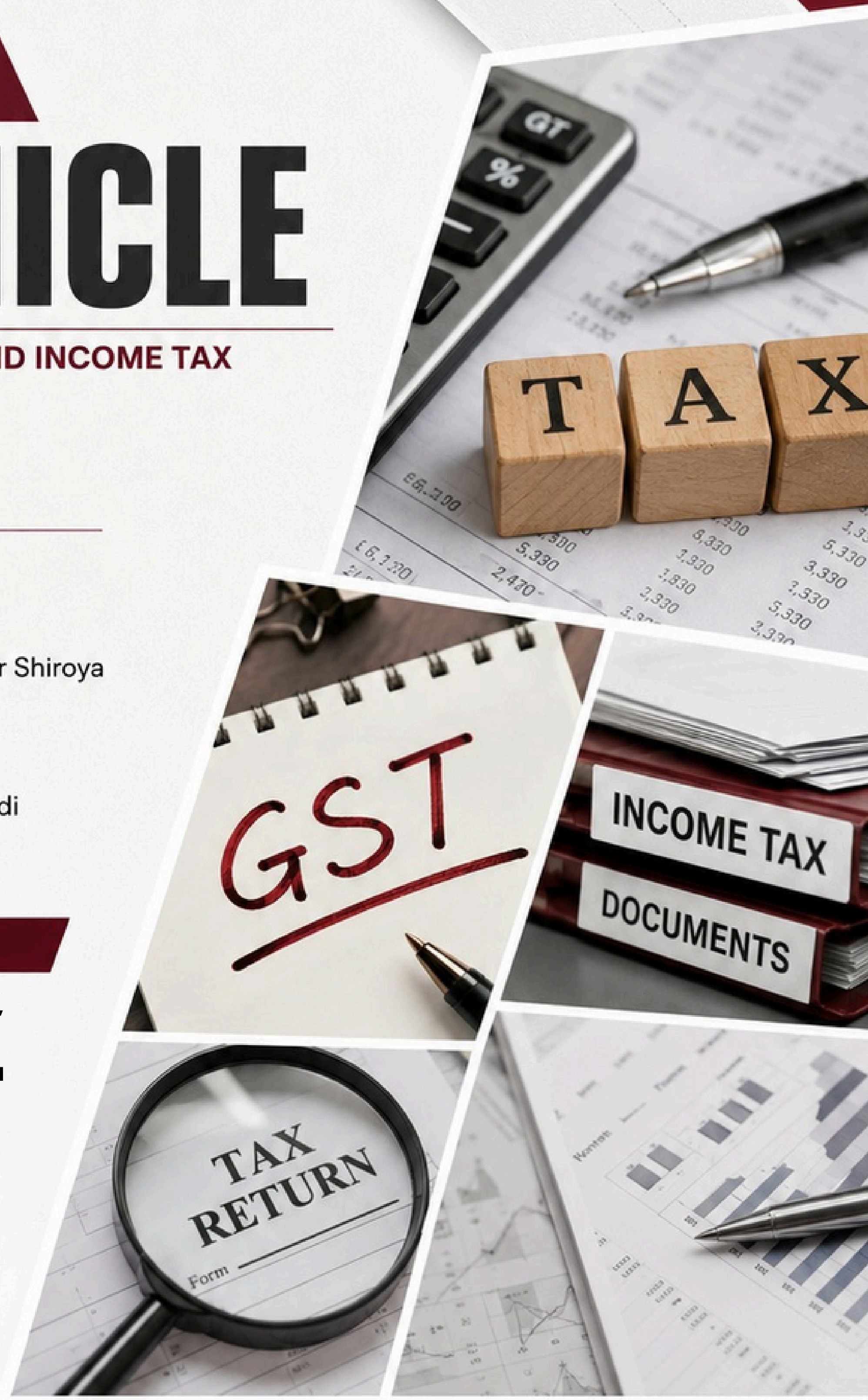
ICMAI - WIRC | July 2026

TAX CHRONICLE



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Inside the July 2026 Edition

- **Reflection on nine years of GST — achievements, anomalies, and the next wave of reforms.**
- **Impact of GSTAT decisions on jurisprudence and departmental accountability.**
- **Sectoral focus: MSME, exports, and unorganized trade — compliance cost vs. competitiveness.**
- **Interplay between technology and tax — automation, data sharing, and audit analytics.**
- **Policy roadmap toward "One Nation, One Tax Authority."**

ICMAI
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
भारतीय लागत लेखाकार संस्थान
Statutory Body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)
WESTERN INDIA REGIONAL COUNCIL

WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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Table of CONTENT

Institute Motto

From ignorance, lead me to truth From darkness, lead me to light From death, lead me to immortality Peace, Peace, Peace...

असतो मा सद्गमय ।
तमसो मा ज्योतिर्गमय ।
मृत्योर्मा अमृतं गमय ।
ॐ शान्तिः शान्तिः शान्तिः

Vision Statement

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

Mission Statement

The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

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From the Desk of the Chairman

CMA MIHIR VYAS
Chairman, ICMAI-WIRC

Dear Professional Colleagues,

Nine transformative years of the Goods and Services Tax (GST) mark far more than the anniversary of a landmark tax reform - they celebrate India's steadfast journey towards a unified, transparent, technology-driven, and compliance-oriented indirect tax regime. Since its inception, GST has continuously evolved through policy refinements, digital innovations, judicial interpretations, and collaborative governance, reinforcing its position as the backbone of India's modern taxation framework. As we commemorate GST @9, we also acknowledge the collective efforts of policymakers, professionals, industry, and taxpayers in shaping a resilient and future-ready tax ecosystem.

The theme of this edition, **"GST @9: Reform, Redefine, Reinforce – Towards a Smarter Tax Ecosystem,"** reflects the spirit of continuous transformation. Reform signifies the progressive refinement of tax laws and procedures; Redefine highlights the changing role of technology, analytics, and digital compliance; while Reinforce underscores the need for stronger governance, ethical practices, and voluntary compliance. Together, these pillars pave the way for a smarter, simpler, and more efficient GST regime that supports India's vision of becoming a global economic powerhouse.

As strategic business advisors and trusted tax professionals, Cost and Management Accountants have emerged as the true Guardians of GST. Their contribution extends beyond statutory compliance to strengthening internal controls, optimizing tax efficiencies, advising on policy implementation, managing litigation, supporting digital transformation, and fostering a culture of transparent governance. In an era driven by data, automation, and real-time compliance, the expertise of CMAs continues to empower businesses with informed decision-making and sustainable growth.

This edition of the Tax Chronicle brings together a rich compilation of insightful articles, expert analyses, sectoral perspectives, landmark judicial pronouncements, practical case studies, and emerging GST developments. It serves as a valuable knowledge repository for professionals, industry leaders, academicians, and students, enabling them to stay abreast of evolving tax laws and best practices while navigating an increasingly dynamic regulatory landscape.

I extend my heartfelt appreciation to the Editorial Board, Member of Taskforce for Income Ta & GST authors, contributors, reviewers, and every member whose dedication and scholarly efforts have made this edition both informative and impactful.

As GST enters its tenth year, let us reaffirm our commitment to excellence, innovation, and professional integrity. Together, let us continue to champion reforms, redefine possibilities, and reinforce trust- building a smarter, stronger, and more inclusive tax ecosystem for a Viksit Bharat.

Happy Reading!

Warm Regards,

CMA Mihir Narayan Vyas
Chairman
Western India Regional Council of
The Institute of Cost Accountants of India

Address by Chairman Task Force of GST & Income Tax

CMA NANTY SHAH

Vice Chairman &
Chairman – Taskforce for Income Tax & GST

Dear Professional Colleagues,

It is with immense pleasure and renewed enthusiasm that we present the July Edition of the Quarterly Tax Chronicle - a knowledge initiative that reflects our shared commitment to advancing professional excellence and fostering meaningful dialogue on India's evolving tax landscape. As taxation continues to transform through policy reforms, digital innovation, and judicial interpretations, it becomes imperative for professionals to stay informed, adaptive, and future-ready. This edition has been thoughtfully curated to serve as a valuable resource for practitioners, industry leaders, academicians, and students alike.

The theme of this edition, **"GST @ 9: Reform, Redefine, Reinforce – Towards a Smarter Tax Ecosystem,"** captures the remarkable journey of the Goods and Services Tax over the past nine years. GST has redefined India's indirect tax framework by promoting transparency, enhancing compliance through technology, and strengthening the vision of a unified national market. As the nation moves towards the aspiration of Viksit Bharat 2047, it is time not only to celebrate the milestones achieved but also to critically evaluate the opportunities for further reforms that will make the tax ecosystem more efficient, inclusive, and globally competitive.

This edition brings together a comprehensive knowledge pack featuring insightful articles from distinguished contributors. Readers will find thought-provoking discussions on **"CMA – Guardians of GST!!!"**, highlighting the profession's pivotal role in strengthening tax governance; an analytical perspective on **"Sectoral Focus: MSMEs, Exports and Unorganised Trade – Compliance Cost vs Competitiveness"**; and a detailed examination of "**The TDS Provision Relating to Real Estate Transactions under the Income Tax Law."** The Chronicle also explores **"GST @ 9: What Worked, What Didn't, and What Lies Ahead,"** providing a balanced assessment of the GST regime's evolution.

Further enriching this edition are insightful articles on the landmark **Flipkart vs. West Bengal Tax Department case and its implications** on the concept of delivery under GST, the procedural aspects of GST Appeals before the GST Appellate Tribunal (GSTAT), and visionary perspectives through **"India's GST 2.0: A Visionary Approach to Viksit Bharat 2047" and "One Nation, One Tax: GST Reforms and Entrepreneurial Growth in India."** The Chronicle also examines the transformative role of technology through "**Interplay Between Technology and Tax: Automation, Data Sharing and Audit Analytics"**, concluding with **"India's Journey Towards a Smarter Tax Ecosystem,"** which encapsulates the future direction of India's taxation framework.

Each article has been carefully selected to provide practical insights, stimulate meaningful discussion, and encourage innovative thinking on the evolving tax framework. We sincerely appreciate our esteemed authors, reviewers, and editorial contributors whose expertise and dedication have made this edition both informative and impactful.

As tax laws continue to transform alongside technological advancements and economic aspirations, our collective responsibility as professionals is not merely to comply with change but to lead it. Let this Chronicle inspire deeper learning, informed dialogue, and professional excellence in shaping a robust, transparent, and globally competitive tax ecosystem.

Let us continue to embrace reforms, uphold excellence, and collectively contribute towards building a smarter, more transparent, and resilient tax ecosystem for the nation.

Happy Reading!

With warm Regards,

CMA Nanty Nalinkumar Shah
Vice Chairman &
Chairman – Taskforce for Income Tax & GST
ICMAI-WIRC

GST @ 9: Reform, Redefine, Reinforce
India's Journey Towards a Smarter Tax Ecosystem

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1. Introduction: The Economic Unification of India

When GST was launched at midnight on 1 July 2017, it was presented not merely as a tax reform, but as the economic unification of India. Seventeen major indirect taxes such as Central Excise, Service Tax, VAT, Entry Tax, Octroi etc were subsumed into a single destination based, multi stage levy. The promise was transformative: eliminate cascading taxation, dismantle inter-state checkpoints that strangled logistics, and draw India's vast informal economy into a transparent, digital compliance framework.

Nine years on, the verdict is nuanced. Annual GST collections have grown from ₹8.77 lakh crore in FY 2017-18 to ₹22.80 lakh crore in FY 2024-25 nearly tripling in eight years. The taxpayer base has expanded from 66 lakh migrated registrants at launch to 1.61 crore active registrations by February 2026. Monthly collections, which once strained to cross ₹1 lakh crore, now routinely exceed ₹2 lakh crore. Yet structural gaps persist: petroleum remains outside GST's ambit, over 4 lakh appeals accumulated unchecked for eight years, and MSME compliance costs remain disproportionate.

2. Revenue Performance: The Fiscal Report Card

2.1 Nine Years of Collections

The most decisive validation of GST's success is its revenue trajectory. From a nine-month performance of ₹8.77 lakh crore in FY 2017-18 beset by IT glitches and mass rate rationalisation collections grew at a CAGR of approximately 12.4% over eight complete financial years to reach ₹22.80 lakh crore in FY 2024-25. The pandemic dip in FY 2020-21 (₹11.37 lakh crore) was followed by the sharpest recovery in indirect tax history a 30.4% surge in FY 2021-22, driven by pent-up demand, e-way bill enforcement, and mandatory e-invoicing for large taxpayers.

TABLE 1: GST Annual Revenue Collection Trend (FY 2017-18 to FY 2025-26)

Financial Year	Gross Collection (₹ Lakh Cr)	YoY Growth (%)	Monthly Avg (₹ Lakh Cr)
2017–18 (9 months)	8.77	—	0.89
2018–19	11.77	9.20%	0.98
2019–20	12.22	3.80%	1.02
2020–21	11.37	–7.0%	0.95
2021–22	14.83	30.40%	1.24
2022–23	18.1	22.10%	1.51
2023–24	20.14	11.30%	1.68
2024–25	22.8	13.20%	1.84
2025–26 (FY)	**22.00***	**8.30%**	**1.90+**

Based on Q1–Q3 data. Source: Ministry of Finance, GSTN, News on AIR.

2.2 The Formalisation Dividend

Perhaps more significant than revenue is the structural formalisation GST has catalysed. The Economic

Survey 2017-18 documented a 50% increase in unique indirect taxpayers within six months of launch a net addition of 3.4 million new taxpayers who had never been in any indirect tax system. By April 2025, active registrations stood at 1.51 crore; by February 2026, they crossed 1.61 crore. GSTR 3B filing compliance improved from 68% in FY 2017-18 to above 90% by FY 2024-25. The Deloitte GST@8 survey (July 2025) found that 85% of business respondents reported a positive compliance experience.

TABLE 2: GST Compliance and Taxpayer Milestones — 2017-18 vs. 2025-26

Indicator	2017–18 (Launch)	2025–26 (9th Year)
GST Registrations	66 lakh (migrated)	1.61 crore+
GSTR-3B Filing Rate	68%	~90%+
E-Invoice Mandate	Not applicable	₹5 crore AATO
E-Way Bills (monthly avg)	4 crore (2018–19)	9+ crore
Appeals Backlog	Growing unchecked	4 lakh (GSTAT now operational)
Peak Monthly Collection	₹1.06 lakh cr (Mar2019)	₹2.43 lakh cr (Apr 2026)

2.3 Case Study: The Composition Scheme's Quiet Success

One of GST's lesser acknowledged achievements is the Composition Scheme available to businesses with turnover up to ₹1.5 crore (goods) which allows quarterly flat-rate compliance. Over 24 lakh businesses availed the scheme by FY 2024-25. For a kirana store in Amravati or a textile trader in Surat, the scheme reduced annual compliance costs by an estimated ₹15,000–₹30,000 compared to full GST compliance. A Tirupur garment MSME, previously paying octroi at state borders and VAT to Tamil Nadu, now files a single quarterly return at 1% composition rate, with buyers in Delhi auto-populating GSTR-2B from supplier filings a transformation that is modest in headline terms but decisive in operational reality.

3. GSTAT 2026: How India's New Tribunal Is Reshaping the Appeals Landscape

3.1 Eight Years Without a Tribunal

Section 109 of the CGST Act, 2017 mandated the Goods and Services Tax Appellate Tribunal from day one. Yet structural disputes over judicial member composition, independence concerns raised in the Madras High Court, and centre-state coordination challenges meant GSTAT remained non-operational for eight years. In the vacuum, all second-level GST appeals flowed to High Courts, which are ill-equipped for the volume and technical complexity of indirect tax disputes.

The result was a severe institutional bottleneck. An estimated 4 lakh appeals accumulated many representing genuine disputes by MSMEs against arbitrary demand orders with no forum for expeditious resolution. Business certainty, investor confidence, and the rule of law were each compromised.

GSTAT formally commenced adjudicatory operations on 16 February 2026. The Principal Bench is headquartered in New Delhi under President Justice Sanjaya Kumar Mishra. 31 State Benches across 45 locations make it the most geographically distributed specialised tax tribunal in India's history. The Bench composition fuses judicial and technical expertise: the President must be a Supreme Court judge or retired High Court Chief Justice; Technical Members (Centre) are Principal Chief Commissioner-rank IRS officers; Technical Members (State) are senior State Tax Commissioners. From April 2026, the Principal Bench also functions as the National Appellate Authority for Advance Rulings (NAAAR).

The GSTAT e-Courts Portal developed by GSTN in collaboration with NIC enables online filing of Form APL-05, digital case tracking, and virtual hearings, broadening access to appellate justice for taxpayers across every geography. Recognising the eight-year backlog, appeals for orders communicated before 1 April 2026 were accepted until 30 June 2026 under a staggered filing mechanism.

TABLE 3: GST Dispute Resolution — Pre-GSTAT vs. Post-GSTAT Comparison

Feature	Pre-GSTAT (High Courts)	Post-GSTAT (Tribunal)
Forum	High Courts nationwide	Principal Bench (Delhi) + 31 State Benches
Typical Disposal Time	5–10 years	Target: 6–18 months
Technical Expertise	General judicial bench	Judicial + GST Technical Members
Accessibility	Physical hearings only	e-Courts portal; virtual hearings
Advance Ruling Appeal	No dedicated forum	NAAAR from April 2026

3.2 Case Study: A Textile Exporter's Relief

A Surat textile exporter had a ₹2.3 crore IGST refund claim rejected by the First Appellate Authority citing a GSTR-1 vs. shipping bill mismatch. Pre-GSTAT, the only recourse was a High Court writ a 3–5 year wait, with legal costs of ₹5–8 lakh. Under GSTAT, the exporter filed Form APL-05 online, deposited the 20% pre-deposit using accumulated ITC, and received a hearing within 60 days. The Tribunal's Technical Member identified the reconciliation methodology error and directed the refund within four months. The same process would have taken four years under the previous system.

If GST's first phase was legislative integration, its second phase has been technological transformation and e-invoicing is the engine at its core.

4. E-Invoicing and the Compliance Technology Revolution

4.1 From Paper Chaos to Real-Time Verification

When GST launched, invoice reconciliation was the system's most persistent failure buyers' ITC claims were routinely disallowed because suppliers hadn't filed returns, trapping billions in working capital. E-invoicing restructured this architecture fundamentally. Introduced in October 2020 for ₹500 crore+ businesses and progressively extended to all taxpayers with ₹5 crore or more in annual turnover, the mandate requires every B2B invoice to be authenticated on the Invoice Registration Portal (IRP), generating a unique Invoice Reference Number (IRN) that auto-populates GSTR-1 and eliminates manual data entry errors.

TABLE 4: E-Invoicing Rollout Timeline : 2020 to 2025

Effective Date	Turnover Threshold	Key Requirement
Oct-20	₹500 crore+	Mandatory IRP authentication; IRN generation
Jan–Apr 2021	₹50–100 crore+	Extension to mid-large businesses
Apr-22	₹20 crore+	SME tier included
Oct-22	₹10 crore+	Wider SME applicability
Aug-23	₹5 crore+	Current MSME threshold
Apr-25	₹10 crore+ (30-day rule)	Portal rejects late uploads; ITC at risk

4.2 The 2025–26 Compliance Tightening

From 1 April 2025, businesses with ₹10 crore or more in AATO must upload invoices to the IRP within 30 days of the invoice date. Invoices reported after this window are portal-rejected effectively invalidating the buyer's ITC claim. GST intelligence data indicates that AI-driven analytics on the e-invoice database identified suspect ITC chains worth over ₹50,000 crore in FY 2024-25, enabling targeted audits without physical inspection. The integration of e-way bills with e-invoices has created an end-to-end transaction trail from invoice generation to goods movement and return filing that tax officers can interrogate in minutes.

4.3 Case Study: An Auto-Ancillary Manufacturer's Transformation

A Pune auto-ancillary manufacturer with ₹120 crore turnover previously spent 18 man-days per month on GST reconciliation matching invoices from 200+ vendors against GSTR-2B. After ERP integration with the IRP API, all outward invoices are auto-authenticated in real time and inward supply matching is 98%

automated. The GST reconciliation team was reduced from four staff to one, with the liberated capacity redeployed in financial analysis a productivity gain worth approximately ₹18 lakh per annum.

5. What Didn't Work: The Persistent Structural Gaps

5.1 The Rate Complexity and Classification Disputes

The four-slab rate structure (5%, 12%, 18%, 28% plus cess) was a pragmatic compromise for revenue neutrality at launch. Nine years on, it generates significant litigation. Over 1,000 Advance Ruling decisions as of 2026 address the single question of which tax slab applies to a given product itself an indictment of classification complexity. The Group of Ministers on rate rationalisation has proposed merging 12% and 18% into a unified 15% standard rate. This simplification if implemented would reduce classification disputes, lower compliance costs, and align India with the OECD norm of two-rate VAT systems.

5.2 Petroleum Exclusion

Petroleum products (petrol, diesel, ATF, natural gas, crude oil) remain outside GST, continuing to attract Central Excise and State VAT with full cascading effect. States resist inclusion because petroleum taxes contribute 15–20% of their own tax revenue. A pragmatic path: phase in ATF and natural gas first. ATF under GST would eliminate the input credit block for airlines, reduce airfare, and enhance Indian aviation's competitiveness. Natural gas inclusion would benefit manufacturers using gas as industrial feedstock. Detailed revenue-impact guarantees for states would be the necessary political prerequisite.

5.3 Has GST Truly Reduced Litigation?

A critical reflection is warranted here. Despite revenue growth and digital enforcement, the volume of tax notices has risen sharply. ITC reversal disputes often triggered by automated GSTR-2B mismatches where the buyer is penalised for the supplier's non-compliance remain one of the most contested areas in GST practice. Contradictory Authority for Advance Rulings (AAR) decisions across states on identical products have created interpretive arbitrage, where the answer to a tax question depends on the state in which it is asked. Retrospective interpretation of supply classification and the expanding scope of automated scrutiny assessments have added compliance anxiety rather than reducing it.

Technology can improve enforcement efficiency, but tax certainty ultimately depends on consistency of interpretation and institutional trust. GSTAT's jurisprudence once it matures will be the most powerful corrective to this fragmentation. The next critical step is the harmonisation of AAR decisions at the national level through NAAAR.

6. The Reform Roadmap: Towards a Smarter Tax Ecosystem

6.1 Priority Reforms

Based on the nine year trajectory, the following reforms constitute the critical agenda for GST's next phase:

- Rate Rationalisation: Merge 12% and 18% into a single 15% standard rate. Retain 5% for essentials and 28% for luxury and demerit goods. Implement within two GST Council sittings.
- Petroleum Inclusion: Phase in ATF and natural gas in FY 2026-27, with petrol, diesel, and crude deferred to FY 2028-29 pending state consensus.
- MSME Relief: Extend GSTR-9 exemption to sub ₹5 crore businesses; introduce quarterly filing and cash-basis invoicing for micro enterprises.
- ITC Reform: Restore full ITC for construction input services (blocked under Section 17(5)); resolve inverted duty in textiles and agro-processing through rate alignment.
- Unified Tax Authority: Implement a single integrated audit and adjudication protocol for Central and State officers, reducing duplication.
- Technology Deepening: Mandate e-invoicing for all taxpayers above ₹1 crore by FY 2027-28; integrate GST and Income Tax databases for cross-verification.

TABLE 5: GST Reform Priority Matrix — Status and Recommended Actions

Reform Area	Current Status	Recommended Action
Rate Rationalisation	4-slab; anomalies persist	Merge 12% & 18% into 15% standard rate
Petroleum Inclusion	Outside GST	Phase ATF & natural gas in first
Compensation Cess	Extended beyond 2022	Formal termination by FY 2026-27
MSME Compliance	Monthly filings; high cost	Quarterly option; ₹2 cr GSTR-9 exemption
Real Estate	Hybrid ITC restrictions	Unified rate with full ITC chain
Tax Authority Integration	Dual CGST/SGST audit	Single integrated audit protocol

6.2 The CMA Profession's Strategic Role

As GST matures from a compliance obligation to a strategic business variable, the Cost and Management Accountant is uniquely positioned at the intersection of cost accounting, management reporting, and indirect tax strategy. The operationalisation of GSTAT creates a significant new practice area specialised GST litigation support including appeal brief preparation, reconciliation evidence compilation, and authorised representation before State Benches. CMAs who deepen their GST appellate and analytics expertise in 2026 will be at the forefront of India's most active tax practice area for the decade ahead.

7. Conclusion

GST's first nine years were about building architecture. The formalisation achieved through 1.61 crore registrations, automated ITC chains, and real-time e-invoice verification marks one of India's most significant fiscal transformations. The revenue trajectory from ₹8.77 lakh crore to ₹22.80 lakh crore vindicates the structural reform.

But the promise of GST was never only about revenue. It was about simplicity, equity, and economic efficiency. On these dimensions, nine years of evidence shows a system that has succeeded in architecture but fallen short in execution through rate complexity, institutional gaps (eight years without GSTAT), MSME friction, and the continued exclusion of petroleum.

GST's first nine years were about building architecture. The next decade must focus on refinement simpler rates, faster justice, lower compliance friction, and deeper trust between taxpayers and the administration. Only then will GST evolve from being merely the world's largest indirect tax reform into one of the world's most efficient and equitable tax systems..

GST @ 9 KEY TAKEAWAYS

GST @ 9 : Key Takeaways
Revenue crossed ₹22 lakh crore in both FY 2024-25 and FY 2025-26
1.61 crore active registrations — up from 66 lakh at launch
GSTAT operationalised in 2026 — 4 lakh pending appeals now have a forum
E-invoicing (₹5 crore threshold) transformed compliance for medium businesses
MSME compliance burden remains the system's most urgent unresolved challenge
Petroleum products still outside GST — the reform's most significant gap
Next phase: rate simplification, litigation consistency, intelligent compliance

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ABOUT THE AUTHOR

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Interplay Between Technology and Tax: Automation, Data Sharing and Audit Analytics

GST @ 9: Reform, Redefine, Reinforce – Towards a Smarter Tax Ecosystem

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INTRODUCTION

The introduction of Goods and Services Tax (GST) on 1st July 2017 marked one of the most significant tax reforms in India's economic history. As GST completes nine years of implementation, the tax ecosystem has undergone a remarkable transformation, driven not only by policy reforms but also by technological advancements. The GST framework was conceptualized as a technology-driven tax regime, where compliance, reporting, assessment, and enforcement would be largely digital.

Today, technology is no longer a support function in taxation; it is the backbone of tax administration. Automation, real-time data sharing, Artificial Intelligence (AI), Machine Learning (ML), and audit analytics have fundamentally redefined the relationship between taxpayers and tax authorities. As we celebrate GST @ 9, it is pertinent to examine how technology has strengthened compliance, improved transparency, and paved the way towards a smarter tax ecosystem.

The Rise of Automation in Tax Compliance

One of the most visible impacts of technology in taxation is the automation of compliance processes. Prior to GST, businesses had to deal with multiple indirect tax laws, manual reconciliations, and extensive paperwork. GST introduced a unified digital platform that significantly reduced procedural complexities.

Today, businesses leverage:
- Automated GST return preparation tools
- ERP-integrated tax compliance systems
- E-invoicing solutions
- Automated reconciliation mechanisms
- Tax determination engines

Automation has enabled organizations to minimize manual intervention, reduce compliance errors, and improve reporting accuracy. The implementation of e-invoicing has been particularly transformative. Invoice data is generated, validated, and transmitted electronically, reducing opportunities for tax evasion while ensuring a seamless flow of input tax credit.

For businesses, automation translates into:
- Faster compliance cycles
- Reduced operational costs
- Enhanced accuracy
- Better internal controls
- Improved regulatory preparedness

As GST evolves, compliance is increasingly becoming a "system-driven activity" rather than a "person-driven activity."

Data Sharing: The Foundation of Transparency

The success of GST largely rests on the principle of seamless information flow across stakeholders. Technology has enabled extensive data sharing among taxpayers, tax authorities, customs authorities, banks, and other government agencies.

The GST Network (GSTN) acts as a central repository of transactional information, facilitating real-time validation and monitoring. Data generated through:

- GST Returns
- E-Way Bills
- E-Invoices
- Customs records
- Income Tax filings
- Banking transactions

can be cross-verified and analyzed to identify inconsistencies.

This interconnected ecosystem has significantly strengthened tax administration by:

Enhancing Compliance Monitoring

Authorities can now compare reported sales, purchases, e-way bills, and e-invoices to detect mismatches automatically.

Reducing Revenue Leakages

Data integration helps identify fake invoicing, circular trading, and fraudulent input tax credit claims.

Improving Policy Formulation

Availability of large-scale economic data assists policymakers in assessing sectoral trends and making evidence based decisions.

The future of tax administration lies in collaborative data ecosystems where information sharing will continue to strengthen transparency and trust.

Audit Analytics: From Traditional Audits to Intelligent Monitoring

Historically, tax audits relied heavily on sample testing and manual verification. However, technological innovations have transformed audits into data-driven exercises.

Audit analytics utilizes:

- Big Data
- Artificial Intelligence
- Machine Learning
- Predictive Analytics
- Data Visualization Tools

to identify risks, anomalies, and compliance gaps.

Risk-Based Assessments

Modern audit systems prioritize high-risk taxpayers based on predefined risk parameters. This allows authorities to focus resources more effectively while reducing unnecessary scrutiny for compliant taxpayers.

Pattern Recognition

Advanced analytics can detect unusual transaction patterns, suspicious invoice chains, abnormal ITC claims, and sector-specific anomalies.

Continuous Monitoring

Instead of periodic audits, tax administrations are moving towards continuous compliance monitoring through automated systems.

Predictive Compliance Models

AI-enabled systems can forecast potential non-compliance and facilitate proactive corrective action. These developments represent a shift from "after-the-event audits" to "real-time compliance assurance."

Artificial Intelligence and the Future of GST Administration

Artificial Intelligence is rapidly emerging as the next frontier in tax governance. Around the world, tax administrations are increasingly deploying AI-powered tools to improve efficiency and taxpayer services.
Potential applications under GST include:

- Automated scrutiny of returns
- Intelligent taxpayer assistance
- Fraud detection mechanisms
- Real-time risk assessment
- Automated notices and communication
- Advanced litigation management

AI-driven systems can process vast volumes of data far beyond human capabilities, enabling faster decision making and more targeted enforcement actions.

However, successful adoption will require balancing technological innovation with data privacy, cybersecurity, and ethical considerations.

Challenges in a Technology-Driven Tax Environment

While technology offers immense benefits, it also presents certain challenges:

Data Security and Privacy

With increasing digitization, safeguarding sensitive taxpayer information becomes critical.

System Integration Issues

Businesses often operate multiple software platforms, creating challenges in data consistency and interoperability.

Skill Gaps

Tax professionals must continuously upgrade their technological competencies to remain relevant.

Cybersecurity Risks

Growing dependence on digital systems increases vulnerability to cyber threats and data breaches. Addressing these challenges will be essential to sustaining confidence in a digitally enabled tax ecosystem.

The Evolving Role of Tax Professionals

Technology is reshaping the profession of tax practitioners, accountants, and cost accountants. Routine compliance activities are increasingly automated, while demand is growing for professionals who can:

- Interpret analytical insights
- Manage tax technology systems
- Conduct data-driven reviews
- Advise on compliance strategies
- Support digital transformation initiatives

The tax professional of the future will combine technical tax expertise with technological proficiency and analytical capabilities.

Conclusion

Nine years after its implementation, GST stands as a testament to India's commitment towards a transparent, efficient, and technology-enabled tax regime. Automation has simplified compliance, data sharing has enhanced transparency, and audit analytics has strengthened enforcement capabilities. Together, these technological advancements are redefining the tax landscape and reinforcing the foundations of a smarter tax ecosystem.

As India moves towards the next phase of GST evolution, the integration of Artificial Intelligence, advanced analytics, and real-time compliance frameworks will further transform tax administration. The journey from manual processes to intelligent taxation reflects not merely a technological upgrade but a fundamental shift towards trust, transparency, and efficiency.

In the spirit of **GST @ 9 – Reform, Redefine, Reinforce**, technology continues to serve as the catalyst driving India's vision of a smarter, more resilient, and future-ready tax ecosystem.

One Nation, One Tax: GST Reforms and Entrepreneurial Growth in India

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INTRODUCTION

The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked one of the most significant structural overhauls in the country's fiscal history. By replacing a labyrinthine network of more than seventeen central and state-level indirect taxes with a single, unified framework, GST redefined the rules of commerce for millions of businesses across the country. For entrepreneurs from the street-level micro-enterprise to the high-growth technology startup this transformation has carried both liberating potential and formidable challenges. This article examines how GST reforms have reshaped the entrepreneurial landscape in India, analyzing the policy's impact on compliance costs, market integration, sector-level competitiveness, and long-term business formation. It also discusses areas where reform remains incomplete and what the road ahead must look like for GST to fully deliver on its promise of nurturing a vibrant entrepreneurial economy.

A Tax System in Desperate Need of an Overhaul

Before GST, India's indirect tax system was a patchwork quilt stitched together over decades of political compromise and administrative necessity. Businesses were subject to Central Excise Duty, Service Tax, Value Added Tax (VAT) at the state level, entry taxes, octroi, and a host of surcharges each with its own return cycles, jurisdictions, and rate structures. A manufacturer sending goods from Maharashtra to Tamil Nadu would navigate a different tax environment almost as complex as crossing an international border. This *'Tax on Tax'* phenomenon, known as the cascading effect, silently eroded profit margins and artificially inflated consumer prices.

For entrepreneurs, this meant that a disproportionate share of energy went not into building products or acquiring customers, but into decoding compliance requirements. Small and medium enterprises (SMEs), which form the backbone of Indian employment, were particularly disadvantaged because they lacked the in-house legal and financial expertise that larger corporations could afford. The pre-GST era was, in many ways, a regulatory environment that structurally favored incumbents over innovators.

The Architecture of GST: Simplicity as Strategy

GST was designed as a dual structure Central GST (CGST) and State GST (SGST) levied simultaneously on intra-state transactions, and Integrated GST (IGST) on inter-state movement of goods and services. This architecture was carefully balanced to respect India's federal character while eliminating the disjointed taxability that had plagued cross-state commerce. The input tax credit (ITC) mechanism allowing businesses to offset taxes paid on inputs against taxes owed on outputs was perhaps the most consequential feature for entrepreneurs. For the first time, tax paid at one point in the supply chain was no longer a sunk cost.

The GST Council, a constitutional body comprising the Union Finance Minister and state counterparts, was established to govern rate decisions collaboratively. This institutional novelty gave the tax system a degree of democratic legitimacy and adaptive flexibility that earlier regimes had lacked. Over time, the Council has revised rates, broadened exemptions, and responded to sectoral distress in ways that a centrally dictated system might have resisted.

Unlocking India's Internal Market: The Entrepreneur's Windfall

One of the most immediate and tangible benefits of GST for entrepreneurs has been the creation of a genuine common market across India's 28 states and 8 union territories. Before GST, inter-state trade was slowed by check-post queues, varying documentation norms, and the financial unpredictability of entry taxes. An e-commerce entrepreneur trying to serve customers in Assam from a warehouse in Pune faced a regulatory obstacle course that added both cost and lead time.

Post-GST, the removal of these inter-state barriers has effectively expanded the addressable market for every Indian business. Logistics companies have reorganized their warehousing strategies to optimize for efficiency rather than tax minimization, consolidating operations that were previously fragmented across state lines for tax reasons. According to the Ministry of Finance, the logistics sector's efficiency gains post-GST have contributed to a measurable reduction in freight movement times (Ministry of Finance, Government of India, 2022). For start-ups operating on thin margins, this improvement in supply chain economics has translated directly into better unit economics and improved investor confidence.

The Compliance Revolution: Digital Infrastructure Meets Tax Reform

GST's most underappreciated structural contribution to entrepreneurship has been its insistence on digital compliance. Unlike the earlier system where assessments were paper-driven, opaque, and vulnerable to harassment GST introduced a technology-mediated compliance environment through the GSTN (Goods and Services Tax Network), a shared IT infrastructure handling millions of returns monthly. Every invoice, every credit claim, and every return is time stamped and traceable.

This digitization has had cascading benefits for entrepreneurs beyond mere tax compliance. A GST-registered business automatically generates a documented financial history a critical asset when approaching banks or fin-tech lenders for credit. The Reserve Bank of India and numerous non-banking financial companies (NBFCs) have developed credit assessment models that use GST return data as a proxy for business cash flows (Agarwal & Ghosh, 2021). For first-generation entrepreneurs who lack formal collateral, this data trail has opened doors to institutional finance that were previously shut.

The composition scheme, which allows smaller businesses with turnover below ₹1.5 crore to pay a flat-rate tax with minimal compliance requirements, has further reduced the burden on micro-enterprises. The quarterly return filing option introduced for businesses below ₹5 crore in turnover (the QRMP scheme) was a direct policy response to the compliance fatigue that small entrepreneurs had reported in GST's early years.

Sector-Level Impact: Winners, Strugglers, and the Informal Economy

GST's impact has not been uniform across sectors, and an honest assessment must acknowledge both the gains and the pain points. The manufacturing sector, particularly in organized clusters, has benefited significantly from the elimination of the cascading tax effect. Textile manufacturers, auto-component suppliers, and pharmaceutical companies have seen input cost reductions that were either passed on to consumers or retained as margin improvements (Kumar, 2020).

The services sector, which had previously been taxed under a relatively simpler Service Tax framework, experienced a compliance burden increase in the transition to GST. For independent consultants, freelancers, and small service providers a growing and entrepreneurially vibrant segment the shift to multiple return filings and the complexity of place-of-supply rules initially created significant friction. Many in this group reported that professional accountant fees, paradoxically, rose with the arrival of the "simplified" tax system.

The informal economy presents perhaps the most complex chapter in GST's entrepreneurial story. India's informal sector, estimated to account for over 45% of GDP and more than 80% of employment, was simultaneously the largest potential beneficiary and the most resistant subject of formalization under GST (National Statistical Office, 2022). Bringing informal businesses into the GST net has been a slow and non-linear process.

While some entrepreneurs in this space have embraced formalization to access credit and e-commerce platforms both of which require GST registration others have retreated further into informality to avoid compliance costs.

Start-Up India and GST: A Policy Synergy worth Examining

India's ambition to become a global start-up hub articulated through the Start-Up India initiative launched in 2016 has been significantly shaped by the GST architecture introduced a year later. The two policies, while separately conceived, have operated in complementary ways. The input tax credit mechanism reduces effective tax incidence for start-ups investing heavily in inputs and services during their pre-revenue phase. GST registration has become a prerequisite for selling on major e-commerce platforms, connecting start-ups to vast consumer networks.

Investors, particularly foreign venture capital and private equity firms, have responded positively to the improved regulatory predictability that GST has introduced. A standardized national tax framework reduces the compliance complexity that had previously made some foreign investors hesitant about backing Indian portfolio companies operating across multiple states. The Department for Promotion of Industry and Internal Trade (DPIIT) reported that recognized start-ups grew from approximately 471 in 2016 to over 99,000 by 2023, a trajectory that coincides with and partially reflects the favorable business environment created by GST (DPIIT, 2023).

Unfinished Business: Where GST Still Falls Short

To be credible, any assessment of GST must squarely confront its limitations. The rate structure, while substantially simplified, remains more complex than originally envisioned. The original aspiration of a single or dual-rate structure has given way to a five-tier slab system (0%, 5%, 12%, 18%, and 28%), with numerous sector-specific exemptions and notifications. For an entrepreneur trying to classify a product or service correctly, the risk of misclassification and the associated penalties remains a source of genuine anxiety.

The inverted duty structure, where the GST rate on inputs is higher than the rate applicable to finished goods, has created cash flow distortions for entrepreneurs in sectors such as textiles, footwear, and renewable energy equipment. While the ITC mechanism is theoretically designed to prevent such distortions, refund delays at the administrative level have left working capital locked up a serious problem for capital-scarce small businesses (Rao & Chakraborty, 2021).

Petroleum products, real estate, and electricity remain outside the GST net due to political economy constraints, creating partial supply chains where the benefits of seamless ITC are unavailable. For entrepreneurs in energy-intensive sectors or those dealing in property, this exclusion remains a significant cost.

The Road Ahead: Reforms That Will Define the Next Decade

India's GST system is, at its core, a work in progress and that is not a weakness but a design feature. The GST Council's ongoing mandate ensures that the tax structure can evolve with the economy. Several reforms hold particular promise for entrepreneurs. A rationalization of the rate slabs, ideally converging toward a three-rate structure, would significantly reduce classification disputes. Full automation of the ITC matching and refund process would unlock working capital trapped in the system and reward compliant businesses with faster liquidity.

The integration of GST data with other regulatory databases such as the MSME Ministry's Udyam portal, the corporate affairs ministry's MCA21 system, and banking credit registries could create a powerful regulatory ecosystem that reduces compliance duplication while enriching the financial profiles of small businesses. Internationally, countries like Singapore and New Zealand offer models of lean, technology-enabled GST administration that India's policymakers have studied and should continue to draw from (Keen & Lockwood, 2010).

Ultimately, the true measure of GST's success for Indian entrepreneurship will not be found in revenue collections alone, but in whether a first-generation entrepreneur in Patna or Coimbatore finds it easier to formalize, scale, and compete in 2030 than they did in 2017. The architecture is sound. The refinements are in progress. The promise, for India's entrepreneurs, remains very much alive.

Conclusion

GST represents more than a tax reform it is a statement about the kind of economic republic India aspires to be: one where geography does not determine commercial destiny, where compliance is transparent rather than negotiable, and where the energy of entrepreneurs is channeled into creation rather than circumvention. For the millions of business owners who navigate this system daily, the journey since July 2017 has been imperfect but irreversible. Every refinement to the system is, in effect, an investment in the entrepreneurial capital of the nation. In the long arc of India's economic modernization, GST stands as one of the more consequential chapters not because it solved everything at once, but because it dared to change the terms of the conversation entirely.

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India's GST 2.0: A Visionary Approach to Viksit Bharat 2047

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Abstract:

India's tax landscape underwent a seismic transformation in September 2025 when the 56th GST Council approved the next-generation Goods and Services Tax reforms widely referred to as GST 2.0. These reforms represent far more than a technical adjustment to tax slabs; they constitute a deliberate, forward-looking policy lever designed to accelerate the country's trajectory toward becoming a fully developed nation by 2047, as envisioned under the Viksit Bharat framework. This article examines the structural contours of GST 2.0, its alignment with national development goals, its implications for citizens and businesses, and the challenges that lie ahead on the road to implementation.

Introduction:

When India launched its unified Goods and Services Tax in July 2017, it was hailed as the most consequential tax reform since independence a bold move to collapse a labyrinthine web of central and state levies into a single, nationwide framework. Over the following years, the system delivered measurable gains: the taxpayer base expanded from 66.5 lakh registered entities in 2017 to 1.51 crore by 2025, and annual gross GST collections reached ₹22.08 lakh crore in FY 2024–25, more than double the figures from four years prior, with a compound annual growth rate of 18% (Press Information Bureau [PIB], 2025). Yet, for all these gains, the original framework carried structural baggage. The four-tier rate structure of 5%, 12%, 18%, and 28% layered with additional cess on select goods generated persistent classification disputes, compliance friction for small businesses, and a lingering sense among consumers that essentials were being taxed at disproportionate rates. GST 1.0 had built the architecture; GST 2.0 was tasked with refining it. On 3 September 2025, the 56th GST Council, chaired by Union Finance Minister Smt. Nirmala Sitharaman, approved a sweeping set of next-generation reforms effective from 22 September 2025. The timing just before India's festive season was deliberate, designed to channel the benefits of lower rates into household savings and consumption at the most economically active period of the year (ClearTax, 2026).

The Architecture of GST 2.0: What Changed?

Slab Rationalization and a Simpler Rate Structure

The cornerstone of GST 2.0 is the rationalization of the tax rate structure into a cleaner, two-primary-slab framework. The contentious 12% tier and the sprawling 28% bracket have been substantially dismantled. In their place, two main rates 5% for essential goods and 18% for standard goods and services now anchor the system. A new 40% rate has been introduced for luxury and sin goods such as tobacco, pan masala, aerated drinks, luxury automobiles, yachts, and private aircraft (Unicommerce, 2026; PIB, 2025).

This restructuring serves a dual social purpose. By zeroing out or minimizing taxation on items such as food, medicines, soap, toothpaste, and insurance premiums, the reform directly lowers the cost of living for ordinary households. At the same time, by assigning a steep rate to genuinely non-essential and health-impacting products, it borrows from the logic of corrective taxation using the price mechanism to subtly nudge consumption patterns toward healthier and more sustainable choices.

Prime Minister Sri. Narendra Modi, writing in an open letter to citizens on the occasion of Navratri 2025, described the reforms as creating a "GST Bachat Utsav" a festival of savings emphasizing that the reforms would "encourage growth, investment and accelerate the progress" of every region of India (India TV News, 2025).

Insurance and Healthcare: A Special Priority

One of the most socially impactful provisions within GST 2.0 is the exemption of premiums on individual life insurance policies, health insurance, floater health plans, and policies specifically designed for senior citizens from GST altogether. This directly supports the government's "Mission Insurance for All by 2047" a target to achieve universal insurance penetration, which, given India's historically low insurance density, represents both a financial inclusion and a public health priority (PIB, 2025).

Addressing Inverted Duty Structures

A persistent pain point within GST 1.0 was the inverted duty anomaly situations where the tax rate on raw materials exceeded the rate on finished goods, effectively penalizing domestic manufacturers and creating Input Tax Credit (ITC) blockages that strained working capital. GST 2.0 systematically addresses these distortions, particularly in sectors such as textiles and fertilizers, aligning input and output taxation to smooth credit flows and reinforce the competitiveness of domestic production (TaxGuru, 2025).

Empowering MSMEs: The Engine of Viksit Bharat

(1) Scale and Significance

India's Micro, Small, and Medium Enterprises constitute the backbone of the real economy. With over 5.9 crore MSMEs contributing nearly 29% to GDP, 41% to manufacturing gross value added, and 45.7% to national exports, any reform that eases their cost structure and compliance burden has macroeconomic consequences that go well beyond the enterprises themselves (TaxGuru, 2025).

(2) Digital-First Compliance and Registration

GST 2.0 introduces a technology-first compliance infrastructure calibrated to the realities of small businesses. GST registration is now processed within three working days for MSMEs with ITC below ₹2.5 lakh per month through an auto-approval mechanism introduced from November 2025. Refunds are designed to be processed within seven days, with automated 90% payouts on inverted duty structures a dramatic improvement from the months-long refund lags that previously locked up working capital for exporters and input-heavy units (Binary Semantics, 2025; MBGCORP, 2025).

Pre-filled return forms reduce manual data entry and associated errors. Instant digital cross-checking of invoices minimizes reconciliation disputes. The recognition of "virtual place of business" allows online sellers to operate across state borders without maintaining physical offices, lowering logistics costs and eliminating the need for multiple state-level registrations a change that particularly benefits the rapidly growing MSME e-commerce segment (Binary Semantics, 2025).

Early government trial data from 2025 suggested these changes could reduce compliance time for small businesses by approximately 22% a significant dividend in a sector where administrative time is often an opportunity cost (MBGCORP, 2025).

(3) The GST Appellate Tribunal

A major institutional gap in the original GST framework was the absence of a dedicated dispute resolution body. The establishment of the Goods and Services Tax Appellate Tribunal (GSTAT), expected to become fully operational by December 2025, addresses this directly. By providing a formal, specialized appellate mechanism, GSTAT is expected to shorten dispute timelines, lower litigation costs, and give businesses the regulatory certainty necessary for confident long-term planning and investment (Lingayasvidyapeeth, 2025).

GST 2.0 and the Viksit Bharat 2047 Vision

Viksit Bharat 2047 Developed India 2047 is India's centenary ambition: to transition from its current status as a middle-income, emerging economy to a fully developed nation by the time it completes a hundred years of independence. The vision encompasses economic transformation, inclusive growth, technological self-reliance, and the eradication of poverty (ClearTax, 2026). Finance Minister Smt. Sitharaman, addressing a FICCI session on the Viksit Bharat vision, described the reform agenda as one that "will touch on factors of production" and urged industry to align its own strategies with this national trajectory (Deccan Herald, 2024).

GST 2.0 as Structural Alignment

GST 2.0 is not merely a tax reform; it is an instrument of structural alignment with the 2047 ambition across several dimensions.

From a consumption and demand standpoint, lower prices on essentials expand household savings, which then circulate back into the economy as additional consumption a virtuous growth cycle. High-frequency economic indicators from September–October 2025, including improved PMI readings, stronger e-way bill generation, robust UPI transactions, and rising automobile and tractor sales, point to early evidence of this multiplier effect (A2Z Taxcorp, 2025).

From a manufacturing and investment perspective, GST 2.0 reinforces India's positioning as a global manufacturing destination, consistent with the Make in India initiative. Andhra Pradesh Chief Minister Sri. N. Chandrababu Naidu estimated that the reforms would benefit the country by ₹2.25 lakh crore, with his state alone gaining nearly ₹8,000 crore (News on Air, 2025).

From a formalization dimension, simplified compliance and reduced registration friction are expected to draw more enterprises into the formal economy, broadening the tax base and generating sustainable revenue growth over the long run. A wider tax base also enables the government to fund public investment in infrastructure, health, and education that is foundational to Viksit Bharat goals.

From a social equity standpoint, the reform's emphasis on eliminating GST on women's hygiene products, healthcare essentials, and insurance premiums acknowledges that taxation policy is also distributive policy. Structural inequalities cannot be addressed through welfare spending alone; embedding equity into the tax design itself is a more durable approach.

Challenges and Considerations Ahead

No reform of this scale is without its complexities. Several challenges merit honest acknowledgment.

(1) **Revenue transition risk:** The phase-out of the compensation cess a mechanism that had protected state revenues during GST's initial years creates fiscal uncertainty for some states. While the reform is designed to expand the base over time, the transition period requires careful revenue monitoring and intergovernmental coordination.

(2) **Classification residues:** While the move to a two-primary-slab structure dramatically reduces classification disputes, certain goods and services do not fit neatly into the new categories. The 40% luxury tier, in particular, will require precise statutory definitions to prevent both regulatory arbitrage and unintended overreach.

(3) **Digital divide in compliance:** The shift to digital-first compliance, while a step forward for technology-capable businesses, may still pose challenges for the smallest and most informally organized enterprises those in rural and semi-urban markets where digital literacy and internet infrastructure remain uneven. The success of GST 2.0's formalization agenda will depend on how aggressively the government addresses this infrastructure gap alongside the tax reform itself.

(4) **Implementation lag:** Institutional reforms such as GSTAT becoming fully functional take time to bed in. Legal challenges, procedural teething problems, and judicial interpretations will shape how the reform operates in practice versus in policy design.

Conclusion:

GST 2.0 represents one of the most thoughtfully calibrated tax reforms in India's post-liberalization history. By rationalizing rates, empowering MSMEs, embracing digital compliance, and prioritizing citizen welfare through targeted exemptions, it signals a maturation of India's indirect tax architecture. More importantly, it demonstrates that tax policy, at its most effective, is not merely a revenue instrument it is a tool for economic architecture, social equity, and national ambition. The alignment between GST 2.0 and the Viksit Bharat 2047 framework is neither accidental nor rhetorical. It reflects a coherent policy logic, which a developed India by 2047 must be built on foundations of broad-based formalization, productive enterprise, inclusive consumption, and institutional trust. GST 2.0, if implemented with fidelity to its design intent and adapted iteratively to emerging challenges, can serve as a powerful pillar of that journey.

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GST Appeal Procedure GSTAT
Rule 108 & Rule 109 of CGST Rules, 2017

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1. Legal Framework of GST Appeals Appeal mechanism under GST is primarily governed by: -Statutory Provisions

-Section 107 of CGST Act, 2017
-Rule 108-Appeal to Appellate Authority by taxpayer
-Rule 109-Appeal by Departmental Officer
These provisions collectively regulate:
* Filing procedure
* Limitation period
* Pre-deposit requirement
* Documentation
* Acknowledgment process
* Admission of appeal

The appellate mechanism ensures that an aggrieved person gets an opportunity to challenge an adverse order before a higher authority.

2. Who Can File Appeal?

(A) Appeal by Taxpayer-Section 107(1)

Any person aggrieved by any decision or order passed under GST may file appeal before the Appellate Authority.

Common Orders Appealed Against:
* Assessment Orders
* Demand Orders
* Penalty Orders
* Refund Rejection Orders
* Registration Cancellation Orders
* ITC Disallowance Orders
* MOV/Summary Proceedings
Form Prescribed-FORM GST APL-01

(B) Departmental Appeal-Section 107(2)

The Commissioner may examine legality or propriety of any order passed by subordinate officer. If order is found improper Commissioner may direct subordinate officer to file appeal. Form Used-FORM GST APL-03

This is generally known as
* Departmental appeal
* Review appeal

3. Time Limit for Filing Appeal

a. Taxpayer Appeal-Appeal must be filed-Within 3 months from communication of order.
b. Departmental Appeal-Department can file appeal-Within 6 months from communication of order.

Condonation of Delay
Appellate Authority may allow:
Additional *1 month*
Condition-Sufficient cause for delay must be proved.

Important Practical Aspect - Beyond condonable period-Appeal becomes time-barred. Hence limitation calculation becomes extremely critical.

4. Mode of Filing Appeal

Appeal is required to be filed electronically on the GST Portal.
Manual Filing Allowed Only When the Commissioner specifically permits, or an order is not uploaded on the portal. Inserted vide- Notification No. 38/2023-CT dated 04.08.2023*
This amendment resolved practical difficulties faced by taxpayers due to portal issues.

5. Acknowledgment Process under Rule 108

Step 1 – Filing of APL-01
Taxpayer files appeal electronically.
Immediately-Provisional acknowledgment generated.

Step 2 – Submission of Self-Certified Copy
Where order is not uploaded on portal-Self-certified copy of order must be submitted within 7 days.

Step 3 – Final Acknowledgment
After verification-Final acknowledgment issued in FORM GST APL-02
This acknowledgment contains
* Appeal number
* Date of filing

6. Important Legal Position under Rule 108

Rule 108 Explanation provides:
Note:-Appeal is treated as filed only after issuance of FORM GST APL-02
Hence:-
* Mere filing of APL-01 is insufficient.
* Final acknowledgment is legally important.

Practical Importance-APL-02 determines
* Valid filing date
* Limitation compliance
* Maintainability of appeal
* Recovery stay benefit

7. Delay in Submission of Order Copy

If Submitted Within 7 Days:-Date of provisional acknowledgment treated as filing date. If Submitted After 7 Days:-Actual submission date becomes filing date.
Practical Consequences:- This may lead to
* Limitation disputes
* Delay condonation issues
* Recovery proceedings

* Appeal rejection
Hence timely submission is extremely important.

8. Mandatory Pre-Deposit Requirement

No appeal can be filed unless taxpayer deposits:

a. Admitted Liability-100% payment mandatory.
AND

b. Disputed Tax-10% of disputed tax amount
Subject to maximum:
₹20 Crore
Penalty-Only Cases-Where dispute relates only to penalty-10% of penalty amount required.

9. Benefit of Statutory Pre-Deposit

Once valid pre-deposit is made Section 107(7) provides Recovery proceedings for balance amount are deemed stayed.

Important Benefit
No separate stay application generally required.
This is one of the most significant protections available to taxpayer during appellate proceedings.

10. Major Amendments

Notification No. 26/2022-CT
Note:- "Certified Copy" replaced with "Self-Certified Copy"
This reduced procedural hardship.

Notification No. 38/2023-CT
* Manual filing provisions inserted.

Finance Act 2024
* Reference to Section 74A inserted.
This aligned appeal provisions with newly inserted adjudication framework.

11. Practical Issues Faced in GST Appeals

-Portal glitches
-Incorrect pre-deposit calculation
-Delay in uploading order copy
-Non-generation of APL-02
-Limitation disputes
-Wrong appeal category selection
-DRC-03 mismatch
-Technical rejection on portal

12. Professional Checklist Before Filing Appeal

✔ Verify limitation carefully
✔ Download proper order copy
✔ Calculate correct pre-deposit
✔ Pay through DRC-03
✔ Upload supporting documents
✔ Draft proper grounds of appeal
✔ Preserve APL-01 & APL-02
✔ Verify appeal category
✔ Maintain acknowledgment proof

13. Conclusion

Although Rule 108 and Rule 109 appear procedural, practically they determine: * Valid institution of appeal
* Limitation compliance
* Recovery protection
* Maintainability of proceedings

A small procedural lapse under GST appeals can lead to major legal consequences. Therefore, strict procedural compliance is as important as merits of the case itself.
Submit By- CMA Anchal

Flipkart V/s West Bengal Tax Department: The GST Battle over how to we define Delivery.

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This tax argument raises an almost philosophical question: what precisely happens when a Flipkart delivery guy hits our doorstep and offers us a package? Was that a service for transportation? A messenger? A continuation of a retail deal? Or something the law hasn't quite come up with a term for yet? It turns out that the solution has significant financial ramifications. Additionally, Flipkart India Private Limited and the West Bengal State Tax Department argued the matter before the GST Appellate Authority for a long period. Flipkart was defeated. However, the issue is worth examining in depth because it directly addresses how India's tax system finds it difficult to adapt to the demands of contemporary e-commerce.

The Setup: What Flipkart Was Actually Proposing: In order to comprehend the disagreement, we must comprehend what Flipkart was attempting to accomplish and the significance of the categorization. For managing deliveries, Flipkart established what it dubbed a "Proposed Model"—basically, a systematic framework for moving products from vendors to final consumers via its logistics network. Flipkart would handle the actual transportation of items via its supply chain, collect identified shipping costs, and provide documentation to customers under this arrangement. According to the GST rules, the company claimed that this action qualified as a Goods Transport Agency service, or GTA. It's more than simply a label. There are actual tax advantages to this categorization. In particular, a GTA that offers services to unregistered individuals is eligible for a GST exemption under Serial No. 21A of Notification No. 12/2017. This exemption would have covered a major amount of Flipkart's shipping operations because a huge percentage of its clients are regular people who are not registered under GST. Flipkart was approved by the first Authority for Advance Ruling. It concluded that the proposed model qualified as a GTA service and that the exemption was applicable. Disappointed with the result, the State Tax Department filed an appeal. After that, the Appellate Authority looked again and came to the opposite conclusion.

The Classification Fight: GTA or Courier?

Classification is the main point of contention in this case, and it's more complex than it first seems. According to GST legislation, a Goods Transport Agency is simply a company that provides a consignment note and carries products by road. The crucial document is the consignment note, which is what formally establishes GTA status and the subsequent tax ramifications. Flipkart claimed to have satisfied both requirements as it issued consignment notes and transported products by road. It claimed that it was a GTA as a result. In response, the department contested both of those assertions, arguing that even if Flipkart met certain superficial requirements, the service's nature was essentially different from what the legislation intended when it established the GTA framework. They said that Flipkart's operations had all the characteristics of a courier service, including door-to-door delivery, prompt dispatch, package tracking, and complete accountability for the shipment arriving at the customer's location undamaged. These characteristics are not coincidental. They are what set courier services apart from traditional road transport companies, which usually convey large items between businesses without the same degree of individual package handling. The differentiation is not made at random. Taxes apply to courier services. Unregistered individuals may be excused from GTA services. Flipkart either pays no GST at all or 18% of its delivery income, depending on where you draw the line.

The Consignment Note Problem

The consignment note, which is supposedly the foundation of GTA categorization, was the subject of one of the department's most pointed arguments. A consignment note is provided by a transporter to the individual delivering the items for transportation in accordance with regular business and legal procedure. That individual is the consignor, who is often a supplier or seller. The note establishes a legal record of the transportation arrangement and confirms receipt of the goods. It is a document that travels from the sender to the carrier. This was reversed by Flipkart's model. The buyer, the final consumer who received the items, received the documentation it issued, not the seller who was shipping them. This essentially disqualifies these documents from being regarded as legitimate consignment notes in any legal sense, according to the agency. No matter what you label a document, it won't help if it doesn't work as a consignment note should. Additionally, there was a practical shortcoming. Goods go from a seller's location to a sorting facility, a regional hub, a local delivery centre, and ultimately the customer's doorstep as part of Flipkart's multi-leg delivery operations. Parts of this travel are handled by separate vehicles. The registration numbers of the used goods carriages must be included in an appropriate consignment note. However, Flipkart's paperwork frequently lacked all the necessary vehicle data in a multi-car, multi-leg operation of this complexity. This was cited by the department as more proof that the documentation was insufficient and could not be used as the legal basis for GTA categorization.

The Vehicle Question: What Counts as a Goods Carriage?

This is where things start to get very interesting and where there is the most discrepancy between legal definitions and practical operations. The Motor Vehicles Act of 1988 is linked to GTA categorization under GST law. In particular, the definition of a "goods carriage" from Section 2(14) of the Motor Vehicles Act is adopted by Section 2(zd) of the CGST Act. According to that definition, a motor vehicle built or modified for the transportation of goods is a goods carriage. The crucial term is "motor vehicle," which has a narrow meaning that does not necessarily apply to all forms of wheeled transportation. The issue for Flipkart is that its last-mile delivery network, which consists of individuals who actually transport parcels from nearby delivery hubs to specific residences, typically makes use of electric cars, bicycles, and two-wheelers. These are useful, functional, and reasonably priced tools for getting around metropolitan neighborhoods. Additionally, they frequently lack legal clarity about their eligibility as "goods carriages" under the Motor Vehicles Act. Commercial delivery two-wheelers occupy a gray area. Bicycles are completely beyond the scope of motor vehicles. Depending on their features, several electric cars can also not be considered motor vehicles. The government contended that since GTA status necessitates the transportation of goods in qualifying goods carriages, the entire operation cannot claim GTA status if the vehicles performing the last and most direct leg of the delivery do not match the legal definition of goods carriages. In an attempt to get around this, Flipkart cited the particular exemption entry it was claiming, Serial No. 21A, and claimed that, in contrast to certain other exemption entries, 21A does not specifically call for the use of a goods carrier. It's a textual argument: the legislature would have stated so if it had intended for 21A to have that requirement. This was denied by the Appellate Authority. Instead of dissecting each exemption entry separately, it used a more comprehensive approach, interpreting the GTA framework as a whole. According to the Authority, you cannot claim GTA status while utilizing vehicles that don't fit the statutory definition of goods carriages since the fundamental idea of GTA service is inextricably linked to the usage of qualifying vehicles. The fundamental definitional constraints of GTA categorization itself are not superseded by the particular language of 21A.

The Bigger Argument: Is Delivery Even a Separate Service?

The department brought up a more basic concern that relates to the core of how e-commerce transactions should be interpreted, going beyond the technical disagreements over papers and cars. They contended that a buyer is not making two distinct selections when they purchase anything on Flipkart. They are not making the decision to buy something and then decide on their own to engage a carrier to deliver it to them. Delivery is only a part of what they are doing, which is making an internet purchase. The consumer wants a product delivered right to their door. It's Flipkart's problem to figure out how it gets there, not a different service the user is actively using. This is significant since, in the conventional meaning, GTA designation refers to an organization that autonomously offers transport services to parties that have consciously chosen to utilize a transporter.

A producer intentionally employs a transportation company to transfer their products after shipping them to a store. With its own contract, negotiation, and business logic, the transport is a stand-alone service. A Flipkart delivery is exempt from all of that. Delivery terms are not negotiated by the consumer. They don't pick the delivery service. They have little influence on the logistical process. The "contract" for transportation is tucked away in Flipkart's normal terms and conditions, which are pre-written, take-it-or-leave-it terms that the buyer agrees to when placing an order rather than choosing to hire a carrier separately. This was referred to by the department as a "legal fiction"—a contractual construction intended to provide the impression of an independent transportation agreement when it isn't.

One very significant piece of evidence in this case was the return policy information. Flipkart admitted that the corporation bears the expense of transportation if a client declines a delivery. Consider the implications of it. Since it fulfilled its commitment by transporting the items to the destination, a legitimate, independent transport agency is not obligated to cover that loss. A different business issue arises if the recipient declines to accept. However, since the shipping is actually a component of a sales fulfillment requirement, Flipkart bears the expense. The business assured the client that the products will be delivered. The business is responsible if that commitment is broken. An autonomous transporter doesn't act that way. When a merchant fulfills a sales obligation, they act in this manner. Additionally, the department criticized the financial structure of Flipkart. According to Flipkart's business strategy, the customer's payment was divided into three parts: the cost of the items, a platform charge, and the "GT Charges" amount for shipping. The notion was that Flipkart could use the distinct identification of a transit fee as justification for a stand-alone GTA service. This was rejected by the department as artificial splitting, which is an accounting presentation intended to create the impression of a distinct transport transaction when none actually occurs. These are not seen by customers as distinct transactions. They obtain a merchandise after making a full payment. Internal bookkeeping is used for anything else.

The Ruling and What It Means

Overall, the Appellate Authority concurred with the department. The Authority concluded that Flipkart's delivery strategy does not qualify as a Goods Transport Agency service. It is a composite service that combines sorting, dispatch, tracking, and doorstep delivery into a single seamless experience that is inextricably linked to the underlying sales transaction. It is an integrated e-commerce logistics and fulfillment operation. The repercussions are real. The exemption under Serial No. 21A is not applicable in the absence of GTA categorization. The appropriate tax rate for Flipkart's delivery services is 18% GST. That is a significant liability given the size of Flipkart's operations. However, the consequences go beyond the figures. This decision basically says that innovative business methods are not always accommodated by outdated legal categories. The commercial freight industry, which includes vehicles transporting products between companies with distinct consignors, consignees, and independent transport contracts, served as the foundation for the GTA architecture. Logistics for e-commerce do not cleanly fit into that universe. Technology platforms, pooled delivery networks, consumer-facing applications, and the blurring of retail and logistical boundaries are all part of it. When considering these situations, courts and tax authorities are faced with a real interpretation issue. Do you simply adhere to current classifications and let the law catch up, or do you expand existing categories to account for new realities? By selecting the latter, the West Bengal Appellate Authority made it apparent to the e-commerce sector that innovative categorization techniques will be closely examined.

The decision serves as a warning to Flipkart and businesses using comparable business models that the word used in a contract or other document does not always dictate how tax law handles it. What important are the true nature of the service, how it functions, and what the client truly believes they are paying for. A Flipkart delivery is not considered a transport agency service by that criterion. It is the last stage of a retail transaction and will be subject to the appropriate tax.

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GST @ 9: What Worked, What Didn't, and What Lies Ahead

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Introduction

The introduction of the Goods and Services Tax (GST) on 1st July 2017 marked a historic transformation in India's indirect taxation system. Often described as one of the most ambitious fiscal reforms since independence, GST replaced a complex web of indirect taxes levied by both the Central and State Governments and introduced the concept of "One Nation, One Tax." The reform aimed to create a unified national market, reduce cascading taxation, improve transparency, strengthen compliance, and promote ease of doing business.

Before GST, India's indirect tax framework consisted of multiple taxes such as Excise Duty, Service Tax, VAT, Central Sales Tax, Entry Tax, Luxury Tax, and Octroi. Businesses faced significant compliance challenges due to overlapping tax jurisdictions, varying state regulations, and restricted input tax credits. GST sought to eliminate these inefficiencies through a destination-based tax structure supported by technology-driven compliance systems.

Nine years after its implementation, GST has significantly reshaped India's economic and compliance landscape. While the reform has delivered notable achievements in terms of revenue growth, digitalization, and formalization of the economy, several operational and structural challenges continue to persist. Frequent amendments, classification disputes, compliance burdens on MSMEs, and litigation-related issues have raised important concerns regarding the practical effectiveness of the system.

At this crucial milestone, it becomes necessary to evaluate GST not merely as a tax reform, but as an evolving economic governance framework. This article attempts to analyze the achievements, shortcomings, and future roadmap of GST after nine years of implementation.

Objectives Behind GST

GST was introduced with several strategic and economic objectives aimed at modernizing India's indirect tax system. The primary goals included:

1. **Elimination of Cascading Effect**
   One of the major issues under the earlier tax regime was "tax on tax." GST introduced seamless Input Tax Credit (ITC), allowing businesses to claim credit throughout the supply chain and thereby reducing the cascading burden.

2. **Creation of a Unified National Market**
   Different state-level taxes and entry barriers often disrupted interstate trade. GST aimed to establish a common market by harmonizing indirect taxes across the country.

3. **Improvement in Tax Compliance**
   By integrating taxation with digital platforms such as GSTN, the government aimed to improve transparency, reduce tax evasion, and enhance accountability.

4. **Formalization of the Economy**
GST encouraged unregistered businesses to enter the formal economy due to mandatory registration requirements and invoice-based ITC mechanisms.

5. **Ease of Doing Business**
The reform intended to simplify indirect taxation, reduce procedural complexities, and streamline compliance for businesses.

What Worked Well Under GST

1. **Unified Indirect Tax Structure**
One of the most significant achievements of GST has been the consolidation of multiple indirect taxes into a single taxation framework. The earlier system involved numerous taxes imposed at various stages by different authorities, creating duplication and inefficiencies.

GST successfully integrated:
- Central Excise Duty
- Service Tax
- VAT
- CST
- Entry Tax
- Entertainment Tax
- Luxury Tax

This harmonization simplified the overall tax architecture and reduced the complexities associated with interstate transactions.

2. **Growth in GST Revenue Collections**
Over the years, GST collections have shown remarkable growth, reflecting improved compliance and expansion of the tax base. Monthly GST collections crossing ₹2 lakh crore demonstrate the increasing maturity of the system.

The increase in collections can be attributed to:
- Better invoice matching,
- E-invoicing implementation,
- Data analytics,
- Stronger compliance monitoring,
- Wider taxpayer coverage.

The steady growth in GST revenue has strengthened both Central and State Government finances.

3. **Technology-Driven Tax Administration**
GST transformed India's tax administration from a largely manual process into a digital ecosystem.
Key technological developments include:
- GSTN portal,
- E-way bill system,
- E-invoicing,
- Online return filing,
- Automated reconciliation.

The integration of technology has improved transparency, reduced physical interaction with tax authorities, and created a digital audit trail for transactions.

The introduction of e-invoicing, in particular, has significantly reduced fake invoicing and fraudulent ITC claims.

4. **Increased Formalization of the Economy**
GST incentivized businesses to operate within the formal economy. Since ITC can only be claimed against valid tax invoices, businesses became more cautious while dealing with unregistered vendors.

This "compliance chain effect" resulted in:
- Increased registrations,
- Better record maintenance,
- Enhanced transparency,
- Expansion of the organized sector.
-

The formalization of businesses has positively contributed to revenue generation and economic governance.

5. **Improvement in Logistics and Supply Chain Efficiency**
Before GST, interstate movement of goods involved multiple checkpoints and state-level levies. This caused delays and increased logistics costs.

GST removed many of these barriers, resulting in:
- Faster transportation,
- Reduced warehouse costs,
- Better supply chain optimization,
- Improved operational efficiency.

Several businesses redesigned their warehousing and distribution strategies after GST implementation.

What Didn't Work: Challenges Under GST

Despite significant achievements, GST continues to face multiple operational and structural challenges.

1. **requent Amendments and Regulatory Changes**
One of the major criticisms of GST has been the continuous issuance of notifications, circulars, and amendments. Frequent changes create uncertainty and increase compliance complexity.

Businesses often struggle with:
- Changing return formats,
- Frequent procedural updates,
- Conflicting interpretations,
- Compliance adjustments.

For MSMEs and small taxpayers, adapting to continuous changes becomes particularly difficult.

2. **Compliance Burden on MSMEs**
Although GST aimed to simplify taxation, many small businesses continue to face substantial compliance pressure.

Challenges include:
- Multiple monthly filings,
- Reconciliation requirements,
- E-way bill compliance,
- Technical complexities,
- Working capital blockage due to delayed ITC.

Many MSMEs lack adequate technological infrastructure and professional support to manage these obligations effectively.

3. **Technical Glitches in GST Portal**

In the initial years, businesses faced serious technical difficulties while filing returns and uploading invoices. Common issues included:

- Portal downtime,
- Slow processing,
- Data mismatches,
- Difficulty in return reconciliation.

Although the system has improved significantly over time, technical stability remains an important area for continuous improvement.

4. **Inverted Duty Structure**

Several industries continue to face problems arising from inverted duty structures where input taxes exceed output taxes.

This leads to:

- Accumulation of unutilized ITC,
- Refund delays,
- Working capital stress.

Industries such as textiles and fertilizers have repeatedly highlighted these concerns.

5. **Increase in Litigation**

Despite the objective of simplification, GST has generated substantial litigation in areas such as:

- Classification disputes,
- Place of supply issues,
- Eligibility of ITC,
- Transitional credit,
- Valuation disputes.

The absence of consistent interpretations and evolving jurisprudence has created uncertainty for taxpayers.
The operationalization of GST Appellate Tribunals (GSTAT) is expected to reduce the burden of litigation and improve dispute resolution mechanisms.

6. **Multiplicity of Tax Rates**

GST currently operates with multiple tax slabs including:

- 0%,
- 5%,
- 18%,
- 40% for select luxury/sin goods

While this structure was designed to balance social and economic considerations, it has also created classification complexities and interpretational disputes.

Many experts advocate for a simplified two-rate or three-rate structure to improve efficiency.

Sectoral Impact of GST

MSME Sector

MSMEs experienced both opportunities and challenges under GST.
Positive impacts:

- Better market integration,
- Increased transparency,
- Improved access to formal credit.

Negative impacts:

- Compliance burden,
- Higher professional costs,
- Technological adaptation challenges.

Manufacturing Sector

The manufacturing sector benefited from:

- Seamless ITC,
- Removal of cascading taxes,
- Better logistics efficiency.

However, industries facing inverted duty structures continue to encounter operational challenges.

Export Sector

GST aimed to make exports zero-rated and globally competitive. However, delays in refund processing and working capital blockages initially affected exporters significantly.

The gradual automation of refund systems has improved the situation over time.

E-Commerce Sector

GST introduced a structured compliance framework for e-commerce operators through Tax Collection at Source (TCS) provisions and mandatory registration requirements.

This enhanced transparency but also increased compliance obligations for smaller online sellers.

GST and the Technology Revolution

One of the defining features of GST has been its deep integration with technology. The future of GST increasingly depends on data-driven governance and automation.

Major developments include:

- AI-based risk assessment,
- Data analytics for fraud detection,
- Automated scrutiny systems,
- E-invoicing integration,
- Real-time invoice validation.

The government is gradually moving toward predictive compliance monitoring where technology identifies anomalies before traditional assessments occur.
This shift reflects the evolution of taxation from manual administration to intelligent digital governance.

The Road Ahead: GST 2.0

As GST enters its next phase, reforms must focus on simplification, stability, and taxpayer confidence.
Key Areas for Future Reform

1. **Simplification of Tax Structure**
   Reducing multiple tax slabs can minimize disputes and improve compliance efficiency.

2. **Stable Regulatory Environment**
   Frequent amendments should be minimized to provide certainty and consistency to businesses.

3. **Strengthening GSTAT**
   Efficient dispute resolution mechanisms are essential to reduce litigation and taxpayer uncertainty.

4. **MSME-Friendly Compliance**
   Simplified returns and reduced compliance burden can support small businesses more effectively.

5. **Enhanced Technological Infrastructure**
   Continuous improvement in GST portal efficiency and cybersecurity measures is necessary.

6. **Expansion of GST Coverage**
   Inclusion of petroleum products and electricity within GST may further strengthen the unified tax framework.

Conclusion

Nine years after its implementation, GST has undeniably transformed India's indirect tax ecosystem. The reform has improved transparency, expanded the tax base, promoted digital compliance, and strengthened the formal economy. Technology-driven administration and improved revenue collections demonstrate the significant progress achieved under the GST regime.

However, challenges relating to compliance complexity, litigation, technical issues, and policy uncertainty continue to affect taxpayers, particularly MSMEs. The next phase of GST reform must therefore focus not merely on revenue collection, but on creating a simpler, more predictable, and business-friendly compliance environment.

GST should now evolve from being only a tax reform into a comprehensive economic governance framework powered by technology, transparency, and trust. As India moves toward a more digital and integrated economy, the success of GST 2.0 will depend on balancing efficient tax administration with ease of compliance and taxpayer confidence.

The journey of GST over the past nine years reflects both the scale of India's reform ambitions and the complexities involved in implementing transformative fiscal policies. While much has been achieved, the path ahead requires continuous refinement, cooperative federalism, and technology-enabled governance to fully realize the vision of "One Nation, One Tax, One Market."

"Discussion of The TDS Provision Relating to Real Estate Transactions Under The Income Tax Law"

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Introduction

Article 265 of The Constitution of India States Clearly That No Tax Shall be Levied or Collected except by Authority of Law.
There are Three Stages in Taxation:-

1. Imposition or Creation of Tax Liability
2. Assessment
3. Collection of The Assessed Tax Liability

All The Three Stages are required to be authorized by a Law Passed by The Competent Legislature

Tax is Levied by The Charging Section of The Taxing Statute Passed by The Competent Legislature, The Charging Section defines the Subject Matter of The Charge and Person Liable to Tax. The Next Stage is The Assessment and Quantification of The Tax Liability. Levy and Collection are used distinctively in The Article 265 it can be interpreted that The Levy also covers The Assessment. The 3rd Stage is The Collection of Taxes. Article 265 requires that not only Levy and Assessment but The Collection Provisions must also be clearly defined in The Law Passed by The Competent Legislature

380-430 (Chapter XIX) of The Income Tax Act, 2025 Deals with The Collection and Recovery of The Tax Charging Section

Section 4

1. **Where any Central Act enacts that income-tax shall be charged for any tax year at any rate or rates, income-tax for such tax year shall be charged at that rate or those rates in accordance with and subject to the provisions of this Act**

2. **The charge of income-tax under sub-section (1) shall be on the total income of the tax year of every person as per the provisions of this Act**

3. Income-tax shall also include any additional income-tax, by whatever name called, levied under this Act

4. If this Act provides that income-tax is to be charged in respect of income of a period other than the tax year, it shall be charged accordingly

5. **For the income chargeable under this section, income-tax shall be deducted or collected at source or paid in advance as provided under this Act**

Collection or Payment of Tax

Sections 390 and 391 of The Income Tax act, 2025 Provide that there are Three modes of Collection or Payment of Income Tax Chargeable on The Income:-

1. TDS
2. TCS
3. Direct Payment

Section 393(1)

(1) Where **any income or sum of the nature specified in column B of the Table below**, is credited or paid or distributed by the person specified in column C during the **tax year**, to a **resident**, the person responsible for paying such income or sum shall deduct income-tax,—

(a)on the entire amount of such income or sum, where the amount or aggregate of amounts exceeds the threshold limit specified in column D, or on sum as per Note 1 for serial number 8(ii), as the case may be;

(b)at the rate specified in column D;

(c)at the time of credit of such income or sum to the account of the payee or at the time of its payment in cash or by way of a cheque or a draft or by any other mode, whichever is earlier; and

(d)Subject to the provisions of sub-sections (4), (5), (6), (8) and (9).

TDS on Rent Payable/ Paid to Residents- Section 393(1) Serial No. 2 of The Table

(1) Now Let us analyze the Provision relating to TDS on Payment of Rent in Serial No. 2(i) of The Table in Section 393(1) - Rent Payment by a Person Other Than The Specified Person

1	Nature of Sum or Income (Column B Serial No. 2 of the Table)	Any income by way of rent
2	Payer (Column C Serial No. 2 of the Table)	Person other than specified person
3	Threshold Limit (Column D Serial No. 2 of the Table)	Rs.50,000 Per Month or Part of a Month
4	Rate of TDS (Column D Serial No. 2 of the Table)	2%
5	Payee	Any Resident

Where The Rent Paid or Credited to a Resident during a Tax Year exceeds the Threshold of Rs. 50,000 Per Month or Part of The Month TDS is to be Deducted at The Rate of 2% on The Entire Amount Paid or Credited not merely the Excess over Rs.50,000

A Person Other Than The Specified Person means an Individual or HUF other than a Specified Individual or HUF as per The Section 402(37)(b)

Time of Deduction of The TDS: At the Time of Credit or Payment whichever is Earlier for the last month of the tax year or the last month of tenancy

(2) Now Let us analyze the Provision relating to TDS on Payment of Rent in Serial No. 2(ii) of The Table in Section 393(1)- Rent Payment by a Specified Person

1	Nature of Sum or Income (Column B Serial No. 2 of the Table)	Any income by way of rent
2	Payer (Column C Serial No. 2 of the Table)	Specified Person as Defined in Section 402(37)
3	Threshold Limit (Column D Serial No. 2 of the Table)	Rs.50,000 Per Month or Part of a Month
4	Rate of TDS	2%, for the use of any machinery or plant or equipment; and 10%, for the use of any land, or building (including factory building), or land appurtenant to a building (including factory building), or furniture, or fittings
5	Payee	Any Resident

Where The Rent Paid or Credited to a Resident during a Tax Year exceeds the Threshold of Rs. 50,000 Per Month or Part of The Month TDS is to be Deducted at The Rate of 2%/ 10% on The Entire Amount Paid or Credited not merely the Excess over Rs.50,000

Time of Deduction of The TDS: At the Time of Credit or Payment whichever is Earlier

"specified person" means—

(a)any person, not being an individual or Hindu undivided family; or
(b)an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed one crore rupees in case of business or fifty lakh rupees in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid; [Section 402(37)]

No TDS Deduction in case of Income by way of rent credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in Schedule V (Table: Sl. No. 4), owned directly by such business trust.

TDS on Consideration or Compensation for Immovable Property Payable/Paid to Residents- Section 393(1) Serial No.3 of The Table

(1) Analysis of The Provision Relating to TDS on any Consideration for Transfer of Immovable Property Other Than Agricultural Land- Serial No. 3(i) of The Table in Section 393(1)

1	Nature of Sum or Income (Column B Serial No. 3 of the Table)	Any Consideration for Transfer of Immovable Property Other Than Agricultural Land
2	Payer (Column C Serial No. 3 of the Table)	Person other than The Person Who is required to Deduct Tax under The Serial Number 3(iii)
3	Threshold Limit (Column D Serial No. 3 of the Table)	If Consideration for the Transfer of Immovable Property or Stamp Duty Value of Such Property is Equal to or Greater Than Fifty Lakh
4	Rate of TDS (Column D Serial No. 3 of the Table)	1 % of Consideration for the Transfer of Immovable Property or Stamp Duty Value of Such Property Whichever is Higher
5	Payee	Any Resident

Immovable Property means any Land (Other Than Agricultural Land) or any Building or Part of a Building- Section 402(19)

For The Purpose Serial No. 3(i) of The Table in Section 393(1) "agricultural land" means agricultural land in India,—
not being a land situated in any area referred to in section 2(22)(iii), for the purposes of section 393(1) [Table: Sl. No. 3(i)]; **(Rural Agricultural Land)**

Negotiated Purchase of Land by The Government Whether TDS under Serial No. 3(i) or Serial No. 3(iii) Will Apply?

Negotiated Purchase is not Compulsory Acquisition of Land Hence TDS under Serial 3(iii) of The Table in Section 393(1) will not be applicable, TDS will be deducted under Serial No. 3(i) of The Table in Section 393(1). **Also Held in The Case of M.C Thomas v. District Collector [2014] 49 taxmann.com (Ker.)**

Time of Deduction of The TDS: At the Time of Credit or Payment whichever is Earlier

Consideration for transfer of any immovable property under serial number 3(i) shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property for the purposes of the threshold limit mentioned in column D.

(2) Analysis of The Provision Relating to TDS on Consideration under a Joint Development Agreement Payable/Paid to Residents- Serial No. 3(ii) of The Table in Section 393(1)

1	Nature of Sum or Income (Column B Serial No. 3 of the Table)	Consideration (Not being in Kind) under a Joint Development Agreement
2	Payer (Column C Serial No. 3 of the Table)	Any Person
3	Threshold Limit (Column D Serial No. 3 of the Table)	Nil
4	Rate of TDS (Column D Serial No. 3 of the Table)	10%
5	Payee	Any Resident

Time of Deduction of The TDS: At the Time of Credit or Payment whichever is Earlier
In case of consideration on which provisions of both serial numbers 3(i) and 3(ii) are applicable, tax shall be deducted under 3(ii) only.

(2) Analysis of The Provision Relating to TDS on Compensation/ Consideration for Compulsory Acquisition of Immovable Property Payable/ Paid to Residents Serial No. 3(iii) of The Table in Section 393(1)

1	Nature of Sum or Income	Any Sum, Being in The Nature of :-
	(Column B Serial No. 3 of the Table)	1. Compensation or Enhanced Compensation or
		2. Consideration or Enhanced Consideration
		On account of Compulsory Acquisition, under Any Law for Time being in Force, of Any Immovable Property (Other Than Agricultural Land)
2	Payer (Column C Serial No. 3 of the Table)	Any Person
3	Threshold Limit (Column D Serial No. 3 of the Table)	Rs. 5,00,000
4	Rate of TDS (Column D Serial No. 3 of the Table)	10%
5	Payee	Any Resident

Section 393(4)
For The Purpose of The Serial No. 3(iii) of The Table in Section 393(1) Agricultural Land includes any Agricultural Land Situated in India, Whether Situated in Rural Area or Urban Area as Per The Provision of The Section 402(2(b)

Whether Payer/ Deductor Liable to Inspect The Land to Determine Whether it is Agricultural Land?
The Case of Jaipur Development Authority v. ACIT When compensation is paid for compulsory acquisition of agricultural land covered by the exclusion in Section 194LA, no TDS is deductible. The deductor's obligation cannot be enlarged beyond the statutory requirements by imposing additional conditions such as physical verification of cultivation.

No TDS if Compensation or Consideration is paid in Kind
No TDS Shall be Deducted from any Payment which is Income by way of any award or agreement which has been exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013).

Some Important Terms

Person Responsible for Paying (Payer):-

(1) As per the Section 402(27) (e) if The Payer is a Non-Governmental Resident Person, the Person responsible for paying any sum on which TDS is deductible is:-
(i)The payer Himself or
(ii)if the payer is a company, the company itself including the principal officer thereof

(2) As per the Section 402(27) (f) if The Payer is a The Central Government or The State Government, the Person responsible for paying any sum on which TDS is deductible is:-
(i)the drawing and disbursing officer; or
(ii)any other person, by whatever name called

(3) As per the Section 402(27) (g) if The Payer is a Non- Resident Person, the Person responsible for paying any sum on which TDS is deductible is:-
(i)The payer Himself,
(ii)any person authorised by such person or
(iii)the agent of such person in India including any person treated as an agent under section 306

Facility for No TDS/ Lower Rate Application [Section 395]

The payee may make an application before the Assessing Officer for deduction of income-tax at a lower rate or no deduction of income-tax, as the case may be, this Provision has been expanded for all The Sections of TDS

Summary

The current Article discusses only a Summary of TDS Provisions Relating to Real Estate Transactions Under The Income Tax Act, 2025, there are lot of Case Laws and debatable issues addressed with reference TDS by various Legal Forums like Tribunal, High Court and Supreme Court Taxpayers and Professionals should carefully arrive at the conclusion after having a thorough understanding of the various rulings

Sectoral Focus: MSME, Exports and Unorganised Trade – Compliance Cost Vs Competitiveness

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In line with GST @9: Reform, Redefine, Reinforce – Towards a Smarter Tax Ecosystem

Executive Summary

India's Goods and Services Tax (GST) framework has reached a pivotal juncture at its 9th anniversary, marked by the landmark 56th GST Council Meeting in September 2025 that introduced next-generation reforms simplifying the tax structure from four slabs (5%, 12%, 18%, 28%) to essentially two slabs: 5% for essentials and 18% as the standard rate. This article examines the critical tension between compliance costs and competitiveness across three interconnected sectors—MSMEs (contributing nearly 48% of India's exports), export-oriented enterprises, and the unorganised trade sector (comprising 65+ million micro enterprises employing 80% of the workforce)—and analyzes how GST @9 reforms aim to create a smarter, more inclusive tax ecosystem.phdcci+3

Introduction: The GST @9 Paradigm

The theme "GST @9: Reform, Redefine, Reinforce – Towards a Smarter Tax Ecosystem" captured by the Institute of Cost Accountants of India reflects the transformative journey of India's indirect tax framework. Nine years after implementation, GST has evolved from a complex compliance regime into a more business-friendly system, yet challenges persist for smaller players who bear disproportionate compliance burdens relative to their turnover.instagram

The recent GST rationalisation represents a decisive shift toward simpler taxation, lower burdens on citizens, and improved ease of doing business, significantly strengthening GST's role as a citizen-centric, growth-oriented tax system.pib

MSME Sector: The Backbone Under Pressure

Economic Significance

MSMEs form India's economic backbone, accounting for:

- Nearly **48% of merchandise exports**pib
- **50% of national output**granthaalayahpublication
- **80% of workforce employment**granthaalayahpublication
- Contribution to overall merchandise exports has increased under recent export promotion measurespib

The Compliance Cost Challenge

Despite GST's benefits, MSMEs face substantial compliance pressures:

Compliance Dimension	Impact on MSMEs
Financial Cost	3–6% of turnover for informal sector granthaalayahpublication
Administrative Burden	Heightened compliance obligations requiring technological deployment ignited
Working Capital	Liquidity pressures due to delayed input tax credit refunds ignited+1
Digital Adoption	Barriers in rural and semi-urban contexts ijeks

Research indicates that while GST has improved transparency, broadened market access, and streamlined inter-state trade, it has concurrently heightened compliance burdens and intensified working capital pressures on smaller firms.ignited

Reform Benefits: GST 2.0 Impact

The September 2025 GST reforms deliver significant MSME benefits:

Rate Rationalization:

- Lower GST rates on key goods used by MSMEs in manufacturing improved predictabilityphdcci
- Textiles, footwear, electronics, leather, handicrafts, toys, and food processing covered under 5% slabpib+1
- Correction of inverted duty structures previously causing blocked input tax creditsphdcci

Simplified Compliance:

- Two-slab structure greatly reduces compliance burden on MSMEspib
- Composition schemes and quarterly return-filing options enable minimal administrative effortphdcci
- Streamlined registration and faceless adjudication reduce litigation risksphdcci

Digital Transformation:

- Automated return filing, e-invoicing, and faster refund systems enhanced efficiencyphdcci
- Next Gen GST 2.0 with risk-based refundspib
- MSMEs now enjoy quicker realization of credit, improving working capital managementphdcci

Export Sector: Compliance as a Double-Edged Sword

The Global Compliance Barrier

Indian exporters face a "hidden hurdle" undermining competitiveness:

Rising Regulatory Demands:

- EU Deforestation Regulation (EUDR) requiring sustainability traceabilitylocalandglobaleco
- Stricter FDA food safety checks and documentation requirementslocalandglobaleco
- Evolving labelling requirements for textiles, agri-exports, pharmaceuticalslocalandglobaleco

Cost Implications:

Cost Component	Impact
Certifications & Testing	Inflates operational overhead localandglobaleco
Port Delays	Documentation errors eat into profit margins localandglobaleco
Price Competitiveness	2–3% cost increase shifts contracts to Vietnam, Indonesia, Bangladesh localandglobaleco
Market Access Risk	EU market rejection risks $500+ billion opportunity localandglobaleco

The MSME Export Squeeze

MSMEs—which account for nearly 48% of India's exports—are hardest hit because they:

- Lack dedicated compliance teams or legal advisorslocalandglobaleco
- Face crippling operations from single failed shipments**localandglobaleco**
- Avoid entering new markets due to compliance fearlocalandglobaleco
- Find domestic e-commerce easier than navigating international compliancelocalandglobaleco

Government Support Measures

Export Promotion Mission (EPM):

- ₹25,060 crore outlay for FY 2025–26 to FY 2030–31**pib**
- **NIRYAT PROTSAHAN:** Trade finance facilitation for MSME exporterspib

- **NIRYAT DISHA:** Non-financial support including export-quality compliance assistance, market access, logistics facilitationpib

GST Rationalization Export Benefits:

- Comprehensive GST rationalisation strengthens MSMEs in automobiles, textiles, food processing, logistics, handicraftspib
- Lower GST rates made raw materials more affordable, motivating exporters to scale operationspib
- Textile GST rationalisation removes structural anomalies, enhances export competitivenesspib
- Handicrafts tax rationalization makes traditional goods globally competitivepib
- Logistics GST cuts lower transport and export costspib

Remission of Duties and Taxes on Export Products (RoDTEP):

- ₹58,000 crore disbursal till March 2025pib

Unorganised Trade: Bounded Formalization

The Informal Sector Reality

The unorganised sector comprises 65+ million micro and small enterprises with distinct characteristics:
Compliance Cost Regressivity:

- Compliance costs represent **3–6% of turnover** for informal businessesgranthaalayahpublication
- Costs have a "regressive edge"—disproportionately burdensome on smaller firmsgranthaalayahpublication
- Finances, administration, and attitude costs all elevatedgranthaalayahpublication

Coping Strategies: Industry Resilience

Despite challenges, entrepreneurs demonstrate remarkable adaptability through:

1. Collective resource pooling granthaalayahpublication
2. **(Meta-)intermediaries** for compliance navigationgranthaalayahpublication
3. **Strategic non-registration** granthaalayahpublication
4. **Selective digitalization** granthaalayahpublication

These mechanisms reveal that GST has not eliminated informality but transformed it into what analysts term "**bounded formalization**"—a partial, constrained integration into the formal economy.granthaalayahpublication

Structural Inequality Concerns

Research finds that the current GST design structure **worsens inequalities** in the business ecosystem. The paper concludes that policy re-engineering through accommodating compliance architecture, simplified refund mechanisms, supported digitalization, and sustained capacity-building is essential to ensure GST promotes inclusive growth, not exclusion.granthaalayahpublication

Compliance Cost vs Competitiveness: The Trade-Off Analysis

The Fundamental Tension

Factor	Compliance Cost Impact	Competitiveness Impact
Rate Rationalization	Reduced (2 slabs vs 4)	Improved (predictable pricing) phdcci
Digital Requirements	Increased (technology investment)	Long-term improved (efficiency) ignited
Input Tax Credit	Working capital pressure (delayed refunds) ijeks	Improved (blocked credit corrected) phdcci
Registration Threshold	Reduced burden (composition scheme) phdcci	Enhanced credibility (formalization) phdcci
International Standards	High cost (certifications, testing) localandglobaleco	Critical (market access) localandglobaleco

Sector-Specific Dynamics

MSMEs: Net positive after reforms—lower production costs, improved cash flows, higher profit marginsphdcci

Exporters: Compliance readiness now as critical as product quality/pricing; need centralized support portals and subsidized compliance costslocalandglobaleco

Unorganised Trade: Still facing regressive compliance burden; need policy re-engineering for inclusive growthgranthaalayahpublication

The Way Forward: Building a Smarter Tax Ecosystem

Policy Recommendations Aligned with GST @9 Theme

1. **Reform: Accommodating Compliance Architecture**
   - Simplified refund mechanisms for MSMEs and unorganised sector**granthaalayahpublication**
   - Quality Control Orders (QCOs) relaxations: 6-month additional compliance time for Micro enterprises, 3 months for Small enterprisespib
   - BIS Support Measures: Optional in-house laboratory requirement, access to accredited/shared labs**pib**

2. **Redefine: Centralized Compliance Support**
   - Centralized Compliance Support Portals offering country-wise regulatory updates, sample documents, e-learning tools for exporterslocalandglobaleco
   - Subsidized compliance costs for MSMEs: testing labs, certifications, international auditslocalandglobaleco
   - District Business Reform Action Plan (D-BRAP 2025) launched by DPIIT to decentralize approvals and inspectionspib

3. **Reinforce: Digital Enablement and Capacity Building**
   - Supported digitalization with capacity-building for rural/semi-urban contextsijeks+1
   - Training and digital tools for traceability, product tracking, documentation softwarelocalandglobaleco
   - Digital integration of trade systems: National Single Window, Trade Connect, ICEGATE, e-Commerce Export Hubspib

4. **Trade Diplomacy**
   - Negotiated Mutual Recognition Agreements (MRAs) to ease documentation duplicationlocalandglobaleco
   - Export ecosystem-building measures under EPMpib

5. **Enhanced Market Access**
   - GeM and MSME-SAMBANDH strengthening MSME participation in government procurementpib
   - Digital integration enabling first-time exporters to access global marketspib

Conclusion: Balancing Formalization with Inclusivity

The GST @9 journey demonstrates that India's indirect tax framework has evolved toward a more business-friendly and transparent system. For MSMEs, the stakes extend beyond tax relief to an opportunity to scale cost-effectively and compete on an even footing.phdcci

The combined impact of reforms is substantial: MSMEs benefit from lower production costs, improved cash flows, and higher profit margins. Simplified compliance means less time and resources diverted to tax administration, allowing firms to focus on innovation and growth. Formalisation under GST has increased credibility, making access to credit and integration into higher value chains easier.phdcci

However, the unorganised sector still requires policy re-engineering to ensure GST promotes inclusive growth, not exclusion. Export competitiveness in the 21st century is as much about compliance readiness as product quality or pricing.

A national compliance facilitation strategy that levels the playing field for all exporters—especially SMEs—can unlock India's true export potential and enable businesses to compete globally on trust, quality, and speed.localandglobaleco+1

By lowering rates across industries and reducing compliance costs, the government has enhanced affordability for consumers and improved margins for MSMEs. These measures align with broader national priorities of promoting exports, supporting artisans and farmers, and encouraging sustainable manufacturing. Collectively, the reforms reinforce India's growth trajectory by creating a more efficient, inclusive, and globally competitive tax framework.pib

As PHD Chamber President Mr. Hemant Jain affirmed: "This is a great incentive for the common man. This is a big step for the ease of doing business. This will give a huge boost to the economy".pib

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CMA - GUARDIANS OF GST!!!

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"This article explains how CMAs can harness advanced technologies to transform GST compliance and stock verification, prevent tax fraud and strengthen transparency."

Author Profile

CMA Shirish Shah, M.Com., FCMA, is a seasoned academician and finance professional with over four decades of distinguished experience. He began his career as a lecturer (1983-1995) and later served as Professor and Director at a reputed management institute until 2002. He has held prestigious academic positions as the Hon. Chancellor's Nominee on the Senate and the Hon. Vice-Chancellor's Nominee on the Academic Council of Shivaji University, Kolhapur.
A trusted member of selection committees for senior academic roles, he has also contributed extensively as a Cost, Tax and Management Consultant. Founder and Mentor of Commerce Sanskruti Professional Academy, he is a prolific writer and an engaging speaker at national seminars and workshops.

Abstract -

This article positions Cost and Management Accountants (CMAs) as "Guardians of GST" who can strengthen India's GST regime through technology-led compliance and transparency. It opens by diagnosing core GST challenges: lack of physical stock verification, mismatch between book stock and actual inventory, un-invoiced/oral sales, paper-based ITC adjustments, fraudulent ITC claims via fake invoicing and circular trading, and absence of unannounced verification mechanisms.

The paper then defines the CMA's evolving role as digital auditors and ethical custodians who bridge businesses, government, and public trust. It mandates CMAs to certify cost records, audit input-output ratios, validate stock valuation, and support GST reconciliation under the Companies Act 2013 and GST law.
A central theme is leveraging advanced technologies: AI/ML for predictive fraud detection and invoice matching, block chain for immutable audit trails and smart contracts, IoT/RFID/drones for real-time stock tracking, ERP integration for seamless GST reconciliation, and data analytics for continuous auditing. Section 145A of the Income-tax Act is highlighted as a tool to enforce uniform inventory valuation, aiding GST fraud detection.

The conclusion emphasizes a "Human-in-the-Loop" model where CMAs validate AI outputs with professional judgment and ethics. By adopting these tools, CMAs can transform GST compliance from periodic audits to predictive assurance, making GST a framework of integrity and accountability.

1. Introduction: The Growing GST Compliance Challenge

India's Goods and Services Tax (GST) regime was introduced with the goal of simplifying indirect taxation and promoting transparency. Yet, despite its technological backbone - GSTN, e-way bills, e-invoices - a large section of the manufacturing and service sector continues to face compliance gaps.

1.1 The Reality on the Ground

In many enterprises:

- Physical stock verification is rarely done.
- Stock records don't reconcile with actual inventory.
- Goods and services are sold both with and without invoices, sometimes even on oral agreements.
- Input Tax Credit (ITC) is claimed on paper stock without corresponding purchases or actual goods movement.
- Fraudulent methods are applied to avail unlawful ITC, causing heavy revenue losses to the government.

1.2 The CMA's Evolving Role

Cost and Management Accountants (CMAs) are uniquely positioned to bring credibility, data accuracy, and technology adoption to business practices. In the digital era, CMAs are not just cost auditors - they are data-driven strategists and ethical guardians of the financial system.

The following sections explore how CMAs can deploy advanced technologies to address these core issues, ensuring both business integrity and government revenue protection.

2. Diagnosing the Root Issues in GST Compliance

2.1 Lack of Physical Stock Verification

Many MSMEs and even medium-scale manufacturers fail to carry out physical verification of taxable, non-taxable, and unregistered dealer (URD) purchases. This creates a mismatch between recorded and actual inventory.

2.2 Discrepancy Between Records and Reality

Often, book stock and physical stock differ significantly due to:

- Manual data entry errors
- Lack of integrated ERP systems
- Intentional misreporting to inflate ITC

2.3 Non-invoiced or Oral Sales

Sales without tax invoices or with only oral communication bypass GST entirely. This not only violates the law but also prevents accurate tax credit reconciliation.

2.4 Paper-based ITC Adjustments

Businesses sometimes adjust ITC based on recorded or fictitious purchases, without verifying physical receipt or utilization of goods.

2.5 Fraudulent ITC Claims

A growing number of GST frauds involve fake invoicing, circular trading, or ghost firms created to claim ITC illegally.

2.6 Absence of Unannounced Verification Mechanisms

Presently, stock verification often requires prior intimation, which gives room for manipulation. There is a strong case for CMA-certified real-time verification backed by technology.

3. The Strategic Role of CMAs in the Digital Economy

3.1 CMA as a Digital Auditor

The CMA profession, traditionally focused on cost audits and pricing, must now extend to real-time assurance and fraud analytics using technology.

3.2 CMA's Legal and Ethical Mandate

Under the Companies Act 2013, Cost Audit Rules 2014, and GST provisions, CMAs play a vital role in:

- Certifying cost records

- Auditing input-output ratios
- Assessing stock valuation accuracy
- Supporting GST reconciliation

3.2 Bridging the Trust Gap

CMA professionals can bridge the gap between:

- Businesses (data originators)
- Government authorities (data users)
- Public trust (data beneficiaries)

4. Leveraging Advanced Technologies for CMA-Led Compliance

The following technologies can dramatically transform how CMAs conduct audits and verify stock integrity.

4.1 Artificial Intelligence (AI) and Machine Learning (ML)

- Predictive fraud detection: AI can flag anomalies in ITC patterns or e-way bills.
- Automated invoice matching: ML algorithms can cross-verify supplier and buyer invoices in real-time.
- Behavioral analysis: AI can learn patterns of genuine vs. suspicious transactions.

4.2 Block chain Technology

- Immutable audit trails: Every stock movement, purchase, or sale can be recorded in a tamper-proof ledger.
- Smart contracts: Enable auto-verification of GST filings against physical delivery records.
- Transparency: Each stakeholder (supplier, buyer, auditor) can verify authenticity simultaneously.

4.3 Internet of Things (IoT) and RFID

- IoT-enabled sensors: Automatically track quantity, temperature, and movement of goods in warehouses.
- RFID tags: Provide real-time location and status of inventory, reducing manual counting.
- Drones: Can assist CMAs in aerial stock verification of large depots.

4.4 ERP Integration

- Unified systems: Connect inventory, finance, and GST modules for seamless reconciliation.
- CMA dashboards: Enable certified professionals to monitor real-time stock and tax data.
- Auto alerts: Triggered when mismatches occur between book stock and actual stock.

4.5 Data Analytics and Visualization

- Data mining tools: Identify hidden fraud trends using GSTN and e-way bill data.
- Visualization dashboards: Help CMAs present insights clearly to management and tax officers.
- Continuous auditing: Replace periodic audits with ongoing analytical monitoring.

5. Section 145A of the Income-tax Act, 1961 & corresponding provisions in new Income Tax Act, 1925 -

Inventory is one of the most significant current assets of any business and directly influences taxable income, GST compliance, profitability, and financial reporting.

Recognizing the possibility of manipulation in stock valuation, the Indian Income-tax law has prescribed a standardized method for inventory valuation under Section 145A of the Income-tax Act, 1961 (and the corresponding provisions in the new Income-tax Act, 2025). The provision mandates that inventory shall generally be valued at the lower of Actual Cost or Net Realizable Value (NRV) in accordance with the notified Income Computation and Disclosure Standards (ICDS). It also requires inclusion of applicable taxes, duties, cess, and fees actually incurred in bringing the inventory to its present location and condition.

This provision strengthens tax transparency by reducing the scope for arbitrary or inconsistent stock valuation. Uniform valuation principles facilitate better reconciliation among financial statements, income-tax returns, GST returns, audit reports, and electronic records maintained by businesses.

From a GST perspective, this provision can become a powerful indirect tool against inventory-related malpractices. Several GST frauds—including fake purchases, bogus Input Tax Credit (ITC), suppression of sales, inflation or understatement of closing stock, circular trading, and generation of fictitious invoices—ultimately affect inventory records. When inventory valuation under income tax is scrutinized alongside GST returns, e-way bills, e-invoices, annual financial statements, and stock registers, inconsistencies become easier to detect.

Modern digital technologies such as Artificial Intelligence (AI), data analytics, block chain, RFID, IoT-based inventory tracking, and integrated ERP systems further enhance the effectiveness of this legal framework by enabling real-time verification and cross-matching of inventory movement across multiple databases. Although Section 145A alone cannot eliminate GST fraud, it significantly narrows the opportunities for manipulation by establishing a uniform valuation framework and providing tax authorities with a reliable basis for reconciliation and risk assessment. With increased digital integration between the Income-tax Department and GSTN, inventory valuation is emerging as an important compliance checkpoint for detecting tax evasion, ensuring accurate reporting, and promoting a transparent and accountable business ecosystem in India.

6. Technology Solutions for Each Major Problem

No	Problem Area	CMA-Driven Technology Intervention
a)	No Physical Stock Verification	IoT sensors, drones, and RFID-based real-time stock counting. CMA verifies digital logs remotely.
b)	Record vs. Actual Stock Mismatch	Block chain linked ERP to synchronize data across purchase, sales, and inventory modules.
c)	Unrecorded Sales/ Oral Orders	E-invoicing integrated with AI that auto-generates and verifies tax invoices.
d)	Paper-based ITC Adjustments	Smart GST reconciliation engines to verify ITC eligibility against actual supply.
e)	Fraudulent ITC Claims	AI-powered predictive models flagging inconsistent tax-credit patterns.
f)	Lack of Unannounced Verification	Mobile - enabled, GPS-tagged CMA verification apps for surprise stock audits.

7. Developing a CMA-Driven Digital Compliance Framework

7.1 Establishing Digital Verification Hubs

CMAs can set up Digital Verification Hubs - centralized technology platforms that:

- Aggregate business data securely
- Provide real-time dashboards for GST tracking
- Allow government-authorized audits

7.2 Integrating CMA Portals with GSTN

By linking CMA certification tools directly to the GSTN network, every stock verification certificate could be digitally validated and time stamped.

7.3 Enhancing CMA Training

Professional institutes like ICAI-CMA should introduce:

- Certifications in AI, Data Analytics, and Block chain for Auditors
- Practical workshops on ERP integrations and forensic accounting
- Collaboration with technology firms for industry training

7.4 Ensuring Ethical Data Governance

CMA professionals must establish ethical AI practices, ensuring data privacy, security, and unbiased audit models.

8. Illustrative Case Studies

8.1 IoT-Enabled Warehouses

A mid-sized manufacturing company in Gujarat implemented IoT sensors and CMA verification:

- Result: 30% reduction in stock discrepancies.
- ITC reconciliation accuracy improved by 25%.

8.2 Block chain in SME Supply Chains

A pilot conducted by a CMA consortium introduced block chain-based invoicing:

- Every movement of raw material was recorded in a shared ledger.
- Fake invoices dropped to nearly zero in 3 months.

8.3 Predictive Analytics for Fraud Detection

A CMA audit team used AI tools on GSTN data:

- The system detected abnormal ITC claims in 18% of cases.
- Early alerts saved ₹ 4.2 crore in potential tax evasion.

9. Policy and Institutional Recommendations

9.1 Strengthen CMA Authority

Introduce mandatory CMA verification for businesses exceeding ₹10 crore turnover.
Recognize CMA-certified digital audits as part of the GST compliance ecosystem.

9.2 Integrate Block chain with GSTN

Develop a national block chain-based GSTN system ensuring real-time verification of input-output matching.

9.3 Encourage Technological Adoption

Provide tax incentives for MSMEs adopting IoT or ERP-based inventory tracking.
Promote CMA-driven technology certifications.

9.4 Government-CMA Collaboration

Create a Joint Compliance Task Force between GST authorities and CMA Institutes.
Use CMA expertise in national data analytics programs to detect tax fraud.

10. Practical Implementation Model

Stage	Technology	CMA's Role
Stage 1	IoT + RFID	Collect real-time stock data
Stage 2	Block chain	Record immutable movement logs
Stage 3	ERP Integration	Synchronize tax, inventory & accounts
Stage 4	AI Analytics	Detect anomalies and fraud
Stage 5	CMA Certification	Provide verified digital assurance

11. 11. The Future of CMA Practice in the Age of AI

11.1 From Reactive to Predictive Auditing

Traditional audits look backward. AI allows CMAs to predict risks before they happen.

11.2 CMA as a Digital Steward

CMAs are evolving into digital stewards, combining ethical judgment with technical literacy.

11.3 Collaborative Ecosystem

Partnerships between CMAs, GSTN, ERP providers, and AI developers will form the backbone of India's next compliance revolution.

12. As CMAs transition into the role of digital auditors, they must navigate the risks associated with the very technologies meant to solve compliance issues.

12.1 The Digital Frontier - Cyber security, Data Ethics, and the "Human-in-the-Loop" Mandate

As the profession pivots toward AI-driven audits and block chain-based ledgers, the CMA of the future must contend with a new set of professional liabilities - the integrity of the digital ecosystem itself. While technology offers unprecedented visibility, it also introduces vulnerabilities that, if left unmanaged, could undermine the entire GST compliance framework.

12.2 The Cyber security Imperative in GST Audits

With the centralization of financial data through ERPs and cloud-based GSTN portals, the risk of cyber attacks, data breaches, and ransom ware has moved to the forefront of corporate risk management. A CMA acting as a digital steward is no longer just auditing financial numbers; they are auditing the security of the data environment. If the IoT sensors in a warehouse are compromised, or if the block chain node is subject to a "51% attack," the integrity of the audit trail is instantly invalidated. CMAs must incorporate cyber security audits—verifying encryption standards, API security and access control logs - into their compliance checklists. They must ensure that the digital architecture underpinning the business is as robust as the financial records themselves.

12.3 The "Human-in-the-Loop" (HITL) Requirement

Despite the sophistication of AI and ML models, there is a dangerous misconception that automation can replace professional judgment. In the context of GST compliance, AI is a force multiplier not a replacement for ethical oversight. Algorithms are susceptible to "black box" risks, where the logic behind a fraud alert may be biased, incomplete or based on outdated patterns.

This necessitates a "Human-in-the-Loop" approach. The CMA serves as the critical person to validate for AI outputs. For example, if an AI engine flags an input-output ratio as anomalous, the CMA must investigate the contextual reasons for the deviation - such as machine breakdown, seasonal power fluctuations or raw material quality variations - which the machine might interpret simply as "fraud." The human capacity for empathy, ethics and situational reasoning is the final fail-safe that ensures technology serves the law rather than bending it.

12.4 Data Sovereignty and Ethical AI Governance

As data flows between enterprises, auditors and the government, the question of who owns and controls that data becomes paramount. CMAs must lead the charge in establishing Data Governance Frameworks that adhere to the Digital Personal Data Protection (DPDP) Act and other regulatory standards.

This involves

a) Auditability of Algorithms -

CMAs must demand transparency in the AI models used by their clients. If a tool flags a supplier as high-risk, the auditor must be able to explain why based on verifiable non-discriminatory criteria.

b) Privacy-Preserving Tech -

Implementing techniques such as Zero-Knowledge Proofs (ZKP) in block chain, which allow a CMA to verify that a GST payment was made or a stock movement occurred without needing to expose sensitive, competitive business data to the entire network.

c) By integrating cyber security diligence and ethical AI oversight into the CMA's core competency, the profession moves from being a mere observer of digital trends to becoming the Architect of Digital Trust. This ensures that as India's tax infrastructure becomes more automated, it remains fundamentally fair, secure and resilient against both external threats and internal manipulation.

Summary Checklist for the Modern CMA

i) Validate the Source - Never rely on an automated alert without verifying the raw data origin (IoT logs/Sensor metadata).

II) **Audit the Pipeline -** Ensure the connection between the ERP and the GSTN portal is encrypted and restricted to authorized personnel.

iii) **Maintain Ethical Discretion -** When AI suggests an audit flag, use professional skepticism to differentiate between clerical error, systematic fraud and legitimate business fluctuations.

iv) **Prioritize Data Privacy -** Ensure that in the quest for transparency, sensitive business intelligence (B2B pricing, supply chain partners) is protected using privacy-enhancing technologies.

13. Conclusion: From Paper Audits to Predictive Assurance

The problems of mismatched stock, fraudulent ITC, and fake invoicing are not merely procedural lapses - they are systemic weaknesses.

By adopting AI, Block chain, IoT, ERP, and Data Analytics, CMAs can revolutionize how businesses maintain transparency.

Technology amplifies trust, and CMAs are the custodians of that trust.
When businesses, regulators, and professionals collaborate under a technology-driven compliance model, GST becomes not just a tax system - but a framework of integrity and accountability.

14. Key References

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