

# House panel flags issues faced by MSMEs, exporters under GST

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**THE PARLIAMENTARY PUBLIC** Accounts Committee (PAC) has flagged the issues being faced by Micro, Small and Medium Enterprises (MSMEs) and exporters under the indirect tax regime of Goods and Services Tax (GST), asking the Ministry of Finance to implement a simplified compliance framework for smaller businesses, to fast track and automate return filing, refund processing that includes reducing the frequency of return filings and a more straightforward online reporting process. In its report presented to Parliament on Wednesday, the Committee also underlined the need for a dedicated fast-track refund processing system for exporters, ensuring that input tax credit (ITC) claims related to exports are prioritised and processed within a specified timeframe.

The Committee also pointed out that the existing mechanisms for return filing are still inadequate, resulting in prolonged waiting periods for refunds and potential cash flow challenges for businesses.



The Committee has recommended to the Ministry of Finance to implement a more efficient and transparent refund processing system with clear timelines for processing claims and regular updates to taxpayers on the status of their refunds.

Suggesting use of AI tools for data analytics for more accurate revenue projections, the Committee said the share of indirect taxes in total revenue receipts declined to 36.92 per cent in FY20 from 38.76 per cent in FY18, with fluctuations observed in subsequent years. The Ministry of Finance in its response to the Committee attributed the decline to macroeconomic factors such as import volumes, global economic conditions,

and changes in tax policy, including reductions in duty rates on imports under free trade agreements.

The Committee, however, pointed out that the Ministry has not provided a comprehensive strategy to mitigate these influences for a steady growth in indirect tax revenue. "The Committee observed that the Ministry should develop a proactive strategy that ensures timely assessments of the impact of macroeconomic factors on tax collection and provides an accurate projection of the revenue to be collected, with the help of state of the art data analytics and AI tools," it said.

On the issue of multiple registrations required by businesses across states, the Committee raised concerns that the

lack of correct procedural validations has led to instances of non-compliance and administrative burdens for businesses. "...these issues not only create confusion for taxpayers but also hinder effective tax administration and the Ministry needs to ensure that taxes due are collected on time. To address this issue, the Committee recommended that the Ministry consider enhancing the functionality of the GST portal to facilitate easier management of multiple registrations by the same users/companies as permissible under GST Act/Rules, allowing taxpayers to view and manage their registrations in a user-friendly manner," it said.

The parliamentary panel also suggested that regular consultations should be held with industry stakeholders to gather feedback on the challenges faced in managing multiple registrations to enable the Ministry to make informed adjustments to the system as needed. It recommended creating a unique business ID for enabling simultaneous tracking of multiple registrations by the same business entity in different states.