

Research Paper on GST

" The present state of GST" and " E-commerce"

1. Goods & Services Tax : We recall our discussion with Late Shri Arun Jaitley prior to implementation of GST who emphatically said that the GST will end all woes and sufferings of the traders and under GST, the traders would be required only once to upload their sales statements on GST portal and rest of the things would be auto populated by the GST portal to facilitate the traders to comply with the law in a most easiest manner and would give them sufficient time to focus on growth of their businesses. However, the GST Council, due to more than 950 amendments in the past about 4 years, have made the GST as a more complicated tax system and the traders are subject to about 60 types of compliances under GST which is stoutly against clarion call of your good self for "ease of doing business". Few recent amendments in GST have given arbitrary and unfettered powers to the Government officials much against your mission statement for " Minimum Government-Maximum Governance" prescribing various huge penalties even for a small error and these amendments have created a state of 'tax terrorism' in the Country and have put clutches to the hands of honest tax collectors as well. The principle of natural justice has been greatly violated through such amendments where the traders have been denied any sort of show cause notice or opportunity of hearing before taking any penal action. Though the GST Council has revised GST rules hundreds of times but not even a single opportunity is given traders to revise the GST returns.

However, we fully appreciate the cause of worry of the GST Council and the Government about prevalence of "fake invoices" and siphoning of substantial revenue by some anti-trade elements. We stand in solidarity with the Government for prescribing exemplary penal action against such persons. We do not advocate for any kind of tax evasion in the Country but in reality these provisions have become a cause of threat to businesses of honest traders who are complying the law. The difference between "error" and "evasion" needs to be defined and spelled out very clearly and without any ambiguity.

We have reason to say that the current tax base under GST and accrued revenue is highly underrated and there is much potential for at least making the current figure of GST and revenue to its double in numbers in a short span of time but is achievable only when the GST tax system is simplified & rationalized to the extent that even a small trader in any remote area can comply the laws and rules in a very easy manner without depending upon Chartered Accountants, Tax Practitioners or tax consultants with a mass scale awareness program across the Country. Almost four years have passed for the GST implementation in India and both the Government and the traders have understood the practical problems and steps needed to be taken to improve GST Law and rules for making it a "trader and revenue friendly system". The trade is always with the government for bringing stringent provisions for persons who are following malpractices, but at the same time the burden of the same should not be shifted on the honest taxpayers by making compliances very complicated. Therefore, we suggest that :

1. A "special working group" may be formed at the Central level consisting of senior officials and representatives of CAIT and independent Tax experts to review the GST Tax structure and make recommendations to the Government for making it a " Good & Simple Tax". system.

2. A " District GST working Group" may be constituted of senior tax officials and representatives of CAIT in each District to monitor smooth GST implementation and taking steps for widening of tax base and augmentation of revenue in respective Districts across the Country. We are sure that above two steps, if taken" will bring fundamental positive change in the larger interest of the Country and the nation. We urge you to direct concerned Ministry and officials to immediately take necessary steps.

2. E-Commerce : With rapid change in purchasing behaviour of the consumers as a positive result of deeper penetration of internet and smart phones usage across the Country, the e-commerce business is a fast growing future mode of business in the Country and the CAIT is intensively engaged in digitalisation of traders across the Country. However, it has been observed that the e-commerce landscape of the Country has been greatly vitiated by some of the major e-commerce companies who are continuously and openly violating the FDI policy, law and Rules without any fear of law by indulging into predatory pricing, deep discounting, loss funding, controlling inventory, sale of branded products exclusively on their respective portals which are specifically restricted Press Note 2 of FDI policy of the Government. It appears that their sole aim is to control & dominate not only the e-commerce market but even

the entire retail of India. While the intention of the Government had been clear and consistent in Press Note 2 but e-commerce companies have resorted to innovative but a clandestine structure to violate the policy. Needless to say that they are trying to become the second edition of the East India Company. Their past conduct shows that they are treating Indian laws as most weak and least bothered about following rule of the law.

We appreciate various steps taken by Hon'ble Minister for Commerce Shri Piyush Goyal who has not only warned such companies to stop playing with the rules but has also taken various steps to ensure that law prevails. However, these e-commerce giants have no regard and respect for the laws of the Country. It is most regrettable that several Government & Private sector Banks are colluding with these e-commerce giants and helping them to create an uneven level playing field much against the intention and policy of the Government. With earnest desire to equip entire business community of the Country to adopt e-commerce and digitalisation as another vertical of trade, we suggest:

1. These e-commerce companies have found various escape routes in Press Note No.2 of the FDI Policy and therefore, a fresh Press note blocking all escape routes and abolishing all such provisions that may prompt these companies to violate the rules or policies should be prepared. Hon'ble Minister for Commerce Shri Piyush Goyal has been kind enough to take the lead in drafting the said Press Note. It is suggested that this fresh Press Note may be issued immediately.
2. A Regulatory Authority to regulate and monitor the e-commerce business is required to be formed immediately to regulate and monitor e-commerce businesses . Such Authority should be empowered with due rights to take any penal action against those who violate the law or policy.
3. A robust e-commerce policy should be made and released in a time bound manner prescribing defined parameters for e-commerce business for structured growth of e-commerce vertical in the Country.