

Getting GST right

Fixing the anomaly in GSTR 3B should help

MOHAN R LAVI

When GST was introduced in India, it was not a complete law since it was introduced in a hurry. Over the past 27 months, the government has been trying to make the law complete but is finding it hard to do so as things change.

It is now certain that GST monthly revenues would hover around ₹93,000 crore and will touch the ₹1-lakh crore mark occasionally. The Finance Minister promises to further simplify the GST to improve the 'ease of doing business' rankings. There is a clear difference in perception here. The GST should be eased with an intention to make life easier for the taxpayers and not secure a spot in global rankings. If life is made easier for taxpayers, the 'ease of doing business' rankings would take care of itself. The government appears to have given a patient hearing to some experts who are now recommending that India adopt the Singapore model of the GST. This is an option the government had in 2017 too, but it chose the South African model, not because of the content of the law but since the country was similar to India in many aspects.



the tax payable. Since taxes were paid on the basis of this form, it was assumed that it was a return. However, the Gujarat High Court in the *AAP & Co., Chartered Accountants v. Union of India* case [2019 107 taxmann.com 125/75 GST 192] ruled that GSTR 3B is not a return that replaces GSTR 3.

Smart taxpayers took the rationale of this decision a bit further and concluded that there could be no time limit imposed for availing of input tax credit, and interest and late fees could not be levied since no returns were being filed and the restriction to issue debit/credit notes before September of the ensuing financial year would also not be valid. The CBIC (Central Board of Indirect Taxes and Customs) has fixed this anomaly by issuing Notification No. 49/2019-Central Tax, whereby Rule 61(5) has been amended to clarify that if a taxpayer has filed GSTR 3B, he need not file GSTR 3. The ensuing Rule 61(6) on matching of invoices has been omitted.

It is now expected that the new system of returns would be introduced from April 2020. There is enough and more time for the CBIC and the software vendor to get it right this time around. A number of relaxations have been given over the last two years or so to composition taxpayers and those with a turnover not exceeding ₹1.5-2 crore.

These should continue in the new invoice regime too, which would mean that the new system of returns would be applicable only to a set of taxpayers who have the resources to deal with it. The government can expect revenues to touch the magic figure of ₹1 lakh crore every month once the new system of invoices comes in, since one of the major drawbacks of the present 3B — an open-ended claim for input tax credit with no checks and balances — would be plugged.

The writer is a chartered accountant

How to untangle India's telecom mess

Policymakers must let go of exorbitant fees. Operators, too, should change their mindset and focus on consumers' needs

THOMAS K THOMAS

India's telecom sector has been perennially under crisis for the last two decades. Regulatory blunders, flawed policymaking influenced by corporate lobby groups and unethical tactics by the telecom companies with a myopic view have ensured that 25 years after the first mobile call was made, the sector is in complete disarray.

The rot began from Day 1, when some companies bid exorbitant amounts in their greed to corner spectrum and later influenced the then government to convert the upfront fees to a revenue share under the New Telecom Policy, 1999.

Then in 2001 came the limited mobility controversy, wherein fixed-line telephony operators were allowed into the mobile sector through the back door. Just when a compromise was reached and the sector was beginning to settle, the 2G spectrum scam broke out. About 10 mobile operators had to shut down operations overnight after investing billions of dollars.

Several years later, the entry of Reliance Jio created a huge disruption as it unleashed 4G services, with free voice calls and data services priced at a massive discount. While the incumbent players were caught off-guard, questions have been raised about the regulatory actions, that seemed to be one-sided.

High levies

Amid this, there were multiple litigations being fought between operators and the government over things like what constitutes Adjusted Gross Revenue (AGR) for paying licence fees and whether Interconnect Usage Charges (IUC) should be zero or not.

The telecom sector has proven to be the graveyard for over 20 companies over the last two decades. Going by the current financial stress, the death count could be higher if immediate steps are

not taken to rectify past mistakes.

On the policy side, there are four things that the government should do immediately. First, the long-standing demand of bringing down levies and taxes on telecom companies should be acted upon. Telecom companies pay nearly 30 per cent of their revenues to the government in addition to the upfront spectrum fees after each round of auction.

The concept of revenue share was introduced in 1999, when the spectrum was given on subscriber-based criteria. Since the upfront fee was waived by the then government, it made perfect sense to collect a share of the revenue as licence fee. But since 2010, the operators are buying spectrum through an auction mechanism. There is no reason to continue collecting licence fee or spectrum usage charge in the form of revenue share. Once the practice of collecting revenue share is stopped, then the entire dispute over what constitutes AGR also becomes redundant.

The Centre could even consider discontinuing revenue share with retrospective effect from 2010 onward, when spectrum was auctioned the first time. This can be adjusted against the payment of AGR dues following the recent Supreme Court order. Such a move will provide huge relief to all operators, particularly Vodafone Idea and Airtel.

In this spirit of doing away with regulatory levies from the past, the IUC should also be brought down to zero so that the industry can move forward with 4G and higher technologies. This will benefit Reliance Jio and will level the playing field between all operators.

Second, the reserve price for spectrum needs to be brought down to match the current market sentiments. The very idea of conducting an auction is to allow market forces to determine the price, so there is no merit in keeping the last-discovered price as the floor price in next round of



Moot point There is no reason to continue collecting licence fee or spectrum usage charge as revenue share ISTOCKPHOTO

spectrum. The deep division between the operators will ensure there is no cartelisation while bidding.

Third, revamp the entire regulatory and policymaking apparatus to make it agile and in tune with the needs of a digital nation.

Fourth, enable Bharat Sanchar Nigam Ltd to act as a strong counter to the private sector operators. BSNL must be unshackled from political and corporate interference so that it can take quick decisions on things like buying equipment.

Long-term plans

But beyond policy intervention, the operators also have to change their mindset if the sector has to be revived. A few years ago, a CEO of a large incumbent operator was heard dismissing 4G technology as something that will roll out only in the long term. The executive completely misread the advancement that was about to be unleashed by Reliance Jio and the company he led now finds itself in deep trouble.

The incumbent operators have often shown lack of long-term thought leadership both on the business aspects as well as when it

comes to policy advocacy. For example, when they could, the incumbent operators did not push policymakers to shift to an auction-based mechanism for allocation of spectrum much earlier. Instead, the operators continued to enjoy cheap spectrum allocated through subscriber-based criteria even as they parked the dispute over AGR with the courts. The operators also did not make any provision for paying the disputed amount in the event they lost the legal battle.

These tactics, with a short-term view, have come to haunt them now. In fact, the incumbent operators' lobby group, The Cellular Operators Association of India, should evolve into a Nasscom-like body that brings all stakeholders together to drive the national agenda in the right direction.

Consumer-centric approach

Above all, the operators and the policymakers should bring back consumers at the centre of all decisions. When players like SingTel and Vodafone entered India, consumers expected that soon India will get world-class services enjoyed by their counterparts in other parts of the world. However,

the incumbent operators have spent most of their energies in fighting regulatory battles instead of creating a differentiated consumer strategy. Despite having market leadership, they continued to go after the low hanging fruit, milking that 10 paise out of the user, instead of focussing on innovation.

As a result, Indian telecom users still grapple with call drops, an inefficient complaint redressal mechanism and an average quality of services. There are over 600 million users in India that are yet to experience any form of Internet. The opportunity is therefore huge.

Instead of threatening to shut down operations, international brands like Vodafone should share their vision on how they can improve life for India's telecom users if the government were to give financial relief. If telecom companies do not change tactics, any amount of fiscal sops will be a waste. There are only three players left in the telecom sector, and any more exits would lead to a duopoly or even a monopoly, which will be dangerous for a country that has just embarked on its digital journey.

5 THINGS to WATCH OUT for TODAY

The government will consider the proposals of tech majors TCS and Infosys to set up special economic zones for the IT sector. The Board of Approval's meeting to decide on the proposal will be chaired by the Commerce Secretary. While Infosys has proposed two SEZs (in Pune and Kanchipuram), TCS has sought approval for a zone in Tamil Nadu.

The Telecom Regulatory Authority of India has scheduled an open house discussion on the issue of Interconnect Usage Charges (IUC). The IUC discussion comes in the wake of Airtel's allegation that Reliance Jio is 'gaming' the system of paying for calls to rival networks. RJio, in turn, has accused Airtel of manipulating the system to the detriment of users.

The Bar Council of Delhi will hold a demonstration at the India Gate over the Tis Hazari court violence. The lawyers will march from the India Gate to Home Minister Amit Shah's residence demanding the arrest of policemen who allegedly fired at lawyers during a clash earlier this month.

BJP working president JP Nadda will visit Uttarakhand to meet party leaders and booth-level workers. Nadda will address BJP office-bearers, MPs and MLAs at Dehradun. The visit comes ahead of the Pithoragarh constituency by-polls on November 25.

Samsung is likely to launch the Galaxy M50. The latest Galaxy M series smartphone will be available both online and in retail stores. The smartphone will come with a punch-hole display.

A THOUSAND WORDS



Slow and steady Vehicles move slowly along the snow-covered Rohtang Pass in Manali on Thursday PH

EASY

ACROSS

- Underground swelling in plant (5)
- Reach from behind, partly rest on (7)
- Gay, laughing (5)
- Allspice, Jamaica pepper (7)
- Opposite of flow (3)
- Sonorous quality (9)
- The same (L) (4)
- Coin factory (4)
- Teaching profession (9)
- Be in session (3)
- One taken for ransom (7)
- Wireless (5)
- China producer (7)
- Throwing game (5)

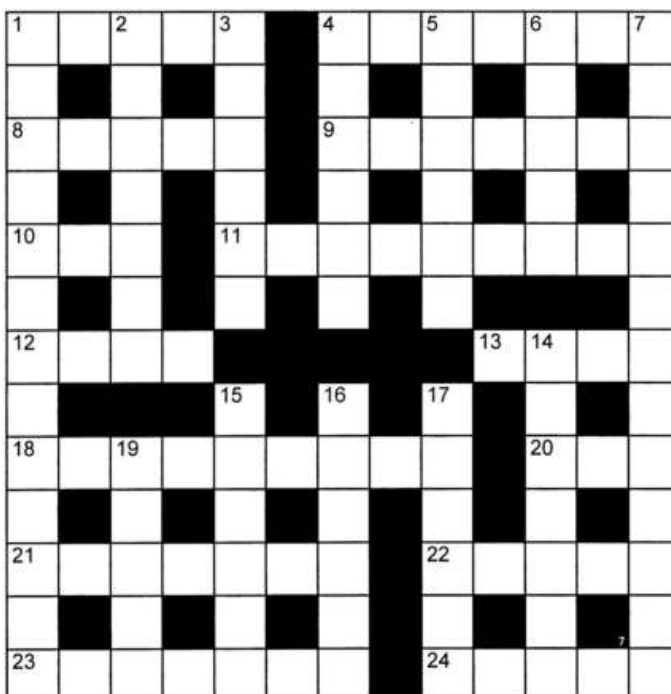
DOWN

- Urgent call on MP from party officials (5-4,4)
- Blackberry bush (7)
- Comeback; chemist's vessel (6)
- Stand against (6)
- Stout in winter coat (6)
- Personal underclothing (5)
- Asseverations, avowals (13)
- Such trading has unfair knowledge (7)
- Cause harm to (6)
- Great unhappiness (6)
- Made sound when sleeping (6)
- Not set, unplanted (5)

SOLUTION: BL Two-way Crossword 1486

- ACROSS** 01. Corroborate 08. Undue 09. Nosegay 10. Adamant 11. Eased 12. Ere now 14. Permit 18. Hedge 19. Insurer 21. Melodic 23. Elide 24. Grease paint
DOWN 01. Courage 02. Radiate 03. Omega 04. Ornate 05. Austere 06. Egg 07. Dryad 13. Overdue 15. Martini 16. Torrent 17. Discus 18. Humid 20. Sweep 22. Lag

BL TWO-WAY CROSSWORD 1487



NOT SO EASY

ACROSS

- Underground root starts providing a potato (5)
- Partly coincide on top of seat one makes sitting (7)
- Laughing with the Right ain't wrong (5)
- Allspice from tin poem is written about (7)
- Go out in a tub, being in reverse (3)
- Sonority of cranes one has upset (9)
- It's the same change one gets from a dime (4)
- Plant that flavours a great deal of money (4)
- Count idea as being adaptable to teaching (9)
- Go in for exam to represent one in parliament (3)
- Person kidnapped goat she tangled with (7)
- The air waves one met in the road somehow (5)
- Crocks for port yet to be designed (7)
- Good violin put back with the 'arrows' (5)

DOWN

- A call on MPs to get new help with their one form (5-4,4)
- Prickly bush right to be sorted out with balm (7)
- A comeback concerning what's wrong in law (6)
- Be against work, so turn up in physical education (6)
- Give me rein to swop for fur (6)
- Material use made of nine following Labour leader (5)
- Avowals eat into sports by mistake (13)
- He has particular advantage trading with Iris and Ned maybe (7)
- It will do some harm to a mother, the years (6)
- Such unhappiness for Scrooge at the beginning of the year! (6)
- Was like a sleeping partner who wouldn't keep quiet? (6)
- Not planted out with tunes (5)