

# GST Council is right not to hike rates.

## Here's a to-do list

A blueprint for better tax compliance, simpler procedure and a higher tax base will do a world of good

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The goods and services tax (GST) Council met on December 18 after nearly 3 months, only to grapple with many old and new unresolved issues. Such a long gap is not desirable as many key decisions are at stake.

Contrary to popular expectations, the Council did not decide on a rate hike. This is a welcome move and the Council deserves to be commended for showing maturity in understanding the pain of the masses and not yielding to the temptation of raising GST rates to plug any revenue deficit.

There was due deliberation on revenue augmentation, improvement of tax compliance and compensation structure for states. The government is expected to seriously pursue tax recovery

in the next four months of 2019-20. It's only expected that the GST Council would approve powers to tax officials for taking severe anti-evasion measures in days to come.

The government and the Council treat the issuance of fake invoice and wrongful availing of credit on such invoices as a serious offence.

On the flip side, excessive delegation of power to tax sleuths can lead to tax terrorism. In the recent past, tax authorities made arrests, froze bank accounts, searched and raided premises based on "reasons to believe". In a few cases, there is hardly anything on paper to justify such reasons to believe. Many of these arrests/forfeiture of bank accounts have been challenged in courts and the decisions reversed.

Here, we are talking about cases where such arrests have been challenged. It's a no-brainer that the rising pressure of revenue target could lead to more such arrests, forfeiture and seizures.

Pursuant to the previous 37th GST Council meeting, the government put a restriction of 20 percent on credit availed in respect of invoices/debit notes not uploaded by a seller for returns with effect from October 2019. This cap has been further reduced to 10 percent, post the 38th meeting. One might argue that such restriction is apparently arbitrary, especially when the Delhi High Court on multiple occasions has ruled that credit of service recipient cannot be restricted for default of the supplier.

The Council further plans to completely block input tax credit availed on the basis of fake invoices. There is no clarity on how the government can determine which invoices are fake. Measures such as the ones to promote e-invoices, revamping e-way bill mechanism, waiver of late fee for filing GSTR-1 returns, blocking of e-way bills for taxpayers who have not filed the returns coupled with other penal actions against non-filing of returns will improve compliance and should ideally lead to higher revenue collection.

The government must notify standard operating procedures which can be followed up by taxmen and anti-evasion departments during their revenue recovery drive. This will check misuse of powers and make the authorities more responsible for their action.

Many of the decisions of the Council are expected to take a final shape in the 2020 Budget. The GST Council has also decided to exempt upfront amount payable on long-term lease of

industrial/financial infrastructure plots by an entity with 20 percent or more ownership of the Centre or states as against the current norm of 50 percent or more. This is a pointer that the government is keen on realising revenue through unused lands/plots belonging to PSUs (public sector undertakings) and government-owned companies.

Given the current macroeconomic outlook, it is time the GST Council took up a wide range of issues that are coming in the way of a meaningful revenue recovery. One must not forget that revenue is a function of underlying health of businesses. If more businesses are turning insolvent and assets stressed, it is hard for revenue mobilisation to look up.

GST is a consumption-based tax and a slowdown in consumption is bound to impact collection. So, it's incumbent on the Council and revenue officials to jointly draw up a blueprint to encourage tax compliance, simplify the procedure and expand the base.

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