GSTN and Frontend Business Process on GST Portal

Q 1.   What is GSTN?

Ans. Goods and Services Tax Network (GSTN) is a not-for-profit, non-government company promoted jointly by the Central and State Governments, which will provide shared IT infrastructure and s e r v i c e s t o b o t h c e n t r a l and state governments including tax payers and other stakeholders. The Frontend services of Registration, Returns, Payments, etc. to all taxpayers will be provided by GSTN. It will be the interface between the government and the taxpayers.

Q 2.   What   was   need   to   create GSTN?

Ans. The GST System Project is a unique and complex IT initiative. It is unique as it seeks, for the first time to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States. Currently, the Centre and State indirect tax administrations work under different laws, regulations, procedures and formats and consequently the IT systems work as independent sites. Integrating them for GST implementation would be complex since it would involve integrating the entire indirect tax ecosystem so as to bring all the tax administrations (Centre, State and Union Territories) to the same level of IT maturity with uniform formats and interfaces for taxpayers and other external stakeholders. Besides, GST being a destination based tax, the inter- state trade of goods and services (IGST) would need a robust settlement mechanism amongst the States and the Centre. This is possible only when there is a strong IT Infrastructure and Service back bone which enables capture, processing and exchange of information amongst the stakeholders (including taxpayers, States and Central Government, Bank and RBI). To achieve these objectives GSTN was created.

Q 3.   What is the genesis of GSTN?

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Requirements of strong IT Infrastructure was discussed in the 4th meeting of 2010 of the Empowered Committee of State Finance Ministers held on 21/7/2010. In the said meeting the EC approved creation of an 'Empowered Group on IT Infrastructure for GST' (referred to as EG) under the chairmanship of Dr. Nandan Nilekani with Additional Secretary (Rev), Member (B&C) CBEC, DG (Systems), CBEC, FA Ministry of Finance, Member Secretary EC and five state commissioners of Trade Taxes (Maharashtra, Assam, Karnataka, West Bengal and Gujarat) as members. The Group was mandated to suggest, inter alia, the modalities for setting up a National Information Utility (NIU/ SPV) for implementing the Common Portal to be called GST Network (GSTN) and recommend the structure and terms of reference for the NIU/ SPV, detailed implementation strategy and the road map for its creation in addition to other items like training, outreach etc.

In March 2010, TAGUP constituted by the Ministry of Finance had recommended that National Information Utilities should be set up as private companies with a public purpose for implementation of large and complex Government IT projects including GST. Mandate of TAGUP was to examine the technological and systemic issues relating to the various IT projects such as GST, TIN, NPS, etc.

The EG had seven meetings between 2nd August 2010 and 8th August 2011 to discuss the modalities. After due deliberations, the EG recommended creation of a Special Purpose Vehicle for implementing the GST System Project. To enable efficient and reliable provision of services in a demanding environment, the EG recommended a non-Government structure for the GSTN SPV with Government equity of 49% (Centre – 24.5% and States – 24.5%) after considering key parameters such as independence of management, strategic control of Government, flexibility in organizational structure, agility in decision making and ability to hire and retain competent human resources.

In view of the sensitivity of the role of GSTN and the information that would be available with it, the EG also considered the issue of strategic control of Government over GSTN. The Group recommended that strategic control of the Government over the SPV should be ensured through measures such as composition of the Board, mechanisms of Special Resolution and Shareholders Agreement, induction of Government officers on deputation, and agreements between GSTN SPV and Governments. Also, the shareholding pattern would ensure that the Centre individually and States collectively are the largest stakeholders at 24.5% each. In combination, the Government shareholding at 49% would far exceed that of any single private institution.

EG also brought out the need to have technology specification to run this company so that there is 100 percent matching of returns. The business knowledge resides with the officials of Government of India and States. However, professionals with sophisticated technology knowledge will be required to run this company independently, similar to NSDL which is working professionally and independently. EG also recommended a non-government company as that will have operational freedom.

These recommendations were presented before the Empowered Committee of State Finance Ministers in its 3rd meeting of 2011 held on 19th August 2011 and in the 4th meeting of 2011 of the EC held on 14th Oct 2011. The proposal of the EG on IT infrastructure for GST regarding GSTN and formation of a not-for-profit section 25 company with the strategic control of the Government were approved by the Empowered Committee of State Finance Ministers (EC) in its meeting held on14.10.11.

The note of Department of Revenue for setting up a Special Purpose Vehicle to be called Goods and Services Tax Network (GSTN-SPV) on the lines mentioned above was considered by the Union Cabinet on 12th April 2012 and approved. The Union cabinet also approved the following:

i.Suitable and willing non-government institutions will be identified and firmed up by the Ministry of Finance to invest in GSTN-SPV prior to its incorporation.

ii.The strategic control of the Government over the SPV would be ensured through measures such as composition of the Board, mechanisms

of Special Resolution and Shareholders Agreement, induction of Government officers on deputation, and agreements between GSTN SPV and Governments.

iii.The Board of Directors of GSTN SPV would comprise 14 Directors with 3 Directors from the Centre, 3 from the States, a Chairman of the

Board of Directors appointed through a joint approval mechanism of Centre and States, 3 Directors from private equity stake holders, 3 independent Directors who would be persons of eminence and a CEO of the GSTN SPV selected through an open selection process.

iv.Relaxation in relevant rules to enable deputation of Government officers to the GSTN SPV for exercise of strategic control and for bringing in necessary domain expertise.

v.GSTN SPV would have a self- sustaining revenue model, where it would be able to levy user charges on the tax payers and the tax authorities availing services.

vi.GSTN SPV to be the exclusive national agency responsible for delivering integrated indirect Tax related services involving multiple tax authorities. Accordingly, any other service provider seeking to deliver similar integrated services would be required to enter into a formal arrangement with GSTN SPV for the services.

vii.A one- time non- recurring Grant- in aid of Rs. 315 crores from the Central Government towards functioning of the SPV for a three- year period after incorporation.

Q 4. What is the equity structure and Revenue Model of GSTN?

Ans. (a) Equity Structure: - In compliance of the Cabinet decision, GST Network was registered as a not-for-profit, non-Government, private limited company under section 8 of the Companies Act, 1956 with the following equity structure:

Central Govt 24.5%

State Govts 24.5%

HDFC 10%

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HDFC Bank   10%

ICICI Bank   10%

NSE Strategic Investment Co   10%

LIC Housing Finance Ltd 11%

The GSTN in its current form was created after taking approval of the Empowered Committee of State Finance Ministers and Union Government after due deliberations over a long period of time.

(b)Revenue Model: An amount of 315 Cr. was approved by the Govt. of India as Grants-in-Aid for initial setting up of the GSTN-SPV in 2013. During the period 31.03.2013 to 31.03.2016, an amount of Rs 143.96 Crores was released as Grant-In-Aid to GSTN out of Rs 315 Crores approved by Govt of India. Out of the grant-in-aid received, only Rs. 62.11 Cr was spent during this period in setting of the Company and making it functional. The balance grant was returned to Govt. of India. During FY 2016-17, GSTN has got loan sanctioned from a commercial bank to meet expenditure over setting up the IT Platform to provide services to the Center and States through GST portal and developing the backend for 27 States and Union Territories. The Revenue model for GSTN has been approved by the Empowered Committee of State Finance Ministers under which user charges will be paid by the Centre and States/UTs equally on behalf of taxpayers and other stakeholders for availing services from the GST Portal. The user charges will be shared equally by the Centre and the States. The user charges for States will be apportioned amongst them based on number of registered taxpayers.

Q 5.   What services will be rendered by GSTN?

Ans.   GSTN will render the following services through the Common GST Portal:

(a)Registration (including existing taxpayer migration, a process which began on 8th Nov 2016);

(b)Payment management including payment Gateways and integration with banking systems;

(c)Return filing and processing;

(d)Taxpayer management, including account management, notifications, information, and status tracking;

(e)Tax authority account and ledger Management;

(f)Computation of settlement (including IGST Settlement) between the Centre and States; Clearing house for IGST;

(g)Processing and reconciliation of GST on import and integration with EDI systems of Customs;

(h)MIS including need based information and business intelligence;

(i)Maintenance of interfaces between the Common GST Portal and tax administration systems;

(j)Provide training to stakeholders;

(k)Provide Analytics and Business Intelligence to tax authorities; and

(l)Carry out research and study best practices.

Q 6. What is the interface system between GSTN and the States/CBEC?

Ans. In GST regime, while taxpayer facing core services of applying for registration, uploading of invoices, filing of return, making tax payments shall be hosted by GST System, all the statutory functions (such as approval of registration, assessment of return, conducting investigation and audit etc.) shall be conducted by the tax authorities of States and Central governments.

Thus, the frontend (GST Portal services) shall be provided by GSTN and the backend modules shall be developed by states and Central Government themselves. However, 27 states (termed as Model-2 states) have asked GSTN to develop their backend

modules also. The CBEC and rest of the 9 states (Model 1) have decided to develop and host the back-end modules themselves. For Model 1 states/ CBEC full data (registration, return, payment etc.) submitted by taxpayers will be shared with them for information and analysis as deemed fit by them.

Q 7.   What will be the role of GSTN in registration?

Ans. The application for Registration will be made Online on GST Portal.

Some of the key data like PAN, Business Constitution, Aadhaar, CIN/DIN etc. (as applicable) will be validated by the GST Portal online with the respective agency i.e. CBDT, UID, MCA etc., thereby ensuring minimum need for submission of documentation.

The a p p l i c a t i o n d a t a along with s u p p o r t i n g s c a n n e d d o c u m e n t s shall be sent by GSTN to states/ Centre, which in turn shall send the query, if any, o r approval or rejection intimation and digitally signed registration to GSTN for eventual download by the taxpayer.

Q 8.   What is the role of Infosys in GSTN?

Ans. GSTN has engaged M/S Infosys as a single Managed Service Provider (MSP) for the design, development and deployment of GST system, including all application software, tools and Infrastructure and for operating & maintaining the system for a period of 5 years from the Go-Live date.

Q 9. What are the basic features of GST common portal?

Ans. The GST portal (www.gst.gov.in) is accessible over Internet (by Taxpayers and their CAs/Tax Advocates etc.) and Intranet by Tax Officials etc. The portal is going to be one single common portal for all GST related services e.g.–

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i.Tax payer registration (New, surrender, cancelation, amendment etc.);

ii.Invoice upload, auto-drafting of Purchase register of buyer, GST Returns filing on stipulated dates for each type of return (GSTR [1,2,3,5, 9.etc];

iii. Tax payment b y c r e a t i o n o f C h a l l a n a n d integration with agency Banks;

iv.ITC and Cash Ledger and Liability Register;

v.MIS reporting for tax payers, tax officials and other stakeholders;

vi.BI/Analytics for Tax officials.

Q 10. What is the concept of GST Eco-system?

Ans. A common GST system will provide linkage to all State/UT Commercial Tax departments, Central Tax authorities, Taxpayers, Banks and other stakeholders. The eco-system consists of all stakeholders starting from taxpayer to tax professional to tax officials to GST portal to Banks to accounting authorities. The diagram given below

depicts the whole GST eco-system.

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Q 11. What is GSP (GST Suvidha Provider)?

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Ans. GST System will provide a GST portal for taxpayers to access the GST System and do all the GST compliance activities. But there will be wide variety of tax payers (SME, Large Enterprise, Micro Enterprise etc.) which may require different kind of facilities like converting their purchase/sales register data in GST compliant format, Integration of their Accounting Packages/ERP with GST System etc., various kind of dashboards to view Matched/Mismatched ITC claims, Tax liability, Filing status etc. As invoice level filing is required, so large organizations may require an automated way to interact with GST system as it may be practically impossible for them to upload large number of invoices through a web portal. So an eco- system is required, which can help such taxpayers in GST compliance.

As Tax payer convenience will be the key to success of GST regime, this eco-system will also provide Tax payer options of using third party applications, which can provide different kind of interfaces on desktop/mobile for them to be GST compliant.

All above reasons require an eco-system of third party service providers, who have access to GST System and capability to develop such applications. These service providers have been given a generic name, GST Suvidha Providers or GSP.

Q 12. What will be the role of GST Suvidha Providers (GSP)?

Ans. GSP will be developing applications having features like return filing, reconciliation of purchase register data

with auto populated data for acceptance/rejection/Modification, dashboards for taxpayers for quick monitoring of GST compliance activities. they may also provide role based access to divide various GST related activities like uploading invoice, filing returns etc., among different set of users inside a company (medium or large companies will need it), Applications for Tax Professional to manage their client's GST compliance activities, Integration of existing accounting packages/ERP with GST System, etc.

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Q 13. What are the benefits to taxpayers in using the GSPs?

Ans. At the outset it is clarified that all required functions under GST can be performed by a taxpayer at the GST portal. GSP is an additional channel being made available for performing some of the functions and use of their services is optional. Some of the specific solution(s) which

could be offered by the GSPs to meet specific requirements of

Taxpayers for GST compliance are given below:

1. Conversion of their current invoice format generated by their existing accounting software, which could be in csv, pdf, excel, word format, into GST compliant format.

2. Reconciliation of auto populated data from GST portal with their purchase register data, where purchase register data can be on excel, csv or in any proprietary database and uploaded data from GST format could be in json/csv.

3. Organization having various branches will need a way to upload branch wise invoices, as GST System will only provide one user-id/password for GST system access. An application having role based access and different view for different branches will be needed.

4. A company registered in multiple States may require unified view of all branches in one screen,

5. GST professionals will need some specific applications to manage and undertake GST compliance activities for their client Tax payers from one dashboard, etc.

Above are just a few illustrations. There will be many more requirements of different sets of Tax payers. These requirements of taxpayers can be met by GSPs.

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Q 14. What are the functions which a taxpayer will perform at the GST Common Portal being developed and maintained by GSTN for the taxpayers?

Ans. GST Common Portal is envisaged as one-stop-

shop for all requirements under GST for the taxpayers. Illustrative list of functions that can be performed by taxpayers through GST Portal managed by GSTN are:

☐Application for registration as well as amendment in registration, cancellation of registration and profile management;

☐Payment of taxes, including penalties, fines, interest, etc. (in terms of creation of Challan as payment will take place at bank's portal or inside a bank premises);

☐Change of status of a taxpayer from normal to Compounding and vice-versa;

☐Uploading of Invoice data & filing of various statutory returns/Annual statements;

☐Track status of return/tax ledger/cash ledger etc. using unique Application Reference Number (ARN) generated on GST Portal.

☐File application for refund etc.

☐Status review of return/tax ledger/cash ledger

Q 15. What will be the role of tax officers from State and Central Govt in respect of the GST system being developed by GSTN?

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Ans. The officers will use information/ application submitted by taxpayer on GST Portal for following statutory functions:

•Approval/rejection for enrollment/registration of taxpayers;

•Tax administration (Assessment / Audit /Refund / Appeal/ Investigation etc.);

•Business Analytics, MIS and other statutory functions.

Q 16. Will GSTN generate a unique identification for each invoice line in GSTN system?

Ans. No, GSTN will not generate any new identification. The combination of Supplier's GSTIN, Invoice no and Financial year will make each Invoice unique.

Q 17. Can invoice data be uploaded on day to day basis?

Ans. Yes, GST Portal will have functionality for taxpayers to upload invoice data on any time basis. Early upload of invoices by supplier taxpayer will help receiver taxpayer in early reconciliation of data in Invoices as well as help supplier taxpayer in avoiding last minute rush of uploading returns on the last day.

Q 18. Will GSTN provide tools for uploading invoice data on GST portal?

Ans. Yes, GSTN will provide spreadsheet like tools (such as Microsoft Excel), free of cost, to taxpayers to enable them to compile invoice data in the same and generate files which can then be uploaded on GST portal. This will be an offline tool which can be used to input/capture invoice data without being online and then generate final files in compatible format for uploading to GST portal.

Q 19. Will GSTN be providing mobile based Apps to view ledgers and other accounts?

Ans. The GST portal is being designed in such a way that it can be seen on any smart phone. Thus ledgers like cash ledger, liability ledger, ITC ledger etc. can be seen on a mobile phone using compatible browsers.

Q 20. Will GSTN provide separate user ID and password for GST Practitioner to enable them to work on behalf of their customers (Taxpayers) without requiring user ID and password of taxpayers, as happens today?

Ans. Yes, GSTN will be providing separate user ID and Password to GST Practitioner to enable them to work on behalf of their clients without asking for their user ID and passwords. They will be able to do all the work on behalf of taxpayers as allowed under GST Law.

Q 21. Will tax payer be able to change the GST Practitioner once chosen in above mentioned facility?

Ans. Yes, a taxpayer may choose a different GST Practitioner by simply unselecting the previous one and then choosing a new GST Practitioner on the GST portal.

Q 22. Will existing taxpayers under Central Excise or Service Tax or State VAT have to apply for fresh registration under GST?

Ans. No, the existing taxpayers under taxes which are to be subsumed under GST and whose PAN have been validated from CBDT database will not be required to apply afresh. They will be issued provisional GSTIN by GST portal, which will be valid for six months. Such taxpayers will be required to provide relevant data as per GST enrollment form online on GST Portal. On completion of data filing the status of taxpayer will change to Migrated. On appointed day the status of taxpayer will change to Active and he will be able to comply with requirements of GST regime for payment of taxes, filing of returns etc., on GST Portal.

GSTN has issued Provisional IDs and passwords to all such taxpayers and the same has been shared with tax authorities for conveying the same to the taxpayers. Enrolment of existing taxpayers for GST started at GST portal on 8th November 2016 and by end of March 2017 a large number of them have activated the Provisional ID and many have completed the migration process. More details are available at https://www.gst.gov.in/help

Q 23. What material will be provided by GSTN, on various aspects of working on GST portal, for the benefit of taxpayers?

Ans. GSTN is preparing Computer Based Training materials (CBT's) which have videos embedded into them for each process to be performed on the GST portal. These will be put on the GST portal as well as on the website of all tax authorities. Apart from CBT's, Various User Manuals, FAQ's etc., will also be placed on GST Portal for education of the taxpayers. Apart from it, a helpdesk has been set up for the taxpayers for logging of their tickets via mail (helpdesk@gst.gov.in) or phone (0124-4688999). CBT, FAQ and User Manual for enrolment process are available at https://www.gst.gov.in/help.

Q 24. Will the return and registration data furnished by the taxpayers on the GST Common Portal will remain Confidential?

Ans. Yes, all steps are being taken by GSTN to ensure the confidentiality of personal and business information furnished by the taxpayers on GST Common Portal. This will be done by ensuring Role Based Access Control (RBAC) and encryption of critical data of taxpayers both during transit and in storage. Only the authorized tax authorities will be able to see and read the data.

Q 25. What are the security measures being taken by GSTN to ensure security of the GST system?

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Ans. GST Systems project has incorporated state of art security framework for data and service security. Besides high end firewalls, intrusion detection, data encryption at rest as well as in motion, complete audit trail, tamper proofing using consistent hashing algorithms, OS and host hardening etc., GSTN is also establishing a primary and secondary Security Operations Command & Control center, which will proactively monitor and protect malicious attack in real time. GSTN is also ensuring secure coding practices through continuous scanning of source code & libraries being used in GST system to protect against commonly known and unknown threats.