

I. Findings of CAG Report

The CAG report acknowledged that:

• The roll out of GST has been a landmark achievement of the Government with respect to unifying multiple central and state taxes barring a few goods/sectors and availability of Input Tax Credit (ITC) across the entire value chain.

• Multiplicity of tax rates has been eliminated to a large extent.

• The objective of roll out of single IT based interface for taxpayer has been achieved to some extent

The CAG report further mentions that one significant area where the full potential of GST roll out has not been achieved is the roll out of the simplified tax compliance regime.

• Even after two years of roll out of GST, system validated Input Tax Credit through “invoice matching” is not in place and nonintrusive e-tax system still remains elusive.

• The complexity of return mechanism and the technical glitches resulted in roll back of invoice-matching, rendering the system prone to ITC frauds. Thus, on the whole, the envisaged GST tax compliance system is non-functional. The deficiencies in the GST system also point to a serious lack of coordination between the Executive and the developers.

IT audit of GSTN

• The CAG pointed out that in 16 cases, the key validations/functionalities as existing in the rolled out modules were not found aligned to the applicable provisions. Of these 16 cases, the required validation was not included in the Software Requirement Specification (SRS) itself in seven cases, the validations were not built-in even though SRS was correctly framed in eight cases and the SRS provision included a condition not prescribed in the Act in one case.

• System design deficiencies like following were highlighted in the report □ There were no controls totals like check sums or record level totals in files shared with accounting authorities. □ The IGST algorithm was found to be defective picking up entries from wrong reports in IGST module.

To sum up the IT Audit findings:

• While acknowledging that GST is a completely new system being developed, in view of its magnitude and Pan-India impact, it is all the more necessary that due care is taken both in development and in testing of the system before roll out.

• The failure to map business rules correctly and the absence of key validations in the rolled out system points to inadequacies in the functioning of GSTN.

II. Public Consultation On Electronic Invoice Standards To Be Used Under GST System

In context of the decision of 35th GST Council to introduce electronic invoice from January 2020 the standards for electronic invoice to be used under GST System has been put in the public domain for consultation.

• The new system will lead to one-time reporting on B2B invoice data in the form it is generated to reduce reporting in multiple formats (one for GSTR-1 and the other for e-way bill) and to generate Sales and Purchase Registers (ANX-1 and ANX-2) and from this data to keep the Return (RET-1 etc.) ready for filing.

• GSTN, in partnership with ICAI, has drafted an e-invoice standard, (referring and considering the PEPPOL standard, which is based on UBL standard) that takes into account the requirement under tax laws and has features required for international trade.

• The e-invoice draft now placed in the public domain is in the following three parts:

1. E-invoice schema

2. Masters

3. E-invoice template (compulsory fields are marked green and optional fields are marked yellow)

• Interested parties could share their feedback on www.gstn.org/e-invoice/feedback before or latest by 20th August 2019.

III. Department to Pay 9% Interest on Delayed IGST Refund: High Court of Gujarat – 10th July 2019 (Special Civil Application no. 15925 of 2018)

The Gujarat High Court in writ petition in M/S Saraf Natural Stone vs. Union of India, has held that the department is liable to pay simple interest on delayed payment of IGST refund @9% to the petitioner

The Court further held that the interest must be paid from the date of filing of GSTR-03 return.

IV. Miscellaneous Updates:

• Kerala Flood Cess made effective from the 1st day of August, 2019 vide Notification G.O.(P) No.97/2019/TAXES;


• The Finance (No. 02) Bill, 2019 gets Presidential Assent to become The Finance (No. 2) Act, 2019 and the same has been published in The Gazette on dated 1st August 2019;

• GST collection in July crossed Rs 1-lakh-crore mark after a slump in the month of June. As per data released by the government, the total collection under Goods and Services Tax was reported to be Rs. 1.02 lakh crore in July 2019.

With Best Regards,

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file:///C:/Users/it/Desktop/sonu/Weekly GST Updates-08-08-2019/index.html

1/1