes have been largely aimed at rationalising the rates and removal of distortion and inverted duty structure. To illustrate, GST rates on mobiles, ores, railway parts, renewable equipment, footwear on the goods side and works contract services to government entities on the services side have been rationalised to rectify duty inversion. Maximum revenue to the extent of around 65% of net GST collection comes from the 18 per cent slab. The 28 per cent slab fetches

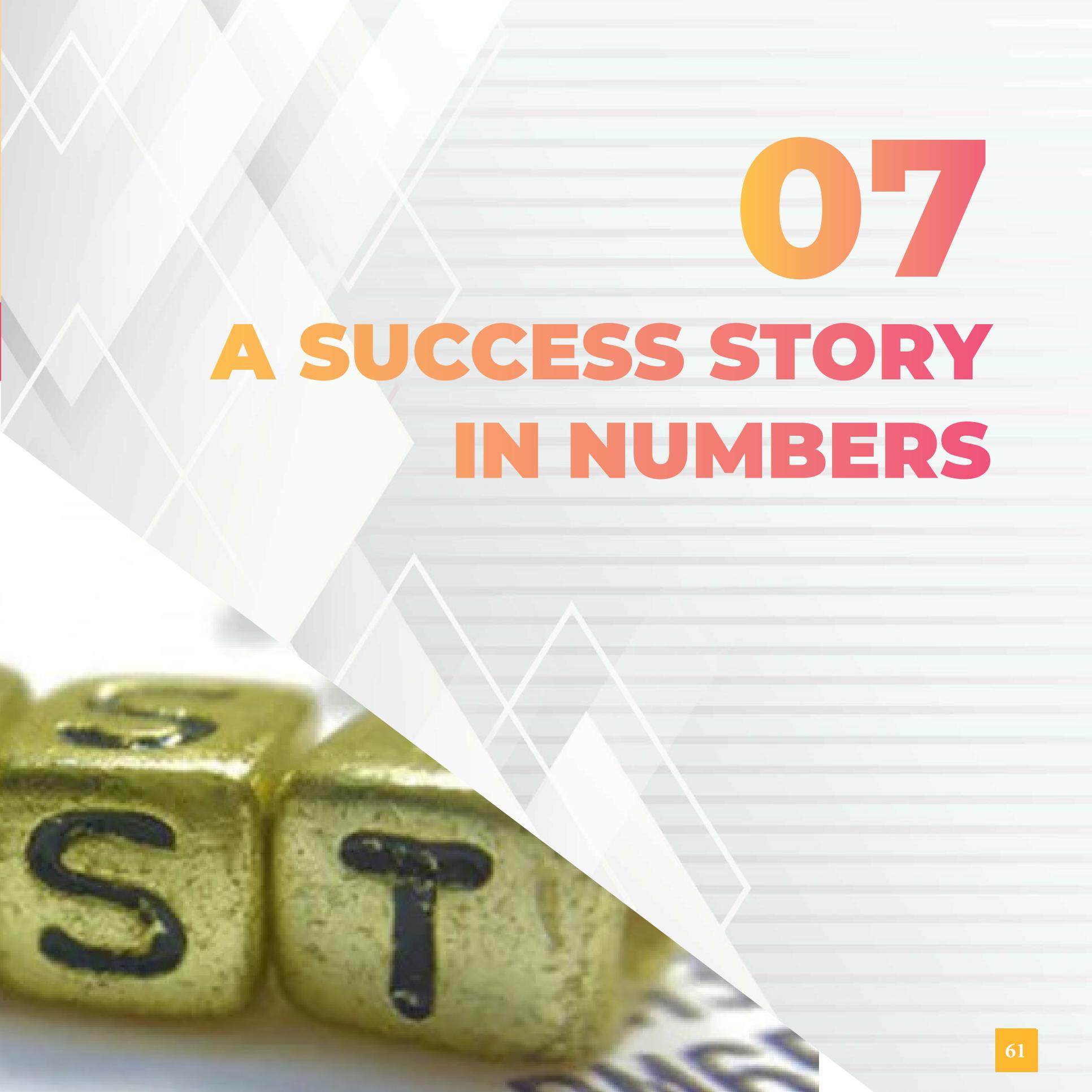
around 16% of revenue, while approx. 10% of GST collection comes from the 5 per cent rate slab. Currently, the rate-wise number of entries in the GST rate schedule are as below:



Compensation to States: The statutory compensation payout to States, to make up for the revenue loss due to implementation of GST, was valid for a period of 5 years from July, 2017 till June, 2022. The compensation was being paid out of the revenues raised from the levy of GST Compensation Cess.

Conclusion: Several steps are being taken on recommendations of the GST Council to simplify GST rate structure and augment revenue collections. Rate calibration for inverted duty correction in mobiles, ores, railway parts, renewable equipment and footwear sector has been implemented on recommendations of the GST Council. Rate refinement measures will continue to correct inverted duty structure.





07

**A SUCCESS STORY
IN NUMBERS**



There has been an astounding increase in tax base and revenue collection...



GST has undeniably transformed India into one unified marketplace. All goods and services are on the same tax platform and are subjected to the same tax rates throughout the country. It has been quite a revolutionary journey for the government, trade and industry as well as consumers in accepting and adapting to the reforms or changes introduced in such a short span of time. While the key focus has been primarily on rationalising rates, simplifying procedures and curbing tax evasion, technology has played a significantly important role in establishing the world's biggest online tax system.

Growing Taxpayers

GST is a pro-people reform. Hence, the taxpayer and the consumer is at its very center. Various administrative and policy-based interventions have resulted in higher compliance by the taxpayers. The success of this initiative can be gauged from the simple fact that the total number of registered taxpayers has increased manifold within a short span of five years since GST was launched in 2017. There has been a consistent increase in number of new taxpayers during last five years that is a testimony to the benefits associated with the GST for the entities registered under GST.

Chart 7.1
Number of Registered Taxpayers

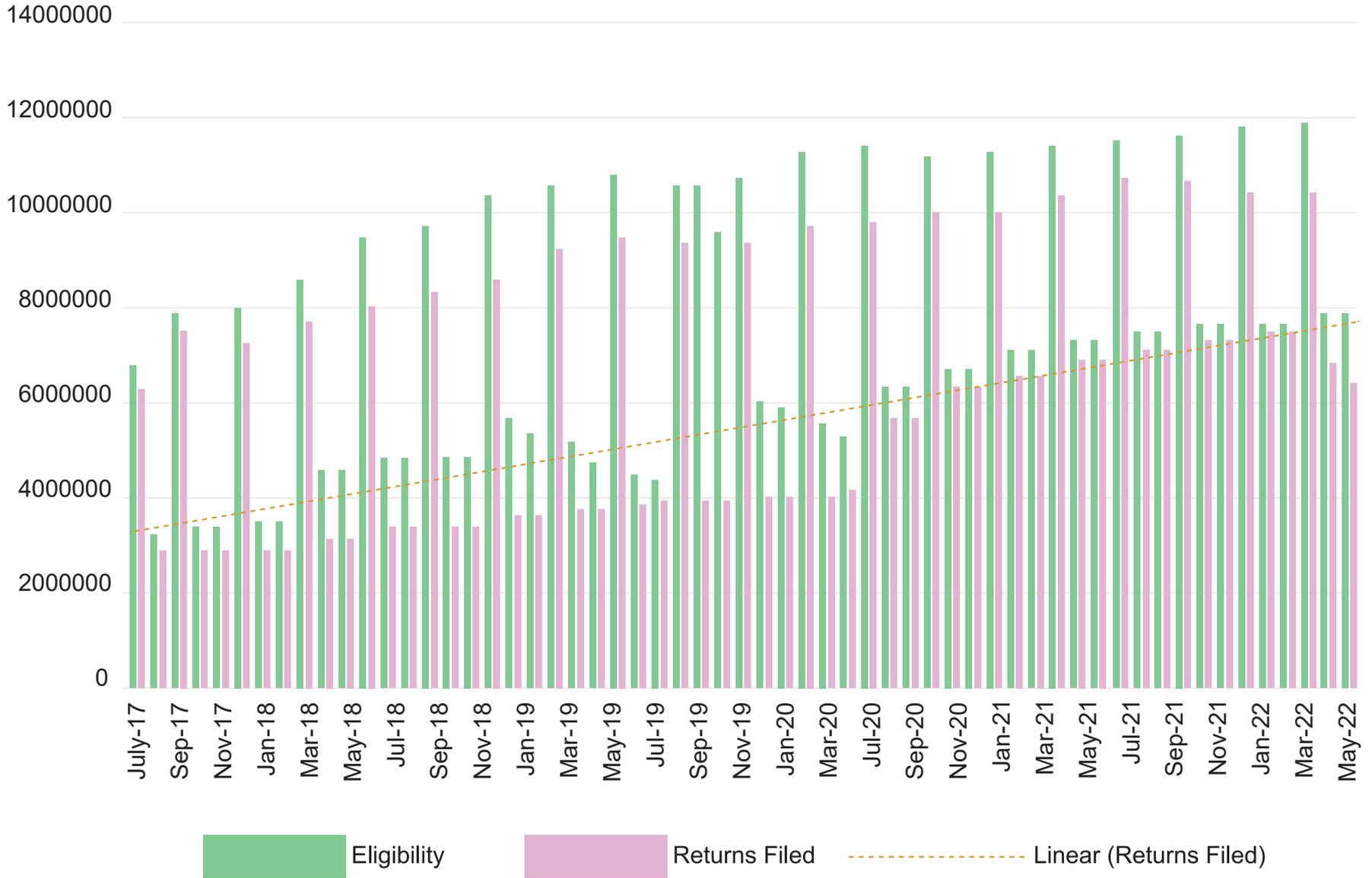


Return Filing

The GST law had prescribed returns and forms and broadly every taxpayer is required to upload their 'sales return' notified as Form GSTR-1 based on which a monthly return in the Form GSTR-3B is also required to be filed containing details of outward supplies, details of Input Tax Credit (ITC) availed on the input supplies and the tax payments. To enhance the taxpayers experience in return filing various technological and procedural initiatives have been taken during the last five years. Some of the initiatives includes REAP, rationalisation of late fees, Amnesty scheme, etc. details of which are discussed in Chapter 6. Such initiatives have shown positive results by way of improved return filing as can be seen from the charts below. Return filing percentage for both GSTR-1 and GSTR-3B is now more than 90% which earlier used to be much less. It may also be seen that a good number of taxpayers are filing their returns even after the last date of filing.

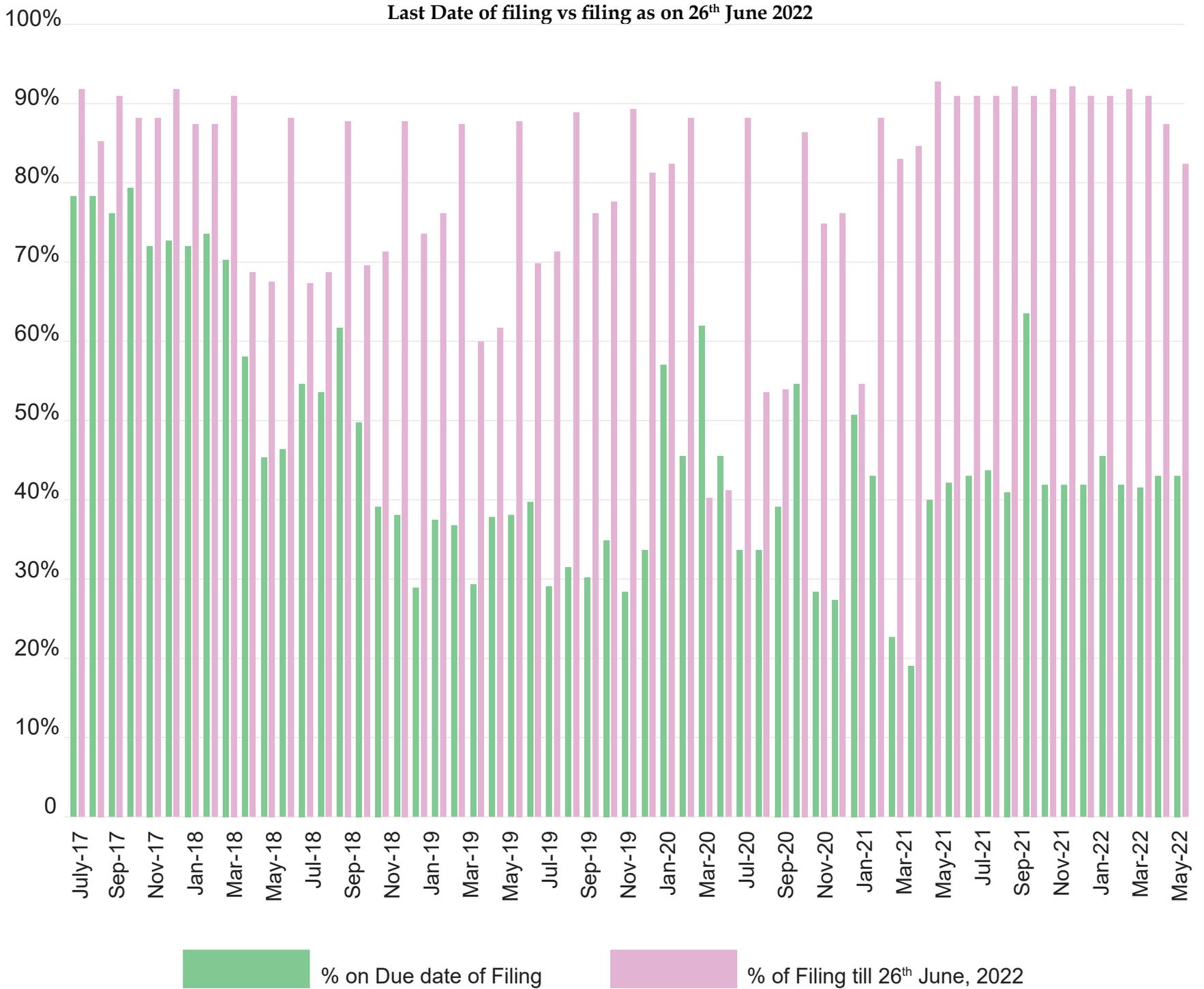
GSTR-1 Return Filing Trend

Chart 7.2



GSTR-1 Return Filing Compliance

Chart 7.3



GSTR-3B Filing Trend

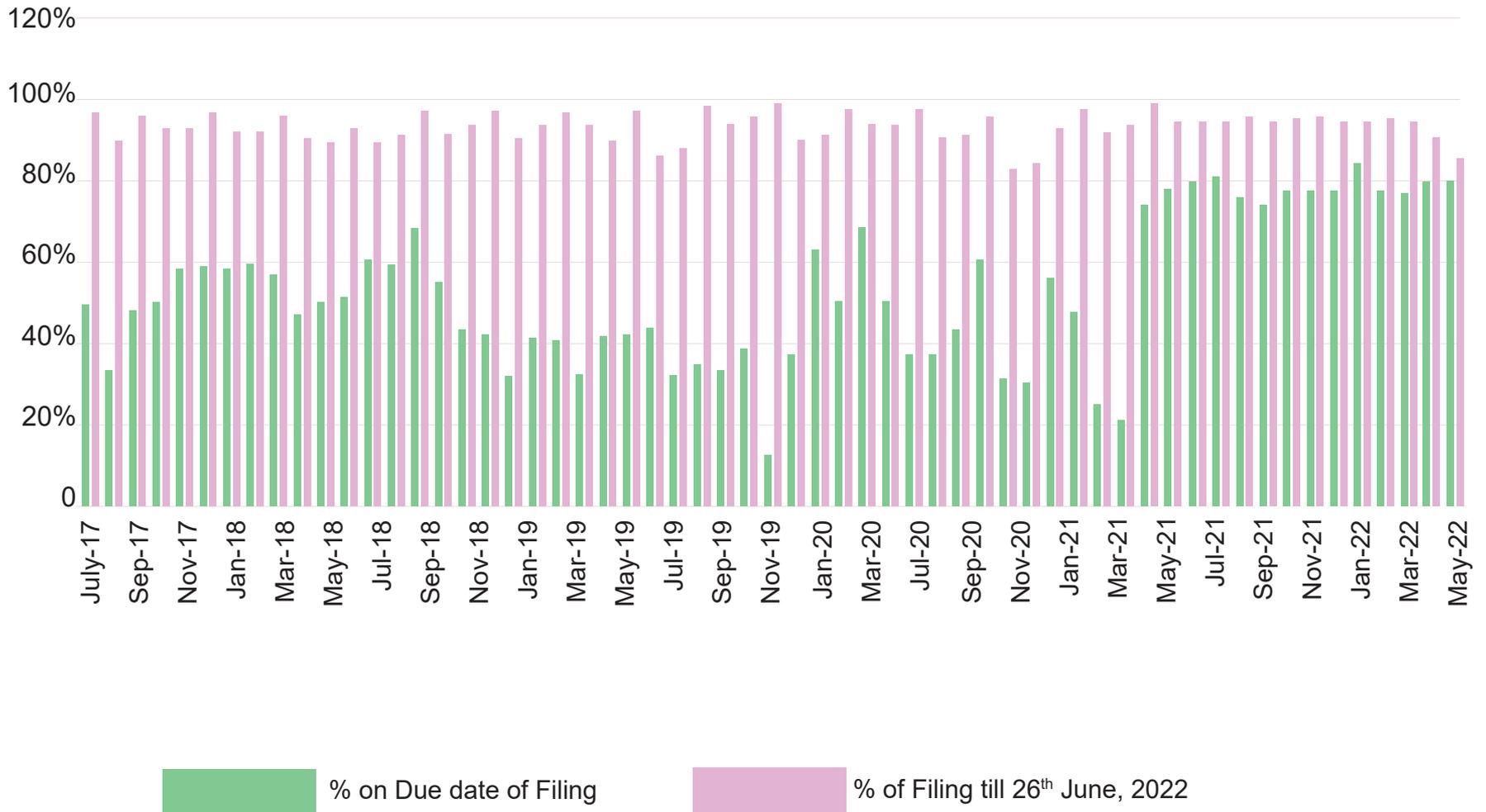
Chart 7.4



GSTR-3B Return Filing Compliance

Chart 7.5

Last date of filing vs filing as on 26th June, 2022



Increasing E-Way Bill

With a view to remove trade barriers from the State borders and making India one Market, e-Way bill system was introduced for the inter-State movement from 01st April, 2018 for the entire country and from 16th June, 2018 for intra-State movement in a staggered manner in different States. The introduction of e-Way (electronic way) bill is a monumental shift from the earlier “Departmental Policing Model” to a “Self-Declaration Model”. Subsequent to introduction of e-Way bill system, border check-posts have been removed by various State authorities that has provided a common market and hassle-free movement of goods throughout the country, thus realising the goal of “One Nation, One Market”. It has been reported that resultantly, average distance travelled by a vehicle/ truck, per day, has considerably increased. It may be seen from the charts below that there has been consistent increase in number of taxpayers registered for generating e-Way bills as also in the number of e-Way bills generated both for inter-State and intra-State movement. Till 26th June, 2022 around 278.88 crore e-Way bills have been generated since its introduction in April, 2018.

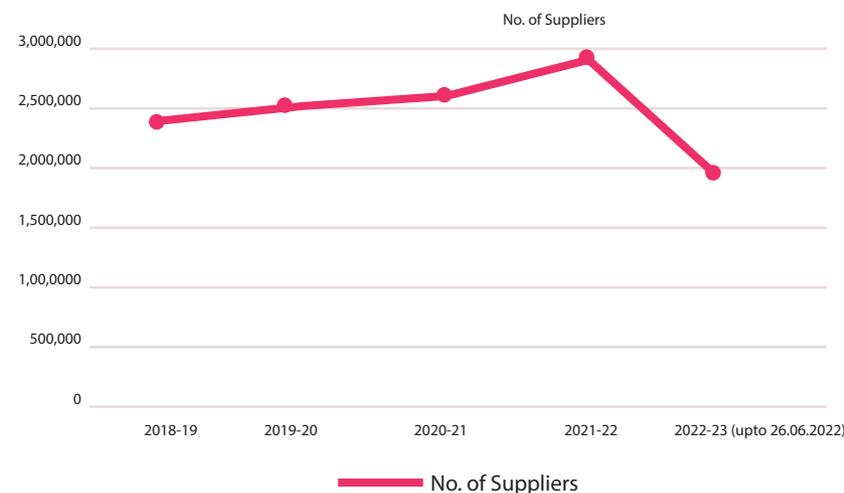
Chart 7.6

e-Way Bills generated for Inter-State and Intra-State Supply



Chart 7.7

Number of Suppliers generating e-Way Bills



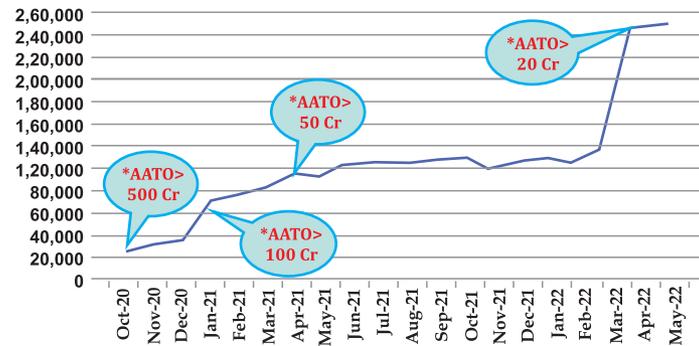
Growing e-Invoices

e-Invoicing was introduced for taxpayers with aggregate annual turnover of more than Rs. 500 crore from October, 2020 for B2B transactions and for export invoices, The said turnover limit has been reduced over a period of time and presently the taxpayers having aggregate annual turnover of more than Rs. 20 crore are required to generate e-Invoice w.e.f. 01st April, 2022. e-Invoicing is a rapidly expanding technology which helps taxpayers in backward integration and automation of tax relevant processes. It also helps tax authorities in combating the menace of tax evasion. This help in seamless flow of credit and invoice matching as envisaged in the GST regime. Further, it helps in real-time updation of data on the GSTN system and thereby, drastically reducing the time taken in filing the returns. The number of e-Invoices generated per month has progressively increased from 595 lakh in October, 2020 to an all-time high of 1260 lakh in April, 2022. Around 42 lakh e-Invoices were generated per day on the portal in the month of April, 2022. A total of 16,932 lakh invoices have been generated so far at a daily average of 27.84 lakh e-Invoices. B2B, Export and SEZ invoices issued by these taxpayers are now reported at Invoice Registration Portal (IRP) every month and 64-digit unique Invoice Reference Numbers (IRN) are issued on real time basis. In addition, the QR Code is also generated for verification of the authenticity of such Invoices.

The following charts depicts that there has been consistent increase in the number of suppliers generating e-Invoices, number of e-Invoices being generated as well as the number of recipients availing the input tax credit based on such invoices.

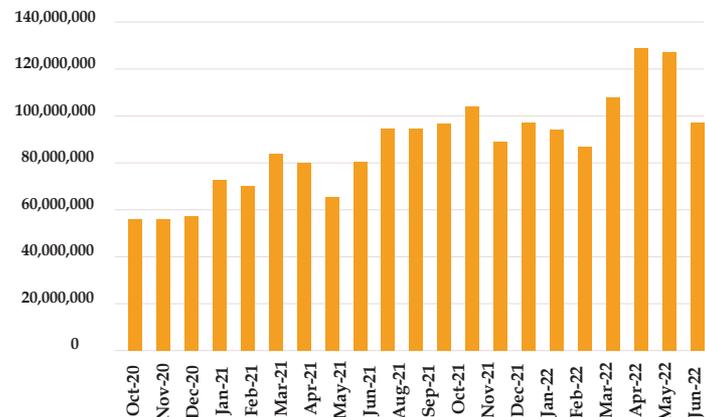
Suppliers generating invoices

Chart 7.8



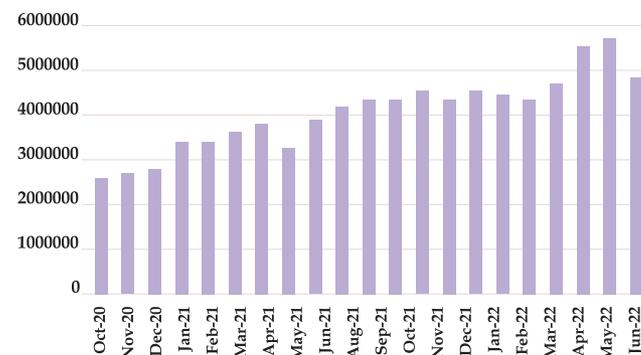
Total invoices generated

Chart 7.9



No. of Recipients availing the ITC on e-Invoices

Chart 7.10



Growing Revenue

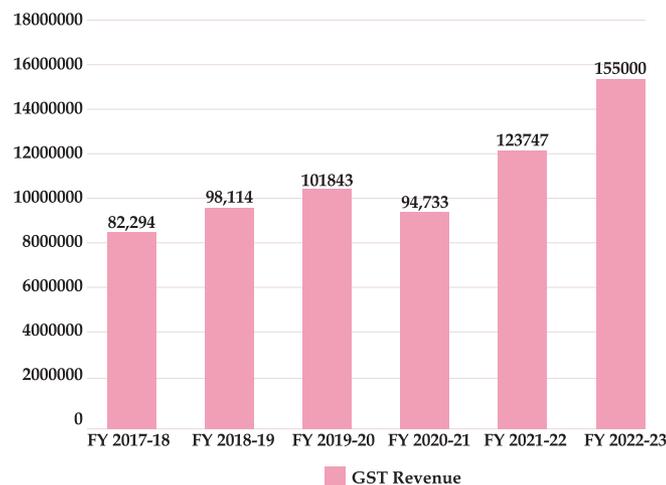
The average monthly GST revenue had shown a positive trend with an amount of Rs. 82,294 crore, Rs. 98,114 crore, Rs. 1,01,843 crore, Rs. 94,733 crore, Rs. 1,23,747 crore and Rs. 1,55,000 crore for the FY 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 (up to May, 2022) respectively. Average GST revenue of the Centre and the State has crossed the Rs. 1 lakh crore mark consistently starting October, 2020. Further, from October, 2020 onwards, the GST revenue

has exceeded Rs. 1.3 lakh crore (except in December, 2021 when it was marginally less than Rs. 1.3 lakh crore). GST revenue collection for April, 2022 was the highest ever at Rs. 1.68 lakh crore. Below two charts indicate the increase in average monthly revenue as well as the increase in total annual revenue since introduction of GST.

Average Monthly GST Revenue Chart 7.11

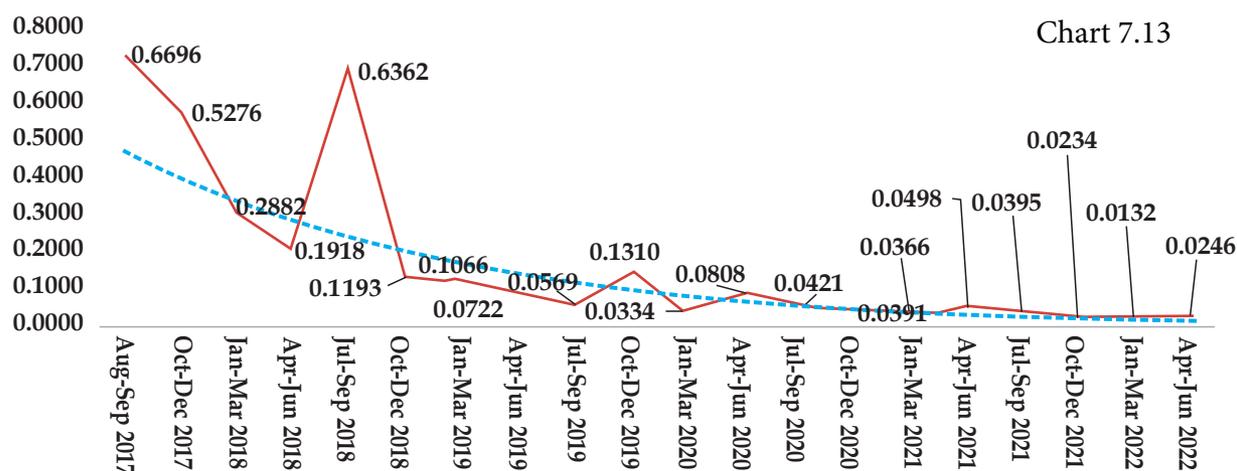


Average Annual GST Revenue Chart 7.12



Decreasing Incidence of Grievances

The below chart depicts the decreasing incidences of grievances with respect to return filing which led to higher taxpayer satisfaction. The digitalisation and auto-population facilities enabled return filing a stress-free experience for the taxpayers. Number of tickets (Grievances) raised per 10,000 returns filed has drastically reduced from 66 in August, 2017 to 2 in April, 2022.



Beyond the hype and hoopla both in favour and against the GST, one has to see the numbers to make a sound judgement. There are two reasons for it: firstly, the success of any taxation system or any economic notion, for that matter, needs to be measured in terms of numbers; secondly, numbers don't lie. If the State or the government is the mechanism that binds a geographical area along with the people dwelling on it into a nation, it is the revenue that allows the government to function and sustain. The strength or success of any taxation system needs to be measured in terms of its ability to garner resources for the country. Seen in this light, the introduction of GST was a bold reform. Despite the challenges posed by the Covid pandemic, revenues from GST have shown unprecedented buoyancy touching a record high of Rs. 1.68 lakh crore in April this year. The average monthly collections from GST have also increased considerably from Rs. 0.95 lakh crore in 2020-21 to Rs. 1.24 lakh crore in 2021-22. Since collections are consistently rising for several months now, it is a fair conclusion that the trend will continue.

More than being a digital tax, GST has transformed the entire landscape of how business is transacted in the country. Increase in return filing percentage, gaining popularity of initiatives like e-Way bill, e-Invoice, drastic fall in the number of tickets raised on the GSTN platform are strong indicators, that this reform has taken roots leading to a multifold increase in taxpayer base within a short-span of five years.



08

**GST - A TRULY
DIGITAL TAX**



GST - A TRULY DIGITAL TAX

The GST Act was envisaged to harness the power of technology to make the process of tax filing more citizen friendly so that the level of unintentional non-compliance and intentional tax evasion can be curbed efficiently at the same time. While corrective measures were taken to ensure facilitation, initiatives were also taken to design, build and monitor the infrastructure to ensure effective enforcement of the Act across the country.

Initially, there were a lot of apprehensions from taxpayers and tax officials alike about GST being a digital tax. For the taxpayer, it meant a complete reorientation of business processes from the manual or paper mode to digital mode. For the tax officials, it meant a total overhaul of the statutory functions and the manner in which a tax administration is run.

In the initial phase, the focus was to ensure that the transition is as smooth for the taxpayer as feasible. A number of technological solutions were introduced along with enabling changes in the law, rules and procedures towards this end. This opened avenues for unscrupulous elements to play foul by misusing the facilities offered to an honest taxpayer.

In the next phase, the same has been rectified by relying on cutting edge technologies such as big data and advanced analytics to enable the tax administration to take better enforcement decisions

based on better targeting. This was tempered with the need to ensure that the honest taxpayer is not inconvenienced in any manner. Rather better targeting was devised as a strategy to identify the fraudulent entities and take suitable enforcement action to complement the ongoing efforts to facilitate an honest taxpayer.

The following initiatives need a special mention in this regard:

- Project ADVAIT under the aegis of CBIC's ACES-GST
- Setting up of DGARM
- Measures by the GSTN

CBIC's ACES-GST

Automation is the backbone of all modern Tax Administration. In a federal setup where both the Central and State governments are commonly implementing a Tax law like GST, then there is a need for a robust automation regime. This need was anticipated by the Central government while formulating the GST laws and accordingly steps were taken to provide a workable automation model catering to various facets of Tax Administration. While GSTN was formed to provide the able front end part of this automation, allowing the taxpayers to file their GST Returns periodically and interact with the Tax authorities for various compliance

requirements there was also a need for facilities and functionalities helping the Tax authorities to perform their statutory roles called the back end Application.

While the GSTN provides the front end services of Registration, Returns, Payments, etc. to all taxpayers and acts as an interface between the government and the taxpayers, the Central government (CBIC) and the State GST authorities were given the option either to develop their own Applications to process the registration, return and payment data as a back end process or to avail of the services to be provided by the GSTN. Accordingly, the CBIC has developed and hosted the back end application which is called ACES-GST.

ACES-GST is a modern, state of the art, robust and user-friendly system being used by the CBIC departmental officials to effectively administer GST, while ensuring protection to the sensitive commercial data by implementing best security measures. The back end Application receives the data relating to registration, return, payment etc. submitted by taxpayers on GSTN front end portal and make available the same to the CBIC officers to perform the statutory functions such as approval of registration, assessment of return, conducting investigation and audit etc.

The ACES-GST back end application has eight core modules viz., Access Control Logic (ACL), Registration, Returns, Refund, Payments, Dispute Settlement and Resolution (DSR), Audit and Central Excise. It caters to the need of officers spread across 21 Zones, 107 Commissionerates 08 sub Commissionerates, 753 Divisions and 3915 Ranges.

The MIS & Analytics wing of ACES-GST provides various reports such as daily Revenue reports for GST & Non-GST taxpayers, periodic reports on module specific issues and also provides adhoc reports as per the requirements of CBIC / field formations. Further, it also provides data for other analytical wings of the department namely, DGARM and ADVAIT. Data requirement from DGGI / anti-evasion units of the Commissionerates is also taken care by this wing.

With the above functionalities, the ACES-GST back end Application has provided a transparent digital medium for both the taxpayers and the tax officers in the GST regime. Further, it ensured accountability by delivering services in a time bound manner which has improved the Ease of Doing Business index.



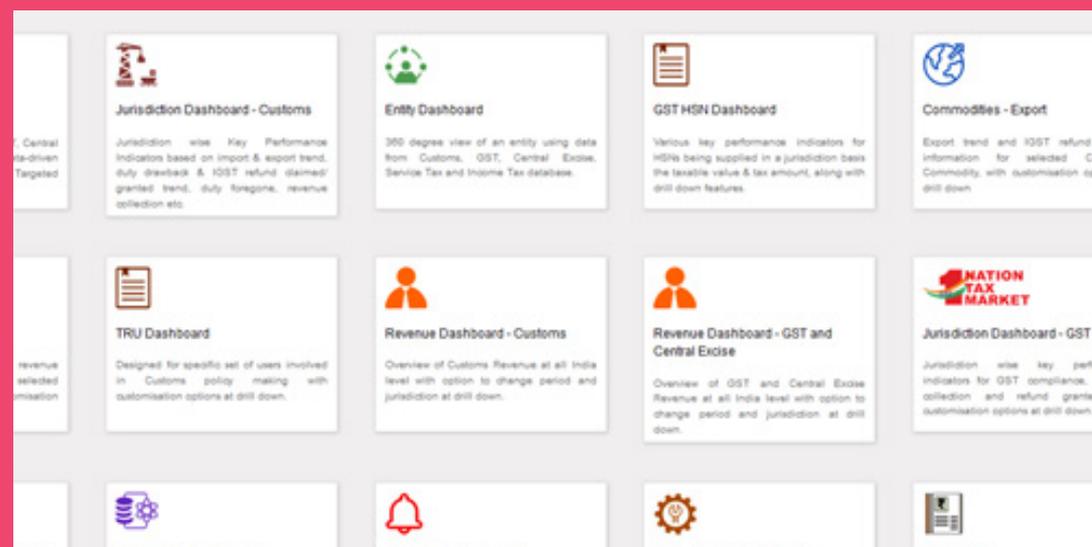
CBIC embarked upon a new project named **ADVAIT (Advanced Analytics in Indirect Taxation)** in 2018 to leverage the capabilities of big data and advanced analytics to transform EDW into a next generation data platform for improved decision-making, with the threefold objective of enhancing indirect tax revenue, increasing taxpayer base and supporting data-driven tax policy formulation.

ADVAIT provides business output in three formats: Reports, Interactive Dashboards and Analytical Models. The functionality of each output is specifically designed to aid and assist field formations in their day-to-day operations that range from reporting and ensuring tax compliance to detecting tax evasion and facilitating taxpayers in return-filing. The portal was launched for CBIC officers in August 2021 with advanced analytical capabilities including data matching, network

analysis, pattern recognition, predictive analytics, text mining, forecasting, and elasticity and policy studies.

ADVAIT has been designed and developed a knowledge-driven data ecosystem using some of the most advanced data warehousing business intelligence solutions, keeping in view the **3 I's**, i.e., Information, Insights and Intelligence. Leveraging the power of Artificial Intelligence and Machine Learning, ADVAIT provides critical business outcomes spanning revenue forecasting, commodity and entity profiling through clustering and detection of fraud and patterns in tax evasion through suspicious network model.

ADVAIT portal holds the distinction of providing access to a credible one-stop multi-source data warehouse, putting the user at the heart of the analytics experience and increasing field officers' productivity and efficiency manifold. ADVAIT has vastly improved the technological prowess of CBIC officers and is constantly evolving in response to growing needs of the tax administration.



Dashboard of ADVAIT portal

DGARM

Directorate General of Analytics and Risk Management (DGARM) was established in 2017, under CBIC, Government of India, to utilise internal and external data sources for data mining and analysis to generate outputs to plug evasion and augment revenue. It has two GST verticals, namely, Business Intelligence & Analytics (BIA) and Risk Management Centre for GST (RMC-GST).

The Risk Management Centre for GST under DGARM developed various Analytical and thematic reports to aid the field formations in identifying major risky taxpayers and mitigate the risk involved. These reports are broadly categorised into three categories. The Red Flag reports constitute the first category and have been identifying fundamental mismatches in GST returns as well as flagging the non-filers and stop filers of GSTR-3B Returns. Collectively, these have led to a detection of Rs. 1,29,254 crore and a recovery of Rs. 1,13,753 crore. The second category of ITC reports have targeted risky input tax credit and have yielded detection of Rs. 7,501 crore and recovery of Rs. 1,783 crore. In addition, risky IGST refunds are analysed to identify risky exporters along with their supplier networks. The third category of Analytical reports are based on various issues/ themes which have been taken up from time-to-time. During the transition to GST, these involved comparative reports on taxpayers under pre GST and GST regimes and over time specific issues, schemes and themes have been addressed.

Apart from the above reports, DGARM has also been identifying risky taxpayers for Audit, Scrutiny of GST returns which are being shared both with the CGST formations as well as States who have volunteered to map with DGARM for this facility. Several States/ UTs are utilising this facility.

In order to aid the field formations in identifying supplier networks for various taxpayers for tracking ITC, DGARM has also developed 'NETRA' that provides a ready tool of both inward and output supplies to any taxpayer over various levels. This facility has been useful in tracking risky ITC across entities and readily identify clusters and networks involved.

The Business Intelligence & Analytics (BIA) vertical has been identifying various sources of data to strengthen analytics. New areas are being identified by closely coordinating with other Agencies to enhance risk management. BIA is also identifying latest techniques in ML/AI to deploy risk identification, assessment and mitigation techniques for effective management of risks.

GSTN

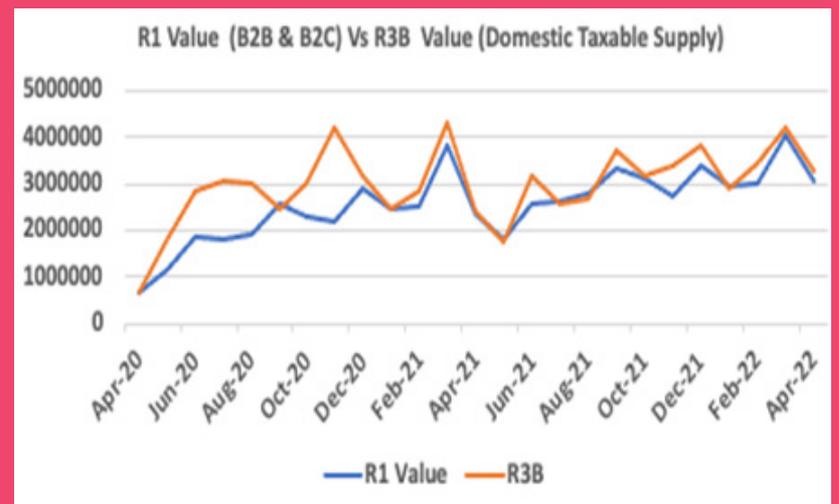
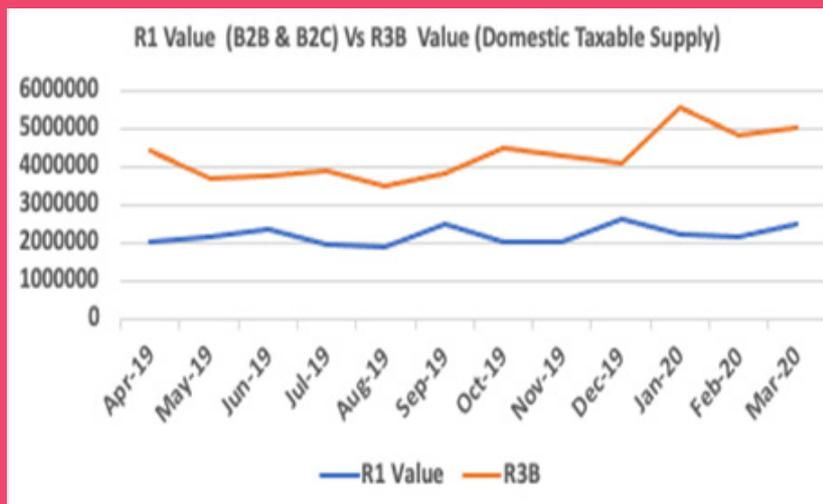
Goods and Services Tax Network (GSTN), a special purpose vehicle, was established in March, 2013 with the purpose of digitalising the nationwide taxation process and improving its compliance rate. It has successfully implemented the unique and complex IT system of GST, providing uniform interfaces for the taxpayers, GST officers and other stakeholders under indirect taxes through a common and shared IT infrastructure between the

Centre and the States. It also provides a common interface to the Accounting Authorities of the Centre and the States, the Banks, RBI and other stake holders like Customs, Income Tax, MCA, GSPs, Tax Practitioners etc. It not only implemented the end-to-end IT functionalities, but has also developed a robust Business Intelligence platform, which is extensively used by the States and the Centre.

The GST IT system was developed using the latest scalable architecture based on open-source components and API based framework. During the 42nd GST Council meeting, it was acknowledged that an incremental approach of change has to be adopted to connect various returns and forms as prescribed in GST law so as to simplify the GST compliance steps for taxpayers. The Council also gave a mandate to GSTN to initiate use of Artificial Intelligence, Machine Learning and rule-based interdiction with data analytics to identify the non-compliant trade from the genuine taxpayers.

GSTN has made Goods and Services Tax compliance easy and trade friendly by providing all the services online at the doorsteps of the taxpayers. Several innovative steps & enhancements in GST Return filing systems have been taken as trade facilitation measures, which have worked towards simplified GST compliance for taxpayers & also significantly boosted the government revenues. Databases were linked to ultimately make the auto-populated GSTR-3B, the main return of GST available to the taxpayers.

As a result, the gap between the outward tax liability declared as payable in GSTR-1 vs that declared as paid in GSTR-3B; and the same time the gap between the ITC claimed in GSTR-3B vs the actual ITC available as per the computations both were rising, leading to a situation indicative of a fact that taxpayers were finding it difficult to comply with the return filing. The graph depicting the difference in tax liability and rising difference in ITC claim is shown in the charts prior to and after innovation placed below:



Graph showing the reduction in gap between outward tax liability pre-innovation (left) and post innovation (right)

Electronic integration with the ICEGATE system of Indian Customs allows seamless flow of Bill of Entry data filed on import of goods into India into the GST system. This data is now auto-populated into the GSTR-2B of the recipients.

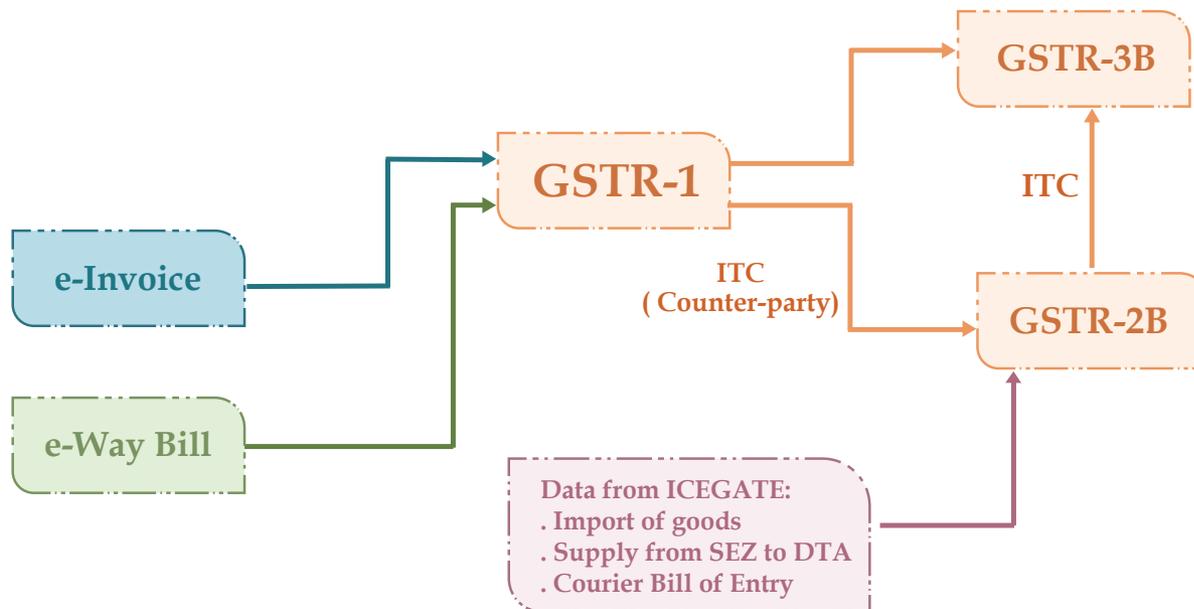
Outward supply statement is thus integrated with the e-Invoice & e-Way bill systems. This integration allows the auto-population of the outward supplies already reported earlier in the other systems, and thus avoiding duplication of effort by entering the same data again. The taxpayer is allowed to manually declare any other outward supplies other than the already auto-populated details in their GSTR-1. Consequently, on filing of this outward supply statement (GSTR-1), a summary of the outward supply liability is computed by the system & is auto-populated in the GSTR-3B return of the taxpayer.

Further, to improve return filing, SMS reminders and e-mail for assessment of non-filers is sent regularly. Every month GSTN sends 15 crore SMS for reminding taxpayers regarding the due date of return filing. Post expiry of filing date, SMS is sent to defaulting taxpayers regarding late fee and interest payments becoming applicable.

To ensure that taxpayers do not pass input tax credit without paying tax, system automatically blocks filing of GSTR-1 of a taxpayer, who has not filed one or more GSTR-3Bs. Registration of taxpayers who have not filed six or more returns are suspended every month centrally. Collectively these steps have improved the overall compliance.

Interest had to be manually calculated previously which led to multiple errors in filing, needing assessment & audit later. GST system consequently developed & implemented the functionality of Interest calculator in GSTR-3B, which computes & auto-populates the interest applicable in cases

A pictorial representation of the various integrations in the GST system is shown as below:



Schematic flow of ITC and Outward Supplies into GSTR-3B

of delayed filing of return. This functionality has enhanced the government revenue and reduced litigation on account of non-payment & lesser payment of interest liability and also assist taxpayers in doing their self-assessment correctly & efficiently.

This functionality is notable on account of the following innovations:

- This functionality addressed the need of different interest computation for different class of taxpayers. Consequently, if required by

any legal provision, the interest calculation for specific taxpayers can be done with different & flexible parameters on the basis of: Geography (State, District or PIN code), Aggregate turnover, or Quantum of delay in filing.

- Interest calculation sheet is also made available to the taxpayers, to explain the exact method used for interest calculation by the system bringing transparency.

Other Interventions to improve compliance of GST Return includes:

 <p>Smart HSN search</p>	<p>An AI & ML based functionality for searching the notified code of goods & services (called HSN) on the basis of commonly used names & description of those goods & services in trade & industry.</p>
 <p>Matching tool</p>	<p>An automated machine tool to reconcile their own Purchase register with the system generated GSTR-2B and to ensure that taxpayers do not make mistakes in filing their returns.</p>
 <p>Nil filing by SMS</p>	<p>An option to file Nil returns by sending a simple SMS for smaller taxpayers.</p>
 <p>Enhancement in GSTR-1</p>	<p>Technology & process improvements to improve the processing time by removing redundant steps from the earlier filing process through a more user-friendly interface.</p>
 <p>Communication tool on the GST Portal</p>	<p>A facility for enabling the taxpayers, i.e., suppliers & recipients, to communicate with one another which allows the recipients (buyers) to intimate their suppliers (sellers) of any invoice which is not included by the supplier while uploading their outward supply details.</p>
 <p>Capacity enhancement of GST system</p>	<p>Steps like augmentation of hardware, hardware configuration changes and software optimisations have been taken to continuously enhance the capacity of the GST system to keep pace with the increasing tax-base of GST.</p>

Improvements in other Area of GST System made were:

- a) **Improvement in Registration:** Several initiatives have been taken to improve taxpayers' experiences while filing Registration application such as Geo-coding for declaring correct addresses, Aadhar Authentication to avoid physical verification, Risk Scoring of Applicants facilitating the genuine applicants, 360° view of the Applicants and Auto-Revocation of suspension of the taxpayers in case they file the due returns.
- b) **Other Modules:** The end-to-end IT functionalities of all the modules such as Refund of Registered Taxpayers and unregistered consumers, Audit, Assessment and Adjudication, Appeal, Recovery, Prosecution and Compounding of Offences, Enforcement, Letter of Undertaking, Advance Ruling, Payments and Settlement of Funds are implemented on GST Portal. These Modules are also integrated with the offices of the States and that of CBIC at the back end.
- c) **GST e-Way Bill & e-Invoicing Systems:** National Informatics Centre (NIC), a premier organisation under Ministry of Electronics & Information Technology, has designed and developed and operationalised the ICT solutions as per the directions of GST Council, for e-Way bill system, to remove trade barriers from the State boundaries and making India one Market, since April, 2018. e-Invoicing system was introduced in October, 2020 initially for taxpayers with an aggregate annual turnover of more than Rs. 500 crore for B2B transactions

and for export invoices. The said turnover limit has been reduced over a period of time to Rs. 20 crore. Both the systems are providing uninterrupted 24/7 service delivery for the taxpayers since their inception and more than 80 lakh transactions are taking place on the peak days. Both the systems have multiple modes of operations for the taxpayers which can be chosen as per their requirements. e-Way bill system has also been integrated with Vahan and FasTag systems for data exchange and validation. Continuous technical support, improvement and handholding in smooth adoption of the systems is being provided to the taxpayers and tax administrations. These systems also have rich and actionable analytical outputs to GST officers in order to detect risk based defaulters, various fraudulent practices etc.

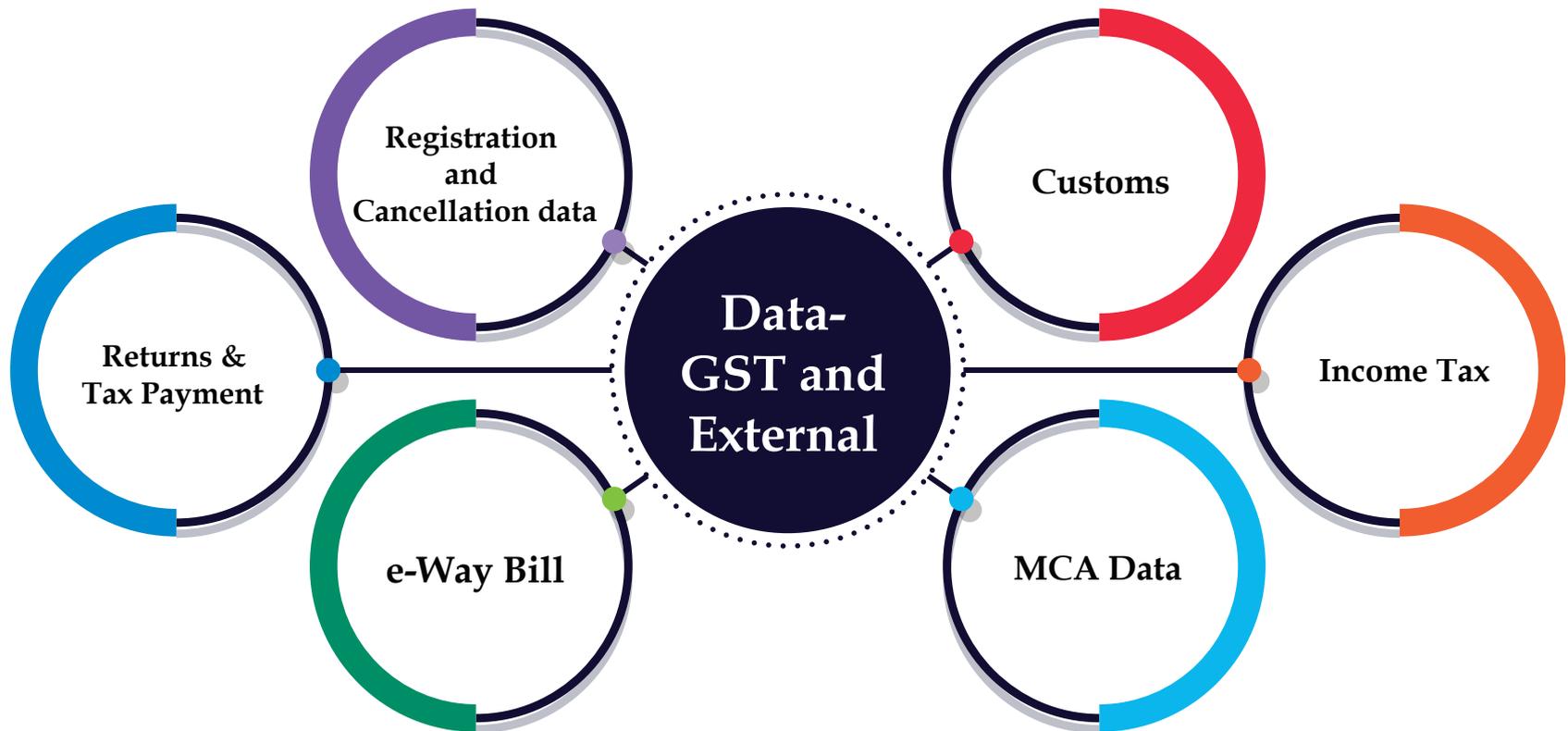
GST is primarily a trust based indirect tax system which works on self-assessment by taxpayers and minimal intervention by the tax administration. The underlying assumption being that taxpayers declare their correct liabilities in their GST returns. However, incidences of tax evasion leading to loss of government revenue were reported by tax administration. Thus, right amount of preventive intervention on part of tax administration was necessitated to target non-compliant trade by segregating it from compliant trade.

This resulted into emergence of BIFA, Business Intelligence and Fraud Analytics Unit at GSTN. BIFA, used the areas of AIML (Artificial Intelligence and Machine Learning), Big Data Analytics and Deep Learning to evolve the GAIN (GST Analytics and Intelligence Network) portal which provides

specific actionable intelligence to the tax officers. In the last three years, BIFA has created a significant impact on the GST administration. Overall, 50 rule based, AIML equipped analytical models have been delivered to the tax administration on the GAIN portal, referred to in common parlance as use-cases. The proper officers of the State and the Center are provided access to GAIN, wherein the officers can utilise these analytical models (use-cases) for identifying the tax defaulters and new modus operandi of tax evasion. BIFA has integrated the available data from various inter-ministerial platforms like Income Tax, Customs, Ministry of Corporate Affairs and the data already available in different modules of the system such as e-Invoices, e-Way bills etc.

By using modern analytical tools, employing AI-ML technology and certain rule-based interventions; GAIN has developed intelligent analytical models which helps the tax officers in the following:

- Assigning risk scores to identify taxpayers and segregation into compliant taxpayers, taxpayers sitting on fence waiting for opportunity to evade taxes and taxpayers who are habitually involved in fraudulent behavior.
- Identifying the entire network of fake/shell firms passing Input Tax Credit at one go; improving the administrations' efficiency in coordinated action and recovery.



Integration of inter-ministerial platforms

- Early warning to tax officers in the form of ready-made high-quality leads for targeted action.
- Prediction about fence sitters likely to indulge in deviant behavior.
- Audit, scrutiny and assessment of taxpayers selected by computer based on their behavior as well as risk associated with them.
- Data for various policy formulations.
- Overview of the jurisdiction health in terms of compliance pattern as well as creation of heat map of the jurisdiction indicating concentration of non-compliant taxpayers.
- suspicious transactions, in the GST regime for the purpose of quick preventive action
- fraudulent suppliers/recipients indulging in fake ITC generation & propagation
- ultimate beneficiaries of fake ITC in their jurisdiction
- missing taxpayers who have been active/pushing fake credit into the system
- evasion of tax in B2C sector where the tax might have been recovered from the consumer at the time of sale, but he may be manipulating his records to achieve no tax payments in cash
- cases fit for Audit & Assessment, in case in depth scrutiny of the records with/without visit to the taxpayer is warranted.

Over the life cycle of a taxpayer, GAIN continuously generates and allots a risk score for the entity since its application for registration is received in the GST system. The system continuously updates the score at regular intervals. Thus, the taxpayer's behaviour is monitored by the system continuously in the GST ecosystem.

The biggest handicap for the tax officers was that by the time they get to know about the misdeeds of a fraudulent taxpayer, he disappears with the wrongful gains. To address this information asymmetry, GAIN portal of BIFA module provides precise information to the tax officer by using data available from different ministries and different modules and combining it with risk score so as to provide 'Early Warning Leads Dashboard' to the tax administration. In each month various Forms, statements and returns are filed by the taxpayer and the risk engine of the GST system runs analytics to flag containing inputs to the Tax officers about:

Some of the alerts are updated on the daily basis while some of them are updated on a weekly/monthly frequency as the need be.

GAIN provides analytical network models with the aim to analyse taxpayers from the point of view of inward supply chain, outward supply chain, circular traders, related parties sharing common parameters such as PAN, email, bank accounts etc. With the use of GAIN, the officer now is able to plot entire network of supply and recipient of a fraud dealer within a couple of minutes.

The GAIN portal also provides the birds eye view of the GST compliance of the entire country/ jurisdiction wherein the data analytics plots the heat map of the nation/ jurisdiction vis a vis compliance, revenue gap, ITC gap etc., on a single click of the mouse. The tax officers are able to drill it down further up-to smallest jurisdiction in their state. The heat map is designed to identify the possible revenue leakage and ITC misuse etc. at macro level and then drill down further into smallest jurisdiction. The heat maps are a great help in seeing the big picture of the jurisdictions and is also indicative of the health of the tax administration and economy at large.

The GAIN portal has a deterrent effect on the tax defaulters and positive impact on the morale of the compliant trade. At the same time, it has acted as a warning to the fence sitters waiting for their opportunity to exploit the system. The innovations in the area of return filing and targeted action through GAIN portal of BIFA has resulted in overall improvement of compliance in timely return filing and rise of GST revenue across the country.





The background features a top-down view of a wooden desk with various items: a laptop, a coffee cup, a glass of water, a calculator, and a tablet. A network diagram with nodes and connecting lines is overlaid on the desk. A large, semi-transparent white geometric shape, composed of overlapping triangles and lines, is positioned on the left side of the page.

09

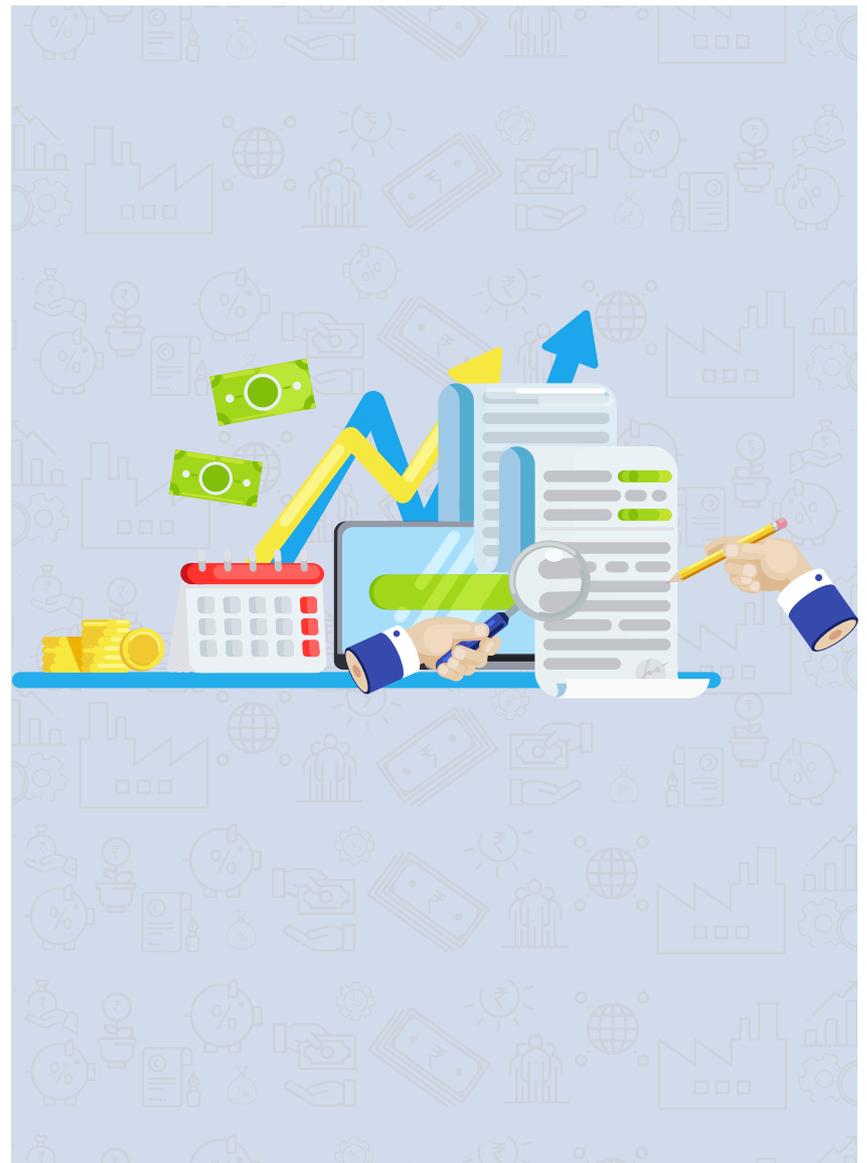
GST: Outreach & Capacity Building

GST: Outreach & Capacity Building

The Goods & Services Tax goes much beyond from a 'tax change' to a 'behavioural change'. Change acceptance for such a huge reform as the GST as a new requirement for doing business was a mammoth mission. Thoughtful strategising and persistent tapping of nation's pulse have backed the promise of *the transformed nation*.

Directorate General of Taxpayer Services (DGTS), the nodal body responsible for Internal & External Outreach of the Indirect Taxation System, acts as a think-tank to bridge the gaps in awareness & knowledge between the taxpayers in particular and the common public in general. Apart from the DGTS, other stakeholders such as GSTN, State governments, NACIN also carry out the outreach activities.

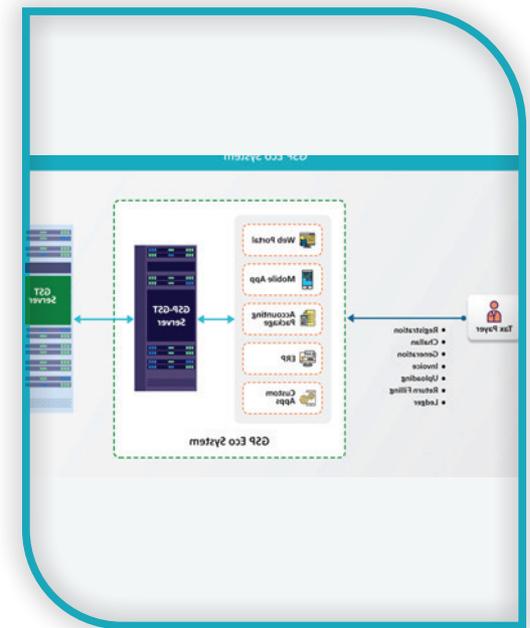
Initiatives like Webinars, Seminars, GST Suvidha Providers, Taxpayer Facilitation Centers and community outreach programmes, act as tools in this regard. The reach of digital medium is far & wide and also highly influential in today's age. The Website, Social Media Platforms, e-Mailers, SMSs, and traditional form of electronic & print media are used to their potential to spread awareness about GST.



1. GST Suvidha Provider

Besides the main participants (the Central and the State governments, the taxpayers & the IT platform provider i.e. GSTN, CBIC and State Tax Departments), GST Suvidha Providers or GSPs are envisaged to provide innovative and convenient methods to taxpayers and other stakeholders in interacting with the GST Systems from registration to uploading of invoice details to filing of returns.

At present, there are about 50 GSPs empanelled with GSTN. In the evolving environment of the new GST regime, the GST Suvidha Providers (GSP) play an important and strategic role in spreading awareness & in education of the taxpayers, besides assisting them in their compliance management.



2. Webinars

Directorate General of Taxpayer Services and its Zonal units have been conducting topical trainings & webinars to equip officials & stakeholders from trade. More than 100 webinars were conducted in the FY 2021-22, in collaboration with Chambers of Industries and other trade bodies on various issues relating to GST Law and Procedures. The webinars are an interactive avenue that draws a large number of audience and an active participation during discourse. The feedback received from stakeholders during these interactions is then compiled and provided to the policy makers for appropriate consideration.



3. Taxpayer Facilitation Centers

Taxpayer Facilitation Centers are established as local help desk to assist the taxpayers with information as well as to provide handholding to taxpayers. The Central Board of Indirect Taxes and Customs dedicated 75 Taxpayer Facilitation Centers (TFC) across 70 cities all over the country, in December, 2021 to the nation, as a part of the ongoing Azadi Ka Amrit Mahotsav (AKAM) celebrations.



4. Outreach Programmes

Azadi Ka Amrit Mahotsav has been a positive nudge in outreach activities by the DGTS's Zonal units as well as by CBIC's field formations. Innovative attempts are made to inculcate the practice of responsible taxpaying and nation building. The department holds informational events like Slogan Writing, Nukkad Nataks, Seminars, Exhibitions, etc.



5. The Mass Media Outreach

A 360 degree approach has been adopted to leverage all existing avenues of outreach, be it through the medium of websites, or social media, or mobile communication, or the traditional forms of media such as print & electronic media. Some of the important initiatives in this regard are:

- **CBIC Website**

The CBIC website is a holistic information portal that draws a large number of visitors. It offers a one-stop solution for all informational needs of the taxpayers and provides regular updates on circulars, notifications, instructions related to GST.

- **Social Media**

CBIC's Twitter handle acts as an instant point of interaction with taxpayers. The kind of campaigns that run on the platform vary from reminders to awareness.

▶ **Due Date Campaign:** *A series of reminders is posted as and when the due dates are near to nudge the taxpayers into fulfilling their compliance obligations. These bilingual (Hindi & English) reminders are presented in static and video formats to make the campaign interactive.*

▶ **Theme-based Campaigns:** *To raise awareness among the taxpayers and the general public about the various facets of the evolving taxation landscape, regular theme-based campaigns are conceptualised, designed and run, such as Fake Invoice !Alert! Campaign, 75 Days AKAM Campaign, Consumer Awareness Campaign, etc.*

- **Print & Electronic Media**

Regular and need-based advertisement campaigns are carried out in the print & electronic media to spread awareness about the new initiatives taken by the government.

- **Nudge through e-Mail & Mobile Communication**

E-Mailers & SMS notifications are employed to improve return filing to nudge the non-filers. More than 15 crore SMS/month are sent by GSTN & DG Systems as reminders to taxpayers for the approaching due date of return filing. SMSs are sent to defaulting taxpayers regarding late fee and interest payments becoming applicable post the expiry of filing date. Collectively, these steps have improved the overall compliance as reflected in the increased return filing.



10

The Journey Continues...



Half a decade has gone since the implementation of GST. Measures have been taken to unlock blockages and ease out the processes that will eventually promote economic vibrancy in India and make taxation more intelligible to common man.

Several initiatives were undertaken to improve return filing and refund processing, identify tax evasion/revenue leakage and curbing it, to boost the MSME sector and give them a level playing field, to give an impetus to the exports and to improve the Ease of Doing Business. The evolution of GST over the last five years would show that under the leadership of the GST Council, the indirect tax administration, as a whole, has adopted a two-pronged approach for augmenting revenue and plugging leakage in revenue in GST. On the one hand, the return filing process is being made easier through auto-population of returns on the portal and a number of trade facilitation policy measures are being taken to improve voluntary compliance by the taxpayers. On the other hand, various measures have been taken to plug the revenue leakage and to check fraudulent or wrong availment and utilisation of input tax credit.

Important innovations such as e-Way bill, e-Invoice as well as use of big data and data analytics have taken root and stabilised.

The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens.

Five years down, it has certainly lived up to its billing as the biggest tax reform in the history of independent India. The manifold increase in taxpayer base and revenue buoyancy are the two crucial indicators that show that GST has taken roots in the national psyche and ethos. It is commendable the way the entire nation has come forward to accept and adapt to such a huge change.

From here on, the journey is likely to get smoother only as the major bumps and roadblocks have already been addressed. One can safely and with confidence conclude that India's indirect tax system is second to none and is truly a system that is in step with the 21st Century.

*The Journey
Continues...*





Directorate General of Taxpayer Services
Central Board of Indirect Taxes and Customs
Ministry of Finance

