

New data sharing process enables GST assesseees to get bank credit seamlessly

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Getting credit from banks and other financial institution for GST assesseees will now be more seamless as the GST portal can now share data with public tech platform for frictionless credit but only after consent. Experts believe that such a move will also have an impact on compliance.

According to the notification by the Finance Ministry, 'Public tech platform for frictionless credit' means an enterprise-grade open architecture information technology platform, conceptualised by the RBI and developed by its wholly-owned subsidiary, Reserve Bank Innovation Hub.

It is meant for the operations of a large ecosystem of

credit and to ensure access of information from various data sources digitally and where the financial service providers and multiple data service providers converge on the platform using standard and protocol driven architecture, open and shared Application Programming Interface (API) framework.

Information in a GST return would be shared (subject to the taxpayer's consent) with financial institutions so that they may use it for sanction of working capital loans, especially to MSMEs.

Explaining the move, Rajat Mohan, Executive Director with MOORE Singhi, said that with appropriate consent from the supplier/recipient, GSTN is empowered to disclose specific details submitted in the GST registration application,

along with data from outward tax returns, monthly and annual tax returns, and invoice preparations.

"This arrangement ensures that borrowers cannot withhold any transactional information provided to lenders or the government portal. It enhances credit efficiency by minimizing costs and the time required for processing. Moreover, lenders gain access to authenticated monthly sales and purchase data directly from government-sanctioned sources, allowing for a more accurate and timely assessment of credit risk," he said.

CREDIT SANCTIONING

Such a move will facilitate credit sanctioning and disbursement. Gunjan Prabhakaran, Partner with BDO India, said



that sharing the data "would help the lenders in making informed credit decisions with the access to transaction level sales data and better assess the credit worthiness of a prospective borrower, since the data submitted with the tax authorities would be a more reliable data point of the prospective borrower, especially due to

the requirement of cross-matching." Explaining it further, Sandeep Jhunjunwala, Partner with Nangia Andersen LLP, felt that the data of borrowers which was hitherto scattered across Central and State government, account aggregators, banks, credit information companies, digital identity authorities etc could

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now be accessed seamlessly on a single click.

As part of such information, crucial data such as GST registration and sales details, and returns could be made available on obtaining consent from relevant suppliers or recipients, thereby enabling consent-based digitisation of data, he added.

This move would also have impact on compliance. According to Mohan, it can be deduced that GST filings will become a crucial factor for businesses seeking to obtain credit and leverage government-sponsored credit programmes in the future.

CRUCIAL FACTOR

Prabhakaran said: "Such a use of tax compliant data for credit decisions by lenders would also lead to improvement in the GST compliances by the prospective borrowers since the same would now form a relevant data point for access to credit."

"This could lead to spike in innovation opportunities for fintech companies and augment operational capabilities for lenders," concluded. Jhunjunwala.