

7 Years of GST: Learnings and Road Ahead

by

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Introduction:

- **GST was introduced w. e. f 1st July 2017**
- **Purpose “One Nation one Tax”**
- **Lot of expectations by the traders and also anxiety in the mind.**
- **Many awareness programmes were organised by tax experts and tax officials.**
- **Composition Schemes for Small Tax payers**
- **Total number of Registered persons under GST in July 2017 were 66,47,581 and Total Collection in Aug 2017 was Rs. 92,283 crores**

GST Time Line : 7 years of Journey 2017-18

2017-18: Early Reforms

- **Rates Rationalization:** Items moved from higher to lower tax slabs.
- **Simplification of returns:** Introduction of **GSTR-3B** (summary return) and **GSTR-1** (sales return).
- **E-way Bill system** announced (implemented in 2018).

GST Time Line : 7 years of Journey 2018-19

2018-19: Stabilization Phase

- **E-way Bill Implementation:** For movement of goods > ₹50,000.
- **GST Council Meetings** became more frequent to address concerns.
- More items like TVs, refrigerators, and sanitary pads brought to lower tax brackets.

GST Time Line : 7 years of Journey 2019-20

2019-20: Digitization and Compliance Focus

- Introduction of **New Return Filing System** (GSTR-2A, 2B).
- **QRMP Scheme**: Quarterly Return Monthly Payment scheme for small taxpayers.
- Mandatory **e-invoicing** introduced in phases (starting with businesses > ₹500 crore turnover).

GST Time Line : 7 years of Journey 2020-21

2020-21: COVID-era Reliefs

- **Deadline Extensions** and waiver/reduction of late fees.
- Relaxation in compliance for MSMEs.
- Gradual rollout of e-invoicing continued

GST Time Line : 7 years of Journey 2021-22

2021-22: Technology Upgrades

- **E-invoicing expanded** to businesses with turnover > ₹20 crore.
- **Auto-population of returns** from e-invoicing data.
- GST portal improved with real-time data tracking and analytics.
- **Blocking of ITC** for mismatched invoices without vendor compliance.

GST Time Line : 7 years of Journey 2022-23

2022-23: Anti-evasion and Simplification

- **E-invoicing threshold lowered to ₹10 crore.**
- **More use of data analytics and AI for fraud detection.**
- **Rule 36(4) enforcement: Restriction on ITC without matching GSTR-2B.**

GST Time Line : 7 years of Journey 2023-24

2023-24: Policy Tightening and Reforms

- **E-invoicing threshold further reduced to ₹5 crore.**
- **Mandatory geocoding of addresses for new registrations.**
- **Biometric authentication introduced for high-risk applicants.**
- **Introduction of Tax Rates for Gaming etc.**

GST Time Line : 7 years of Journey 2024-25

2024-25: Toward GST 2.0 (Emerging Updates)

- Proposed **single GST return format** (consolidation of GSTR-1 and GSTR-3B).
- Talks of **merging CGST and SGST** for ease of administration.
- Inclusion of **petroleum products and alcohol** under GST being considered.
- Further simplification for **MSMEs and start ups**.
- **Total collection in March 2025 was 1,96,141 crores and Rs. 22,08,861 crores in F Y. 2024-25**

Importance of Traders in Indian Economy

- Traders are the backbone of the Indian Economy.

Importance of Traders in Indian Economy

- Around 1.3 crores (1.4 crores Dec 2024 - 10 lacs) are registered traders and around another 7.7 crores of traders shall be unregistered. Taking the total number close to 9 crores.
- The contribution of the traders in the Indian GDP shall not be less than 10% to 15% (Rough estimate), which is 5 times of steel industry and 4 times of textile industry's contribution.
- Traders provide employment to around 27 to 30 crores people.

Impact on Traders – Initial Challenges

- **Lack of awareness & training**
- **Tech adoption issues**
- **Compliance burden (returns filing, multiple portals)**
- **Fear of penalties**

Impact on Traders – Amendments

- GST was made applicable from 01.07.2017, and was a Premature Baby.
- **590** Amendments in GST Rules
- **342** Amendments in GST Act.
- Many Circulars and Instructions were also issued.
- Such huge number of Amendments created and is creating confusion in the mind of Taxpayers, Tax officers, and even professionals.

Impact on Traders – Amendments

- Even for introduction of E-way Bill as many as 12 Notifications were issued and e-way bill made effective from 01.04.2018 by final Notification 15/2018 dated 23.03.2018.
- **Even sub rule 7 of Rule 138 of GST Rule is yet to be notified, which Creates confusion in the mind of Taxpayers, Tax officers, and even professionals.**

Impact on Traders – New Registration

- **Aadhar, PAN Card, and photo of Landlord were demanded.**
- **Registered Rent Agreement was asked.**
- **Latitude and longitude mismatch were noted**
- **Notarized NOC were asked.**
- **Applications were rejected assigning the reason “Not satisfactory”**
- **Time line not followed**
- **PV reports not uploaded in the Portal**
- **ROR Should be Gharbari**

Impact on Traders – Inspection and Search and Seizure

- Powers are limited in Inspection and more in Search
- Authorization by not below the rank of Joint Commissioner and there must be “Reason to Believe”
- Name suggests the meaning of Search,
- Same form is used for Inspection/ Search
- Must be secreted goods/documents
- Precise and exhaustive not illustrative or inclusive
- Details of location and address of secreted items must be mentioned.
- Excess stock, refer section 35(6), SCN only under 73/74/74A but not under 130. No fine can be imposed for excess stock only tax and penalty but department assesses under section 130 and imposes hefty fine and penalty.

Impact on Traders – Transportation of Materials

- Vehicles are detained enroute
- For undervaluation Refer AN Enterprises (Allahabad HC), KP Sugandha- (CG-HC)
- For non accompanying e-way Bill.
- Rule 138(7) not notified so far
- *“Where the consignor or the consignee has not generated FORM GST EWB- 01 in accordance with the provisions of sub-rule (1) and the value of goods carried in the conveyance is more than fifty thousand rupees, the transporter shall generate FORM GSTEWB-01 on the basis of invoice or bill of supply or delivery challan”*
- Seizure of material u/s 129 and penalty u/s 122
- Imposes penalty and tax around 50000. So cost benefit analysis does not permit to file appeal.

Impact on Traders – Return Filing

- **Multiple returns needs to be filed- GSTR 1, 3B, 7,9, 9C**
- **Late fee and Interest both needs to be paid.**
- **The dealers(Contractors) do not get payment in time**
- **Input claim under wrong head, revenue neutral case demand raised and interest and penalty also imposed.**
- **No input tax available till the seller files the return.**
- **HSN Code – Quantity details needs to be furnished**

Impact on Traders – Audit of Accounts

- **Notice issued for multiple years**
- **Minimum 15 working days' time is to be given**
- **One show cause notice for multiple years is not allowed**
- **In audit cases SCN only under section 73, 74 or 74A.**
- **While replying must mention “notice is not free from defect”**
- **Order can not be beyond SCN**
- **Ensure notice is served within the allowed time.**
- **Due date of issuing notice and order has been extended u/s 168A. The same is challenged in various HCs and Supreme court. (last date for order of 2017-18 was 05.02.2023, 2018-19 was 31.12.2023, 2019-20 was 31.03.2024, and for 2020-21 was 28.02.2025) reasons no Force Majeure and No recommendation of GST Council, but it was based recommendation of implementation committee.**

The Hidden Impact of GST's Section 74A – Relief or More Tax Disputes?

- **Section 74A made effective from 1st Nov 2024.**
- **Assessment up financial year 2023-24 shall be under Section 73 or 74, but for Financial Year 2024-25 onwards Section 74A shall be applied.**
- **Notice need to be issued within 42 moths from the due date of filing of Annual Return, earlier it was 33 months in case of Notice u/s 73 and 54 months in case of Notice u/s 74.**
- **Now order to be issued within 12 moths (can be extended to 18 months upon approval) from the issuance of Notice, earlier no such time line was prescribed but assessment was to be completed within 36 and 60 months from the due date of filing of Annual Return u/s 73 or 74 respectively.**
- **Penalty structure remains same with some time given to the taxpayer.**

Amnesty Scheme: Waiver of Interest and Penalty

- Amnesty scheme was introduced Under Section 128A
- Waiver of Interest and penalty if the tax demanded is paid.
- Only For the period 2017-18, 2018-19 and 2019-20 and demand raised under Section 73
- This shows that the department has felt that the exorbitantly/unnecessary demand has been raised and chances of collecting / winning the same is least, hence the amnesty scheme.

Setback to the Taxpayer: HSD out of GST Purview

- The whole objective of “One Nation One Tax” was defeated by keeping HSD out from the GST purview.
- Such decision created extra burden on taxpayer rather double taxation.
- Cost of diesel is also included on the hire charges while calculating GST and No input of VAT paid on HSD.

Setback to the Taxpayer: Non allowance of Input Tax Credit on purchase of the vehicles

- **The GST Paid on purchase of vehicles (up to 13 seaters) used for business purposes is not allowed as Input. Section 17(5)**
- **Such decision is against the principles and objective of GST.**

Setback to the Taxpayer: Kerla Flood Hit Traders

- The traders lost huge stock during the flood last year.
- Now department have started issuing notice to reverse the input credit for lost goods.
- In the GST Bill u/s 11 there was provision for non-reversing input credit for such lost goods.
- But in the final act the provision was deleted. In the Central Excise regime such provision of non reversal was prevailing.

360 degree Appraisal system should be introduced.

- A system of 360 degree Appraisal system should be introduced for appraising the performance of the Tax officials, wherein the taxpayer is also given a opportunity to judge the performance.
- Such 360 degree appraisal system is prevailing in most of the Multinational Companies.

Notices/ orders without DIN are bad in Law

- It is seen that State Tax officials are issuing Notices/ Orders without mentioning DIN.
- Always challenge such Notices / Orders before the Proper Officer and Appellate Authority.
- Central Board of Indirect Taxes and Customs (CBIC) Circular No. 128/47/2019-GST dated December 23, 2019, which mandates that all GST communications, including assessment orders.
- The **Andhra Pradesh High Court**, in ***Raam Autobahn India (P.) Ltd. v. Assistant Commissioner [W.P. No. 10549 of 2023]***, ruled that assessment orders issued without a Document Identification Number (DIN) are invalid
- The hon'ble apex court in case of **Pradeep Goyal vs Union of India decided on 18 July, 2022** in WRIT PETITION (CIVIL) No. 320 of 2022 had also taken the similar view.

Current Pain Points for Traders

- Frequent law & rate changes
- Tech glitches on GST portal
- High penalties for small errors
- Burden of reconciliation and audits

Way forward- What Traders want

- Simplified and stable GST regime
- Lower compliance costs
- Portal should generate reconciled statement (GSTR 1 vs 3B, etc.)
- Better helpdesk & regional support
- Rate rationalization
- Protection against harassment during audits/ adjudication
- GST Appellate Tribunal setup
- Faceless assessments

Key Takeaways

- **Don't be in panic.**
- **Timely comply the notices.**
- **Closely monitor whether the notices are within scheduled time.**
- **Upon receipt of show cause notice, reply the same with all the grounds you have, including technical and merits. Don't expect mercy while countering the SCN. Discuss with / Engage good Tax Consultant.**
- **The order cannot be beyond the show cause Notice.**
- **Monitor Supreme Court's final ruling for clarity on whether SCN adjudication deadlines can be extended via notifications.**
- **Always Challenge the Notices/Order without DIN.**
- **Last but not least be united.**

Key High Court Rulings

➤ 1. Telangana High Court's Stand

- Petitioners challenged **Notification Nos. 13/2022, 9/2023, and 56/2023**, arguing that no force majeure conditions existed to justify an extension of time beyond the statutory limit.
- The Court ruled that **notifications not recommended by the GST Council are invalid.**

➤ 2. Allahabad High Court (Graziano Transmissions v. GST Dept.)

- Held that **Supreme Court's suo motu extensions for COVID-19-related limitations do not apply to GST proceedings.**
- Declared that **notifications extending SCN timelines without force majeure justification are unlawful.**

Key High Court Rulings

➤ 3. Gauhati High Court (M/s. Barkataki Print v. UOI)

- Clarified that **recommendation by the GST Council is a precondition for Section 168A notifications.**
- Held that **post-facto ratifications by the Council do not validate already issued notifications.**

➤ 4. Patna High Court (M/s Barhonia Engicon v. Bihar State)

- Upheld **time extensions under Section 168A**, reasoning that the government needs flexibility to deal with unforeseen crises.

Conclusion:

- GST is evolving – some wins, some worries
- Traders are key players in India's economy
- Collaboration between Govt & Traders needed for a smoother GST regime

Information:

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THANK YOU

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