Pune Branch of WICASA of ICAI presents

"Usage of AI/Tools in GST"

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Introduction to GST
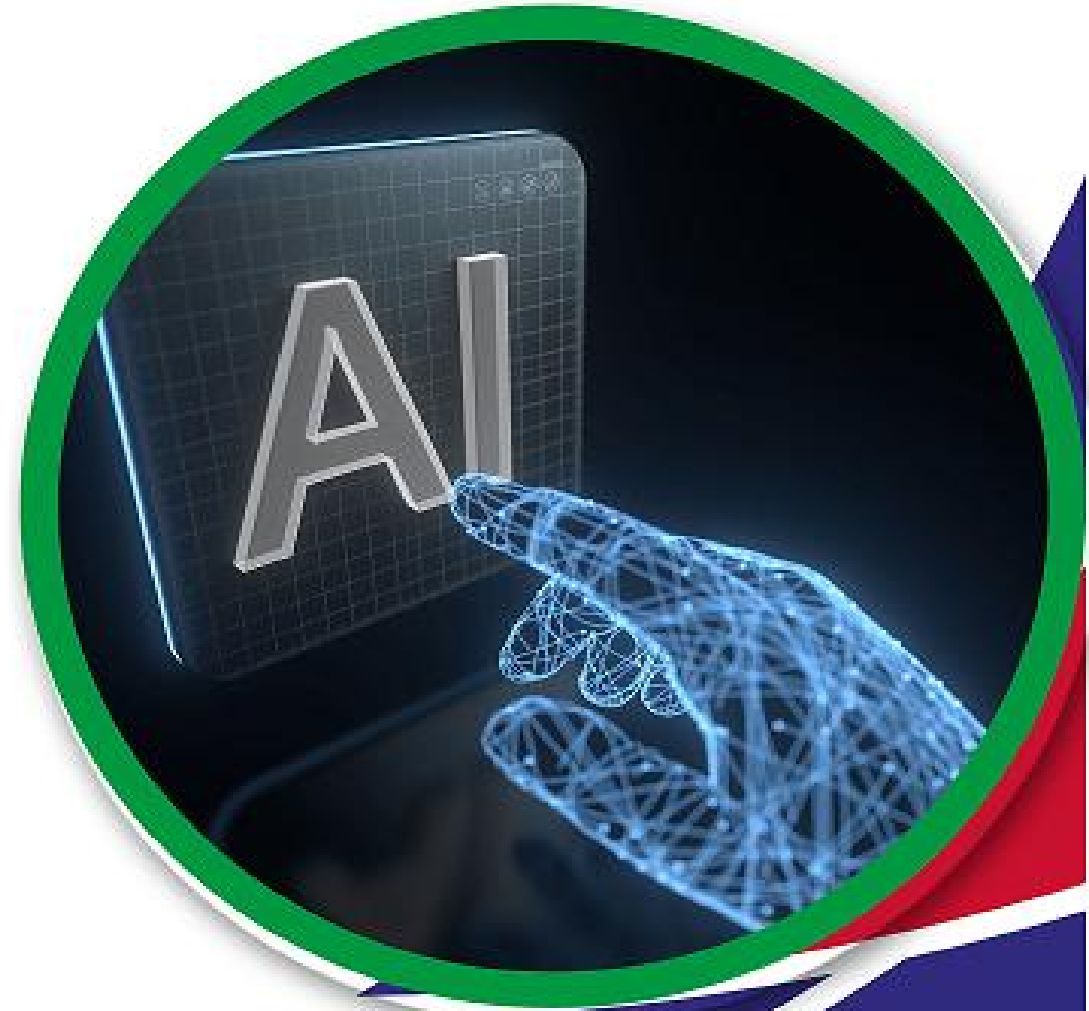
❑ **Introduction of GST Legislation:**

- Constitution (122nd Amendment) Bill, 2014 introduced to enable GST implementation.
- Passed by Lok Sabha in May 2015, Rajya Sabha and Lok Sabha in August 2016.
- Enacted as the 101st Constitution Amendment Act, 2016 after receiving President's assent on September 8, 2016.

❑ **Implementation of GST Laws:**

- GST laws implemented on July 1, 2017.
- Replaced a complex web of Central and State taxes.

❑ **Brief mechanism of GST:**

- GST is levied on the supply of goods and services at each stage of the production and distribution chain. Credits for GST paid on inputs at every step are available for setting off the output GST liability. **This helps in removing the cascading effect of taxes.** Under the GST regime, all transactions must be recorded and matched by filing returns.

Statistics

- 1.4 crores registered tax payers (as on June 2023)

- As on 15.05.2024, number of GSTIN's generating E-invoice is 10,48,576 as compared to 33,000 in Dec 2020;

- The GST tax collection increasing continuously and for the year of 23-24 the same being high as Rs. 1.37 lakh crores

- Highest number of e-Way bill generated in a day as high as 37 lakhs

- GSTN outreach program for public, officers and GST Interactive Technical Assistant (Chatbot)

Monthly Compliances under GST

Under the Goods and Services Tax (GST) Act, businesses are required to file monthly returns under various sections. Here are the key sections that mandate monthly return filings:

1. Section 39: Furnishing of Returns

- This section lays down the general requirement for furnishing returns under GST. It specifies the frequency, manner, and due dates for filing returns, including monthly returns.

2. Section 37: Furnishing Details of Outward Supplies

- Businesses are required to furnish details of outward supplies, including invoices issued, in their monthly return. This section ensures that businesses report their sales accurately to the tax authorities.

3. Section 38: Furnishing Details of Inward Supplies

- Businesses need to furnish details of inward supplies, such as purchases and input tax credit (ITC) claimed, in their monthly return. This helps in reconciliation and matching of ITC.

4. Section 16: Eligibility and conditions for taking input tax credit

- (aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37. *w.e.f. 01-01-2022*

5. Rule 36 - Documentary requirements and conditions for claiming input tax credit –

(4) No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under sub-section (1) of section 37 unless,-

(a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the invoice furnishing facility; and

(b) the details of input tax credit in respect of such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.

6. Section 44: Annual Return

- While the annual return is filed once a year, monthly returns play a significant role in the compilation of data for the annual return. Section 44 requires businesses to furnish the details of their turnover and other particulars for the entire financial year.

7. Section 45: Final Return

- In case of closure or discontinuation of business, a final return is required to be filed. Monthly return data is often used to compile the final return under Section 45.

8. Section 46: Notice to Return Defaulters

- Tax authorities may issue notices to businesses who fail to file their monthly returns as required under the GST Act. Compliance with monthly return filing obligations helps in avoiding such notices and associated penalties.

Movement from government

E invoicing

1st Oct 2020	• Aggregate turnover exceeds **500 Crores**
1st Jan 2021	• Aggregate turnover exceeds **100 Crores**
1st April 2021	• Aggregate turnover exceeds **50 Crores**
1st April 2022	• Aggregate turnover exceeds **20 Crores**
1st October 2022	• Aggregate turnover exceeds **10 Crores**
1st August 2023	• Turnover has exceeded Rs **5 crore** in any preceding 5 years

E Way bill

Compulsory matching mechanism

System generated notices

Refund automation and integration

Auto-Generated Notices by Department

- The auto-generated notices are sent to the taxpayers through e-mail on their registered email address.
- Often, notices are issued basis analytics of the data reported by the taxpayer.

Most common reasons for GST Notices:

Analysis Parameters	Issues in GST data filed by GST Authorities
0070	**Excess outward in GSTR 1 as compared to GSTR 3B**
0072	**Ineligible ITC claimed from GSTR 3B non-filers**
0073	**Excess ITC in GSTR 3B as compared to GSTR 2A or 2B**
0074	Ineligible ITC claimed from registration cancellation of suppliers
0077	Short RCM liability in annual returns as compared to GSTR 3B
0078	ITC claimed after the statutory time limit
0079	ITC on invoice which is uploaded by vendor after due date
0080	Interest on delayed filing of GSTR 3B
0081	Excess ITC as compared to ICEGATE
0082	Excess ITC claimed from ISD as available in GSTR 2A
0083	Excess ITC claimed as RCM in comparison with tax paid under RCM

Reconciliations with portal data

- GSTR-1 v/s GSTR-3B

- RCM paid v/s RCM credit

- GSTR-1 v/s E-Invoice

- GSTR-1 v/s E-way bill

- Import ITC with Icegate Portal

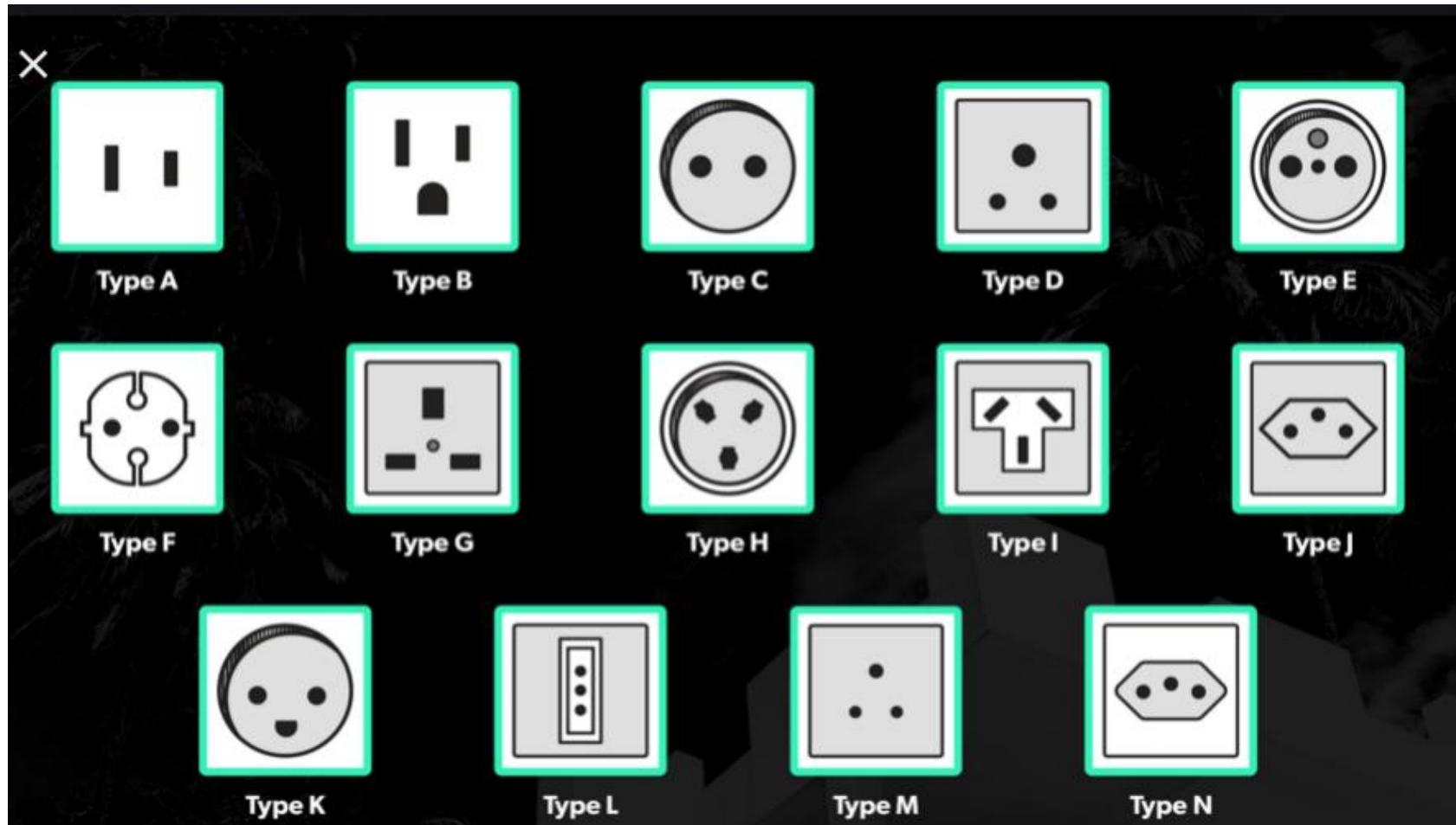- Cash, Credit balance as per books and ECRR v/s GST portal

- GSTR-3B v/s GSTR-2B

- 26AS v/s Income in GST

- TP Report v/s RCM paid

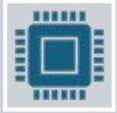- Financial statement study for GST

Present system of compliance

Challenges under GST

Huge Volume of Data:

For bigger organizations, it is always a cumbersome job to consolidate/ combine the huge volume of data in one books. There are possibilities of missing out the same.

Complexity of Transactions: When the business model of organization is such that the complexity of transactions is high, risk of human error bound to be high, given the lack of time & knowledge.

Interstate Transactions: Businesses engaged in interstate trade need to deal with complexities related to IGST (Integrated GST), which involves compliance with multiple state regulations.

Data Accuracy and Reconciliation: Ensuring the accuracy of data entry and reconciling various transactions, including sales, purchases, and expenses, can be time-consuming and prone to errors.

Frequent Regulatory changes:

GST is a young taxation law which is evolving with each passing day; as a result, many times the organization misses out on such amendments under the act.

Challenges under GST

Lack of Documentation & Record keeping: It is of equal importance that the information furnished through GST returns shall be adequately recorded in the books of accounts. The checking of physical invoices as well as e-invoice (wherever applicable) is missing as the taxpayer finds maintaining such records burdensome.

Infrequent E-invoicing: The introduction of e-invoicing mandates for certain businesses adds an additional layer of complexity to compliance efforts, requiring businesses to adapt their systems and processes to generate and report invoices electronically.

Input Tax Credit (ITC) Reconciliation: Matching input tax credit in input register with vendor invoices and reconciling it with GSTR-2B is a complex task, especially for businesses with a large number of transactions.

Missing or Delayed E-way bills: The compliance of e-way bill is often missed out on supplies other than those that are sales. Eg. Stock transfer, Job work, etc.

Challenges under GST

Vendor Compliance Management: Upon reconciliation of ITC, it is of utmost importance to take follow-ups from vendors for uploading of invoices through GSTR-1. Many times, the vendor communication is done at the eleventh hour causing the cost to company. Even the requirement of payment in 180 days needs to be monitored diligently for rightful availment of ITC. However, the tracking of such unhealthy vendors is often neglected. Follow-up is too significant in cases where tax has not been deposited to the government i.e. GSTR-3B has not been filed by the vendor. In

GST Returns Filling issues: The GST Portal often experiences heavy traffic & therefore various technical glitches & slowdowns. During such times, the process of filling GSTR-1 becomes an immense pressure leading to delays & frustration. Further, the delays are susceptible penalties.

And many more.......

What is Artificial Intelligence?

❑ AI refers to computer systems' simulation of human intelligence and learning capabilities. It includes techniques such as machine learning, deep learning, natural language processing, etc.

❑ Notable tools/AI can be applied in various aspects of GST management – from return filing, registration, refund processing, and auditing to analytics.

❑ It can dramatically increase tax administration efficiency, accuracy, and transparency. This presentation will examine how artificial intelligence (AI/Tools) may aid GST management and tax compliance.

AI/Tools - Beneficial to tackle challenges under GST

❑ **Increased Efficiency:**

- **Automation of Repetitive Tasks:** AI automates tasks like data entry, invoice processing, and return filing.

- **Streamlined Processes for huge and complex transaction:** Optimizes GST processes, reducing manual intervention and processing times.

❑ **Error Reduction:**

- **Accuracy in Data Handling:** Ensures high accuracy, minimizing human errors in data entry and reconciliation.

- **Consistent Compliance:** Applies GST rules consistently, reducing errors from misinterpretation.

Automation of Tasks

AI/Tools - Beneficial to tackle challenges under GST

❑ **Real-time Data Processing:**

- **Immediate Insights:** Provides immediate insights by processing large volumes of data in real-time.

- **Up-to-date Compliance:** Ensures current compliance status, enabling prompt corrective actions.

❑ **Predictive Analysis:**

- **Trend Analysis:** AI forecasts future tax liabilities and trends for better planning.

- **Revenue Forecasting:** Governments estimate future revenues for budget planning.

- **Compliance Behavior:** Predicts taxpayer behavior to enhance targeted enforcement

AI/Tools - Beneficial to tackle challenges under GST

❑ **Automation of Tax Filings:**

- **Data Extraction and Processing:** AI tools extract data from invoices, receipts, and documents using OCR.

- **Return Preparation:** AI compiles data to prepare accurate GST returns, reducing manual errors.

- **Timely Submissions:** Automated reminders ensure on-time filings, avoiding penalties.

❑ **Fraud Detection:**

- **Anomaly Detection:** Machine learning identifies irregularities in transaction data.

- **Predictive Alerts:** AI flags potential fraud before it occurs, from past cases.

- **Cross-Referencing Data:** Verifies data across filings to find mismatches.

- **Proactive Monitoring:** Continuously monitors transactions for suspicious patterns.

- **Enhanced Security:** Identifies vulnerabilities, protecting against cyber threats.
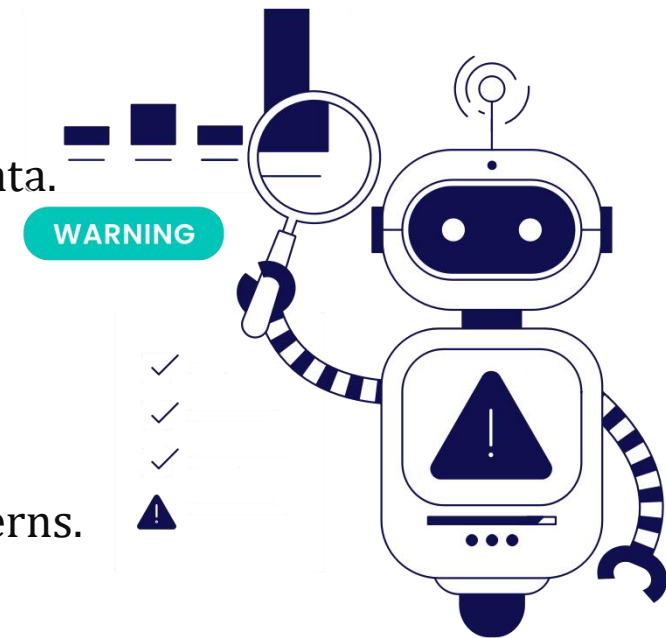
AI/Tools for GST

❏ There are various AI/tools for GST. They ensure tax compliance, makes financial reports, automates data entry, reconciles GST, issues invoices, manage documents, client managements and many more.

❏ Following are some of the tools which ease in GST compliances and procedures:

- **Gstzen**
  Link :https://www.gstzen.in/

- **Cleartax**
  Link: https://cleartax.in/

- **Suvit**
  Link: https://www.suvit.io/

- **Cygnet Tax**
  Link: https://asp.cygnettaxtech.com/home

* Only sample list of tools (No promotion by any means)

Usage of AI/Tools in GST

S.NO	Usage of AI/Tools	Meaning/Importance	Ways in which AI can Assist
1.	AI/Tools for GST Reconciliation	The process of matching and comparing transaction information given by a taxpayer's suppliers and customers with the data provided by the taxpayer in their GST returns is known as GST reconciliation.	• Automate data extraction • Identifying discrepancies • Invoice and transaction matching • Real-time reconciliation
2.	AI/Tools for GST Scrutiny	Scrutiny of taxpayer's profiles and tax returns is undertaken by tax authorities to detect tax evasion and ensure compliance with GST laws. AI enables tax officers to identify high-risk taxpayers and automatizes routine procedures	• Risk-based targeting • Detection of under-reporting • Verification of input tax credit • Due diligence of refunds • Automated notices • Maintaining audit trail

Usage of AI/Tools in GST

| S.NO	Usage of AI/Tools	Meaning/Importance	Ways in which AI can Assist
3.	AI/Tools for GST Analytics	There is now a massive volume of structured and unstructured data available across different systems, such as returns, registration, audits, refunds, and appeals, among others. The potential for using data analytics as a strategy for improving GST compliance and tax administration becomes significantly enlarged with AI.	• Detecting fraudulent transactions • Monitoring tax performance • Segmenting taxpayers • Forecasting tax revenues • Analyzing impact of policies • Automating mundane tasks
4.	AI/Tools for Tax Compliances	Tax compliance involves taxpayers understanding, correctly calculating tax liabilities, timely filing accurate returns, and making due payments. Non-compliance can attract penalties and prosecution.	• Automated data extraction • Calculation of tax liability • Filing of returns: • Reconciliation support • Reminders for due dates • Guidance on law • Record maintenance

Usage of AI/Tools in GST

S.NO	Usage of AI/Tools	Meaning/Importance	Ways
5.	AI/Tools for Tax Administrations	While GST implementation posed several challenges initially, **GST AI/Tools for tax administration** is steadily transforming it into an efficient and future-ready tax system. However, concerns around data privacy, suitability of AI models, and taxpayer rights require equal attention for balanced outcomes.	• Better tax coverage • Improved filing frequency • Faster processing of returns and refunds • Targeted audits • Increased tax collections • Reduced tax evasion • Higher perceived compliance costs

Future of AI/Tools for Litigation Management

Usage of AI	Meaning/Importance	Ways
AI/Tools for Litigation Management	While GST implementation posed several challenges initially, **GST AI/Tools for tax litigation management** is steadily transforming into an efficient and future-ready tax system. The problems such as repetitive notices on same issues can be resolved without extra efforts.	• Better reach to new amendments • Uniform application of tax law & precedent in all replies • Advanced analytics provide deep insights for stronger legal arguments • Automated document analysis & accordingly response generations.

Factors of Considerations for Implementation

Business Needs and Objectives:

Understand the specific GST compliance challenges and objectives of your business. Identify areas where AI can streamline processes, improve accuracy, and enhance compliance.
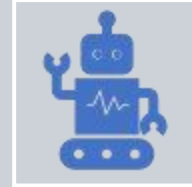
Data Quality and Availability:

Assess the quality and availability of data required for AI implementation. Ensure that data sources are reliable, standardized, and accessible for analysis and processing.

AI Tool Selection:

Evaluate different AI tools and solutions available in the market. Choose tools that align with your business requirements, budget, and technical capabilities. Consider factors such as scalability, ease of integration, and vendor support.
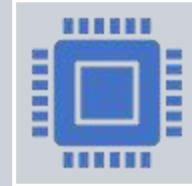
Integration with Existing Systems:

Assess the compatibility of AI tools with your existing IT infrastructure, accounting software, and compliance systems. Ensure seamless integration to minimize disruptions and maximize efficiency.

Training and Skill Requirements:

Determine the training and skill requirements for employees who will be using AI tools. Provide adequate training and support to ensure effective utilization of AI capabilities and maximize ROI.

Cost and ROI Analysis:

Conduct a cost-benefit analysis to assess the financial implications of implementing AI tools for GST compliance. Evaluate the potential ROI based on cost savings, efficiency gains, and other tangible benefits to justify the investment.

Key Takeaways

Enhanced Efficiency:

AI reduces manual errors and saves time.

Improved and Timely Compliance:

Real time Monitoring and accurate data analytics ensure adherence to regulations.

Advanced Analytics:

Predictive insights enable proactive decision making and strategic planning

Future Prospects:

Continuous advancements in AI will further simplify and optimize GST management.

Thank You
For Your Attention

By, CA Nandini Gupta

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