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GOODS AND SERVICES TAX – DIGITAL COMPLIANCE & ALLIGNMENT WITH EASE OF DOING BUSINESS

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ABSTRACT

It has been 9 years since introduction of Goods and Services Tax (GST) in the Indian economy. We have moved well beyond the stages of transition. It's now the principal tax governance system for indirect tax collection for government. GST is more practical in nature and integrates all the stakeholders in terms of compliance and reporting. Although it has gone numerous changes, but it has brought all the indirect tax regimes under one portal. Ease of doing business is also prime issue promoting reforms in tax and compliance to promote businesses in the economy.

KEYWORDS: Anti-Profiteering, Appellant, Input Tax Credit, Regime

INTRODUCTION

GST was live on 01 July 2017 with lots of questions and queries about how it will work, particularly one portal for complete nation trying to access same time. The GST was brought with a clear mind setup of common national market, removal of cascading taxes and a harmonized tax on supply. July 2026 marks its nineth anniversary of getting live, and it has changed everyday tax language for invoices, supply chains and working capital. For businesses, GST is not just a tax, it's a very important factor as it affects pricing, vendor selection, credit line, ERP selection and much more. The GST reforms have led to refinement during the process. This article will discuss trust-based model of digital tax governance built on e-invoicing, e-way bill, input tax certainty and other. The main purpose is to make it not softer GST but make it a fairer, clearer and future oriented GST.

Return Filing to Digital Tax Governance

Early phase of GST was more based on filing return. A taxpayer was expected to file return reporting its outward supplies, credit and reconciliation. With time it has moved into data driven governance model. E-invoicing, e-way bill, auto-populated data, GSTR-2B, risk popups, reports and much more. This helps the authorities too to get reports on payment patterns, risks and other cautious actions so that corrective steps can be taken on time and revenue loss can be managed on time.

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This feature of GST has helped the authorities to detect fake invoicing, excessive credit claims and circular trading. Although things to keep in mind that mismatch on the portal do not always mean fraud. The system can mark the transaction as risky but without evidence and reasoning it should not determine liability.

The digital tax governance model may select the case, but law must be the one to decide. The notices should not be just stating differences, but they should state the transaction, regulation, evidence, computation of demand and precise allegation. This move will make the portal trusted and reduce unnecessary disputes. This move will help businesses with better compliance.

E-Invoicing and E-way Bills

E-invoicing is one of the best features of GST. Its applicability to taxpayers with taxable turnover of Rs 5 crore and above has brought major taxpayers under the ambit of the provisions of GST. It helps with auto-populated returns for the taxpayers, early detection of errors, reducing fake invoices and many more benefits.

The integration of E-invoicing and E-way bill will make the integration better as E-invoicing helps in getting information for supply and E-way bill helps in getting the movement of supply. They are two sides of a coin of compliance story. The integration will help with the duplication of data entered two different portals. Once e-invoice is generated it should flow in places where it's relevant to.

Although for ensuring ease of doing business it should also be kept in view that integration should not create hardship for taxpayers in terms of vehicle changes, clerical errors, system downtime, cancellations, reissues, duplication and other things.

As per the current legislation for Financial Year 2026-2027, e-invoicing is mandatory for GST-registered businesses whose aggregate turnover exceeds Rs. 5 crores in any financial year after financial year 2017-18. Once it's applicable then taxpayers need to continue it even if the threshold falls below limit.

E-way bill (Form EWB-01) is mentioned in Rule 138 of the CGST Rules, 2017 which requires to generate e-way bill for movement of goods and should be available with the person or transporter carrying the goods. It's a 12-digit number generated after details are filled on the portal.

The problem comes when the taxpayer does not file the GSTR returns consecutively for 2 or more months, the e-way bill portal stops generating the e-way bill for the taxpayer.

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Input Tax Credit

The core of GST is the input tax credit, as it was brought with the viewpoint to remove cascading tax. The business also depends a lot on it considering credit will flow and they consider it in the working capital.

Years since GST came into effect there have been several problems with input tax credit like mismatch between returns, supplier default, cancelled registration, delay in filings, and many more.

To ensure ease of doing business the GST should develop a more balanced ITC framework. A bona fide recipient who has received supply, paid consideration and tax to the supplier, maintain necessary papers should be allowed to claim the credit. The denial should be justified. But denial of the fault of the other party should not be the point to claim tax credit.

Most businesses are at risk from things which are beyond their control as Section-16 of CGST Act, 2017 specifically states the conditions to claim input tax credit. And among it the biggest pain point is the vendor compliance dependency as if the vendor does not file the return or does not file on time, the GSTR-2B summary generated for the buyer will not show the details therein while buyer has paid to vendor and it consumes a lot of time for buyer to follow up, impacts working capital specifically for trading units where the margin scope is very thin. Lots of businesses are spending a lot to cope up with this situation as it requires follow up with the vendor in timely basis to ensure there is no loss of credit.

Another grey area is blocked credits under Section-17(5) of the CGST Act, 2017 where even after complying all the conditions of Section-16 to claim credit are satisfied but credit cannot be claimed. Time-limit trap under Section-16(4) of the CGST Act, 2017 wherein time to claim for credit is 30th November following the end of the financial year or filing of annual return whichever is earlier. Anything beyond this point is lost permanently and cannot be claimed.

Classification: HSN selection

This is one of the most difficult parts of the GST, as one wrong selection can lead to non-compliance of the act and later fines and penalties. They are the least discussed but most common error in the GST regime. Disputes related to composite supplies, mixed supplies, online services and many more. In most cases there is no intent to avoid tax, but it is about the reasonableness of nature of business activity.

As per CGST Notification No. 78/2020 dated 15 October 2020, effective 01 April 2021 which states that businesses with turnover upto Rs 5 crore should use 4-digits HSN Code on B2B invoices while

6-digits for others. In case of exporters and importers the code is 8-digits.

The government should rationalize rates which would help. And more scenario-based classification should be included in the GST handbook. The advance ruling mechanism should be convenient and fast so that taxpayers can detect issues beforehand reducing disputes later.

Micro, Medium and Small Enterprises (MSMEs)

The core of Indian economy is MSMEs which contribute a lot to employment and economy. GST has helped many MSMEs to enter into the market as it combines all the indirect taxes into one making easy for them to understand and work on. Large corporations can afford tax experts, ERP systems while MSMEs may depend on single accountant and portal that must work when the returns are due. The portal should distinguish between large and MSMEs taxpayers in terms of risk and other factors. They will be motivated only when the system is easy to understand and responsive. This will help them to focus on core areas rather than spending their time figuring out the GST issues.

The simplified version can include training sessions for MSMEs, notices in simple language, longer window to reply to notices, faster refunds and support for portal access.

Category of Enterprises	Investment limit (in plant and machinery) 1st July 2020	Turn over limit 1st July 2020	Investment limit (in plant and machinery) As per Union Budget 2025-26	Turn over limit as per Union Budget 2025-26
Micro Enterprises	1 crore	5 crores	2.5 crores	10 crores
Small Enterprises	10 crores	50 crores	25 crores	100 crores
Medium Enterprises	50 crores	250 crores	125 crores	500 crores

Source: https://www.iifl.com/blogs/business-loan/msme-classification-2026-micro-small-medium-enterprise-criteria

Anti-Profiteering

This was introduced with GST to ensure that the benefit of rate reduction is passed to consumers. The purpose was to bring trust among consumers as whenever the changes are made in rates those are passed on to them, and taxpayers do not enjoy the benefits. However, with the passage of time the provisions of anti-profiteering have gone away. The future rate reduction should be followed by guidance on passing the rate reduction to the consumers. Businesses should work on internal policy while enforcement should focus on cases where there is clear evidence of unjust enrichment.

Provision of Sec-171 of CGST Act, 2017 *states that the suppliers of goods and services should pass on the benefit of any reduction in the rate of tax or the benefit of input tax credit to the recipients by way of commensurate reduction in prices. The willful actions of not passing on the above benefits to the recipients in the manner prescribed is known as "profiteering".*

Chapter XV of the CGST Rules, 2017 comprising of 16 Rules contains the detailed mechanism and procedural aspect of it.

GSTAT

Over the years GST has come up with litigation related to input tax credit, refunds, HST classification, registration cancellation and others. There is no regime which can avoid litigation completely. The nonexistence of second appellant has led to High Courts bringing prolonged uncertainty.

The formal launch of GST appellant tribunal will bring the important procedural impact. The special tribunal can improve consistency and efficiency.

The GSTAT has been constituted by the Government of India under the Section-109 of the Central Goods and Services Tax Act, 2017. The purpose of it is to hear appeals against the orders passed by the Appellate or Revisional Authorities under Section 107 or 108 of CGST Act, 2017. The online application for GSTAT is officially live with effect from 10th July 2026.

However, the quality of show cause notices and orders should also improve as it has more impact on litigation improvement than setting up tribunals. Notice should contain law, evidence, facts and computation. More importantly, repeated disputes regarding any provision should be considered for policy review.

REFORMS

The GST should work on the following reforms to improve the system more effectively:

1. Rate structure should be simpler and economically rational.
2. Input tax credit should be more focused so that procedural disputes can be avoided.
3. Implement more technology to reduce duplication.
4. Adjudication should be reasoned and accountable.

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5. MSME compliance should be based on risk and capacity.

CONCLUSION

GST after nine years is performing well in terms of collections and scale, and it has created a national indirect tax framework. The next phase should be more based on ease of doing business, helping businesses to make it more convenient for them to follow. It should be smarter tax regime rather than soft tax regime. It should use technology without sacrificing natural justice. It will integrate e-invoicing and e-way bill making returns auto populated and avoid data duplication. It will protect input tax credit for legitimate taxpayers. MSMEs are treated as less risk averse as compared to large taxpayers. And bringing the appellate tribunal to improve fast track dispute resolution.

If these are achieved, GST will move beyond a revenue law and will transform it into a governance portal for indirect tax law.

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