



Bombay Chartered Accountants' Society



7, Jolly Bhavan 2, Ground Floor, New Marine Lines, Mumbai - 400 020
Tel. : + 91 22 6137 7600 • Fax : + 91 22 6137 7666 • E-mail : bca@bcasonline.org
Website : www.bcasonline.org • BCAS Web TV : www.bcasonline.tv • E-Journal : www.bcajonline.org

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5th June 2017

To

Shri Narendra Modiji
Hon'ble Prime Minister
Government of India
New Delhi.

Shri Arun Jaitleyji
Hon'ble Finance Minister
Government of India
New Delhi.

Respected Sirs,

**Sub: Suggestions for Smooth Implementation of GST
1st July is not feasible for introduction**

As appears from the news paper reports, it looks like, that the Government is in a hurry to implement GST with immediate effect. The proposed date, 1st July 2017, is not far away.

On the other hand, after meeting lots of people across India, it appears that most of the businesses have not yet been able to understand the complexities of proposed GST law (although passed by the Parliament and being passed by State Assemblies). There are several areas of concern which need to be clarified and wherever required changes may have to be done in the law itself.

Small businesses (traders as well as service providers), SMEs and cottage industries, across the country, are skeptical about their survival due to certain provisions in the GST law. Their genuine concerns have remained unanswered, and, proposed procedural aspects are hounding them.

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The rates schedules are still under preparations (and whatever prepared is undergoing a review, addendums are still being issued). Many items of goods and services still need clarification. There is wide spread confusion about applicable rate/s.

Existing dealers and service providers have not yet been granted provisional GSTIN, particularly the followings:-

1. Service providers having offices in multiple States but having centralized registration.
2. VAT registered dealers, registered in various States at present as non-resident dealers. It may be noted that there are thousands of dealers, who are registered in any one State on the basis of their permanent place of business and simultaneously carrying on businesses in various State (under a valid registration number of such other State/s) but such dealers have been denied provisional registration under the present process of granting provisional GSTIN. Ultimately, all such dealers may have to be granted registration (for example: dealers who undertakes construction contracts of roads, bridges and infrastructure projects in various States and Union Territories) otherwise all such construction contract may come to a sudden halt.
3. Dealers, who have taken new registration in past six months under State Vat laws.
4. Dealers and service providers, whose PAN on Departments' records do not match with the PAN data base.
5. Dealers and service providers who have not been able to complete the process due to various technical difficulties.

Apart from above, a very large number of traders and small manufacturers, who are not liable for registration under present laws such as excise duty, service tax and/or State Vat, law, will become liable to pay tax under the GST laws (for example traders in textile fabrics). Such persons, who are carrying on business for past several decades, but will be

liable to pay tax (under the indirect tax laws) for the first time, will have to align their trade practices in accordance with the provisions of new law and will have to take registration under the GST law. It may be noted that they are not new dealers but the provisions of indirect tax laws are being made applicable to them for the first time. Ideally such dealers and service providers should be granted provisional GSTIN before commencement of GST law so the businesses are being carried on smoothly.

If the process of granting provisional registration is done after commencement of GST law, it will severely impact the supply chain of goods and services throughout India.

FAQs, released earlier, have become redundant, help lines are inefficient and guides are yet to be issued. Officers, working in various departments of Governments, are yet to undergo training or at least orientation courses towards basic understanding of GST law.

In this background, whether proposed date i.e. 1st July is the right time? The question needs to be considered seriously.

We understand that the GST has to be implemented before a certain date, but, whether 1st July is the right time?

Considering all relevant aspects, in present circumstances, the date 1st July is not feasible at all.

There are several areas of concern, which need appropriate modification, clarification and explanation before introducing such a mega reform, which is going to change the entire setup of businesses, whether small or big.

It would be necessary for the Government to decide that whether the provisions concerning Reverse Charge Mechanism (which have been incorporated in the GST law, without appropriate consultation with stake holders) are necessary in the same manner or the same needs to be withdrawn as these will create chaos all over the country without any substantial benefit to the Government.

And it is also very much necessary for the Governments to decide that whether the provisions concerning procedural aspects of periodic reporting (i.e. submission of returns, etc.) are necessary to be kept in the same manner (so as to forget the concept of ease of doing business) or the same need suitable modification.

Our earnest appeal to you, please consider and decide in the best interest of the nation.

‘Sab ka Saath Sab ka Vikas’ may be the best approach for introducing such radical changes in the tax laws.

Respected Sirs, success of GST will depend upon co-operation from all those who are concerned. And in the present setup, small and medium businesses play an important role in the entire chain of production and distribution of goods and services throughout India. This segment constitutes more than 80% of the total strength of assesseees who are likely to be registered for GST. We feel, such a vital segment cannot be ignored. It would be necessary, therefore, that the provisions of law should be explained to them appropriately and their concerns, if any, should be addressed satisfactorily.

Although, the Government is having efficient machinery to assess the ground realities, to our mind, we feel the businesses need at least 2 to 3 months time after finalization of all aspects of Law.

The most appropriate date for introduction of GST, in the present circumstances, would be 1st October 2017

By that time half yearly accounts will get closed and major dates of compliances under various other laws, will also get over. The businesses will have sufficient time to deploy time, energy and men power to understand the provisions of law and make necessary changes in their billing pattern, accounting system and the software, etc.

Any other date may not be so much appropriate as 1st October 2017. As far as the Constitutional aspects are concerned, we are sure that Government can take due care in the best interest of country and its economy.

Respected Sirs, you are the best judge to decide. Whatever may be your decision, about the date of implementation, we would like to request that a few precautions may kindly be taken so as to ensure the success of GST in due process of time.

The followings are major areas of concern in respect to above (which do not have any impact on revenue). Either the provisions concerning these matters may be duly amended or deferred at least for first two years of implementation:

A. Submission of Periodic Returns: In order to have timely compliance by all, and in the spirit of ease of doing business, the procedure needs to be simplified. The followings may be considered in this regard:

- (1) Periodicity for filing returns should be either quarterly for all or it may be monthly for those whose turnover is more than Rs. 5 crore and quarterly for all others.
- (2) The procedure for submitting details on 3 different dates (STR-1 on 10th, STR-2 on 15th and STR-3 on 20th) must be discarded. It should be only one return per period. Thus, the details of STR-1, STR-2 and STR-3 should be combined together.

B. Composition Schemes: Although, the composition schemes need a thorough review, at this moment the turnover limit may kindly be increased from 50 lakh to 150 lakh.

C. Reverse Charge Mechanism: Although, such a provision should have been made applicable only in respect of International Transactions, at this moment the followings may be considered:

- (1) RCM on Registered dealers on supplies received from un-registered supplier/s must be deleted.
- (2) RCM on various types of persons (including small partnership firms, companies, trusts and societies, etc) on services provided by Goods Transport Agencies (GTA), etc., should be modified or deferred to at least for a period of two years.

D. Time of Supply in Respect of Supply of Goods: The provision regarding liability to pay tax on advances received will create undue complications (without any gain of revenue). The same need to be deleted.

E. Place of Supply: Provisions regarding Place of Supply, in the IGST Act, need a thorough review.

F. Liability to obtain Registration: Some of the provisions regarding compulsory registration, by those whose turnover is less than the prescribed threshold of Rs. 20 lakh/ 10 lakh, need reconsideration. It may have adverse impact on establishing just and fair law of taxation. (There is no point in advertising that small persons are not liable but at the same time they are made liable through fine prints. And there is no point in trying to increase the number of registered dealers without any significant contribution to revenue).

G. Rate Schedule: The Rate Schedule may need wide spread consultations from all stake holders (including consumers who are the ultimate tax payers).

Hoping for your kind consideration.

Sincere Thanks.

For Bombay Chartered Accountants' Society

Chetan Shah

(Chetan M Shah)
President



(Govind G Goyal)
Chairman Indirect Taxation Committee