

GST rollout CBEC looks to curb tax evasion

Central Board of Excise and Customs pitches for an information exchange system between tax agencies

With the roll-out of goods and services tax (GST) in the works, the Central Board of Excise and Customs (CBEC) is pitching for an information exchange system between different tax agencies to curb evasion.

GST is expected to create a trail of different transactions as at every level traders will have to register their invoices to claim input tax credits. In addition, the entire process will be online with the help of the information technology infrastructure. The integration of state and central indirect taxes will provide a comprehensive picture of a taxpayer.

This will make it easier to check evasion of any tax—both direct and indirect—by a trader if the different agencies share information among themselves.

For instance, it can detect cases where a company pays a certain amount of tax deducted at source (TDS) but does not pay the excise duty at all or pays a lower amount of excise duty that is not commensurate with its profit.

“The enforcement of central excise enforcement has improved over the last couple of years. The data received from CBDT (Central Board of Direct Taxes) in the last two years has helped in better enforcement especially in the area of TDS (tax deducted at source) and foreign remittances,” said an official at CBEC.

“There is a case for a formalized sharing information agreement between all the tax agencies especially under GST where all information is computerized,” the official added.

The GST network (GSTN), the information technology backbone for GST, is readying a PAN (permanent account number) based-registration, filing of tax returns and a

payment processing system system that will help in collating all relevant data in one place.

GSTN will act as a portal where all data will be collected on behalf of the centre and the states and then passed on to the tax authorities.

To be sure, tax agencies do share information informally. CBDT in 2011 undertook a 360-degree profiling of taxpayers by matching their direct and indirect tax payments to check for tax evasion. The different investigative wings of the departments also share data on specific cases of tax evasion.

GST is a tax reform that seeks to economically unify the country by removing barriers across states. The government hopes to implement GST by 1 April 2016 but is finding it difficult to meet its rollout date given legislative hurdles and a delay in passing an enabling constitution amendment bill in Parliament.

“A major change under GST will be that the entire indirect tax system will be on an IT (information technology) platform. A trader will be not able to claim input tax credit till the supplier does not upload invoices and file the monthly tax return, thereby checking the problem of fake invoices,” said R. Muralidharan, senior director at Deloitte in India. “There will also be a greater coordination between the centre and the states. Also, since the registration under GST is PAN-based, there is a direct linkage between direct and indirect tax.”