

## **Major proposals on GST in Union Budget 2020-21**

The Union Budget for 2020-21 was presented in the Parliament on 1st February, 2020. This year's budget has been knitted around three crucial themes-

- Aspirational India in which all sections of the society seek better standards of living, with access to health, education and better jobs.
- Economic development for all, indicated in the Prime Minister's exhortation of "Sabka Saath, Sabka Vikas, Sabka Vishwas". This would entail reforms across swathes of the economy. Simultaneously, it would mean yielding more space for the private sector. Together, they would ensure higher productivity and greater efficiency.
- Ours shall be a Caring Society that is both humane and compassionate. Antyodaya is an article of faith.

On GST, the FM stated that true to the vision for the historic structural reform, the Goods and Services Tax has been gradually maturing into a tax that has integrated the country economically. It has consolidated numerous taxes and cesses to one tax and facilitated formalization of economy. It has resulted in the efficiency gains in logistic and transport sectors. The turnaround time for trucks has witnessed a substantial reduction to the tune of 20% due to abolition of check posts in GST. The dreaded Inspector-Raj has also vanished.

With GST, the effective tax incidence on almost every commodity has come down substantially. Through several rate reductions, an annual benefit of one lakh crore has been extended to consumers. It amounts to 10% reduction in overall tax incidence. An average household now saves about 4% on its monthly spends on account of reduced GST rates.

However, during this phase of maturing, GST did face certain challenges. This was natural as transition was daunting. GST Council has been proactive in resolving issues during transition.

The Budget at least gives a direction as to where we are headed for. While there is a U-turn in many cases, phasing out of exemptions, shifting tax and dividend etc. will suddenly impact many. The moving away from exemption may also be tried in GST. It also indicates that Government does not want to be in business and want to invite private investment and expenditure.

So far as GST is concerned, the focus of budget is on simplification and curbing tax evasion. A new return regime will happen from April 2020 including SMS based filing of Nil returns, return pre-filing and improved input tax credit. Electronic invoices will check tax evasion while refunds would be easier with so manual interface. The Budget also proposes to impose penalty on fake GST invoices.

There are certain changes proposed in GST to facilitate trade and consumers, improving compliances and other legislative changes including few retrospective changes to give effect to GST Council's decisions.

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*Following are the highlights the Union Budget 2020-21 in relation to goods and services tax (GST):*

- Simplified GST return shall be implemented from 1st April, 2020 to make return filing simple with features like SMS based filing for nil return, return pre-filing, improved input tax credit flow and overall simplification.
- Refund process to be fully automated.
- Electronic invoice is another innovation wherein critical information shall be captured electronically in a centralized system; to be implemented in a phased manner starting from this month itself on optional basis.
- Aadhaar based verification of taxpayers to be introduced to help in weeding out dummy or non-existent units.
- Dynamic QR-code is proposed for consumer invoices; GST parameters to be captured when payment for purchases is made through the QR-code.
- A system of cash reward is envisaged to incentivise customers to seek invoice. Deep data analytics and AI tools are being used for crackdown on GST input tax credit, refund, and other frauds and to identify all those who are trying to game the system.
- Invoice and input tax credit matching is being done wherein returns having mismatch more than 10 percent or above a threshold are identified and pursued.
- GST rate structure to be deliberated so as to address issues like inverted duty structure
- The last date of taking the input tax credit to be the due date of the September return of the subsequent financial year to which the debit note pertains.
- The provisions of cancellation of registration to be modified to allow those cases wherein a person had obtained their registration voluntarily.
- Extension of the application period for 'revocation of cancellation of registration' upon 'sufficient cause being shown' and 'for reasons recorded in writing', the time period can be extended as follows:

a) Upto 30 days – by Additional Commissioner or Joint Commissioner

b) Further period of 30 days after (a) above – by Commissioner

- The Government to be empowered to specify certain categories of services or supplies in respect of which a tax invoice is to be issued within the prescribed time and manner.
- TDS certificate to be furnished in prescribed form and manner. The specific provisions for the certificate have been removed from the law. The power has been delegated to the Government to specify form and manner in which such certificate is to be issued.
- The provisions for Appellate Tribunal and its benches thereof to be made applicable in the Union Territories of Jammu and Kashmir and Ladakh.
- The Government to be given the power to penalize the beneficiary (if established) in such fraudulent transactions to the extent of the tax evaded or input tax credit availed.
- The offence of fraudulent availment of input tax credit without invoice or bill cognizable and non-bailable. Further, the prosecution to be extended to the person who retains the benefit of the transactions and at whose instance such transactions are conducted.
- To counter the litigation wherein this aspect had been challenged a retrospective amendment to be carried out in the transitional provisions to provide for the time limit. This means that the statute after the amendment allows the Government to specify the time and manner of availment of input tax credit.
- Retrospective exemption from central tax to be provided on supply of fishmeal, during the period from the 1<sup>st</sup> day of July, 2017 up to 30<sup>th</sup> day of September, 2019 (both days inclusive). It further propose to retrospectively levy central tax at the reduced rate of six per cent on

supply of pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of headings 8432, 8433 and 8436, during the period from the 1<sup>st</sup> day of July, 2017 up to 31<sup>st</sup> day of December, 2018 (both days inclusive). It also proposes to provide that no refund shall be made of the tax which has already been collected.

- The non applicability of refund under inverted duty structure for tobacco and manufactured tobacco substitutes had been introduced from 30<sup>th</sup> September, 2017. This is proposed to be given a retrospective effect from 1<sup>st</sup> July, 2017.

GST remains the single largest source of tax revenue in this year's Budget, with revenue collections estimated at Rs. 6.91 trillion. However, the budgeted CGST revenue is slightly less than estimates for the previous year (2018-19), where it stood at Rs.7.44 trillion. The Budget proposes a CGST collection of Rs. 58 lakhs crores and IGST of Rs. 11.05 crores in 2020-21 with 13% growth target.