THE GOODS AND SERVICES TAX PRACTITIONERS' ASSOCIATION OF MAHARASHTRA

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To,

Office of The Principal Director Of Audit (Central), Mumbai,
C-25, Audit Bhavan, Bandra Kurla Complex,
Mumbai- 400 051,

Sub: Stakeholder's meeting for Audit Report on 'Enhancing Ease of Doing Business for Indirect Taxpayers in India' by Comptroller and Auditor General of India - GST

Respected Sir,

1. At the outset, we thank the Office of the Comptroller and Auditor General of India for inviting GSTPAM to participate in the stakeholder consultation on "Stakeholder Consultation on "Department's Oversight on GST Payments and Return Filing (DORF-IV)". We appreciate the opportunity to share practical, field-level inputs from the perspective of GST practitioners and taxpayers. We would also like to place on record our gratitude to the CAG for making GSTPAM, an honourary member of the Audit Advisory Board.

2. The Goods and Service Tax Practitioner's Association of Maharashtra (GSTPAM) is a State-level body of Sales Tax Practitioners' established in the year 1951. GSTPAM has 75 years of experience in representing the various issues faced by the tax payers and its members before the Tax Authorities. GSTPAM has acted as a conduit for implementation of new laws such as MVAT Act in 2005 and GST laws in 2017. GSTPAM has been the pioneer association in the State of Maharashtra carrying out regular educational events and programmes for imparting knowledge amongst its members and tax payers in general thereby helping in implementation of the Indirect Tax laws across the State.

3. GSTPAM has been the torchbearer for tax payers to take forward its issues and represent before the tax authorities and also helped the Tax Authorities to reach out to tax payers in general by carrying out various public events. GSTPAM has its membership spread all over the State of Maharashtra comprising of more than 3000 Tax Practitioners and other professionals such as Chartered Accountants, Cost Accountants, Company Secretaries and Advocates practicing in GST, VAT, Service tax and allied laws. The Association has Regional Centres at district places to cater to the needs of members practicing in various districts of Maharashtra.

4. The Goods and Services Tax has been a transformative reform which has significantly contributed to the creation of a common national market, formalisation of the economy, digitalisation of compliance, and widening of the tax base. At the same time, based on our interaction with taxpayers across sectors, particularly MSMEs, we wish to highlight certain implementation issues which continue to create avoidable compliance burdens. Most of these concerns do not arise from the provisions of the GST law itself but from portal design, procedural rigidity, automated validations and administrative practices.

I. GST Return Filing and Portal Functionality

Issues observed

1. GST compliance has become increasingly dependent upon automated portal validations, leaving very little flexibility for taxpayers to correct genuine errors.
2. Return filing is often blocked due to portal-related validations or technical glitches even where there is no statutory restriction under the GST Act.
3. Auto-populated data in returns, including information flowing through GSTR-2B and Invoice Management System (IMS), occasionally contains inaccuracies, while taxpayers have limited ability to make necessary corrections – especially in case of Credit Notes issued by supplier rejected by purchaser which ends up adding to the liability of the taxpayer (when original invoice is also rejected/not considered by the purchaser)
4. The proposed hard-locking of GST returns may permanently deny taxpayers the opportunity to rectify bona fide mistakes discovered after filing, thereby increasing litigation.
5. Presently, taxpayers are not permitted to file certain payable returns because of system restrictions, although no such embargo exists under the GST law.
6. Prior-period errors cannot be corrected through a structured amendment mechanism, compelling taxpayers to resort to complex reconciliations and representations.

Suggestions

1. Portal validations should facilitate compliance rather than prevent statutory return filing unless expressly mandated under the GST Act.
2. Genuine return filing should not be blocked on account of technical validations where tax payment can otherwise be made.
3. Taxpayers should be provided suitable override or correction mechanisms wherever auto-populated information is inaccurate.
4. Any proposal for hard-locking of GST returns should be reconsidered. An appropriate amendment facility should continue to remain available for correction of bona fide mistakes.
5. Separate fields may be introduced for reporting prior-period adjustments and corrections instead of forcing taxpayers to alter current period figures.
6. A robust grievance redressal mechanism with defined timelines should be introduced for portal-related issues affecting return filing.

II. Invoice Management System (IMS)

Issues observed

1. The Invoice Management System introduces an additional compliance layer requiring continuous vendor-wise monitoring.
2. The bulk utility presently does not adequately cater to the operational requirements of large taxpayers handling significant invoice volumes.
3. If IMS becomes mandatory without further stabilisation, it is likely to substantially increase compliance costs and operational challenges.
4. Minor mismatches and delayed supplier actions may unnecessarily impact recipient compliance despite no revenue loss.

Suggestions

1. IMS should continue as an optional facilitative mechanism until the system is fully stabilised.
2. The bulk upload and download utilities should be significantly strengthened to facilitate industry-scale usage.

3. Suitable tolerance limits may be prescribed for minor mismatches.
4. Portal design should minimise repetitive compliance activities and allow efficient bulk actions.

III. GST Payments and Electronic Credit Ledger

Issues observed

1. Blocking of the Electronic Credit Ledger under Rule 86A is increasingly being used as a recovery mechanism during investigation, resulting in severe working capital constraints. Negative blocking is also done inspite of several High Court rulings stating otherwise.
2. Taxpayers are often unable to utilise legitimately accumulated Input Tax Credit despite no final determination of tax liability.
3. Excessive dependence on blocking credit adversely impacts business continuity.

Suggestions

1. Blocking of Electronic Credit Ledger should remain an exceptional measure supported by detailed recorded reasons.
2. Appropriate safeguards may be prescribed to ensure that Rule 86A is not used as a substitute for recovery proceedings.
3. A defined timeline should be prescribed for review and automatic revocation of blocked credit where investigation is not concluded within a reasonable period.

IV. Refund Processing

Issues observed

1. Statutory timelines prescribed for disposal of refund applications are frequently not adhered to.
2. Deficiency memos are often issued after considerable delay instead of being communicated promptly.
3. Refund applications remain pending for several months, adversely affecting business liquidity.

4. Delays are particularly significant in refunds from the Inverted Duty Structure and Export without Payment of tax. Delays are also observed in respect of refund of Electronic Cash Ledger despite minimal verification requirements.

Suggestions

1. Strict adherence to statutory timelines prescribed under the GST law should be ensured.
2. Deficiency memos, wherever required, should be issued within the prescribed period.
3. Automated monitoring may be introduced for pending refund applications beyond prescribed timelines.
4. Refunds from the Electronic Cash Ledger should be processed on a priority basis through simplified procedures.

V. Compliance Burden on MSMEs

Issues observed

1. Although quarterly return filing is available, many MSMEs continue filing monthly returns merely to avoid blockage of Input Tax Credit for their customers.
2. Multiple compliance requirements (including return filing, reconciliations, e-invoicing, e-way bills, IMS compliance and continuous vendor follow-up), have substantially increased compliance costs.
3. Small businesses often lack adequate technological and professional resources to manage the growing compliance ecosystem.

Suggestions

1. Compliance requirements should be simplified keeping in view the capacity of MSMEs.
2. Quarterly return filing should not result in commercial disadvantages for suppliers or recipients.
3. Duplication of reporting requirements across various GST compliances should be minimised.
4. Stable return formats and sufficient implementation time should precede any major technological changes.

VI. Technology Driven Compliance

Issues observed

1. Increasing automation has reduced opportunities for taxpayers to explain or rectify genuine mistakes.
2. Technical glitches occasionally result in delayed compliance despite taxpayers' willingness to comply.
3. Portal functionality sometimes operates more restrictively than the provisions contained in the GST Act and Rules.

Suggestions

1. Technology should facilitate voluntary compliance and should not create restrictions beyond the statutory framework.
2. Before introducing major technological changes, adequate stakeholder consultation, pilot testing and industry feedback should be undertaken.
3. A structured mechanism should be introduced for reporting portal issues and obtaining time-bound resolutions.

VII. General Recommendations

1. GST compliance should continue to be based on trust-based self-assessment supported by technology rather than technology replacing statutory discretion.
2. Portal validations should remain consistent with the provisions of the GST Act and Rules.
3. Adequate transition periods should be provided before implementation of major system changes affecting return filing.
4. Compliance simplification should remain a key objective, particularly for MSMEs.
5. Continuous stakeholder consultation should be undertaken before introducing significant procedural or technological reforms.

Sir, we trust you will consider these representation and suggestions favourably. GST has immense potential to further improve ease of doing business in India. At the same time, the increasing reliance on automated validations, frequent technological changes and procedural rigidity have created compliance challenges that were never intended under the statutory framework.

Many of these concerns can be addressed without legislative amendments by strengthening portal functionality, ensuring timely processing of refunds, providing reasonable flexibility for correction of genuine mistakes, reducing unnecessary compliance burdens and aligning technology with the provisions of the GST law.

We are confident that addressing these implementation issues will significantly enhance taxpayer confidence, improve voluntary compliance and further the objective of ease of doing business while safeguarding Government revenue.

We thank the CAG for providing this platform for stakeholder engagement and would be pleased to provide any further inputs or clarifications.

Thanking you,

Yours faithfully,

For The Goods & Services Tax Practitioners' Association of Maharashtra

	Sd/-	**Sd/-**
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