

## Preface

This Report has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The magnitude of the tax reform that GST has been, cannot be over-stated. Elsewhere in the Report it has been noted that the efforts of all the stakeholders, including the businesses, in transiting to this system are appreciable. That there would be teething problems in such a major transition is also not unexpected. The issues that remain, and that have been pointed out in the report, should not therefore be seen by the stakeholders as a fault-finding exercise. The gaps / shortcomings have been pointed out in the spirit of constructive suggestions to realise the full potential of this major reform. Issues raised in the report are consistent with the spirit of the reform itself : to relieve the consumer from the burden of cascading taxes; to make the system as fool-proof as possible; to provide the taxpayers an IT-based system that would ease compliance burden, and add to the ease of doing business; and in this context, to reduce the tax official-assessee interface to the very minimal.

The system of payment and settlement of tax that was envisaged for GST was based on one hundred per cent invoice-matching and availment of input tax credit, as well as settlement of IGST on the basis of invoice-matching. Neither is possible as of now, as an invoice-matching system has not kicked-in. This report identifies invoice-matching as the critical requirement that would yield the full benefits of this major tax reform. It would protect the tax revenues of both the Centre and the States, it would lead to proper settlement of IGST and would minimise, if not eliminate, the tax official-assessee interface. In fact, even “assessment” in the sense understood in the manual system may no longer be necessary (returns themselves can be generated by a system that matches invoices); and cases of evasion etc., can be traced by applying analytical tools and AI to the massive data that crores of invoices generate.

