



Technological Infrastructure and Institutional Set-up for Effective Implementation of GST

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ABSTRACT

The effective implementation of GST, which is a landmark reform in the history of indirect taxation in India requires, a sound tax administration infrastructure that focuses on simplification as well as compliance. In line with this objective, the government is working towards harnessing information technology to improve the quality of services, and to ensure greater transparency in administration and enforcement of GST. This paper discusses the various steps that have been taken to enhance the technological infrastructure and institutional set-up to ensure that GST is implemented in its intended form. The important steps in this direction include the GSTN and measures implemented by the Ministry of Finance and Central Board of Indirect Taxes and Customs. It is intended that such measures would not only simplify enforcement but also encourage voluntary compliance in the long-run.

Keywords: Goods and services tax (GST); Tax administration; Goods and services tax network (GSTN); Tax compliance.

1.0 Introduction

An important objective of tax reform is simplification of tax administration and compliance, which is dependent on three factors. The first determining factor for simplicity is the tax design itself. Generally, the more rational and neutral the tax design, the simpler it would be to administer and encourage compliance. If the tax is levied on a broad base at a single rate, there would be few classification disputes and the tax-specific record keeping requirements for vendors would be minimal. It would simplify enforcement, and encourage voluntary compliance.

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The second factor is the infrastructure for tax administration, including the design of tax forms, data requirements, system of tax rulings and interpretations, and the procedures for registration, filing and processing of tax returns, tax payments and refunds, audits, and appeals. A modern tax administration focuses on providing services to taxpayers to facilitate compliance. It harnesses information technology to enhance the quality of services, and to ensure greater transparency in administration and enforcement.

The third factor in a federation (such as India) is the degree of harmonization among the taxes levied by the Centre and the States. Thus, under the dual GST—consisting of a Centre GST and a State GST—harmonization of the Centre and State GSTs would be critical to keep the overall compliance burden low. Equally important is harmonization of GSTs across the states.

2.0 Goods and Services Tax Network (GSTN)

Among the various steps that have been taken for the introduction of GST is the establishment of a strong information technology (IT) infrastructure. For this purpose the Government has set up an Empowered Group (Chairman: Nandan Nilekani). Significant progress has been made in the conceptualization and design of the GSTN—a common portal for the Centre and States that will enable electronic processing of the key business processes of registration, returns, and payments.

For the implementation of GST in the country, the Central and State Governments have jointly registered GSTN as a not-for-profit, non-government company under erstwhile Section 25 of the Companies Act, 1956. It will provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. GSTN is a special purpose vehicle (SPV) which aims to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT Governments. It will be the interface between the government and the taxpayers.

GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing front-end services of registration, payments and returns to taxpayers. It will also assist some States with back-end IT modules that include processing of returns, registrations, audits, assessments, appeals etc. All States, accounting authorities, Reserve Bank of India (RBI) and banks are also preparing their IT infrastructure for the administration of GST. There would be no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most

returns would be self-assessed.

The functions of the GSTN, *inter alia*, include the following:

1. Facilitating registration.
2. Forwarding the returns to Central and State authorities.
3. Computation and settlement of IGST.
4. Matching of tax payment details with banking network.
5. Providing various MIS reports to the Central and the State Governments based on the tax payer return information.
6. Providing analysis of tax payers' profile.
7. Running the matching engine for matching, reversal and reclaim of input tax credit.

GSTN is a unique and complex IT initiative. It is unique as it seeks, for the first time, to establish a uniform interface for the taxpayer and a common and shared IT infrastructure between the Centre and States.

GSTN will render the following services through the common GST Portal:

1. Registration (including existing taxpayer master migration and issue of PAN-based registration number).
2. Payment management including payment gateways and integration with banking systems.
3. Return filing and processing.
4. Taxpayer management, including account management, notifications, information, and status tracking.
5. Tax authority account and ledger management.
6. Computation of settlement (including IGST settlement) between the Centre and States; clearing house for IGST.
7. Processing and reconciliation of GST on imports and integration with EDI systems of customs.
8. MIS including need-based information and business intelligence.
9. Maintenance of interfaces between the Common GST Portal and tax administration systems.
10. Providing training to stakeholders.
11. Providing analytics and business intelligence to tax authorities.
12. Carrying out research, study best practices and provide training to stakeholders.

The structure of GSTN was approved by the Empowered Committee (EC). GSTN will be set up as a National Information Utility. GSTN will implement common PAN-based registration, returns filing and payments processing for all States on a shared platform. The use of PAN as a common identifier in both direct and indirect taxes, will enhance

transparency and check tax evasion.

National Securities Depository Limited (NSDL) is the technology partner for incubating the National Information Utility that will establish and operate the IT backbone for the GST. In this regard, NSDL set up a pilot project in collaboration with 11 States prior to GST roll out across the country. Three Joint Working Groups of officials have also been constituted comprising officials from the Central Government, State Governments, and the Empowered Committee (EC) of State Finance Ministers to work on legislation, business procedures and IT infrastructure respectively.

GSTN has appointed Infosys Ltd. as managed service provider for a period of 5 years.

3.0 Ministry of Finance

3.1 Department of Revenue

It exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC) [formerly Central Board of Excise and Customs (CBEC)]. Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all Direct taxes are looked after by the CBDT whereas those relating to levy and collection of indirect taxes and customs fall within the purview of the CBIC. The two Boards were constituted under the Central Board of Revenue Act, 1963.

3.2 Central Economic Intelligence Bureau (CEIB)

The CEIB functioning under the Ministry of Finance is responsible for coordination, intelligence sharing, and investigations at national as well as regional levels amongst various law enforcement agencies. The existing coordination mechanism in the CEIB consists of Regional Economic Intelligence Councils (REICs) at regional level and the Group on Economic Intelligence and meetings of the heads of investigating agencies under the Department of Revenue at the centre. While the Group on Economic Intelligence is focused on matters relating to intelligence sharing, the REICs and heads of agencies meetings cover both intelligence and investigations.

3.3 Economic Intelligence Council (EIC)

It came into existence in 2003 and is chaired by the Finance Minister and comprises senior functionaries of various ministries and intelligence agencies, including the Governor of RBI and the Chairman of the Securities and Exchange Board of India (SEBI). The EIC

meets at least once a year to discuss and take decisions regarding trends in economic offences and strategies on intelligence sharing, coordination etc. Implementation of decisions taken by the EIC is monitored by the Working Group on Intelligence Apparatus, set up for this purpose within the EIC.

4.0 Central Board of Indirect Taxes and Customs (CBIC)

CBIC is a part of the Department of Revenue under the Ministry of Finance, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of indirect taxes and customs, prevention of smuggling, and administration of matters relating to indirect taxes and customs to the extent under the CBIC's purview.

The Directorate General of Central Excise Intelligence (DGCEI) is the apex intelligence organization functioning under CBIC. It is entrusted with the responsibility of detecting cases of tax evasion. The Directorate develops intelligence, especially in new areas of tax evasion through its intelligence network across the country and disseminates information in this respect by issuing modus operandi circulars and alert circulars to apprise field formations of the latest trends in tax evasion. Wherever found necessary, DGCEI on its own, or in coordination with field formations, organises operations to unearth evasion of indirect taxes.

5.0 National Academy of Customs, Excise and Narcotics (NACEN)

One of the biggest challenges is to train the indirect tax officials of both the Central and State Governments about the concepts, processes and procedures of GST. NACEN—the apex training institution for capacity building in indirect taxation under the Central Board of Indirect Taxes and Customs—has been mandated to impart training on GST to Central and State Government officers. NACEN is conducting a mammoth capacity building exercise to train about 60,000 indirect tax officers of the Centre and the States so that officers are well-equipped to implement GST. NACEN has already created a team of almost 2,000 trainers across the country to train the field officers. Apart from classroom training, NACEN is also planning to use advanced information technology tools such as virtual classrooms and e-learning modules, to ensure larger coverage.

As part of this capacity building exercise, the NACEN has prepared a compilation of frequently asked questions (FAQs)—based on inputs gathered while conducting training and interactive sessions—as a training tool for helping the officers as well as public, to get acquainted with the Model GST Law and its nuances.

6.0 Serious Frauds Investigation Office (SFIO)

It functions under the Ministry of Corporate Affairs and takes up for investigation complex cases having inter-departmental and multidisciplinary ramifications and substantial involvement of public interest, either in terms of monetary misappropriation or in terms of persons affected. It also takes up cases where investigation has the potential of contributing towards a clear improvement in systems, laws, or procedures.

7.0 Financial Intelligence Unit (FIU)

The FIU-IND was established by the Government of India on November 18, 2004 for coordinating and strengthening efforts for national and international intelligence by investigation and enforcement agencies in combating money laundering and terrorist financing. FIU-IND is the national agency responsible for receiving, processing, analysing, and disseminating information relating to suspect financial transactions. It is an independent body reporting to the Economic Intelligence Council headed by the Finance Minister. For administrative purposes, the FIU-IND is under the control of the Department of Revenue, Ministry of Finance.