

22nd January, 2020

Hon'ble Prime Minister of India,  
South Block,  
New Delhi – 110001.

**Sub : GST complexities & suggestions – Suggestion to removing the “GST Audit”**

Hon'ble Prime Minister,

Under your dynamic leadership, India experienced the beginning of GST regime effective 1st July, 2017. A bundle of **“regressive indirect taxes”** were removed from the statute book and merged into one unanimously by the Centre and States. Indeed it was an historic move and a bold initiative. We as a country showed the entire world that we meant business and our country shall follow the international tax system for goods & services. Hon'ble Prime Minister, Sir, the advent of GST regime brought smiles for all the stakeholders. Indeed, it was a “defining movement” for our country. All over the world, our GST system was praised and hundreds of articles were written. Hon'ble Prime Minister, Sir, as an Indirect Tax Expert with an experience of over 35 years, I can share my experience and experience of my fellow professionals all over the country that we are evolving very well in this new system of indirect taxation.

2. No doubt the GST mechanism has not brought the expected “revenue yield” for the Centre and States. All of us had expected a revenue buoyancy in GST regime especially when the GST system was supposed to be a very simplified tax and it was to result into “*Making India*” as one market. But as we are now experiencing the expected results are short of expectations and the **“revenue growth”** has not happened as per expectations.

3. Hon'ble Prime Minister, Sir, our experience on ground has been that the tax collectors, tax administrator, tax policy-makers have implemented GST with not a positive commitment, if I may say so. Whether it is State GST or a Central GST team, the common thread running in both the tax regime is to create **“fear psychosis”** to get tax.

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4. Hon'ble Prime Minister, Sir, the events and actions that happened on ground for last two years are not very encouraging for a long-term GST solution to collect the expected revenue for the Centre and States. It is felt that the GST administration have not been able to encourage the registered taxpayers to approach them for problem solutions, or to be guided or to seek advance rulings under the law – this has resulted into a kind of indifferent attitude towards tax payments. The grey market that was to be totally destroyed by GST regime has once again flourished. Lakhs of shopkeepers all over the country who sell goods or provide services continue to be unregistered even though they are required to be registered and pay taxes. Further, the issue of refunds as per law to the legitimate taxpayers also caused concern to business community and to us professionals.

5. Hon'ble Prime Minister, Sir, the cost of compliance is a huge worry for the Central Government and State Governments. For your information, a taxpayer has to get his financial accounts audited, get a GST Audit report, get income-tax audit report, get his accounts audited by SEBI and all these audits are further subjected to department audit, special audit and, on top of it, audits of AGCR. Besides these torcherous audits, every month the taxpayers struggle to collate information for filing various returns required under GST law. Such a system, if I may take the liberty to write so, is defeating the very logic of a good & simple GST regime as you personally had anticipated. A simple and easily compliant tax regime is the soul of GST world-over. Here, me and my fellow professionals think, we need a lot of work to be done not by bureaucrats but by working in tandem with professionals who work on the ground and with trade associations. It is not a difficult task but it requires time and receptive tax officers.

6. India is virtually a “**digital economy**“ today. Income-tax administration has been virtually made digital with no human interface. There is a news that income-tax department may abolish “tax audit u/s 44(AB)“. It is indeed a welcome move and this will give tremendous relief to the taxpayers.

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On similar lines, GST system has started with a “**differential advantage**“ in the sense that right from day one, all the information about sale or purchase of goods & services by the taxpayers is online. With e-way bill system becoming a great success and with e-invoicing likely to be introduced, all the information that is required by tax administration is available online. Therefore, to subject taxpayers to get GST Audits done by the accountants or by Company Secretaries is not only not required but it casts a shadow on our digital economy. There are sufficient safeguards by way of penal provisions provided in GST regime. Therefore, there is no necessity to subject the taxpayers to GST Audits. More so when entire information about the business done by the taxpayers is readily available to all the officers in the tax administration department.

7. It is our considered opinion that “GST Audit“ is not required at all and if at all any special circumstances of a given taxpayer require audit, GST law has provisions for conducting Special Audits.

### **Suggested Way Forward**

8. Hon’ble Prime Minister, Sir, it will be good for the GST tax administration if GST Audit is removed from the statute book. This is particularly so when GST Audit even for 2017-18 has still not been done and there are notifications extending the dates for such audits or exempting certain class of taxpayers. The information asked for in the GST Audit Form is readily available to the GST department through various returns filed by the taxpayers. It is impossible for any professionals to give a certificate that all the GST rules have been followed by the taxpayers. GST Audit is done based on books and other documents that are given by the taxpayers to the accountants. With thousands of documents, legal interpretation of HSN classification, nature of supply, point & time of supply, exemptions, interpretation of tax rates – it is virtually not possible to give a certificate that all GST laws have been complied with.

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9. There are lots of other issues where we professionals would like to assist the Government not only to simplify the GST laws but also suggest measures to increase the revenue so that more funds are available for various developmental schemes.

10. To elaborate on such issues, may I request, Hon'ble Prime Minister, Sir, to give us an hours time so that we professionals could give you a brief presentation where GST law needs more teeth and improvements.

11. Hoping to hear from your office for an audience in person with our beloved Prime Minister.

Thanking you,

Yours faithfully,

**(Sushil Verma)**  
**Advocate**