

## **GST Council Meeting**

### **Why in news?**

The GST Council has met for the second time since the pandemic.

### **What are the relaxations?**

- The GST Council decided to relax late fees and interest payable for those taxpayers failing to file returns on time.
- For businesses with no tax liabilities under the indirect tax regime, the late fees were completely waived.
- This is in line with Centre's relaxations, in March, before the lockdown was declared, to ease compliance deadline worries of small businesses.

### **Are these relaxations enough?**

- Since the full lockdown lasted longer than initially envisaged, and only began to unwind this month, the forbearance on offer was necessary.
- But given the extent of economic damage as well as the States' fiscal positions in the period between these two meetings of the Council, its decisions are far from sufficient.

### **What are the revenue gaps?**

- In March, GST collections had slipped to Rs. 97,597 crore after surpassing the Rs. 1-lakh crore mark over the previous four months
- The numbers for April and May will not be known before July.
- Finance Minister has told State representatives in the Council that just 45% of the indirect tax target had been met in the past two months.

### **What do the States want?**

- Although aware of the dwindling tax kitty during the lockdown, States have had their hands full managing the pandemic.
- It is for this reason that several States have been urging the Centre to extend emergency fiscal support.
- They want the Centre to release past GST compensation dues enshrined in the pact that allowed the new tax regime to take off three years ago.

### **What did the Centre do?**

- In its stimulus package, in May, the Centre enhanced States' power to borrow, but only part of that was completely unconditional.
- A large chunk was contingent on States undertaking specified reforms.
- These reforms may be long-pursued ideals, but whether this is the right time for prioritising them has been questioned.
- GST compensation (for revenue shortfalls in the first 5 years of GST) due to States for December 2019 to February 2020 was only released on June 4.
- Perhaps, it was timed to pre-empt discontent in the Council's meeting.

### **What could be done?**

- The GST Council did not finalise the way forward for paying States the compensation.
- One of the officially discussed ideas on the table is to raise loans against future GST cess accruals in order to **recompense States**.
- Any decision on this front can only be expected at a special meet in July.
- The proposed GST rate rationalisations in the textiles, footwear and fertilizers sectors that were on the Council's agenda will also be decided only by July.

**Source: The Hindu**

