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## **No backdate entries, recovery cases, more return filing, others help tax officers to up GST collection**

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Every taxpayer in India spends a good deal of time and money in undertaking tax compliance and procedures, still the fear of departmental scrutinises and assessments looms over them.



By Rajat Mohan

Every taxpayer in India spends a good deal of time and money in undertaking tax compliance and procedures, still the fear of departmental scrutinises and assessments looms over them. World Bank Doing Business 2020 Indicators states that India is ranked at 115 in the case of paying taxes. Average Indian taxpayer spends 254 hours per year in paying taxes as against 49 hours per year spent in best practices around the world. Even though Indian taxpayers spend so much time paying taxes still, the economic survey of 2018 suggests that more than two lakh tax cases, were pending at various forums across the country, which amounted to nearly 4.7% of the total Indian GDP.

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It is also known that the department loses nearly 65% of the cases, and the success ratio of the department is continuously decreasing. One of the reasons for such facts and figures from some of the tax collectors is the lack of faith in self-assessment. There have been instances of tax officers undertaking licentious measures to collect taxes leading to litigations and incongruous tax demands.

## Here are the few measures taken by tax officers under the GST regime to push up the tax collections

**Increasing return compliance:** Tax officers are pushing the taxpayers to file tax returns on time. By this measure, the government will be able to collect more taxes and interest from the non-filers and habitual late-filers of returns.

**Top taxpayer follow-up:** Tax authorities are making a list of the top 100-300 taxpayers in the tax office for FY 2019-20 with their GST cash payment and comparing the same with the GST actually deposited by them in the last four months. Based on this list, taxpayers who have shown an average decline in the tax of more than the specified % will be contacted personally by the tax officers for contributing better to the exchequer. Tax officers would also identify reasons for the decline and document the same for reporting to senior officers. This measure is helping the authorities to collect more taxes and increasing the revenue.

**Mismatch cases:** GSTR-1 is a monthly or quarterly return which states the details of all outward supplies. GSTR-3B is a self-assessment return which states the details for Outward Supplies and Inward Supplies. GSTR-3B is required to be filed monthly irrespective of the turnover. Any difference in the output tax liability in GSTR-1 and GSTR-3B will attract interest and penalty. Tax officers are rampantly issuing notices in GSTR-1 and GSTR-3B cases, where there is a mismatch for any tax period. Tax officers are pushing the taxpayers that difference/ mismatch should be disposed of in cash to the exchequer. A similar tactic is also adopted for the mismatch between input tax credit availed in GSTR-3B and input tax credit auto-drafted in GSTR- 2A/2B.

**Recovery cases:** Where the tax demand remains pending and also objection has not been preferred by the taxpayer, tax department will initiate recovery proceedings followed by attachment proceedings.

**Assessment proceedings under VAT Act:** A large number of assessment cases related to CST and VAT mismatch are still pending in various offices, all of which are planned to be finalised soon.

**GST officer will now upload recoveries of excise and service tax in GST liability register:** CBIC issued Departmental advisory for tracking legacy arrears in recovery module for recoveries under Central Excise Act 1944 and Finance Act 1994. Legacy arrears will now be uploaded electronically on the common portal and creating demand in the Electronic Liability Ledger Part II. Jurisdictional officers would now use these demands to track every taxpayer and ensure the collection at the earliest.

books of accounts shall use only such accounting software which has a feature of recording audit trail at the transaction level, creating an edit log of each change made. This change will disincentivize the backdating of entries in books of accounts and ensure that the corporate sector maintains books of accounts in a true and correct manner.

In the past, companies used to either delete these files or replace them with blank ones or permanently disable them. This change will also indirectly help tax officers during a raid and search. Going forward, a GST officer may ask for the edit log from the corporate taxpayers (during scrutiny or assessments) to check and verify all the amendments made in books of accounts during the tax period.

Tax officers around the country take many of the measures planned above to push the tax collections of their respective wards. There is per se no harm in deploying measures to collect taxes, however, the problem is when the methods change to coercive in nature. Coercive methods are harmful to the country's business ecosystem, as they de-incentivise the expansion plan of promoters. It is the duty of political brass to balance the need of tax collections and the greed of tax collections, leading to loss of will among the risk-takers.

*(Rajat Mohan is Senior Partner at AMRG & Associates. Views expressed are the author's own.)*



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