

# Four Years of GST

## Report on Stakeholder Consultation



August 2021



*An Autonomous Institution of Government of Kerala  
Thiruvananthapuram – 17*

# Four Years of GST Report on Stakeholder Consultation

*Based on the webinar  
held on August 4, 2021*



*An Autonomous Institution of Government of Kerala*



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## Preface

Introduction of GST on 1 July 2017 in India is perhaps the most profound reform in the recent times. There is hardly any sector of the economy that remains unaffected by it along with all the states and the union government. The past four years of our experience with GST tends to suggest that, the new tax regime is still evolving. A number of issues are being confronted by all the stakeholders which are to be resolved sooner than later. This calls for a better understanding of these issues such that appropriate steps could be undertaken by the authorities concerned.

GIFT organized a consultation on GST by bringing together all the stakeholders in the State on 4 August 2021. While inaugurating the consultation meeting Shri K N Balagopal, Hon'ble Finance Minister, reiterated the need for such a consultation because he felt that neither the business nor the governments are so far satisfied. The meeting, chaired by Dr Thomas Isaac, Former Finance Minister, had the presence of all the senior officials in the Finance and Taxation Department like Shri R K Singh IAS, Additional Chief Secretary Finance, Dr Sharmila Mary Joseph IAS, Secretary, Taxes, Shri Giridhar G Pai IRS, Commissioner, CGST, Dr Rathan U Kelkar IAS, Commissioner, SGST Department and Dr S Karthikeyan IAS, Special Commissioner, SGST Department.

During the day long consultation, the stakeholders representing all sectors of the Kerala economy and tax professionals highlighted varied issues relating to GST that affected producers, traders and service providers. This report, drawing from the consultation, has consolidated the issues into different themes which could be addressed by the state and GST council.

I place on record my sincere appreciation to Hon'ble Finance Minister and all others who made it a unique learning experience. It is our hope that the report will be of use for those who are concerned about resolving the issues.

**K J Joseph**  
**Director, GIFT**



# Section I

## Inaugural Session



**Prof. K.J Joseph (Director GIFT)**

Director welcomed Shri K.N Balagopal, Hon'ble Finance Minister, Professor T.M. Thomas Isaac, former Finance minister, senior officials of the Finance and Tax, Central and State GST Department and stakeholders.

GST was implemented basically for improving the ease of doing business and to remove the cascading effect of taxation. Over 160 countries have already implemented this system. However, India is a diverse country and hence reforms that succeed in other countries need not necessarily succeed here. This is what the last four years of our experience with GST show. About 35 per cent of the own tax revenue of our state comes from commercial taxes. After the implementation of GST this proportion in tax revenue has not even increased marginally but reduced roughly by two per cent. With respect to GST-GDP ratio, the state ranked 6<sup>th</sup> position among the Indian states at the beginning of GST; today our position is 13<sup>th</sup>. The Union government is not happy with the revenue growth under GST. Other state governments are also facing several issues. Business community is confronted with a number of problems regarding the implementation of the new tax system that calls for appropriate changes sooner than later. The faculty of GIFT has already undertaken research on issues relating to GST which are being brought out as discussion papers. We consider this consultation as a means of complementing our own research effort such that useful inputs could be provided to the authorities concerned for making informed decisions.





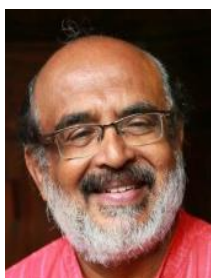


**Shri. K. N. Balagopal, Minister for Finance, Government of Kerala**

Kerala has not received much gain through the introduction of GST system. It deprived the states of the certain powers so far enjoyed by the states in commercial taxes collection. There are several practical issues which have to be looked into. A developed country like the United States of America has not yet implemented this regime due to practical problems. We have understood these issues in the implementation only at a later stage. Our revenue has not increased in line with the expectation earlier. GST compensation will end this year. From next July onwards we will not get the compensation. So there will be a drastic fall in the revenue of states and this may affect most states like Punjab, Goa and Kerala. We have to think seriously about whether there is any systemic failure in the implementation. Demerits of GST need to be addressed carefully. The issues we need to address are to identify the decline in tax collection, loss of state's rights on taxation, systemic failure on implementation, problems regarding e-way bill, tax-GSDP ratio decline in our state etc. We had recorded 16 per cent growth in tax collection during VAT regime, but now this is 11 per cent. Apart from the practical issues there are various technical issues that have to be addressed. Consumers are not benefited; traders also have complaints.

Of course, the advent of COVID pandemic badly affected the tax collection not only of the state but the centre also. The systemic lapses in the implementation of GST are a major concern in the shortfall in tax revenue. This should be considered seriously. Tax - GSDP ratio of the state is low compared to the pre-GST period. Three major points to be discussed are - consumers are not benefited through GST as prices sky rocketed contrary to the earlier projections. Traders and industrialists complain about the new system and state governments are not benefited. Hence, a relook on GST is inevitable.





**Dr T.M Thomas Isaac, Former Finance Minister and Honorary Fellow, GIFT**

Even after four years of GST, no one is satisfied with it; neither the government, traders nor the stake-holders. GST requires thorough changes in implementation. It is practically impossible to withdraw GST. So, suggestions have to be made staying within the constitutional framework. Under GST, taxes are not buoyant for the state. Flexibility that was given to states during the VAT regime to change rates (1 to 2 per cent) from the base rate which has to be given under the GST regime too. There is no difficulty in making such changes. Another 2-3 years is needed for the system to settle. GST compensation should again be extended to a period of 5 years. There will be no loss for the central government in doing so, as GST cess collected is given as compensation. The states have lost their decision-making powers on tax rates. Even though there are issues, advantage of GST is huge for stakeholders compared to the state government. The state will be unable to handle a huge fall in income. Incidence of tax came down and the rates are not revenue neutral, hence tax revenue is less. More than 1000 rates under the pre-GST regime in all over India have been reduced to 4 rates under GST. On account of this tax, incidence has reduced to a greater extent. Threshold for stakeholders has increased from Rs 50 lakh to Rs 1.5 crore (Composition scheme). Under GST system, Input credit is available for the interstate purchases, during VAT regime it was limited to intra-state. It was an advantage to traders. Problems at check posts were removed. But there are problems with compliance.

All the states should exert pressure on the centre to extend the GST compensation for five years further. States should be allowed to have flexibility in fixing the SGST rates. States should be allowed to make slight changes in base rates of SGST. There are several systemic lapses in the implementation of GST and that is because of the speedy implementation of the new system without much deliberations and consultations with the stakeholders including trade bodies. This stakeholder meeting of GIFT will help to sort out the issues/complaints of GST implementation without affecting state revenue.





**Shri. R K Singh, IAS, Additional Chief Secretary, Finance**

We had a tough time during the pandemic, which also affected the growth rate of GSDP. The entire structure of tax shows an inverted pattern where the input GST rate is more than the output GST rate. The total revenue receipt shows a negative trend. The work of a new tax system which incorporates all the major taxes is in progress for the last 4 years from the date of its implementation. The long duration is because of the lack of IT enabling support and facilities. Furthermore, the invoice matching is not accurate. The revenue from GST is showing a growing trend and it will continue in the future when proper environment is provided. The lack of buoyancy is the main reason for the shortage in revenue mobilization. Compensation mechanisms such as loans are available so that we can focus on redressal of compensation issues. There is a reduction in tax buoyancy in the GST regime, because the current tax rate is not revenue neutral. The revenue neutral rate of 15 per cent will improve tax buoyancy. It is the ideal rate. Kerala is the seventh top state in tax to GDP ratio. The major disadvantage of the introduction of GST is the decline in tax incidence.

We have budgeted 14 per cent increase in tax collection in the current financial year. Even after four years of implementation GST is still in a 'work in progress' like situation. There are some good signs in the last quarter of last financial year and the first quarter of this year. In March, we have reached Rs 1.16 lakh crore GST collection. For our state it is marginally buoyant, not significantly buoyant. States have already taken up these issues with the centre especially extension in the compensation period. One reason for the low buoyancy is the actual incidence of tax has come down from 14 per cent in 2017 to about 11.6 per cent in 2019-20. This is mainly due to decrease in tax rates and also increase in threshold limit. This should be increased to at least 13 per cent. The ideal tax – GSDP ratio is 15 per cent, but we are very below that (11.5 per cent). Kerala has to move for rationalisation in GST rates. Of course this is an experiment, but not an experiment that we need to give up.





**Dr. Sharmila Mary Joseph, IAS, Secretary, Taxes**

The strengths and weaknesses of GST system need to be separately evaluated. The multiple tax rates for goods and services create confusion for the public because it is different for various goods and services. Frequent changes happening in the tax system create a lot of hassles for the taxpayers as well as the governing machinery. GST council meets to rectify the various issues and rationalisation of rates. The item wise classification is so huge that makes it difficult even for tax payers to comply with the tax laws. For every new system which is evolving, changes are being made according to needs and requirements. Even after four years of implementation of GST, modification and rationalisation is still going on. In Kerala, GST alone constitutes 40 per cent of the total own tax revenue of our state. GST plus Kerala general sales tax and VAT contributes 80 per cent of the tax collection. The pandemic has made the tax less buoyant. But the tax collection has not reached the expected buoyancy due to various reasons. Unless the tax collection would be vibrant the state will find the situation more difficult.

The SGST Department took a large number of initiatives to strengthen the entire tax system such as collection compliance, make the system more hassle free and the administrative system for the collection of data. We have strengthened third party information and data analytics mechanism. We have introduced new mobile app for monitoring the tax collection. Combining with other systems of tax like Income tax and Excise departments. we improved the surveillance mechanism to make the tax collection fruitful. Also strengthening of the monitoring system makes the system more accessible and user friendly to the taxpayers and makes the system more transparent.

The tax department is moving ahead with modernisation of the system. Reorganisation process of the department is also underway in the administrative side as well as on the strengthening on the tax collection and monitoring side. Along with that the GST council and various committees are deliberating on the various issues related on rationalisation of rates and other process. The system would become more user friendly for the taxpayers, consultants as well as the government system. From today's consultancy we are expecting better suggestions and good points to ensure the GST department more transparent and efficient.







**Shri. Giridhar G Pai, IRS,  
Commissioner, CGST and Central Excise Commissionerate**

GST has two components CGST and SGST. GST was a historic tax reform which replaced the complex indirect tax structure of the country. Many taxes were subsumed under GST. The GST Council has faced challenges to arrive at the actual incidence of tax and also to determine revenue neutral rates. There are different rates to GST; these rates are finalized after detailed deliberations of the council. To a great extent cascading effect has been removed. The best part of GST is that through the digitization process it removes the interface between the taxpayer and the tax man. Taxpayers can now easily comply with the new tax laws. The evaluation of the tax regime is based on its impact on taxpayers and its contribution to revenue. The revenue has been buoyant as far as the total contribution of GST is considered. For the last eight months the collection has been more than Rs 1 lakh crore and the peak had reached to Rs 1.41 lakh crore in April 2021. Central Board of Indirect Taxes and Customs (CBIC) have been at the forefront to facilitate the taxpayers with tax regime. Even during the pandemic, the officers are working from home to ensure that refund claims are not held up. They had implemented e-offices in all their offices so that officers can work from home effectively. There was no situation that the taxpayers felt that his grievances were not being addressed. Moreover, there were also special rights of clearance of refund claims and a lot of COVID related tax reliefs were given on imports as well as in GST. Another good impact of GST is that there is an establishment of a non-intrusive mechanism of ensuring tax compliance through data mining. Taxpayer has been the focal point in the journey. Taxpayers have been more resilient and they have done their best and CBIC has facilitated more than 54,000 tax payers on the occasion of four years of GST. The stakeholders like tax practitioners and trade bodies have also helped the transition.





**Dr. Rathan U Kelkar, IAS, Commissioner, SGST Department**

It is of utmost important to get the stakeholder feedback to help in proper implementation of the various provisions of the GST Act. All the feedback of this consultation will be taken into consideration by the department officials and appropriate changes will be made at the state level. Also concerns on a wider national issue will be taken up in concerned forums. The tax system in our state will be effective with the unified efforts of all stakeholders concerned including tax practitioners and trade associations. With the support of all concerned we can implement the rules and regulations of GST effectively.

Our tax department welcomes all interactions in this regard and will make necessary changes at the state level. So suggestions are very important in developing an effective tax system. If necessary, we will raise the issues put forward by you at appropriate forum both at the centre and state.





**Dr. S. Karthikeyan, IAS, Special Commissioner, SGST Department**

For the past four years of GST, numerous changes have been made to the GST Act. A number of rules and notifications came in between. The status is getting little stabilized now. Next three years are going to be significant both for the traders and the department in making sure that GST achieves its ultimate objectives of providing revenue to state and economic stabilization by way of easy compliance of tax laws. Compliance should be simple as well as easy for the traders so that they will be motivated to comply with the tax laws. This is the aim of the department. Through sessions like this, the department will get feedback from various stakeholders and will help to know their problem; give them explanations in a time bound manner. Our team of experts will be noting down every problem raised here and will be sincere in addressing those. Either questions will be addressed now or they will be taken up for further study and find out proper solution for it.

Regular training will be imparted for the officials of the department. Delay in advance ruling mechanism will be minimised. Out of 57,000 traders who applied for Amnesty scheme under VAT, 37,000 had already availed the benefit. Notices and notifications will be sent through e-mail and mobile. Vehicle checking has been automated and is on line, which is being monitored centrally. On board cameras are built on every vehicle used for checking which brings in more transparency in the system.



## **Section II**

### **Theme-Wise Reflections**

#### **A. Returns Submission**

1. Original return filing system - GSTR 1, 2 and 3 - has not been implemented yet.
2. Complete the proceedings if the assessing officer identifies that the notice issued is in terms of errors made by the supplier while entering the return details.
3. Denial of ITC due to the supplier delaying the filing the return.
4. Facility for revising the returns should be made liberal.
5. Settle the issues regarding filing of returns till 2020 by declaring it as a deemed assessment under GST.
6. An option for revision of returns (minor mistakes) should be given
7. Quarterly Return Monthly Payment (QRMP) is a huge burden. It should be Quarterly Return Quarterly Payment.
8. At present returns cannot be revised. Provisions may be provided for return revision.
9. Break up figures in the return (which are available to the officers in the back end) is not available to traders for correcting and identifying mismatches in the previous returns (mismatches GSTR 2A & GSTR 9 Table 8A).
10. Extension for return filing without late fee at least till the end of this month.
11. Opportunity to rectify the mistakes of during returns of initial years of GST voluntarily.
12. At present taxpayers are facing multiple returns compliance like GSTR1, GSTR2A & GSTR2B verifications, GSTR3B etc. This has to be converted into single and simple return.
13. Under VAT the trader can upload the Input and output details of purchases and sales and can remit the net tax payment. The same system can be adopted under GST.
14. Provision to make correction in GSTR 1 because minor mistakes have created big problems to genuine traders.
15. GSTR4 currently requires the uploading of purchase list. Instead, a facility to enter only the total purchase figure should be made.
16. In case of GSTR3B filing, no facility is there to automatically setoff IGST to CGST and SGST.
17. Avoid late fee for belated returns due to shut down of offices as per COVID 19 protocol for Tour Operators.
18. Even though the suppliers have filed their returns, they might not have paid taxes. There is no mechanism to check this.



19. Need to spend more time for return filing and multiple returns makes a lot of confusions and discrepancies.
20. There occurred many errors in filing TRAN forms in the initial period. Taxpayers may be allowed an opportunity for correcting them and submit the revised TRAN returns.
21. Even during the lockdown, 3A notices has been issued since system is auto generated. Many people couldn't file the returns.
22. Opportunity for filing returns for those who lost their registration Suo-moto.
23. In such a complicated law like GST, there is no option for revision of GST returns, even in cases of small mistakes.
24. Traders devote lion share of their time to ensure return compliance.
25. Even in the case of extended time limit for returns, interest for Kerala Flood Cess has been calculated on monthly basis.
26. The late fee regarding final return should be avoided.

## **B. Official-Taxpayer Interface**

1. Officers are not willing to hear the real problems of the taxpayers.
2. Continuous training for the officials to cope up with the changing laws are needed.
3. Department is facing the problem due to lack of knowledge so adopt liberal approach towards the tax payers.
4. Tax officials are not willing to hear the rectification done by the traders in the returns patiently.
5. Officials are issuing notices based on new provisions for past discrepancies.
6. Officials must have the helping mentality towards the traders regarding clarifying the provisions.
7. Create a healthy relationship between officials and traders.
8. Mind-set of the SGST officials has to be changed.
9. A feeling of togetherness from the side of officials should be created.
10. More friendly approach towards entrepreneurs from the GST Department is expected.
11. Wrong attitude of the officials is creating problems. Social media platforms like WhatsApp should be used to send link of notices directly to the owners.
12. The attitude of the officials towards the industry is unsatisfactory. So, the government should adopt measures that will enable a good environment to do business.
13. Strict word by word implementation of Section 129 and 130 creates troubles to small scale traders. The attitude must change and the essence of the Act should be given importance. Officials must act as facilitators for the taxpayers.

### **C. GSTN IT Infrastructure**

1. IT Infrastructure of GST is still in work-in-progress and not performing well.
2. Inefficiency is evident in the GST portal management.
3. The filed replies to queries given by the taxpayers cannot be seen in the backend by the officials and therefore being rejected.

### **D. Notices and Proceedings**

1. Series of notices and subsequent proceeding of the GST Department affected mostly the MSME and small tax payers.
2. Many of the cases and notices are related to 2017-18 and 2018-19. During this period, the system, officials and the taxpayers are under equipped. Hence an amnesty scheme for these years may be adopted or compassionate approaches are to be taken by the Department.
3. The item-wise replies of the taxpayers on the notices are summarily rejected by the officials without giving clear reasons for rejection on the item-wise reply given by the taxpayers.
4. The efficiency of the officials should not be measured on the basis of number of notices issued by them.
5. Information regarding notices should be sent in the registered email and mobile number.
6. Notices are served frequently. Notices should be system generated. Similar to the Income Tax Department, where the notices are served randomly as per the order of the day, a system need to be adopted by the GST department.
7. Notices are not visible. Information regarding notices should be sent to the registered mails. There should also be a notice box in the return window.
8. No common space for all the notices in the portal.
9. Frequent notifications make GST more complex.
10. In 2020, notices were sent to traders frequently due to small errors and mismatch of GSTR 3B and 2A under section 61.
11. Notices are to be sent through portal as well as physical. In case of legal heirs of deceased person this will be helpful.
12. Frequent unwanted notices from the department are creating problems.
13. The notices issued for 2017, 2018 years are based on the 2A. So, a liberal approach regarding these notices by the officials are required.
14. With regards to notices for amounts (say) between Rs. 50,000 to Rs. 1,00,000, a time extension should be given to traders by the officials.

15. Intimation regarding notices in email and mobile numbers may be provided.
16. There are no replies for any letters send by the traders to the department.

### **E. E-way Bill and Vehicle Checking**

1. Heavy fines are imposed due to minor errors in the e-way bill such as wrong entry of vehicle number etc., for not revalidating the time after elapse.
2. Provision for editing e-way bill within an hour should be provided.
3. Introduce proper criteria for distance calculation in case multi point deliveries.
4. The existing method (using Google map) of calculating distance for E-way billing is not an appropriate one. So other method such as calculation of distance using PIN code should be considered.
5. The GST council should rethink the decision of reducing E-way bill validity from 200 km to 100 km and extend the validity of the same from 8 hours to 24 hours.
6. E. way bills are expired on the way to the shop and penalty is charged. Any orders liberalizing the procedures regarding goods transported from transport godowns to shops should be made.
7. A large number of documents are required for transportation of gold. Officials use of section 130 widely which includes taxes and penalty which is almost double the tax.
8. Introduce proper guidelines for vehicle checking.
9. E.way bill portal is facing lot of technical errors, especially for the last two months. It must be resolved.
10. There are many errors happening in the case of e.way bills. Resolve such issues.
11. The distance limits may be restored to 100 hours instead of present system of 24 hours in case of e.way bill.
12. Exemption on the e.way bill may be allowed for the transportation of goods from the godown of the goods to the place of business of the dealer if the other documents are perfectly ok.
13. An intimation to party before the expiry of e.way bill is needed. Notices should be displayed in the homepage itself.
14. Protocol for vehicle checking is not adequate. The manual and protocol of vehicle checking must be made clear to the taxpayers.
15. Compliance has become hard and e-way bill, e-invoice has made the situation worse.

### **F. Tax Rates**

1. Tax rate of cement is very high (28%), it should be reduced to 18%

2. Adopt three-slab taxation under GST to make system simpler.
3. Constitute proper guidelines for tax exemptions.
4. Proper actions to correct the Inverted tax structure should be made
5. Royalty payable to government is now taxed under 18% and 28%. Keep it under 5% bracket as earlier.
6. Avoid high tax rate for small traders who use trademarks.
7. 12% rate with Input Tax Credit should be reinstated to the works contract as before so that the real estate sector will be benefited.
8. Rationalization of tax rate reduces the rates to at least 2 slabs.
9. Several products used by common man is taxed under premium tax slab.
10. Include the products like petroleum to GST which are now kept away from the purview of GST.
11. A service tax of 18% imposed on job workers is excessive and hence this must be reduced to 5%.
12. GST rate on Tourism in India to be compared with the neighbouring countries to attract more tourists to India.
13. 5% IT- TCS on the Tourist is unattractive.
14. Charge 18% GST on the profit of tour operators instead of the full value.
15. Reduce the tax rate of Gold, which will reduce evasion and increase the volume of sales that ultimately increases the revenue of Government.
16. Cement and Steel are ingredient which is required for housing for all. It should be brought into a reasonable rate of 18 % from 28 %.
17. The tax rate of COVID related equipment was reduced from 14<sup>th</sup> June 2021 to 30<sup>th</sup> September 2021. The shifts in tax rates cause some technical issues. It may invite further notices in the future.
18. Petroleum products should be brought under GST.
19. The Government is planning to increase the tax rate due to the Inverted Duty Structure in textile industry. This should not be done.
20. Timely clarification should be made on the rate of tax of each product.
21. Supply on concessional rates of GST for supply to SEZ and R&D requires documentation for which responsibility is on the supplier. Some multinational companies are reluctant to share their details. The responsibility of documentation for availing concession should be directly imposed on those who are availing the concession i.e., recipient
22. Unregistered brand names used by self-employed or small-scale traders are also treated as registered brand names and taxed at higher rate. This should be avoided.
23. Concessional rates also create accounting problems.

## **G. Input Tax Credit**

1. Denial of ITC due to the supplier delaying the filing of the return
2. Allow to claim the ITC on building materials used for factory buildings.
3. Denial of 1% ITC through rule 86B of CGST Rules 2017.
4. Allow ITC claim for building materials purchased for factory buildings.
5. Input Tax Credit is denied due to many reasons.
6. Traders are unable to claim Input Tax Credit as well as file returns due to lockdown.
7. Accept 'Tax Invoice' as an evidence for claiming ITC.
8. Introduce a provision to claim ITC with the original invoice rather than waiting for the filing of the supplier.
9. In Annual Returns, we cannot claim ITC, but we can pay output Tax. An opportunity to settle input tax along with annual returns must be made.
10. ITC cannot be availed for belated returns whose late fee is already paid.
11. The provision of availing input tax credit only on the basis of GSTR 2B is unscientific, especially for small traders. Instead on verifying the original invoices and payment details of the buyer, seller should be penalized.
12. Taxes had been levied from people who have leased the buildings but they are unable to avail the Input Tax Credit. They should be treated equally and be able to get the benefits of ITC.
13. Do not reject ITC merely on the fact that it is not included in GSTR 2A.
14. Majority of the textile industry suppliers are small traders situated outside Kerala, especially northern states and are GST illiterates. Their small mistakes lead to denial of ITC and other problems for the traders in Kerala.
15. Since the suppliers are operating in a small scale, most of them file quarterly return. This leads to delay in ITC and thereby the working capital is blocked.
16. There is a need for the extension of the Input Credit Tax of 2020-21 to 31st March 2022.
17. Extend the time period to claim ITC on the basis of invoices since GSTR 1 could not be filed in the months of April and May.
18. No mechanism to ensure that the suppliers had submitted their returns promptly. So many traders cannot avail input Tax Credit.
19. Delay in the input tax credit affects the relation between the supplier and trader.
20. Simplify the procedure for availing the input tax credit system under GST.

21. Provide 5 days grace period to contact the supplier and make the follow up for filing the return to avail input tax credit.
22. Omissions and errors in the monthly or quarterly return period need to be brought to the notice of the taxpayers for rectification during the next return period itself.
23. State GST department asking for certification from the Central excise to allow TRAN credit where no such certifications are mentioned in the law.
24. The provision that the supplier should submit his returns in order for the buyer to avail ITC is also unconstitutional.

### **H. GST Amnesty**

1. ITC is totally denied for those who opt the amnesty scheme under GST.
2. The current GST amnesty of programmes does not help medium or small-scale traders.
3. In 2017 and 2018, there was GSTR 4 for composition taxpayers. This is not included in the GST amnesty Scheme.
4. An option for reducing GST penalty should be there just like amnesty based on Turnover.
5. GST amnesty on GSTR9 and GSTR10 may also be allowed.
6. Suo moto cancellation of some GST Registrations is done by proper officers due to non-filing of returns. Hence an amnesty for the revocation of the Suo moto cancelled of registration is highly essential.
7. Amnesty programme must be conducted for settling the procedures for the first three years of GST.
8. When amnesty programmes are conducted, it serves as an injustice to people who have already paid late fee.
9. Input Tax credit is denied in case of amnesty given for GSTR 1, 3 B.
10. The traders whose registration has been cancelled as Suo motto are not able to revoke it. So, they can't opt for amnesty.

### **I. Registration**

1. Increase the limit of composition scheme to Rs. 2 crores.
2. Increase the threshold for Registration to Rs.75 lakhs.
3. Increase the threshold to Rs. 40 lakhs from Rs. 20 lakhs for regular registration of GST for Hotel and Restaurants.
4. For obtaining the GST Registration, the Building Number for the business place is necessary. The local Body delay the issue of the same as they are the holders of Kerala Single Window Interface for Fast and Transparent Clearance (K-SWIFT). Hence proper direction may be given to the local bodies for the issuance of

- building Number to the holder of K-SWIFT, if the applications and documents and construction of the building are in order.
5. Implement single registration across the country for traders having business in different states.
  6. The drug dealers, who were under the composition scheme in pre-GST period, irrespective of their turnover took registration in GST period. So, they were facing teething problems in the beginning.
  7. Registration is taking more time. (Up to 30 days). Registration must be given within 7 days.
  8. Application for Cancellation of registrations being denied by the officials. Guidelines regarding the list of documents needed at the time of applying for cancellation should be made.
  9. Guidelines regarding the list of documents needed at the time of applying for cancellation of registration should be issued.
  10. The registration cancellation is an automatic process. While SGST officials are approaching it in a liberal manner, CGST officials are not studying the issues on this regard. The process is being mechanical and they are not touching the basic issues. Instead of an automatic system generated communication, a clear physical communication should be made.
  11. Extension for time period is to be made for filing application for revocation of traders whose registration has been cancelled Suo motto.
  12. Limit for revocation of cancellation of registration is fixed to 90 days. Even commissioner can't able to grant any condonation. Introduce special window to revoke the cancellation.

## **J. Assessment**

1. Audit is conducted like a raid. A more friendly approach should be there by conducting concurrent audits. Liberalise GST audits till the COVID diminishes.
2. Audits, Notices etc for the initial periods of GST is cruel to us. This was also a period of natural calamities and disasters. So, a liberal approach with a friendly atmosphere should be adopted by the officials, especially SGST officials.
3. Guidelines on how assessments will be settled should be issued.
4. Complete the previous assessments based on the returns.
5. Assessment for a particular year may be completed by calling all the accounts within a period of two years instead of keeping it pending for eight years.
6. Audits and Assessment for the period 2017-18 and 2018-19, where GST was not fully equipped creates problems

### **K. HSN Codes**

1. Problems faced on the same products having different HSN codes and different rates for products with same HSN code (Harmonized System of Nomenclature).
2. Traders are unable to follow the HSN code-based filing properly.
3. Majority of the taxpayers are facing problems on filing with HSN codes.
4. Complications in HSN code make the process difficult especially for small traders.
5. The problems regarding HSN should be resolved and a comprehensive list including tax rate should be issued. Persons whose turnover is less than Rs. 5 crores should be exempted from HSN procedures.
6. There are many complications in HSN code. Exempt at least small traders from the mandate of entering HSN code.
7. The complications regarding HSN codes are prevailing. Same goods have different HSN codes.

### **L. Government Contracts**

1. In case of Government Works Contract, most officials are giving only 12 per cent tax irrespective of the nature of work.
2. GST bill is not accepted for works by PWD or Local Self Governments.
3. TDS is charged on a value different from invoice value in case of Government contracts.
4. Payments on Government contracts must be given purely based on the bill submitted by the contractor.

### **M. GST Committee**

1. Representation of GST professionals should be included in GST council
2. Tax Profession should be declared as an essential service.
3. GST grievance committees should meet regularly.
4. GST redressal committees are failed to meet on monthly basis.
5. Ensure timely meetings of GST Redressal Committee.
6. Representation of various organisations should be included in GST Grievance Redressal Committee.
7. Grievance redressal forum is not meeting regularly.
8. GST facilitation meetings should be conducted regularly.
9. District and State Facilitation committees and Grievance Redressal Committee should meet regularly.
10. Coordination between GST council and department should be strengthened.



## **N. Tax Evasion**

1. Tax evading manufacturers and traders should be brought under the purview of GST.
2. Guidelines regarding documents and procedures regarding transportation of gold should be issued to curb evasion.
3. Campaign against tax evasion should be conducted by the Government.
4. The accounted business in the gold industry is now less than 20%. Government should develop a proper monitoring system to control illegal and unaccounted business in the state and enhance the tax revenue.
5. Officials and Government are tightening its grips on gold merchants pointing that tax revenue from this sector is high. Even observing the consumers and inspecting their invoices is done by the officials. It is an attack on the individual freedom of the consumer.
6. All traders who are outside the purview of GST, mainly evaders, should be brought under the purview of GST through liberalized approach. A friendly approach between the tax officials and traders should be created.
7. Pricing at a lower price by the manufacturers and compelling sellers to sell at a higher price is a common tax fraud happening in different business.
8. Taxes should be collected from Government services like sales of food packets from jail etc.

## **O. Tax Refund**

1. Interest on delayed refunds has to be introduced. Follow the procedures adopted by IT department to settle refunds and interest.
2. Refunds should be made faster without complications.

## **P. TCS/TDS**

1. TCS/TDS under Income tax over and above the GST leads to lack of working capital of the supplier (example IT TCS collected by Civil Supplies Corporation from the suppliers to them).
2. Introduction of TCS provision under GST made the GST scenario worse.
3. TDS based on returns needs to be exempted for the cash crop cultivators in Kerala.
4. TDS is collected by the Government offices even for fully exempt goods such as drinking water which comes under Sections 234 W and 244G. So, a direction regarding on what goods TDS is to be collected are to be educated to the Local bodies.

### Q. Advance Ruling

1. Authority of Advance Ruling is taking one and a half years to pass an order even if it is six months as per law.
2. Ensure proper time frame for replies from Authority of Advance ruling and GST Commissionerate.
3. Different advance rulings by the States should be unified

### R. COVID-19 related issues

1. Solution for problems aroused when the goods, for which taxes are already paid, are unsold or damaged during FLOOD/COVID-19 lockdown should be resolved with top priority

### S. Kerala Flood Cess

1. Unable to pay the later identified KFC due to removal of payment link from the portal of departments concerned.
2. There is a lack of clarity in the amount of Flood Cess, when the goods are returned as sales returns.
3. Kerala Flood Cess (KFC) is unconstitutional.

### T. Some affected Sectors

1. **Tourism sector** has witnessed a loss of business worth more than Rs. 20000 crore, so tax filing has become an issue. The sector demands an extension of time for return filing. Tourism Sector is to be treated as deemed export status as they are earning foreign exchange.
2. **Hotels and restaurants** are running with huge losses because they had to be closed down for the last few months. Therefore, an extension of time is to be considered for GST payment at least up to December 31, 2021.
3. **Passenger or bus service sector** is one of the sectors contributing huge revenue to the economy and to the government but the government has been neglecting this sector for a long time. During the pandemic, they are compelled to pay road tax even without using roads and that the sector is requesting to government to take proper actions to help this sector.
4. **Direct selling companies** has no State Government affiliation or accreditations and hence facing troubles from the Police Department. Government should prepare the list of the companies in this industry and eventually publish the list in the Government website. Government should also adopt measures to encourage and support the sellers in the direct selling industry.
5. **Textile Industry** - Online shopping is a hindrance for textile industry. Further increase in the tax rate will destroy this sector.

#### **U. VAT Amnesty and Pre-GST issues**

1. VAT amnesty should be revisited as done in the previous year. Keep the limit of amnesty scheme under VAT as the earlier 40% and 50% respectively instead of the present scheme of 60% and 70%.
2. Litigations of VAT period should be finalized at the earliest.
3. Arrears regarding VAT, CST, Luxury Tax etc. should be settled. Region wise Adalat should be conducted or settled for the pending assessments as deemed assessments as in the case of VAT regime. Pending cases in the tribunal also should be settled.
4. The deposits which were made at the time of registration of KGST and VAT are not released yet. Many have stopped business and many have paid the amount in amnesty. Steps may be taken to release the deposits at the earliest

#### **V. GST Law**

1. Enormous and cumbersome notifications and circulars issued on daily basis made the system very difficult to comply.
2. The new Section 43A of CGST Act 2017 is yet to be notified.
3. Section 16(2) (c) which is subject to the provisions of Section 41 and 43A are yet to be notified.
4. Effective communication as per section 42(3) and proper implementation of Sections 69 to 79 should be made.
5. Include petroleum products in GST.
6. There is lack of clarifications in laws, faults in implementation and technical glitches. Laws should be made considering the practical issues. Common and small traders should also be protected.
7. Amendments in GST laws are made frequently. Unawareness of these amendments creates problems.
8. Import duty and GST should be merged and complete tracking should be made

#### **W. General Issues**

1. Remove the provision which compelling the trader to pay 1% of the amount to Kerala Legal Benefit Fund (KLBF) for filing appeal against an order.
2. Frequent changes in the Laws making the scenario worse for traders, practitioners and also for officials.
3. An amnesty scheme for GST for correcting small mistakes and errors.
4. All the orders by CBIC use very difficult to follow. It should be made simple.
5. Time should be given to study the changes in the rules, laws and software, once they are amended.

6. SGST department should be included in KCIS (Kerala Central Inspection System). It will indicate the number of inspections as well as details of inspections.
7. The consumers should be mandatorily obtained the tax invoices.
8. Ambiguity with regard to items that come under service tax during the earlier regime should be resolved.
9. GST has not addressed small traders, especially in case of returns, maintenance of accounts etc. They also must be considered.
10. Helpdesks are not working well and is ineffective to the taxpayers
11. Provision for the buyer to remit the GST amount directly to the government instead of paying to the supplier.
12. Clarification regarding how to tackle the treatment of credit note is needed. Suppliers are not properly issuing credit notes. There should be an amendment by which a note on purchase returns could be issued by the receiver of goods
13. Make a provision to update the email id and mobile number.
14. Proceedings regarding RCM (Reverse Charge Mechanism) implemented during the first 3 months are haunting the taxpayers.
15. GST reduces the overall tax revenue and this scenario needs further studies.
16. Time lags are there in finalization of the decisions of the appellate authority.
17. Late fee is high especially for small traders.
18. Composition dealers are not given waiver, extension etc.
19. Certificates for examination of tax practitioners have not been issued.
20. High court decisions are not implemented timely by the Government.
21. Maintenance of stock register by small traders is not practical.
22. Section 130 of CGST/SGST Act 2017 should be removed.
23. All banks should be included for e-payment.
24. The option to communicate with taxpayers which is already in the website should be activated.
25. Law officers in the tribunal should be directed that the implementation of section 25AA, and circular 6/2019 should be made retrospectively.
26. Need clarification on treatment of discounts received and no clarifications are made after the cancellation of circular 105.
27. Difficulties in filing an appeal online. Further filing and submission of hard copies to the department makes a lot of confusion. Manual appeals don't have any legal validity.
28. Transporters are not ready to collect GST with regards to reverse charge.

29. There are many expired goods coming back from markets and there is no clarity with the procedures related to expired goods.
30. The turnover of rubber traders is very high but their profits are nominal. It creates problems in the GST collection.
31. The schools and colleges are to be equipped to teach students the importance of taxes and they should be made aware of the legal consequences of tax evasion.
32. Higher amount of interest and late fee affected different sectors.

## **Section III**

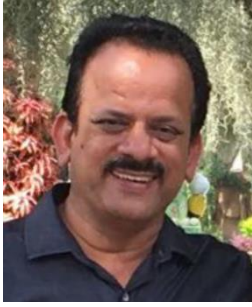
### **Stakeholder Reflections: Text**

#### **A. Sector One –Business Association and Tax Professionals**



**1. Shri. Jojo K Abraham, Kerala Vyapari Vyavasayi Ekopana Samithi (KVVES-HK)**

IT Infrastructure of GST is not performing well even after 4 years of implementation. Series of notices from the department and the mechanical proceedings adopted are tightening the grip not on evaders but on the innocent tax payers. Revenue growth of the state is declining. Number of notifications and circulars issued made the system very difficult to comply. There is a need of a system that ensures seamless flow of Input Tax Credit (ITC). Many of the cases and proceedings undertaken are of the years 2017-18 and 2018-19 where the officials and the system were under equipped. The system is unable to meet the slogan that return filing was done over the click of the mouse. System is still running on a trial and error method. Majority of the notices are for the mismatches occurred in early years of GST. Officers are not willing to hear the real problems of the tax payers or go through the detailed replies filed by the tax payers. Most of the notices are on the provisions which are not notified yet. The subject provisions of Section 16(2c) subject provisions are 41 and 43a but they are not notified yet. Envisaged return filing system of GSTR 1,2 and 3 have not been implemented yet. Effective Date of 43a have to be notified. Effective communication as per section 42(3) and proper implementation of 69 to 70 should be made available at the earliest. The efficiency of officials should not be measured on the basis of number of notices issued by them. Item wise replies should be given to a trader who provides item-wise explanation. Complete the proceedings if the assessing officer identified that the notice issued is in terms of errors made by the supplier while entering the return details.



**2. Shri. Joby Chungath, Kerala Vyapari Vyavasayi Ekopana Samithi (KVVES)**

ITC is being denied as the supplier delays the filing of return. Remove the provision which compel the trader to pay 1% of the amount to KLBF (Kerala Legal Benefit Fund) for filing appeal against an order. Heavy fines are imposed due to minor errors in the e-way bill. Increase the limit of composition scheme to Rs. 2crores. And GST threshold limit to 75 lakhs. Same products are having different HSN codes and different rates are prevailing for products with same HSN code. Traders are unable to follow the HSN code-based filing properly. Spontaneous changes in laws are making the scenario worse for traders, practitioners and also for officials. Make proper laws which protect the trade and traders.



**3. Shri. A. Gopalakrishnan, FICCI**

If the supplier who is entitled to collect the tax failed to pay the tax on time, it leads to the denial of ITC to the traders. Entitle the buyer to remit the GST amount directly to the government. TCS is collected by the purchaser (Civil Supplies Corp.) over and above the GST additional tax, which leads to lack of working capital in the concern. Adopt a three-slab taxation to make system simpler. Include the products like petroleum to GST which are now kept away from the purview of GST. Implement single registration across the country for traders having business in different states. Constitute proper guidelines for tax exemptions. Facility for revising the returns should be made liberal. Continuous training should be given for the officials to cop up with changing laws. Accept tax challans as an evidence for claiming ITC. Proper

actions should be taken to correct inverted tax structure. Allow to claim ITC on building materials used for factory buildings. Several products used by common man is taxed under premium tax slab. Royalty payable to government is now taxed under 18% and 28%. It should be reduced to 5 percent as earlier. Timely clarification should be made on the rate of tax of each product. Department is also facing the problem due to lack of knowledge so adopt liberal approach towards the tax payers. Opportunity to rectify the mistakes of initial years voluntarily. Absence of clarity in various provisions of the law.



**4. Shri. Manoj S, Kerala Vyapari Vyavasayi Ekopana Samiti (KVVES)**

Keep the limit of amnesty scheme as the earlier 40% and 50%. Opportunity must be given to file returns by those who lost their registration Suo-moto. Burden of rectifying document mismatch totally falls under the trader and tax officials are not willing to hear them properly. Officials are imposing provisions of new notification in past disputes. ITC is totally denied to those who opted the amnesty scheme. Officials have to extend their helping hand towards the traders regarding clarifying the provisions. Settle the issues regarding filing till 2020 by declaring it as a deemed assessment. Notifications regarding new notices should be sent to the registered email and mobile number of the taxpayers. Make a provision to update the email id and mobile number of the taxpayers. Solution for problems aroused when the goods, for which taxes are already paid, are unsold or damaged due to COVID-19 should be resolved. Create a healthy relationship between officials and traders.





#### **5. Shri. Venkitrama Iyer (Trader)**

GST reduces the overall tax revenue and this scenario needs further studies. There is no single window to display all the notices in the portal. Common traders are facing problems with filing returns with HSN codes. Inefficiency is evident in the portal management of GST. Introduction of Tax Deductible at Source (TCS) made the GST scenario worse. GST compliance has become more time consuming and confusing. Five days grace period must be given for the traders to contact the supplier and make the follow up for filing of the invoice



#### **6. Shri. Adv. Manoj Kumar (Indian Chamber of Commerce)**

Compliance has become hard and e-way bill; e-invoice has made the situation worse. Traders devote lion's share of their time to ensure compliance. Provision should be made for the trader to upload his purchase as well as sales, and to claim ITC, and the cross checking may be done later to ensure timely payment of ITC. Tax structure must be rationalized and rates should be reduced to two slabs. Authority of Advance Ruling is taking more than a year to pass an order where the time period for the same is 6 months as per the law. Provision should be given to make corrections in GSTR 1 because minute mistakes had created large problems to genuine traders. GST redressal committees have failed to meet on a monthly basis. Amnesty programmes must be conducted to settle the procedures for the first three years of GST.



#### **7. Shri. Khalid, Kerala Small Scale Industries Association**

Litigations of VAT period should be finalized at the earliest. Introduce proper guidelines for vehicle checking. Introduce a provision to claim ITC with the original invoice rather than waiting for the filing of the supplier. Ensure timely meetings of GST redressal committee. Ensure proper time frame for replies from Authority of Advance ruling and GST Commissionerate. Provision for editing e-way bill within one hour. Intimation regarding notices should be made through email and mobile numbers. Petroleum products should be brought under GST. ITC claim must be allowed for building materials purchased for factory buildings.



#### **8. Shri. Joseph P.S, Kerala Tax Practitioners Association**

Input Tax Credit is denied due to many reasons. In Annual Returns, we cannot claim ITC, but we can pay output Tax. An opportunity to settle input tax along with annual returns must be made. The traders whose registration has been cancelled as suo motto are not able to revoke it. So they can't opt for amnesty. Interest rates are high in GST. Registration is taking more time that is almost up to 30 days. Registration must be given within 7 days. Guidelines regarding the list of documents needed at the time of applying for cancellation should be issued. Application for cancellation of registrations is being denied by the officials. Guidelines regarding the list of documents needed at the time of applying for cancellation must also be issued. The filed replies to queries regarding registration amendments cannot be seen in the backend by the officials and are therefore being rejected. There are many complications in HSN code. Exemption must be provided at least to small traders from the mandate of entering HSN code. Grievance redressal forum is not meeting regularly. Meetings should be held regularly. An option for revision of returns (minor mistakes) should be given. QRMP is a huge burden. It should be made

as a Quarterly Return Quarterly Payment kind. Notices are not visible. Information regarding Notices should be sent to the registered mails. There should also be a notice box in the return window. Proper training must be provided to officials as well as professional in this field.



**9. Shri. Joseph Sebastian, Kerala Vyapari Vyavasayi Ekopana Samithi (KVVES)**

Extension must be given for return filing without late fee at least till the end of this month. Raise GST threshold limit to 75,000 and composition to 2 crore. Traders are unable to claim Input Tax Credit as well as file returns due to lockdown.



**10. Shri. Adv. Ganesh, All India Tax Practitioners Association**

GST professionals should be included in GST council and tax profession should be declared as an essential service. Frequent notifications make GST more complex. Petrol should be included in GST. GST Grievance committees should meet regularly. Late fee is high, especially for small traders. Composition dealers are not given waiver, extension etc. Certificates for examination of tax practitioners have not been issued. Avoid high rates for small traders who use trademarks. ITC cannot be availed for belated returns whose late fee is already paid. High court decisions are not implemented timely by the Government. Coordination between GST council and department should be strengthened. Different Advance rulings should be unified. An amnesty scheme for GST for correcting small mistakes and errors must be arranged.



**11. Shri. A.M. Ramesh Kumar, Association of Tax Practitioners**

Complications in HSN code make the process difficult especially for small traders. Maintenance of stock register by small traders is not practical. Helpdesks are ineffective. Returns cannot be revised. Guidelines on how assessments will be settled should be issued. Section 130 should be removed. Extension for time period for filing application for revocation of traders whose registration has been cancelled suo motto. Representation of various organisations should be included in GST Grievance Redressal Committee



**12. Shri. Ravi Amberkkad (Academic Council, TCA)**

Currently there is no mechanism to ensure whether the supplier has submitted his returns. So many traders are unable to avail Input Tax Credit. Most of the notices issued for the years 2017 and 2018 were based on 2A notification which was issued in October 2019. So a liberal approach regarding these notices by the officials is required. When amnesty programs are conducted, it serves as an injustice to people who have already paid late fee. With regards to notices for amounts less than 50,000 to 1,00,000, a time extension should be given to traders by the officials. Grievance cell and helpdesks should be more active. The current amnesty programs do not help medium or small scale traders. In 2017 and 2018, there was GSTR 4. This is not included in amnesty scheme. Also the late fee regarding final return has not been included in the amnesty scheme. GST has not addressed small traders, especially in case of returns, maintenance of accounts etc. They also must be considered. Even

during the lockdown, 3A notices has been issued since system is auto generated. Many people couldn't file the returns. Even in the case of extended time limit for returns, interest for Kerala Flood Cess has been calculated monthly.



### **13. Shri. Shyjudheen, GST Tax Practitioners Association**

An option for reducing GST penalty should be there just like amnesty, based on Turnover. The provision of availing input tax credit only on the basis of GSTR 2 B is unscientific, especially for small traders. By verifying the original invoices and payment details of the buyer, seller should be penalized. Input Tax credit is denied in case of amnesty given for GSTR 1 and 3B. Time should be given to study the changes in the rules, laws and software, once they are amended. The problems regarding HSN should be resolved and a comprehensive list including tax rate should be issued. Persons whose turnover is less than 5 crore should be exempted from HSN procedures. All banks should be included for e payment. Many banks are missing. GSTR 4 currently requires the uploading of purchase list. Instead, a facility to enter only the total purchase figure should be made. The option of '**communicate with taxpayers**' which is already in the website should be activated. There are many errors happening in the case of e-way bills. Resolve such issues. In case of GSTR 3B filing, no facility to automatically setoff IGST to CGST and SGST



**14. Adv. Hariharan, High Court of Kerala**

Arrears regarding VAT, CST, Luxury Tax etc should be settled. Region wise Adalats should be conducted or settle the pending assessments as deemed assessments as in the case of VAT regime. Pending cases in the tribunal also should be settled. The 40 per cent range of amnesty programme should be re-established from the updated 60 per cent. Law officers in the tribunal should be directed that the implementation of section 25AA, and circular 6/2019 should be made retrospectively. Word by word implementation of Section 129 and 130 creates troubles to small scale traders. The attitude of the officials must change and the essence of the act should be given importance. Officials must act as facilitators and must be more accessible. The registration cancellation is an automatic process. While SGST officials are approaching it in a liberal manner, CGST officials are not studying the issues on this regard. The process is being mechanical and not touching the basic issues. Instead of an automatic system generated communication, a clear physical communication should be there. A book which consolidates circulars, notifications, rates etc should be published and a software should be developed. Kerala Flood Cess is unconstitutional. Similarly, the provision that the supplier should submit his returns in order for the buyer to avail ITC is also unconstitutional. Audit is becoming a raid. A friendlier approach should be there by conducting concurrent audits. Liberalise audits till the COVID pandemic is over.



**15. Shri. A.N Puram Sivakumar, Tax Consultants Association**

VAT amnesty should be re-established as before. District and State Facilitation committees and GRC committees should meet regularly. Audits, Notices etc for the initial periods of GST when it was not fully fledged is a

cruelty. This was also a period of natural calamities and disasters. So a liberal approach with a friendly atmosphere should be adopted by the officials, especially SGST officials. There are lacks of clarifications in laws, faults in implementation and technical glitches. Laws should be made considering the practical issues. Common and small traders should also be protected. A feeling of togetherness from the side of officials should be created.



**16. Shri. Unnikrishnan, Chartered Accountant**

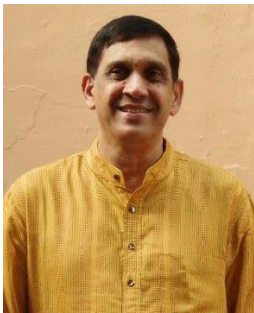
Clarification regarding how to tackle the treatment of credit note. State GST department asking for certification from the centre to allow TRAN credit where no such certifications are mentioned in the law. Break up figures in the return (which are available to the officers in the back end) is not available to traders for correcting and identifying mismatches in the previous returns (mismatches GSTR 2A & GSTR 9 table 8A). Much more clarification is needed on treatment of discounts received and no clarifications are made after the cancellation of circular 105. It is difficult to file an appeal online. Further, filing and submission of hard copies to the department makes a lot of confusion. Manual appeals don't have any legal validity. Limit for revocation of cancellation of registration is fixed to 90 days. Even Commissioner is not able to grant any condonation. Insertion of special window to revoke the cancellation should be made. Unregistered brand names used by self-employed or small-scale traders are also treated as registered brand names and their products are treated as branded products.

## **B. Sector Two –Trade and Manufacturing**



### **17. Shri. Raghunathan, Construction and Real Estate**

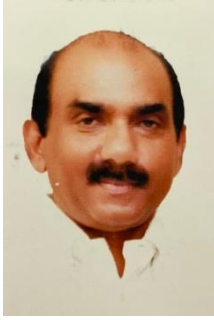
Taxes had been levied from people who have leased the buildings but they are unable to avail the Input Tax Credit. They should be treated equally and be able to get the benefits of ITC. 12% rate with Input Tax Credit should be reinstated as before so that the real estate dealers get benefited. The mind-set of SGST officials has to be changed. All the notices are to be system generated rather than sent by the officials. Lot of people complain about harassment by SGST officials. The SGST department should be brought under the Central Inspection System so that there is control over the number of inspections conducted and in a way it can control the harassment by the SGST officials. Also suggested that cement and steels should be brought under the 18% tax rate.



### **18. Shri. Damodar Avanoor, State Small industries Association**

The help of consultants is required to study the notifications and to ensure that the tax payers are doing the right thing. Hence, the cost of compliance is very high. The manual and protocol of vehicle checking must be made clear to the taxpayers. The system of reverse taxation is very complicated. There is no clarity with the procedures related to expired goods. If the laws are made as simple as possible more people will come under the coverage of GST.





**19. Shri. George Vally, Rubber Industry**

Lot of time is required to settle the compliance issues and it affects the trade. There should be a mechanism to complete the assessment of the past four years based on the returns. The deposits paid at the time of registration during the KGST and VAT period needs to be given back, including for those who had stopped the trading practice. There is difficulty in filing the return of April and May months due to COVID. So the time to take the invoice of ITC should be extended. The fine imposed for delay in filing the return of flood cess needs to be revoked since the flood cess has been stopped from last month and the small traders face difficulty to pay the fine due to the COVID scenario. For the past two months there have been a lot of technological issues in the e-way bill portal and these needs to be resolved. TDS based on returns needs to be exempted for the cash crop cultivators in Kerala.



**20. Shri. Surendran Koduvally, All Kerala Gold and Silver Merchants Association**

Gold industry has welcomed the introduction of GST whole heartedly and a special tax rate of 3% has been imposed on gold. Before the GST tax on gold in Kerala was 5 % and those who compound the tax rate needed to pay only 1.75% as the tax. After the introduction of GST there is a uniform tax rate of 3% for gold. Lots of documents are to be carried while transporting gold from one place to another and if there is any mismatch in the documents a fine equal to the total value of the good and tax has to be paid by the merchant as per Section 130. Proper instructions regarding the difference between section 129 and 130 and on what occasions these will be imposed should be given to the merchants. Amnesty has been introduced to settle the cases before the GST regime but there are a lot of problems associated with it.

In the gold industry, most of the time the initial purchaser, manufacturer and seller will be the same person. So evasion is possible in this industry. Laws must be brought to bring everyone in this industry under the GST. Relations between the officials and the merchants must be made friendlier and a proper environment must be made available to do the business. If the tax rate is decreased consumers will be more willing to pay the tax and this will increase the revenue of the government.



**21. Shri. Abdul Nazar, All Kerala Gold and Silver Merchants Association**

In Kerala, the gold industry is one of the highest tax paying industries but still it is said that tax revenue from the industry is very low. In 2020-21, the government has received a total of Rs.856 crore as revenue from the industry. But still both government and officials have implemented measures that hassle the traders in this industry. Since the tax rate is higher for gold, consumers are trying to evade tax. So campaigns must be organized in order to make people aware of the importance of paying tax while purchasing gold. A service tax of 18% imposed on job workers is excessive and hence this must be reduced to 5%. Proper instructions regarding the documents to be carried while transporting gold to different places must be given by the officials. There are over 7000 traders who are still not under the GST regime. So the government should take measures to bring these traders under the purview of GST. No reply is received for the letters sent to the tax commissioner. GST officials have taken measures that have created misery for the traders in the industry. So the government should adopt measures that will enable a good environment to do business.



## **22. Shri. M. P. Ahammed, Chairman, Malabar Gold and Diamonds**

A large number of unaccounted business takes place in the gold industry due to failure from the government. Over 40,000 workers are engaged in such illegal manufacturing units in Kerala. So there is a loss of a large amount of revenue to the government. Smuggling of gold is very common in Kerala and also both manufactures and consumers are not aware of the legal consequences. The accounted business in the gold industry is now only less than 20%. So the government should develop a proper monitoring system to control illegal and unaccounted business in the state and hence revenue of the government can be increased. It should be made mandatory in school and colleges to teach students the importance of taxes and they should be made aware of the legal consequences of tax evasion. In the case of gold, excise duty and import duty can also be subsumed under GST and a proper monitoring must be carried out. This will enable the government to mobilize revenue in large.



## **23. Shri. Sreekanth, Textile Industry**

In the 43rd GST council meeting the Union Finance Minister Nirmala Sitharaman pointed out that there are two sectors textiles and footwear in which we can see the inverted duty structure. There is a correction overdue in these mentioned sectors. It is pending from the previous year because of the COVID. This year they are also planning to postpone it because of the same reason but it makes things worse. Now there is 5% tax on the textile, traditionally they are in the additional excise duty leviable goods without any tax. The tax is imposed only on the ready-made garments before the GST. Nearly 75% are without tax and only have the burden of the additional excise duty. The major problem they are facing is that due to the correction process there may be a chance to increase the tax on these sectors from 5% to 12% or

will shift to the next slab. Polyester fibre and filament yarn are having 18% GST. If they convert it into clothes, then that is having only 5% tax. Due to this the government may face a net refund issue so, there is a chance to raise the tax rate. The Kerala government has to protest against the rise of the tax rate. If the textile industry came up by having 12% of tax, then there will be a flight of trade from our state to other nearby states of Tamil Nadu and Karnataka. Because of this we can't prosper. The central Government may say that if we increase the tax rate then the consumer will get the product at the same rate. Textile is next to agriculture and it contains people from every sect. The product they produce in this year may not be the same in the next year; this is also a problem. 99.9% of the suppliers are from outside Kerala, mostly north India and neighbouring states. They are not GST literate; mistakes will happen in the billing process. If they will file it without payment the details of the debit note and the denial of the ITC is unknown and there is no source of information about it. From the new system we can check whether they entered it in 2A or not. Recently Madras High Court released a judgement favouring the assessee. The assessing authority didn't take any diligent action to claim the money back. Thus the authority has no right to penalise the assessee. The denial of 2A causes many hardships and it is mainly a Kerala specific problem. The supply to these sectors is not from homogeneous factory made products but from cottage industry, Small weavers and units. GST has to consider some of these intricate problems. The officials are also not aware of the day to day amendments in this Act. There is no revision possible for small mistakes in 3b. Altogether brunt problems of the GST are borne by the traders. Due to small suppliers many are filing quarterly it involves a lot of working capital. The higher amount of the interest and late fee also affect the sector heavily due to COVID. There is a need for the amendment that the debit note can also be issued by the receiver of the goods with a reasonable margin of 10%. The expiry date of the e-waybill and the HSN code is also a problem.



#### **24. Shri. Faizal, Textile Industry**

The consumers buy products only when the price is low. To maintain the low price, the sellers, buy materials from the small scale dealers from Surat, Delhi, Bombay, etc. The main problem that they are facing now is the online business. Most of the people including government officers now prefer online textile services rather than offline. There is a need for the extension of the Input Credit Tax of 2020-21 to 31st March 2022. The textile industry provides jobs for many unemployed women, if the online business continues to capture the market it will be very difficult for them to sustain with the rising tax rate. The behaviour of the government officials towards the taxpayers need to be rechecked. The facilities like WhatsApp, email have to be made use for the billing purpose, sending links of notices directly to the owners. The delay in Input Tax Credit also affects the relationship between the supplier and trader.



#### **25. Shri. Sebastian, Cement Dealers Association**

The price of cement is very high and the tax rate of cement is 28%, which is the highest slab. The delay of the credit from the companies creates a huge burden. It is suggesting that the net billing of the price of cement is the solution for reducing their burden. Frequent unwanted notices from the department are also creating problems.



### **26. Shri. Mohan A.N, Drugs and Chemists Industry**

The drug dealers were under the compound dealers category before the GST implementation. They have to register in the GST irrespective of their turnover because they are also selling non-medicinal products also. In 2020, notices were sent to traders frequently due to small errors and mismatch of GSTR 3B and 2A under section 61. The tax rate of COVID related equipment was reduced from 14<sup>th</sup> June 2021 to 30<sup>th</sup> September 2021. The shifts in tax rates from 5% to 18% cause some technical issues. It may invite further notices in the future. There is a need for regular GST facilitation meetings. Pricing at a lower price by the manufacturers and compelling sellers to sell at a higher price is a common tax fraud happening in this sector which has to be monitored.



### **27. Shri. C. E. Chakkunny, Consumer Goods and Distributors**

More friendly approach towards entrepreneurs should be needed from the government official side. The amendments in GST laws are made more frequently which creates problems for the dealers. The technical issue in understanding the laws completely is considered to be a serious problem as many of the dealers are illiterate and unaware. To avoid these issues GST laws should not be amended frequently. Petroleum products should be brought under the GST threshold. The SGST refunds should be made faster without complications as the Central government.



### **28. Shri. Anish K Joy, Direct selling and multi-level marketing**

In Kerala, there are over 20 lakh workers engaged in the direct selling industry. Even after submitting all the required documents, procedures to give affiliation or accreditations to direct selling companies by the State Government has not been accomplished yet. Therefore, even after having affiliations from the Central Government, the direct selling companies are facing troubles from Kerala Government and Kerala Police. There is an increase in the number of money chain companies budding in Kerala. But both the State Government and the police do not take action for the complaints given against these companies and this leads to lots of trouble for the direct selling companies that abide by the laws of the state. Government should prepare the list of the companies in this industry and eventually publish the list. Government should adopt measures to encourage and support the sellers in the direct selling industry.



### **29. Shri. Anikuttan, Medical Equipment Supplies**

Supply of goods to SEZ and for R&D is based on special concessional GST rates but the responsibility of documentation of these are upon the traders. Most of the multinational companies are reluctant to give information about their officials. So the responsibility of documentation for availing concession should be directly imposed on those who are availing the concession. When same commodities have different tax rates creates difficulty in accounting procedures. In case of Government Works Contract, most officials are giving only 12 per cent tax irrespective of the nature of work. GST bill is not accepted for works by PWD or Local Self Governments. TDS is charged on a value different from our invoice value. Payments must be given purely based on the bill given by the contractor.



### **30. Shri. Anirudhan, Tax Consultant**

Taxes should be collected from Government services like Jail. TDS is collected by the Government offices even for fully exempt goods such as drinking water which comes under Sections 234 W and 244G is difficult. So a direction regarding what goods TDS is to be collected is to be given immediately. For obtaining the GST Registration, the Building Number for the business place is necessary. The Local Body delay the issuance of the same as they are the holders of KSWIFT. Hence the strict direction may be given to the Local body for the issuance of building Number to the holder of KSWIFT, if the applications and documents and construction of the building are in order. Audits for the period 2017-18 and 2018-19, where GST was not fully equipped creates certain problems. The interest rate collected between 18% and 24 % is very high. This industry purview must be reduced. Many accidental cancellation suo motto has taken place. There should be a need for an amnesty. Notices are sent to people who are dead through the portal. At Least notices should be physically given. Wholesale dealers do not trade with composition scheme dealers as they will not be eligible for ITC has to be considered. Council should implement the laws passed by the parliament. E.g.: Tax on activities of the societies. There have been many errors in filing TRAN-1 in the initial period. There should be an opportunity for correcting them. An intimation to party before the expiry of E-way bill. The notices should be displayed in the homepage itself. All the orders by CBIC use very hard language which creates misunderstanding. It should be made simple.



## C. Sector Three – Service Sector



### 31. Shri. E M Najeeb, Confederation of Tourism Industry

Issues in the tourism sector were pointed out and the main arguments were that there is incidence of double taxation for tour operators that should be avoided. In addition to that, there are higher GST rates in India when compared to competitive countries in the tourism sector. Due to lockdown, the sector has seen a loss of business worth Rs. 20000 crores, so tax filing is becoming an issue. The sector demands an extension of time for return filing. Avoid late fee for belated returns due to shut down of offices as per COVID-19 protocol for Tour Operators



### 32. Shri. Varghees Kannampally, Work Contractors

The main issue facing the work contractors is the difference in Work amount and Bill amount. The GST to be imposed on the total works amount only. The Amnesty scheme for VAT should be restructured with previous rates. And also, there is ambiguity with regard to items that come under service tax during the earlier regime, so it is proposed that the government should form a committee to study this issue. GST bill is not accepted for works by PWD or Local Self Governments. TDS is charged on a value different from our invoice value. Payments must be given purely based on the bill given by the contractor.



**33. Shri. G K Prakash, Hotel and Restaurants Association**

Hotels and restaurants are running with huge losses because they had to be closed down for the last few months. Therefore, an extension of time for GST payment at least up to December 31, 2021. Increase the threshold to Rs. 40 lakhs for regular registration of GST for Hotel and Restaurants.



**34. Shri. Kunhali Sahib, Goods Transporters Association**

The GST council should rethink the decision of reducing E-way bill validity from 200 km to 100 km and extend the validity of the same from 8 hours to 24 hours. The existing method (using Google map) of calculating distance for E-way billing is not an appropriate one so other methods such as calculation of distance using PIN code should be considered.



**35. Shri. Gokulam Gokul Das, Passenger or Bus Service Sector**

Passenger or bus service sector is one of the sectors contributing huge revenue to the government but the government has been neglecting this sector for a long time. He says that during the pandemic, they are compelled to pay road tax even without using roads and that the government should take proper actions to help this sector.

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