



NITYA
tax associates



**GST Portal – Fifth Estate of
the GST Law!**

Buoyancy of revenue collections post shift to the GST regime is most talked about financial news currently. This feat was impossible to achieve without seamless integration of technology with law, a foundation on which the GST law is built. Introduction of the GST was experimental not just because of novelty of concept but also because it was first time that Indian lawmakers meshed technology to such a large extent with law. Initially, GST Portal witnessed unpreparedness & haste and Fifth Estate of the GST law crumbled down in no time. Taxpayers bore brunt of lack of adequate IT infrastructure in initial years of implementation of the GST part of which continues even today.

A recent report titled 'Fixing the GST Process: Five Years of Iterative Problem Solving'¹ released by the Economic Advisory Council to the Prime Minister ('Report') has examined progress of IT infrastructure under GST through relevant statistics. This necessitates discussion on role played and continue to be played by GST Portal in evolution of GST law.

The first set of challenges in the GST regime started with transitioning of credits of erstwhile regime which many taxpayers failed to transition due to technical glitches on GST Portal. Many Writ Petitions were filed before multiple High Courts across the country on the premise that substantive benefit cannot be denied merely because of inadequate functioning of GST Portal. Added to this, the Legislature retrospectively amended the GST law to overrule favorable High Court judgments. The issue attained finality in the case of **Union of India v. Filco Trade Centre Private Limited, [2022-VIL-38-SC]** wherein the Supreme Court directed re-opening of GST Portal and permitted all taxpayers to file or revise their transitional credit forms. Despite specific directions of the Apex Court, GST Portal witnessed glitches on its re-opening even after 5 years of its development.

The next set of technological challenges were faced by taxpayers during initial phases of the GST regime when return filing system did not function properly. A stop gap arrangement was made by introducing GSTR-3B (instead of earlier proposed GSTR-1 to GSTR-3). As on today, initial format of return filing system stands completely scrapped and return in GSTR-3B has found permanent place in the GST law. Even after introduction of GSTR-3B, GST Portal did not function seamlessly leading to extension of its due date of filing on multiple occasions.

When taxpayers faced IT issues on GST Portal, generally they did not directly approach the jurisdictional High Court for intervention and instead raised grievances on GST Portal. Report acknowledged that number of queries initially raised on GST helpdesk were high. In some instances, the Courts rightly came to rescue of taxpayers holding that technical glitches on GST Portal cannot be attributed to taxpayers whereas denied any relief in other cases.

Further, lack of full-fledged ITC-matching mechanism consistently resulted in issuance of demand notices to taxpayers as department blindly relied on mis-matches generated on GST Portal. Taxpayers were asked to explain every mis-match. Similarly, taxpayers' ITC were regularly questioned because of non-payment of tax by their suppliers' which was beyond control of any taxpayer. Even today, there is no mechanism on GST Portal to ascertain whether taxpayer's supplier has deposited GST or not.

It is quite intriguing to go through some important statistics on GST Portal covered in the Report. Indirect Tax collections has significantly increased from Rs.3.19 lakh crores in 2016-17 to a record Rs.18.06 lakh crores in 2022-23 post introduction of the GST. Another important highlight is that GST helpdesk initially had 550 agents to attend grievances which reduced to 200 in 2023. During initial period, there were call volumes of 60,000 per day which has reduced to less than 10%. In 2017, number of technical glitches reported exceeded 2.36 lakh in a quarter which reduced to half in 2018 which again increased when Annual Returns were implemented. A useful metric that can provide valuable insight is number of complaints as a proportion of number of returns filed. This ratio was 0.83% in September 2017 which now stands reduced to 0.04%. Another interesting parameter is customer satisfaction ratings basis resolution of issue. Over a period of 6 years, customer satisfaction is showing a stabilization well above 90%. Further, timely compliance by taxpayers also witnessed consistent upward trend, closing at nearly 76% in December last year. A report on tax administration by OECD states that average VAT / GST compliance rate in advanced economies is 86% which depicts target to reach in coming times. Number of bugs / defects in software system has significantly reduced from 2330 in 2017 to 23 in 2022. Number of days taken in resolution of complaints was 14 days in 2017 which is now reduced to 3-5 days in 2022. Integration of AI platforms with GST grievance redressal has also witnessed major benefits for taxpayers over these years. This clearly depicts that GST Portal has managed to significantly fix & reduce glitches over a period of time.

¹ https://eacpm.gov.in/wp-content/uploads/2023/04/Fixing-the-GST-Process_Five-Years-of-Iterative-Problem-Solving.pdf

The Authors are impressed to witness a technology-based tax regime which was initially marred by multiple glitches and has eventually come up so well to achieve what initially looked like an impossible proposition. The above data clearly depicts the Government's efforts in continuously improvising GST Portal and moving towards perfection. It has ensured better enforcement of compliance. All in all, GST law, unlike in other jurisdictions, is symbolic of its pro-active approach in India.



Puneet Bansal
Managing Partner
(Author)
NITYA Tax Associates



Sourabh
Managing Associate
(Co-Author)
NITYA Tax Associates



Srishti Yadav
Associate
(Co-Author)
NITYA Tax Associates