

GST Council - Outlook for May

What is the issue?

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- Major decisions like - “introducing a monthly compliance regime, nationalising GSTN, and Sugar Cess” were taken in GST council’s recent meet.

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- These are likely to be perceived negatively by industries as it further complicates compliances and enhances tax burden.

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What expectations were belied by the GST council?

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- Collections from the GST reached over Rs. 1 lakh crore for April 2018.

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- Hence, the industries hoped that the GST Council would make filings simpler as compliance is increasing.

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- Indeed, the Council recently decided to introduce a new compliance system that mandates the filing for a monthly GST return (with minor exemptions).

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- This new norm is to be introduced in a phased manner — with the first of three transition stages to begin six months from now.

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How is the progress on simplifying returns filing?

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- Discussions among stakeholders over simplifying GST returns have been under way for months, but a concrete solution hasn’t emerged yet.

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- For instance, in the second stage of the transition to simpler returns, buyers will get provisional input credit even if the seller doesn't upload the invoices.
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- This could lead to disputes if "a seller defaults on GST dues and remains evasive" - as authorities might withdraw the credit availed by the buyer.
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- Transition time to the GST regime is also proving long, and businesses that are yet to recover from the initial disruptions are facing further uncertainties.
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- Also, firms will again have to cope with significant changes in accounting software in the middle of the financial year - which is another slog.
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What are the other major decisions taken?

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- **Cess** - A cess at the rate of Rs. 3 a kg is proposed to alleviate deep distresses among sugarcane farmers (over and above the 5% GST).
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- Several States have opposed this as it would burden consumers while favouring larger sugarcane-growing States like U.P. and Maharashtra.
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- In addition, a special sugar cess will signal a looming breakdown of the basic tenet of GST - the abolition of such cesses and surcharges.
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- Notably, barring the "GST Compensation Cess" to help states to bridge their revenue shortfall for the next 5 years, all cesses have been abolished currently.
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- **GSTN** - A decision has been made to make the GSTN a 100% government-owned firm, instead of the present structure with 51% private ownership.
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- While "data security concerns" is said to be the reason for such a move, the implications of this on the "network's functional efficiency" wasn't discussed.
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Source: The Hindu

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