



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)



**GROW, SHARE
& TRANSFORM**

CA. Raghavendra T.N.
President

CA. Chandrashekara Shetty
Secretary

Date: 7th November 2017

To,

Shri Arun Jaitleyji
Hon'ble Union Minister for Finance
& Corporate Affairs
Government of India
North Block
New Delhi - 110001

Hon'ble Sir,

Re: PRESSING ISSUES IN GST COMPLIANCES for Review by GST Council

The Karnataka State Chartered Accountants Association (R) (in short '**KSCAA**') is an association of Chartered Accountants, registered under the Karnataka Societies Registration Act, in the year 1957. KSCAA is primarily formed for the welfare of Chartered Accountants and represents before various regulatory authorities to resolve the professional problems faced by chartered accountants and business community.

With this backdrop, we have written to your good selves many a times populating issues and possible solutions. It is heartening to see many of our points have been considered and some solutions have been adopted. We have been called upon by trade and industry as well as professionals to help them represent the pressing issues, which if eased will alleviate slew of underlying problems faced.

Pressing Issues/ Suggestions:

GST Returns

- The Revision option of central excise and service tax return should be activated till the due date of filing GST TRAN-1 i.e. 30th November 2017.
- The Revision option of Trans-1 should be incorporated to reduce hassles to both administration and assesseees.
- Returns for the month of August 2017 and September 2017 have been submitted with inadvertent errors but could not be filed because of "No Edit" "No Re-submission" option. Data analysis of the issues faced should be captured and resolved on real time basis by GSTIN team.
- The Column for Debit Note and Credit note for Imports should be incorporated in Returns.

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- There are some columns in GSTR-2 Return which does not have amendment options like Table 7, Table 13 etc. should be enabled for amendments.
- Invoice-wise approval of inward supplies in GSTR-2 is a time-consuming process. We suggest that an option for supplier-wise bulk approval of invoices be enabled which will significantly reduce the time taken by dealers to complete approval process.
- More time should be provided for resolving GSTR-1A issues, which is presently fixed at 2 days.
- The Excel Template / return utilities should be improved with more options like validation of GSTINs, Tax computations according to tax rate, inter-state/intra-state classification. When the basic validations are done from such tools the burden on online portal may get reduced.
- HSN wise summary for inward supplies in GSTR-2 should be dispensed with as necessary data is already captured through GSTR-1.
- The jurisdictional officer should be entitled to allow the dealers to file revised return based on a true and correct statement. The option to change challan credit also be enabled now seeing the kind of problems faced and no refund mechanism in place alongside. It is quite obvious that any person can make an inadvertent mistake and it should always be having a correction mechanism.
- In the event of a particular month return not being filed due to any hardship faced by the dealer will result in the dealer not being able to file subsequent month return. Since he is paying interest and also since the assessment and return is monthly or periodic, this should not create hindrance in filing subsequent month/period return. This restraining will cause perpetual problem to the dealer; and is definitely not a solution or punishment worthy to correct the dealer who is genuinely facing problem and who is out of his own volition unable to resolve the issues holding him back from filing return of a particular period.

Levy of Interest, late fees and penalties

- Levy of late fees / penalties for delayed filing of returns should be done away with till March 2018.
- There should not be levy of any interest and penalties on short payment of taxes arising out of differences in Form GSTR-3B and GSTR-3 during transition till March 2018. Especially when the GSTN infrastructure itself is crumbling and trying to find its feet, obviously the business also has its fair share of difficulties which needs support from the administration arm and a bit of hand holding is required.
- Any kind of late fees and penalty should be done away with till the entire process is streamlined and the compliance process is smoothened.

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- Allow utilization of the late fees credited back into electronic credit ledger due to waiver for utilization of CGST/SGST/IGST.

Composition Scheme

- In the 22nd GST Council Meeting, decision was taken to raise the threshold limit for Composition Scheme from Rs.75 Lakhs to Rs.1 Crore, but notification to this effect has not been issued till date. These kinds of notifications should also flow immediately to alleviate confusion.
- Composition dealers who migrated from old regime to GST regime were given composition option w.e.f. 1st October 2017 due to which they have been forced to file GSTR-3B for the period July 2017 to September 2017 by availing input tax credit like a regular dealer. They are further burdened with reversal of input tax credit availed in respect of closing stock held on 30th September 2017.
- Composition dealers are required to upload all their purchases even before regular dealers have filed their GSTR - 1 for month of August / September 2017. It would be better if the quarterly returns are postponed to December 2017. This process of specifying purchase invoices should be done away for the simple reason that the dealer exercises this option for ease of operations and anyhow the same will be populated by the supplier of goods and services.
- The threshold limit for Composition scheme be raised to Rs.1.50 Cr to ease compliance pressure on MSMEs. The Composition scheme should also be extended to service providers with a lower threshold limit of Rs.50 Lakhs.
- Uniform tax rate for Restaurants, manufacturers and traders be prescribed under Composition scheme.

Small & Medium Enterprises

- Requirement of mandatory registration be relaxed even for small traders making interstate supplies with a minimum threshold limit of Rs.20 Lakhs similar to small service providers.
- Scheme of Quarterly filing of returns should be extended to dealers up to a turnover limit of Rs. 5 Crores to ease load on GSTN infrastructure.
- Having a quarterly return for all the assesses will definitely reduce the burden on all the stake holders. A comprehensive revamping is required on the basis of the problems represented by the trade.

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- Clarity on effective date regarding suspension of payment of tax under reverse charge for procurements from unregistered suppliers be provided immediately. Trade and Industry will be greatly relieved if the notification is applied retrospectively.

SEZ Units and Developers

- When the SEZ units and developers migrated to GST Portal, they have identified themselves as SEZ in the online registration. However, they were not shown as SEZ Unit / SEZ developer. As per GST law, supply to or by an SEZ unit / SEZ developer is an Inter-State Supply. However, due to technical issues, these unit(s) were not identified as SEZ unit in the GST website, the supplies to SEZ or supplies made by SEZ within Home state (say Karnataka) were shown as Intra-state supplies and not Inter-state supply while filing GSTR-1 in the online filing module. This has resulted in charging wrong tax by Suppliers i.e. CGST & SGST instead of IGST. Though this issue was taken up with respective jurisdictions and CBEC help desk, it has not been resolved even after repeated reminders.
- In July GSTR-3B, IGST has been paid on the outward supply. However, in the July GSTR-1, the same supply has been shown as Intra-state supply as the option to show IGST for supply made to home state was not available at that point of time. Hence, SEZ entity would be liable to pay CGST and SGST, apart from the earlier payment of IGST. An option for return of the tax paid or correction in GSTR-1 should be allowed. Further, in August GSTR-3B, CGST and SGST was paid due to the technical issue faced during filing July GSTR-1. This has really caused nightmare... on one side you are required to pay IGST and when you file you are made to pay CGST and SGST. Next month seeing this issue pay wrongly just to comply the software. This is akin to choosing between the devil and deep blue sea.
- Migrated SEZ Units and developers have not been able to accept the invoices marked as "Supply to SEZ" in GSTR-2 and such invoices are being categorized by GSTN portal as "Pending Invoices for validation". An option may please be enabled immediately which allow SEZ units and developers to accept these invoices.
- There is no clarity on the documents to be submitted by the supplier for obtaining refund of GST on supplies to SEZ. As per GST Law, the Specified officer should endorse the relevant documents. There is no clarity on which all the documents should be endorsed by the Specified officer. Also, it is not clear whether the hard copy of the documents should be endorsed, or the endorsement should happen in the SEZ Online system. Presently, Specified Officer(s) are clueless on the procedure of endorsing. Further, there is no clarity as to whether the hard copy of the endorsed invoice should be submitted, or the scan copy should be uploaded in the GST portal. Absence of proper clarity may lead to denial of refund claims at a later stage for the want of proper documents. Clarity may please be provided immediately.

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- Dealers under Composition scheme were not barred from making supplies to SEZ units in pre-GST regime. But it is curtailed under GST Regime now. This warrants relaxation to help small dealers and MSMEs.

In a progressive approach and in the path of successful implement of GST law, we as the partners in nation building, have been requested by trade and practitioners to represent the issues being faced in the compliance machinery. In this endeavour we write this memorandum.

May we request your goodselves to kindly bring out in FAQ manner these issues and solutions and have the GSTN team respond in quick time a solid solution to ease the tension.

Hope to make a meaningful contribution towards stimulating the points worthy of deliberation and consideration at this stage of actual implement of GST, seeking support from your goodselves in easing these problems!!

For Karnataka State Chartered Accountants Association ®

CA. Raghavendra T.N.
President

CA. Chandrashekara Shetty
Secretary

CA. Vijay Sagar Shenoy
Chairman
Representation Committee