

GST exemptions after rollout: How are businesses to be run without clarity on compensation

Many of the problems taxpayers are going to face over the next few weeks, indeed months, once the GST regime comes into force are unavoidable.

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How are businesses to be run without any clarity on how they are to be compensated in the post-GST regime? (Image: PTI)

Many of the problems taxpayers are going to face over the next few weeks, indeed months, once the GST regime comes into force are unavoidable. This will include not being able to upload all the 137 invoices that the average business has to upload every month—going by an interview of GSTN chief Navin Kumar in Mint—and around 50,000 in the case of large businesses. Forget companies, going by reports published in this newspaper, even the GST Suvidha Providers (GSPs) that are supposed to help firms navigate GST are far from ready. Indeed, as this newspaper reported, it is only now that GSTN has put out a tender asking for firms to test its network in real time on 15 parameters that include assessment & adjudication, recovery, refund and data warehousing & predictive analyses. This is why revenue secretary Hasmukh Adhia has, time and again, said the government will not penalise firms who make mistakes while uploading the data in the initial period; indeed, while GST will come into being on July 1, firms have been given a few months before they have to mandatorily file all data electronically. This is why, for instance, GSTN is also working on developing apps to make life easier.

One such app, cited in the Mint interview, draws data from an excel sheet maintained by the company in the normal course and uploads this to the GST system. While such problems are to be expected when a new system is tried out—it will happen even if the date for filing is extended from July 1 to January 1 next year—what is unacceptable is the

huge delay in announcing the alternative regime for tax breaks that will go once GST comes into force. Area-based exemptions of sales tax and excise duties like those in Uttarakhand, for instance, attracted scores of companies to set up shop there; even the Maruti factory in Sanand in Gujarat has been given generous sales tax holidays.

It is true that the sales tax holidays were given by the state governments and so it is up to them to come up with alternatives. But if they haven't been able to come up with this, the Centre hasn't been able to come up with acceptable alternatives for excise-exemptions either. Till an alternative is found, how are businesses that factored in these exemptions to function? In the case of mobile phone manufacturing that the government has been tomming, the current 11.5% advantage through the countervailing duty will expire within a week.

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How are firms that have set up assembly plants already, and those that are planning to, to be compensated for this? From time to time, various alternatives have been thrown up—one such, in the case of mobile phones, was to hike the import duty. When it was pointed out by many, including this newspaper, that this would attract censure from the WTO, and probably sanctions as well, the plan was put on the back-burner.

The point, however, is that with neither this plan executed nor any alternative put in place, manufacturers can only guess as to what option will be offered, and by when. This, the government should know, is no way to run a business. And yet, it remains quite confident that, the next time around, India will move up many notches in the World Bank's Doing Business indices.