GST Council Meet

Why in news?

\n\n

The 28th GST Council meeting was held recently.

\n\n

What are the highlights?

\n\n

\n
- GST council has cleared 46 amendments which will be passed in Parliament.
\n
- **Rates** - The Council has cut tax rates on several general-use items such as TV, washing machine and refrigerators.
\n
- Rates for such 17 white goods were cut by 10% from 28 to 18%.
\n
- In all, the Tax Council has announced a reduction in the tax rates for over 85 goods.
\n
- The Council has also put under the exempted category, sanitary napkins, taxed at 12% earlier.
\n
- The tax rate on environment-friendly fuel cell vehicles has been reduced from 28% to 12%.
\n
- Also, the compensation cess levied on them has been dropped.
\n
- GST rates for all leather items were reduced to 18% from 28%.
\n
- GST on imported urea was reduced to 5%.
\n
- Several other products have been placed in lower tax slabs.
\n
- This particularly includes those from employment-intensive sectors such as carpets and handicrafts.
\n

\n\n

\n
- **Returns** - Simpler return filing process was approved in the meet.
\n
- It will now be quarterly returns for business turnover up to Rs 5 crore instead of monthly filings.
\n
- Nearly 93% traders and small business will get benefited from this.
\n
- **Exemption** limit for traders in Assam, Arunachal Pradesh, HP, Himalaya, and Sikkim was increased from Rs 10 lakh to 20 lakh.
\n
- **Procedure** - There will be a standard operating procedure for imposing less severe penalties for small errors in filling e-way bills.
\n
- This should provide relief to truckers.
\n
- Also, RFID on vehicles will soon be linked with the GST Network.
\n
- The transport ministry has to put this system in place in the next 6 months.
\n
- Another significant change was deferment of the reverse charge mechanism till September 2019.
\n

\n\n

What are the possible outcomes?

\n\n

\n
- The sectors that saw tax rate cut have a big share of **unorganised players**.
\n
- Thus the move should help them come under **tax net**.
\n
- The rate cut on products of mass use could be a stimulus to drive **consumption**.
\n
- Simplified paperwork for small and medium enterprises could help improve **compliance**.
\n
- The rate reductions is estimated to **cost** the government exchequer nearly Rs 7,000 crore.
\n
- But it is too early to worry about the impact on macro fiscal numbers.

\n

- If implemented well, the revenue loss could be offset by higher consumption.
\n
- This may even lead to more **investments** over the course of time.
\n

\n\n

What are the concerns?

\n\n

\n

- The new rates are to enter into force with less than a week's time.
\n
- So there is less time for companies to rework pricing strategies and replace existing market inventory.
\n
- But failing to meet this would make them face anti-profiteering action.
\n
- Besides, Council members, especially states representatives, have for the first time questioned its functioning.
\n
- They alleged that not all of the changes and rate cuts were placed on the agenda.
\n
- Tax cuts on several items were taken up for the first time and were included in the agenda at the last minute.
\n
- Given this, any distrust between Centre and States would make further rationalisation difficult.
\n
- There is thus a need for close coordination between the Centre and the states.
\n
- The Central government has to come up with a clearly laid-out road map based on an acceptable rationale.
\n

\n\n

\n\n

Source: Economic Times, The Hindu, Business Standard

\n

SHANKAR
IAS PARLIAMENT
Information is Empowering