Most Urgent

PA/Accounts-II/GST-3/2024-25/ 1355 to 1416

Government of India
Ministry of Communications
Department of Posts
Postal Accounts Wing
Dak Bhawan, Sansad Marg
New Delhi-110001

Dated: 07 **/04/2025**

To
All Heads of the Circles
All Heads of the PAOs

Sub.: Seeking Comments/Inputs on the Proposal for "One State One GST Registration" in the Department of Posts – Regarding.

The Department of Posts is examining a proposal to introduce a "One State One GST Registration" model across the country. Currently, multiple GST registrations are maintained within a state for different functional units, which adds to compliance complexity, administrative burden, and potential duplication of efforts.

2 The proposed model aims to streamline the GST structure within the Department by consolidating existing registrations under a single GSTIN per State/UT. A comprehensive report outlining the proposal along with its potential advantages and challenges has been prepared and is enclosed herewith for your perusal.

Key Highlights of the Proposal:

- Unified GST registration at the State level for all postal units.
- Simplification of tax compliance and return filing.
- Improved centralized control and monitoring.
- Potential reduction in administrative costs and effort.
- Challenges in implementation such as transition issues, IT system alignment, and coordination between units.

3 In view of the above, it is kindly requested that the enclosed report be carefully examined, and your valuable comments, feedback, or suggestions on the proposed "One State One GST Registration" model may be furnished to Lead PAO i.e. PAO Delhi by 17/04/2024 through email (gstleadpao.dl@indiapost.gov.in) with a copy to this Directorate (email ID-pa-gst@gov.in)

4 This may be treated as **"Most Urgent".**

5 This issues with the approval of the Competent Authority.

Enclosure: As above

(Saurabh M Deshmukh)

Director (Accounts)

Copy to:

1. **The GM (F), PAO Delhi (Lead PAO)** with a kind request to analyse and compile the comments received from the Circles and submit to this Directorate by 23/04/2025.

2. **All DDsG/CGMs/GMs of the Postal Directorate** for information and their inputs, if any.

Report on Implementation of 'One State, One GST' in Department of Posts

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Executive Summary

The Department of Posts ("DoP") currently operates under a decentralized Goods and Services Tax ("GST") compliance framework, managing 886 GST registrations across various states in India. This decentralized structure, while initially designed to cater to the diverse operational needs of the DoP, has led to significant operational inefficiencies, compliance burdens, and financial challenges. Key issues include the mismanagement of Input Tax Credit ("ITC"), increased administrative costs, and difficulties in maintaining consistent compliance across multiple registrations. To address these challenges, this report proposes the implementation of a 'One State, One GST' model, which would consolidate GST registrations to one per state. This approach aims to streamline compliance processes, reduce administrative burdens, optimize ITC utilization, and enhance overall operational efficiency.

Background Information

The DoP operates through a decentralized structure comprising 23 Circles, under which approximately 886 Cheque Drawing and Disbursing Officers ("CDDOs") and 260 Non-Cheque Drawing and Disbursing Officers ("NCDDOs") function. Each CDDO is independently registered under the GST regime with distinct Permanent Account Numbers ("PANs"), resulting in nearly 886 unique Goods and Services Tax Identification Numbers ("GSTINs"). This extensive number of registrations has introduced significant operational and administrative challenges, including increased complexity, higher compliance costs, and inefficiencies in resource utilization.

Current Challenges

- **Compliance Burden:** The DoP is currently grappling with a substantial compliance burden, managing approximately 886 GSTINs at the DDO level. This necessitates the monthly filing of 1,772 GST returns, including GSTR-1 (outward supplies) and GSTR-3B (summary returns), placing a significant strain on resources.

- **ITC Distribution Issues:** Procurement within the DoP is centralized, while supplies are distributed across various locations. Each DDO operates under a different PAN and GSTIN, making the implementation of the Input Service Distributor ("ISD") mechanism unfeasible. This leads to the accumulation of ITC at a few locations, while other DDOs are forced to pay taxes in cash, creating a blockage of working capital.

- **Legal and Compliance Issues:** The presence of multiple GST registrations under different PAN numbers has led to a surge in GST notices and orders, with significant financial implications. For instance, a recent order under Section 74 of the CGST Act, 2017, raised a demand for GST amounting to INR 122 crores, along with applicable interest and penalties.

- **Gaps in Legal Understanding:** DDOs face challenges due to limited familiarity with GST provisions, leading to compliance gaps. For example, the DoP has paid taxes under Reverse Charge Mechanism ("RCM") on legal services, despite exemptions under Notification No. 12/2017- Central Tax (Rate).

Proposed Solution: One State, One GST

The 'One State, One GST' model proposes a simplified approach where the DoP would maintain a single GST registration per state, regardless of the number of postal circles or operational units within that state. This consolidation would significantly reduce the number of GST registrations, thereby simplifying compliance processes.

Key Benefits

- **Simplified Compliance:** Transitioning from 886 GSTINs to 36 GSTINs will reduce monthly filings from 1,772 to 72, minimizing errors, delays, and penalties.
- **Cost Efficiency:** Eliminating multiple registrations will reduce compliance costs, freeing up resources for strategic initiatives.
- **Operational Efficiency:** Streamlined processes will allow staff to focus on core operations, enhancing productivity and service delivery.
- **Enhanced ITC Utilization:** Centralized ITC distribution will optimize tax credits, reducing cash outflows and improving financial efficiency.
- **Improved Vendor Coordination:** A single GSTIN per state will simplify vendor communication, ensuring seamless ITC flow and reducing errors.

Strategic Plan

- **Adoption of a Single PAN:** Consolidate all entities under a single PAN at the Directorate level.
- **GST and TDS Registration:** Implement a single GSTIN per state and ensure separate TDS registration for tax deductors.
- **Pilot Phase:** Launch the initiative in selected states like Gujarat, Delhi, and Rajasthan to identify challenges and refine processes.
- **Training and Adaptation:** Conduct comprehensive training programs for staff to ensure smooth adoption of the new system.
- **Vendor Communication:** Inform vendors about the new GSTIN and ensure accurate invoicing to avoid ITC disruptions.
- **Cancellation of Old Registrations:** Settle outstanding dues and cancel existing GSTINs post-transition.

Challenges in Implementation

- **Registration Challenges:** Managing the transition from multiple GSTINs to a single GSTIN per state, including documentation and technical glitches.
- **ITC Transfer:** Ensuring accurate reconciliation and transfer of ITC to the new GSTIN to avoid financial losses.
- **Operational Coordination:** Centralizing data collection and compliance activities across all locations within a state.
- **Technical Integration:** Developing a unified IT infrastructure to handle consolidated data and ensure seamless operations.

Justification Based on CAG Reports

The CAG reports highlight significant compliance gaps, including the non-payment of GST on advances, mismanagement of ITC, and failure to comply with the RCM. These findings underscore the urgent need for a streamlined GST framework, which the 'One State, One GST' model aims to provide.

Conclusion

The implementation of the 'One State, One GST' model represents a strategic transformation for the DoP. By consolidating GST registrations, the DoP can achieve significant operational efficiencies, reduce compliance burdens, and optimize ITC utilization. The proposed model addresses current challenges while laying the foundation for long-term success, ensuring that the DoP is well-positioned to navigate the complexities of the GST landscape with greater efficiency and financial resilience.

Given the compelling benefits and the detailed roadmap provided, it is imperative for the DoP to move forward with the implementation of this transformative initiative. By doing so, the DoP will not only overcome existing challenges but also unlock new opportunities for efficiency, growth, and operational excellence.

Introduction

The DoP currently operates under a decentralized GST compliance framework, managing **886 GST registrations** across various states in India. This decentralized structure, while initially designed to cater to the diverse operational needs of the DoP, has led to significant operational inefficiencies, compliance burdens, and financial challenges. Key issues include the mismanagement of ITC, increased administrative costs, and difficulties in maintaining consistent compliance across multiple registrations. To address these challenges, this report proposes the implementation of a **'One State, One GST'** model, which would consolidate GST registrations to one per state. This approach aims to streamline compliance processes, reduce administrative burdens, optimize ITC utilization, and enhance overall operational efficiency.

The decentralized GST framework has created a complex web of compliance requirements for the DoP. With each state requiring separate GST registrations for various Drawing and Disbursing Officers ("DDO"), the DoP is forced to manage a large number of filings, returns, and audits. This has not only increased the administrative workload but has also led to inconsistencies in compliance. For instance, the Comptroller and Auditor General of India ("CAG") has identified several compliance gaps in its report for the year ended 31 March 2022, including the non-payment of GST on Postal Life Insurance ("PLI") and Rural Postal Life Insurance ("RPLI") amounting to INR 42.48 crores during FY 2018-19 to FY 2021-22. Further, DoP also failed to segregate the financial assistance received from Unique Identification Authority of India ("UIDAI") on Aadhaar related services between its own revenue and GST component which resulted in non / short payment of GST amounting INR 9.00 crores for the period from May 2018 to July 2022. These gaps have resulted in significant financial liabilities for the DoP, including penalties and interest on unpaid taxes.

The **'One State, One GST'** model proposes a simplified approach where the DoP would maintain a single GST registration per state, regardless of the number of postal circles or operational units within that state. This consolidation would significantly reduce the number of GST registrations, thereby simplifying compliance processes. Under this model, the DoP would be able to centralize its GST-related activities, including the filing of returns, payment of taxes, and management of ITC. In conclusion, the 'One State, One GST' model presents a compelling solution to the challenges faced by the DoP under the current decentralized GST framework. By consolidating GST registrations to one per state, the DoP can streamline compliance processes, reduce administrative burdens, optimize ITC utilization, and enhance overall operational efficiency. The findings from the recent GST order, including the INR 122 crores demand under Section 74 of the CGST Act, 2017, underscore the urgent need for this transformation. The adoption of the 'One State, One GST' model would not only address these issues but also position the DoP for long-term financial sustainability and operational success. It is recommended that the DoP take immediate steps to implement this model, in consultation with relevant stakeholders, to realize the full benefits of this approach.

Background Information

The DoP operates through a decentralized structure comprising 23 Circles, under which approximately 886 CDDOs and 260 NCDDOs function. Each CDDO is independently registered under the GST regime with distinct PANs, resulting in nearly 886 unique Goods and Services Tax Identification Numbers GSTINs.

This extensive number of registrations is a direct outcome of the DoP's organizational framework, wherein each DDO, even within the same state, maintains an individual GST registration. While this decentralized approach ensures compliance with GST regulations at an individual level, it has introduced significant operational and administrative challenges, including increased complexity, higher compliance costs, and inefficiencies in resource utilization.

The centralization of multiple registrations under the 'One State, One GST' framework, while beneficial, will also present certain challenges. These include the cancellation of old registrations, the transfer of ITC, and the selection of DDOs for registration cancellation. Since this exercise does not fall under the categories of amalgamation, merger, or sale of business, the transfer of ITC will be particularly complex. The DoP must exercise caution and strategic planning while selecting DDOs for registration cancellation to ensure a smooth transition.

This document outlines the challenges, issues, benefits, and way forward for implementing the 'One State, One GST' initiative. It provides a comprehensive roadmap to address the complexities of the transition while maximizing the long-term advantages of a centralized GST framework for the DoP.

Current Challenges

A. **Compliance Burden**:

The DoP is currently grappling with a substantial compliance burden, managing approximately 886 GSTINs at the DDO level. This extensive responsibility necessitates the monthly filing of **1,772 GST returns**, which includes both GSTR-1 (outward supplies) and GSTR-3B (summary returns). The sheer volume of these filings places a significant strain on resources, requiring considerable time, effort, and financial investment to ensure compliance with GST regulations.

Under the current GST framework, the process of filing returns involves substantial time and cost, creating a significant operational burden at administrative level. The complexity of managing multiple GSTINs across various states often results in delays in return filings and, in some cases, missed submissions. These lapses can lead to non-compliance issues, attracting penalties and interest charges.

B. ITC Distribution Issues:

Procurement within the DoP is centralized and occurs at a limited number of locations, while supplies are distributed across various locations. Each DDO operates under a different PAN and GSTIN, making the implementation of the ISD mechanism unfeasible. Additionally, there is no established practice of invoicing services availed by procuring DDOs to consuming DDOs. This structural gap leads to a significant accumulation of ITC at a few locations, while other DDOs, where direct procurement is minimal, but supplies are higher, are forced to pay taxes in cash through the Electronic Cash Ledger.

The accumulated ITC is neither refundable nor transferable to offset the output tax liability of other DDOs due to the difference in PAN numbers. This results in a blockage of working capital, creating a dual financial burden for the organization. For instance, while the **Chief Postmaster Delhi GPO is making tax payments through the Electronic Cash Ledger, whereas the Head Post Office at Sansad Marg, Delhi, holds substantial ITC amounting to INR 275 crores**, which remains unutilized. Both DDOs are located in the same city, i.e., Delhi, yet the Chief Postmaster Delhi GPO is unable to utilize the ITC available at the Head Post Office at Sansad Marg, Delhi, due to the different PAN numbers and the absence of a cross-charge mechanism.

C. Legal and Compliance Issues:

The presence of multiple GST registrations under different PAN numbers has led to a surge in GST notices and orders pending across all DDOs, with significant financial implications. For instance, a recent order issued under Section 74 of the CGST Act, 2017, addressed to the Head Post Offices of India Post (Reference No. 19/JC2/B-East/2025), has raised a demand for GST amounting to INR 122 crores, along with applicable interest as per Section 50 of the CGST Act, 2017, and a penalty amounting INR 122 crores. Since the order has already been issued, the DoP has no option but to pursue appeals. Appeals require a pre-deposit, and under current GST laws, 10% of the disputed amount must be paid upfront, amounting to INR 12.2 crores in the present case. Thus, when consolidated, the total amount of such notices and orders could be substantial, potentially exceeding the annual revenue of the DoP.

Additionally, numerous appeals are pending in High Courts and the Supreme Court across various DDOs, primarily due to the complexities arising from multiple registrations under different PAN numbers. These appeals often require a pre-deposit, leading to further blockage of working capital and straining the department's financial resources.

The issuance of multiple notices and the pendency of numerous appeals for DDOs within the same state have created significant administrative inefficiencies. These include the considerable time and cost associated with preparing replies, liaising with authorities, and managing legal proceedings. Moreover, the lack of a unified approach has resulted in inconsistent responses to similar notices across different DDOs, often leading to unfavorable outcomes and losses for the DoP.

Additionally, the CAG in its report for the year ending 31st March 2022, identified several compliance gaps, including the non-payment or short payment of GST. The CAG reported the following:

- The department failed to issue instructions to its subordinate offices to pay GST on a RCM basis on commissions paid to its sales force for the procurement of PLI and RPLI policies. This oversight led to the non-payment or short-payment of GST amounting to INR 42.48 crore for the period from FY 2018-19 to FY 2021-22.
- Furthermore, the DoP failed to segregate the financial assistance received from the UIDAI for Aadhaar-related services between its own revenue and the GST component, resulting in an additional non-payment or short-payment of GST amounting to INR 9.00 crores for the period from May 2018 to July 2022.

The CAG's findings may lead to further scrutiny of the Indian Postal Department's financial practices and could result in penalties or corrective actions to recover the unpaid GST. The report will likely prompt the government to investigate the reasons behind the non-payment of GST.

As a result, the Indian Postal Department may be required to pay the outstanding GST amount, along with any applicable interest or penalties. These compliance gaps highlight the urgent need for a centralized and streamlined GST framework, such as the 'One State, One GST' model, to mitigate risks, ensure compliance, and enhance financial governance across the department.

D. Gaps in Legal Understanding:

The DDOs within the DoP face challenges due to limited familiarity with GST provisions, leading to compliance gaps. For instance, as per Section 13 of the CGST Act, 2017, which governs the 'Time of Supply of Services', a registered person is required to pay taxes on advances received for the supply of services. However, many DDOs are not adhering to this provision, resulting in the **non-payment of taxes on advances received from customers** for service supplies.

Moreover, the GST law provides specific exemptions to the Central Government, State Government, and Government Entities while determining RCM liability on legal services. As per **Entry 45(b) and 45(c) of Notification No. 12/2017 - Central Tax (Rate) dated 28th June 2017, as amended by Notification No. 2/2018- Central Tax (Rate) dated 25th January 2018,** services provided by a partnership firm of advocates, an individual advocate, a senior advocate, or legal counsels are exempt from GST when provided to the Central Government, State Government, Union Territory, Local Authority, Governmental Authority, or Government Entity. Since the DoP is part of the Central Government, it falls under this exemption category and legal services received by the DoP from government counsels or advocates are exempt from GST.

However, instances have been observed where the DoP has paid taxes under RCM on legal services received from advocates and firms of advocates, despite the applicable exemptions. Thus, the lack of legal understanding not only exposes the DoP to legal notices and penalties but also results in the excess payment of taxes.

E. **Additional Complexities:**

The existing GST framework presents significant operational complexities, particularly for specialized units within the DoP, such as the engineering wing and mail motor services, which are required to maintain separate GSTINs. Under the current GST framework, these units are treated as independent entities, necessitating individual GST registrations and compliance obligations. This fragmentation significantly compounds the administrative burden, as each unit must manage its own GST filings, reconciliations, and adherence to regulatory requirements, thereby adding layers of complexity to the department's overall operations.

Furthermore, certain postal offices have obtained GST registrations as tax deductors, functioning as withholding agents under the GST regime. These postal offices are required to secure separate GSTINs, further increasing the total number of GST registrations managed by the department.

Given the multifaceted challenges posed by the current GST framework it has become imperative to adopt a more streamlined and efficient approach. The **'One State, One GST'** policy emerges as a strategic solution to address these issues effectively.

Proposed Solution: One State, One GST

Key Benefits

To address the challenges posed by the current system and unlock greater operational efficiency, the DoP will implement the **'One State, One GST'** approach. This transformative initiative is designed to streamline GST compliance and deliver significant benefits to the department, as outlined below:

A. **Simplified Compliance:**

The transition from approximately 886 GSTINs to 36 new GSTINs across India will drastically reduce the number of monthly filings, cutting down from 1,772 filings to just 72 filings monthly. This consolidation will simplify compliance, reduce administrative burdens, and enhance operational efficiency. Additionally, centralized record-keeping and reporting will enhance accuracy, improve efficiency, and ensure a more organized approach to compliance management. By minimizing the number of returns, the DoP will significantly reduce the potential for errors, delays, and missed deadlines, mitigating the risk of late fees for delayed filings, interest charges, penalties, and non-compliance notices. This will ensure smoother and more reliable operations across the department.

B. Cost Efficiency:

The elimination of multiple GST registrations will lead to a substantial reduction in compliance related expenses, freeing up financial resources for other priorities. The savings generated from streamlined processes can be redirected toward strategic initiatives, fostering innovation and enhancing the department's long-term financial sustainability.

C. Operational Efficiency:

By significantly reducing the burden of compliance activities, staff can redirect their focus toward core operational priorities, driving productivity and enhancing service delivery. The streamlined approach will minimize the time and effort spent on managing filings, enabling the efficient utilization of resources. With fewer compliance-related challenges, the department can ensure smoother operations, reducing interruptions and enhancing overall workflow efficiency. Furthermore, consolidated filings will remove redundant processes, reducing inefficiencies and lowering associated costs, thereby creating a leaner and more effective operational framework.

D. Consistency and Uniformity:

The implementation of uniform GST practices across all states and units will create a consistent and standardized framework, eliminating variations and simplifying compliance. A centralized system for monitoring GST activities will enhance transparency, reduce the risk of discrepancies, and ensure greater accountability across the organization. Simplified and consistent reporting standards will provide clarity and predictability, making it easier for the department to meet regulatory requirements without unnecessary complications.

E. Enhanced ITC Utilization:

The consolidated GST structure will facilitate the efficient distribution and utilization of ITC across the department. Offices with outward tax liabilities will gain access to sufficient ITC, improving their tax position and reducing the need for cash outflows. By enabling better management of ITC, the department can achieve significant cost savings, lowering its overall tax liability and enhancing financial efficiency.

F. Improved Vendor Coordination:

A single GSTIN per state will eliminate confusion for vendors and stakeholders, ensuring clearer and more efficient communication. This streamlined approach will enhance vendor relationships, reduce errors in invoicing, and facilitate the seamless flow of ITC. Improved coordination with vendors will also minimize disruptions in supply chains and payment processes, further enhancing operational efficiency.

Based on the above analysis, it is evident that the 'One State, One GST' represents far more than a compliance measure. It is a strategic transformation aimed at achieving operational excellence within the DoP. This initiative is designed to revolutionize the department's operational framework by simplifying processes, reducing costs, mitigating risks, enhancing efficiency, ensuring consistency, and optimizing ITC utilization.

Furthermore, the 'One State, One GST' approach not only addresses current operational hurdles but also lays the foundation for long-term success. By improving vendor coordination, ensuring scalability, and enabling the adoption of advanced technologies, this policy creates a robust, future-ready framework that supports growth, innovation, and sustained compliance.

Given the compelling benefits and the detailed implementation plan, it is imperative to move forward with this transformative initiative. The next step involves applying for the necessary registrations and transitioning to the 'One State, One GST' model. By doing so, the DoP will not only overcome existing challenges but also unlock new opportunities for efficiency, growth, and operational excellence.

The detailed strategic plan outlined below provides a clear pathway to embrace the 'One State, One GST' approach, ensuring a more efficient, compliant, and future-ready operational framework for the DoP.

Strategic Plan

The DoP operates with a unique advantage a vast and widespread network that spans across India, including its most remote regions. However, this extensive reach, while being a strength, also creates significant challenges due to the decentralized nature of its compliance framework. This decentralization has led to operational inefficiencies, increased administrative burdens, and heightened risks of non-compliance. To address these challenges, a comprehensive restructuring of the system is essential to achieve the vision of **'One State, One GST'**.

The transition to a unified GST structure will be a gradual and phased process, requiring careful planning and execution to overcome the challenges that may arise during the transition phase and the eventual implementation across all levels of the DoP. Below is the strategic plan to implement the **'One State, One GST'** model:

1. **Adoption of a Single PAN:** The foundational step toward achieving the 'One State, One GST' objective is the adoption of a single Permanent Account Number for the entire Department at the Directorate level. This consolidation will serve as the cornerstone for streamlining GST compliance and ensuring uniformity across the organization.

2. **GST and TDS Registration:** With a single PAN in place, the next critical step is the implementation of a single GSTIN for each state. This measure will ensure standardization and uniformity in GST compliance across all DoP units. It will also enhance financial governance, improve cash flow management, and facilitate the efficient distribution of ITC through the ISD mechanism to offices availing such services. Additionally, the transition will require new GSTIN registrations for each state individually, along with the mandatory separate registration of tax deductors for deducting Tax Deducted at Source (“TDS”) under GST when payments are made. This step is crucial to ensuring compliance with GST regulations while maintaining operational efficiency.

3. **Northern States:** The DoP currently operates with only one Circle office overseeing seven states in the Northeast region of India. Under the existing framework, the compliance burden associated with routine business and administrative functions handled by individual DDOs. However, if the 'One State, One GST' model is implemented with Circle-wise registration, the Circle office would face significant challenges in managing compliance across multiple states. To address this, the registration process should be undertaken at the state level, with the respective state authorities assuming responsibility for ensuring compliance with all regulatory requirements. This approach would significantly reduce the operational workload at the Circle level, leading to enhanced efficiency and optimal utilization of resources. Thus, it is essential to establish one nodal office for each state dedicated to handling GST and TDS registrations, compliance, and related activities.

4. **ISD Registration:** In addition to the regular GST registration and TDS registration, the implementation of the ISD mechanism is critical for the systematic allocation of ITC. As per Section 2(61) of the CGST Act, 2017, an ISD functions as a distributor of input services, including invoices received under the RCM in accordance with the provision of Section 9(3) or Section 9(4) of the CGST Act, 2017. The ISD mechanism facilitates the efficient distribution of ITC among distinct entities within the DoP, ensuring seamless financial transactions and compliance with GST provisions. A fundamental prerequisite for operationalizing the ISD mechanism is the adoption of a single PAN for all entities utilizing the services. This consolidation is essential to enable the equitable distribution of credit for the services availed. The ISD mechanism ensures that the ITC is transferred only to the offices that have utilized the services, rather than being retained by the

procuring entity. Within the DoP framework, ISD registration would be mandatory for all offices responsible for the procurement of services on behalf of other offices. It is important to note that ISD registration is set to become a mandatory compliance requirement for all registered entities effective 1st April 2025.

5. **Training and Adaptation:** To ensure a seamless transition to the new GST framework, extensive training will be required for staff at the administrative level, focusing on new processes and compliance requirements, and the operational nuances of the 'One State, One GST' model. Additionally, Hands-on training sessions will be essential to facilitate smooth adoption and build confidence among employees into the new system. Additionally, addressing resistance to change and fostering a culture of adaptability among employees will be critical to the successful implementation and long-term sustainability of this transformative initiative.

6. **Vendor Communication and Coordination:** Following the issuance of new GSTINs, it is crucial to communicate effectively with vendors, ensuring they raise invoices on the newly issued GSTINs to facilitate a seamless flow of ITC. A significant challenge may arise if vendors continue to quote the existing GSTIN on invoices, leading to ITC accumulation under the old GSTIN and potential compliance issues. To prevent such issues, it is essential to implement a robust vendor onboarding and training process. Executing personnel must be thoroughly trained in GST regulations and equipped with the knowledge to guide vendors through the transition. This includes providing vendors with clear instructions, updated documentation, and ongoing support to ensure accurate invoicing practices.

7. **Finalize a Cut-Off Date:** Following effective vendor communication, it is crucial to establish a specific cut-off date for transitioning to the new GST system. From this date onward, all tax invoices must be raised exclusively under the new GSTIN, and ITC will be availed only under the new registration. The DoP will determine this cut-off date, after which all commercial and routine operations, including invoicing for taxable outward supplies and ITC claims, will be conducted solely through the newly issued GSTINs. This step ensures clarity, consistency, and compliance during the transition phase.

8. **Cancellation of Existing GST Registrations:** Simultaneously, the process of cancelling existing GSTINs will be initiated. As per GST Department norms, cancellation will not be immediate upon application. Instead, registrations will be surrendered only after the settlement of outstanding dues, interest and penalties, if applicable. To ensure a smooth transition, close coordination between executing and senior officials, supported by consultants, will be essential. During the suspension period, the registered entity must refrain from engaging in taxable outward supplies and filing returns under the surrendered GSTINs. This phased and structured

approach will effectively mitigate risks, ensure regulatory compliance, and facilitate a seamless transition to the new GST framework. By adopting this methodical strategy, the DoP can achieve a hassle-free transition, enhancing operational efficiency and maintaining robust adherence to GST regulations.

9. **Pilot Phase for 'One State, One GST':** The Pilot Phase is a strategic initiative designed to ensure a smooth and structured transition to the 'One State, One GST' framework. Initially, selected states such as **Gujarat, Delhi, and Rajasthan** will implement the proposed framework, serving as a controlled testing ground to assess challenges, refine processes, and identify best practices. This phased approach allows the DoP to gain critical insights and build expertise before nationwide adoption. To support this initiative, comprehensive training and capacity-building programs will be conducted for employees in these states, enhancing their ability to troubleshoot challenges and ensure effective implementation. The pilot phase acts as a guiding reference for the broader rollout, enabling the DoP to mitigate risks, ensure operational efficiency, and streamline the transition for all states. By identifying potential hurdles and refining processes during this phase, the DoP can ensure a seamless nationwide rollout, driving efficiency and policy success. The lessons learned from the pilot phase will serve as a foundation for scaling the framework across the country, ensuring a robust, compliant, and efficient GST system that meets the department's operational and regulatory needs.

Challenges in Implementation

While the **'One State, One GST'** framework offers significant benefits to the DoP, however, its implementation is not without challenges. The transition to this new GST system demands careful planning, coordination, and execution to address potential hurdles effectively. Below are the key challenges the DoP may face during the implementation of the 'One State, One GST' model:

A. Registration Challenges:

The transition to a single GSTIN per state under the 'One State, One GST' framework will require meticulous planning and execution to ensure that all existing registrations are properly consolidated. This process involves addressing potential issues such as the cancellation of existing GSTINs, ensuring that all outstanding dues, interest, and penalties are settled before the transition, and managing the logistical complexities of migrating to a unified system.

Additionally, After the application for the new registration, the DoP may encounter several challenges, including incorrect or incomplete documentation, which could lead to delays or rejections in the registration process. Additionally, technical glitches on the GST portal may hinder the registration process, requiring timely resolution to avoid disruptions.

There may also be confusion regarding the principal place of business and additional places of business, necessitating clear guidelines to ensure accurate registration. Selecting the correct business category to align with the DoP's operations and compliance requirements could pose difficulties, requiring careful consideration and expert guidance. Obtaining Digital Signature Certificates (“DSC”) for authorized signatories, which are essential for filing GST returns and other compliance activities, may present another layer of complexity. Furthermore, mismatched PAN and Aadhaar details must be resolved to ensure seamless registration.

The transition from multiple GSTINs to a single GSTIN per state involves coordinating across various locations and units, adding to the complexity. Furnishing valid proof of addresses for rented or owned buildings, including verification of authorized signatories at each principal place of business, is another critical requirement. Additionally, updating address proofs for additional places of business to comply with GST regulations will be essential. These challenges highlight the need for a structured approach, robust coordination, and technical support to ensure a smooth transition to the new GST framework.

B. ITC Transfer Challenges:

Transferring ITC from existing registrations to the new GSTIN will be a complex and critical process. The DoP will need to ensure that all accumulated ITC is properly accounted for and transferred to the new registration to avoid any financial losses or compliance issues. Key challenges in this process include accurate reconciliation of ITC balances across multiple GSTINs before the transition, ensuring that all credits are accurately recorded and verified. Facilitating the timely transfer of ITC to the new GSTIN is essential to prevent disruptions in cash flow and compliance.

Addressing discrepancies in ITC claims, such as mismatched invoices or unclaimed credits, will be crucial to ensuring a smooth transfer process. The DoP must also adhere to GST regulations governing the transfer of ITC, including the submission of necessary documentation and approvals. Seamless coordination across various DDOs and specialized units will be required to consolidate ITC data and facilitate its transfer.

Failure to address these challenges effectively could result in financial losses, compliance penalties, and operational inefficiencies. Therefore, the DoP must adopt a proactive and systematic approach to manage the transfer of ITC, leveraging advanced IT solutions and expert guidance to ensure accuracy and compliance throughout the process. By addressing these registration and ITC transfer challenges, the DoP can achieve a smooth and efficient transition to the 'One State, One GST' framework, unlocking its full potential for operational excellence and financial sustainability.

C. GST Compliance Responsibilities:

The single registered location under the 'One State, One GST' framework will shoulder a wide range of responsibilities, including invoicing, filing returns, making payments, and maintaining accurate records for all DDOs within the state. The sheer volume and complexity of these tasks can be overwhelming, leading to an increased workload, heightened stress levels, potential errors, and reduced productivity. Moreover, the consequences of non-compliance, such as fines, penalties, and reputational damage, can be severe, further intensifying the pressure on the designated location. To manage these responsibilities effectively, additional manpower and resources will be essential.

D. Streamlining Operational Coordination and Data Management:

Additionally, the process of data collection from all locations within the state will be complex and require meticulous coordination and attention to detail. Ensuring accuracy, consistency, and timely submission of data will be critical to maintaining compliance and avoiding discrepancies. Given the scale of operations and the need for seamless coordination, it is evident that the effective management of GST compliance will necessitate additional manpower and robust support systems. This will ensure a smooth transition and sustained compliance under the new framework.

E. Vendor Communication and Coordination:

One of the most critical challenges in transitioning to the 'One State, One GST' framework is ensuring that vendors and external stakeholders are adequately informed about the shift to the new GSTIN. Clear and timely communication is essential to ensure that invoices are raised on the new GSTIN without delay, vendors update their records to reflect the new GSTIN for seamless ITC availment, and potential disruptions in supply chains or payment processes are minimized. Failure to effectively communicate these changes could lead to delays in ITC claims, financial losses, and strained vendor relationships, undermining the efficiency of the transition. It is crucial to communicate effectively with vendors, ensuring they raise invoices on the newly issued GSTINs to facilitate a seamless flow of ITC. A significant challenge may arise if vendors continue to quote the existing GSTIN on invoices, leading to ITC accumulation under the old GSTIN and potential compliance issues.

F. Transition Complexity:

Transitioning from a decentralized model with multiple GST registrations to a centralized 'One State, One GSTIN' system is inherently complex. This shift involves a comprehensive overhaul of existing processes, reconfiguration of financial systems, and seamless integration across all levels of the department. Key challenges include aligning all DDOs and specialized units, such as engineering wings and mail motor services, under a single GSTIN. Additionally, ensuring that vendors and stakeholders are informed about the new GSTIN and that invoices are raised accordingly is critical to avoiding disruptions in ITC availment. Managing the logistical and administrative hurdles of consolidating multiple registrations into a unified system further adds to the complexity of this transition.

G. **Technical Integration:**

Implementing a centralized GSTIN system requires robust technical integration across various state-level systems, posing significant challenges. These include developing a unified IT infrastructure capable of handling the consolidated data of all DDOs and specialized units, ensuring data accuracy and consistency during the migration process, and addressing potential technical glitches to maintain uninterrupted operations during the transition. A successful transition will depend on the department's ability to leverage advanced IT solutions and collaborate with technical experts to build a reliable, scalable, and future-ready system. This will ensure a smooth and efficient shift to the new framework while maintaining operational continuity and compliance.

Hence, the implementation of the 'One State, One GST' framework is not only essential but also a strategic imperative for the DoP. While the transition process presents several challenges, including operational complexities, vendor coordination, and technical integration, these hurdles can be effectively managed with careful planning, robust training, and stakeholder collaboration. In the long term, this initiative will prove highly beneficial, delivering significant advantages such as reduced compliance costs, optimal utilization of ITC, and a substantial reduction in the volume of notices and penalties received.

By streamlining processes, enhancing accuracy, and minimizing administrative burdens, the framework will significantly improve operational efficiency and financial sustainability. Additionally, the consolidation of GST registrations will foster better resource allocation, enabling the DoP to redirect efforts toward core operational priorities and strategic initiatives. Despite the initial complexities, the long-term benefits including improved compliance, enhanced vendor relationships, and a future-ready operational framework make this transformation a pivotal step toward the DoP's sustained growth, efficiency, and success in a dynamic regulatory environment.

Justification Based on CAG Reports

The **CAG reports** highlight several compliance gaps and financial inefficiencies within the DoP's current GST framework. Key findings include:

1. **Non-Payment of GST on Advances:** The CAG report for the year ended 31st March 2022 noted that the DoP failed to pay GST on advances received from customers, resulting in significant financial liabilities.

2. **Reverse Charge Mechanism:** The DoP failed to issue instructions to its subordinate offices to pay GST on RCM basis on commissions paid to its sales force for the procurement of PLI and RPLI policies, leading to a non-payment or short payment of GST amounting to INR 42.48 crores.
3. **Mismanagement of ITC**: The CAG report also highlighted the mismanagement of ITC, with significant amounts of ITC remaining unutilized due to the lack of a cross-charge mechanism.

These findings underscore the need for a more streamlined and efficient GST compliance framework, which the **'One State, One GST'** model aims to provide.

Conclusion

The implementation of the **'One State, One GST'** model represents a **strategic transformation** for the Department of Posts. By consolidating GST registrations, the DoP can achieve significant operational efficiencies, reduce compliance burdens, and optimize ITC utilization. The proposed model addresses current challenges while laying the foundation for long-term success, ensuring that the DoP is well-positioned to navigate the complexities of the GST landscape with greater efficiency and financial resilience.

Given the compelling benefits and the detailed roadmap provided, it is imperative for the DoP to move forward with the implementation of this transformative initiative. By doing so, the DoP will not only overcome existing challenges but also unlock new opportunities for efficiency, growth, and operational excellence.

Explanation of the Document

This report is structured to provide a comprehensive overview of the challenges faced by the DoP under the current decentralized GST framework and to propose a solution through the **'One State, One GST'** model. The document begins with an **Executive Summary** (Page 1-3) that outlines the key issues and the proposed solution. The **Introduction** (Page 4-8) provides background information on the DoP's current structure and the challenges it faces, including compliance burdens, ITC distribution issues, and legal complexities.

The **Proposed Solution** section (Page 8-10) details the benefits of adopting the **'One State, One GST'** model, such as simplified compliance, cost efficiency, and enhanced ITC utilization. It also outlines a **Strategic Plan** (Page 10-13) for implementation, including the adoption of a single PAN, GST and TDS registration, and a pilot phase in selected states.

The **Challenges in Implementation** section (Page 13-16) discusses potential hurdles, such as registration and ITC transfer challenges, that the DoP may face during the transition. The **Justification Based on CAG Reports** section (Page 16-17) uses findings from the CAG to support the need for this transformation, highlighting compliance gaps and financial inefficiencies in the current system.

Finally, the **Conclusion** (Page 17) emphasizes the strategic importance of the **'One State, One GST'** model and calls for its implementation to ensure long-term operational efficiency and compliance.