

GST and JOHNNY- UPDATE No.79

JOHNNY
JOHNNY!!



Yes, Papa!



Are you able to match your
ITC in books with portal
easily?



No papa



Why so?



This papa: -There are lacunae in the Goods and Services Tax regime, that system validated input tax credit through invoice matching is not in place and a non-intrusive e-tax system still remains elusive after more than almost 3 years of its rollout.

Both the department of revenue, the CBIC, and GST Network failed to try out the GST system adequately before rolling it out on July 1, 2017.

The complexity of the returns mechanism and the technical glitches resulted in rollback of invoice-matching, rendering the system prone to input tax credit frauds. Without invoice matching and auto-generation of refunds, the envisaged GST tax compliance system is non-functional. The introduction of GSTR-3B resulted in the filing of returns with input tax credit claims which could not be verified and it appears to have disincentivised the filing of even GSTR-1. As GSTR-3B is only a summary return, short-filing of GSTR-1 implies that the tax department did not have complete invoice level details as filed by the suppliers.

This could be used to verify details given in GSTR-3B or to arrive at a turnover.

The system of payment and settlement of tax that was envisaged for GST was based on one 100 per cent invoice-matching and availment of input tax credit, as well as settlement of IGST on the basis of invoice-matching. Neither is possible as of now, as an invoice-matching system has not kicked-in.

Invoice matching is a critical requirement that would yield the full benefits of this major tax reform. It would protect the tax revenues of both the Centre and states and lead to the proper settlement of IGST. Hope that introduction of new return system will streamlined the matching concept soon.

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