

## **Improvements in GST Regime**

### **Why in news?**

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Recently the GST Council has made important modifications to the GST regime to reinforce its growth potency.

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### **What is the compilation trend of GST?**

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- Under GST manufactured goods and services are on the same tax platform and all products and services are subject to the same tax rates throughout the country.

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- Average monthly revenues have been on the uptrend over the last 18 months.

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- The number of returns filed has gone up from 3.76 million for August 2017 to 7.2 million in December 2018.

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- This reflects a rising culture of compliance, manufacturers and traders who had remained out of the tax net now find it advantageous to be part of the formal supply chain under GST.

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- Today, about 11.7 million enterprises are registered, with over five million of these being new registrations.

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- Under the composition scheme where smaller enterprises pay as per fixed tax rates, another 1.8 million have signed up.

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### **What are the recent modifications made to the GST?**

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- Many operational issues have been addressed on a real-time basis by the GST Council of State finance ministers chaired by the Union Finance Minister.
- Various meetings of GST have considered detailed inputs from industry and provided workable solutions.
- Special drives have addressed delays in refund of IGST on exports and accumulated input tax credits due to inverted tax structure.
- GST council has raised the thresholds and lowered the frequency of returns and including services under the composition scheme.
- GST Council has boosted 'ease of doing businesses for small enterprises.
- Tax rates have been continuously reduced on key items, leaving only about 30 items in the highest bracket and most mass consumption goods in the lower categories.
- The recent decisions of the GST Council are likely to cut the number of enterprises covered under GST from April.

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### **What will be the key benefits of GST modification?**

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- Adhering to GST means large-scale change in processes, formats of invoices, tax accounting and coordination up and down the supply chain.
- Input tax credit refunds are generally quick and regular, streamlining the whole supply chain.
- Deferment of GSTR 2 and introduction of the simplified new return filing model have brought in efficiency.
- Elimination of cascading taxation and lower logistics costs have stabilized prices.
- Further, consumer protection through anti-profiteering provisions has ensured that the benefits of input tax credit or reduction in tax rates are passed on to the consumers.

- As the entire ecosystem becomes accustomed to this regime, an efficient business environment will emerge with higher transparency, lower transaction costs and better compliance.

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### **What more reforms are expected?**

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- Bringing together Central and State governments and integrating numerous indirect taxes, GST is a far-reaching tax system and, as such, it is only to be expected that its full rollout would require an adjustment period.

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- Going forward, some provisions of the GST laws need to be simplified and inconsistencies should be removed.

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- Petroleum products, alcohol, electricity and real estate may be brought under GST ambit for providing seamless input tax credit across sectors.
- The number of rates too can be reduced to just three slabs, standard rates on items of mass consumption, demerit goods in the highest tax category, and certain items at a lower slab.

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- The government is already working on these issues and in time to come, GST would not only benefit businesses and consumers but also strengthen India's competitiveness in the global marketplace.

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**Source: Business Line**

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