

30th JULY, 2010

OUTLINES OF IIA'S SUGGESTIONS SUBMITTED ON 30.07.2010 TO SH. PRANAB MUKHERJEE, THE THEN FINANCE MINISTER GOVERNMENT OF INDIA.

1. **CST** - IIA firmly opposes the continuance of CST and accordingly care should be taken that the constitutional amendments are in place accordingly.
2. **Registration and Assessments** –There should be only one Registration authority and one Assessment authority for both SGST AND CGST. Two different assessment authorities are likely to create chaos and inconvenience to assessee.
3. **Longer frequency for return filling** – The business is always under the direct monitoring and surveillance of the officer of the jurisdiction and he knows the ups and downs of every dealer's business. Therefore, return filing is not very important at shorter intervals. Moreover it consumes the precious time of the dealer filing return every months, which would have otherwise being utilized for the growth of the business. Therefore, IIA proposes six monthly returns.
4. **Electronic return filling.** Certified Service Centres and CA's have been proposed to be utilized for Electronic filling of the return. IIA proposes that the dealers may be allowed to file electronic return on their own.
5. **Threshold limit-** Threshold limit of the CGST and SGST should be Rs. 1.5 crore and Rs. 25 Lakhs respectively considering the economic down turn and up turn oft and on.
6. **Compounding limit-** Compounding limit should be upto 60 Lakhs in line with the presumptive tax limit under Income-Tax.
7. **Electricity Duty-** Electricity duty is subsumed in GST at a rationally lower rate.
8. **Exempted items:** 99 items list need to be examined in detail and UP Specific items should be included.
9. **Purchase Tax:** The implication of purchase tax is not clear and need to be properly addressed.

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The First Discussion Paper on Goods and Service Tax in India was released on 20th November, 2009 by the Government of India. Consequent to this a series of discussions/ meetings/ brainstorming sessions were held at IIA Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow. Comments/suggestions were invited from IIA members and other experts on the Discussion paper. The final meeting took place on 28th July, 2010 and the final comments / suggestions were submitted to the Government of India as under on 30th July 2010:

1. **Comments on CST/IGST:** There is a confusion regarding CST and IGST. Whether IGST will substitute CST or CST itself will continue on which 1% Tax has been proposed to be assessed collected or recovered by Central Authority.

A clear nod to do away with Central Sales Tax is a part of Finance Minister's Commitment in "White Paper on VAT". In fulfillment of the same commitment, Finance Minister in his Pre-Budget speech two years back had re-iterated his commitment. Unfortunately, CST which was to go two years back is still there. IIA is against CST on the basis of Principles. Its lower rates adversely affect manufacture and retards development of Industry.

It abets evasions and kills competitiveness of the importing state. Merely because of the fact the 12+1.5(%) Tax of one state in face of 2 or 3 % CST can be evaded by paying safely. Contracts can be obtained on lower bids due to CST and supplies can be managed by quoting 10% or lower rates. The concession has detrimentally been abused by evaders. Therefore, IIA firmly opposes CST or IGST in its place.

2. **Registration and Assessments** – when there will be no CST or IGST there will be no need of two independent authorities i.e. State and Centre for Registration. More over this will create chaos and confusion as two different authorities piloting the same subject and armed with power of discretion may take contradictory views creating a position of dead-lock for instance if State officer rejects "consignment" and Central Authority considers its inclusion in central pool it will be a tug of war between two Authorities. Therefore, IIA opposes Registration by two different authorities.

Special Note- 1:- In VAT Registrations based on Bio-metric data and other requisites have been taken from the dealers at large. Therefore, provision should be made for automatic continuation of registration from VAT to SGST and no further formality may be provided otherwise task of registration will consume years together diverting officers considerations from Assessment and enforcement work.

Special Note- 2:- For automatic transition from VAT to SGST a computer programming be devised for automatic conversion of "TIN Nos" to SGST Nos. which may be got generated automatically. This information should contain an averment to the effect that the dealer agrees and accept the transition and owns the previous liabilities of VAT along with securities, securities what so ever. This averment should accompany every information of conversion.

3. **Physical verification of premises and pre-deposit of security** – Physical verification of premises is delayed for months due to pre-occupation of officers (with in-adequate strength of officers on job) resulting in delays in Registration consequently preventing free-flow of business. Similarly Pre-deposit of security is unwarranted. In case of rejection of Registration, the security can be misused. Therefore, both the exercises may be completed when the Registration is granted. Otherwise there is no need for the futile exercise.
4. **Registration/return formats** - These formats should be without any complication and repetition of details but should be direct, simple and short. At the most the officer entertaining the application may take down of his own accord any further information essentially needed in that behalf.
5. **Longer frequency for return filing** – The business is always under the direct monitoring and surveillance of the officer of the jurisdiction and he knows the ups and downs of every dealer's business. Therefore, return filing is not very important at shorter intervals. Moreover, it consumes the precious time of the dealer filing return every months, which would have otherwise being utilized for the growth of the business. Therefore, IIA proposes six monthly returns.
Selected/identified few may be provided for quarterly returns if required.
6. **Electronic return filing.** Certified Service Centres and CA's have been proposed to be utilized for Electronic filing of the return. This is un-fortunate that if in any Act a particular professional or job doer is proposed for service his rates of hiring or charges substantially go up and the crowd of the offices is shifted to these private persons, who like a public servant are not answerable to anyone. Therefore, IIA proposes that the dealers may be allowed to file electronic return by themselves's if they can do so. If otherwise these facilities may be provided free of cost as arranged by the department itself. Because the dealer is mandated to file returns electronically for the speedy realization of revenue of the State or Central Government.
7. **Threshold limit-** Threshold limit of the CGST and SGST should be Rs. 1.5 crore and Rs. 25 Lakhs respectively considering the economic down turn and up turn off and on.
8. **Compounding limit-** Compounding limit between 25 Lakhs to 60 Lakhs is proposed by IIA.
9. **Electricity Duty-** IIA has no objection if the electricity duty is subsumed in GST at a rationally lower rate.