

# Small businesses grapple with GST compliance

SURABHI



Automating the systems seems to be the biggest challenge

## NEW DELHI, JUNE 26:

With less than a week to go for the new indirect tax regime to kick in, small businesses are trying to understand the modalities of the goods and services tax (GST) as the compliance burden for them is set to significantly rise.

Making a relaxation for small businesses, rules allow those with an annual turnover between ₹20 lakh and ₹75 lakh (or up to ₹50 lakh for hilly States) to opt for the composition scheme and file returns every quarter, the bigger challenges seems to be automating their systems and installing at least one computer for making and uploading invoices.

“I run a small grocery store and though my turnover is over ₹20 lakh, I don’t know whether to run my shop or work out the computer system,” said Mahender Nath, the owner of a mom-and pop store in New Delhi.

Analysts say that the problem is bigger in tier 2 and 3 towns where connectivity and the use of computers is considered a big challenge.

“I recently met a client from Siwan (Bihar) who has a cement business and makes over ₹2 crore a year. He has registered for GST, but for him to get a computer and come on board for GST seemed bewildering,” said a GST Suvidha Provider (GSP) who did not wish to be named.

According to the Confederation of All India Traders (CAIT), of the estimated six crore small firms in the country, about 2.5 crore traders will not be included under GST as they will be out of the threshold.

“But at least 60 per cent of the remaining nearly four crore businesses don’t have a computer. Most are not very clear about the rules of the new tax either,” Praveen Khandelwal, National Secretary General of CAIT, had said at an event last week, adding that it is working on campaigns and awareness programmes for them.

## ‘Simple process’

According to government sources, to tide over this problem, the returns for the composition scheme will also be very simple in which the business will just have to mention its turnover, tax liability and the tax paid. “We are keeping it very simple,” said an official.

The objective of filing returns is also to ensure that more firms come into the formal economy and pay taxes.

“If you don’t register and pay tax, input tax credit will not be provided and the whole chain of the vendor, business and the seller will be disrupted. The idea is to ensure people pay taxes,” noted an official, adding that most have been filing more complicated returns under the current tax regime.

GSPs, too, are working with small businesses to make them aware of compliance under the new tax regime and automating their invoices.

“Technology selection for GST compliance is the biggest challenge for small traders. They must be educated about which technology solution provider they should choose based on parameters such as 24x7 availability of platform, security of their data and high-level performance to upload large number of invoices a day,” said Ashish Mittal, co-founder, EasemyGST.

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