

32nd GST Council Meet Highlights

What is the issue?

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- The 32nd Goods and Services Tax Council meeting announced a series of sops for taxpayers in its recent meet.

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- The prime beneficiaries are the micro, small and medium enterprises (MSMEs), with recent changes.

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What are the key changes?

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- **Exemption threshold** - The council approved doubling of the exemption threshold under GST regime to Rs 40 lakh.

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- States, however, will have the option to choose between the two exemption thresholds of Rs 20 lakh and Rs 40 lakh.

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- For the North-eastern and hilly states, the exemption limit has been increased from Rs 10 lakh to Rs 20 lakh.

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- **Composition scheme** - The annual turnover limit under composition scheme will be increased to Rs. 1.5 crores from current Rs 1 crore.

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- The special category states comprising of north-eastern states, J&K, HP and Uttarakhand are given one week time to decide upon the composition limit in their respective states.

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- The Council has also introduced a composition scheme for the services sector as well.

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- [Of the nearly 1.17 crore businesses registered under the GST, over 18 lakh have opted for composition scheme.

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- Under this, traders and manufacturers can pay taxes at a concessional rate of 1%, while restaurants pay 5%.
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- While a regular taxpayer has to pay taxes on a monthly basis, a composition supplier is required to pay taxes on a quarterly basis.
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- They are also not required to keep detailed records compared with a normal taxpayer under GST.]
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- **Software** - Free of cost accounting and billing software shall be made available to small taxpayers by GST Network (GSTN).
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- **Real Estate** - A seven-member group of ministers will be constituted in this regard.
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- It will examine the proposal of giving a composition scheme to boost the residential segment of the real estate sector.
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- **Revenue mobilisation for natural calamities** - The Council allowed Kerala to levy a 1% disaster cess on intra-state sale of goods and services. (Click [here](#) to know more)
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- This will be for a period of up to 2 years to mobilise revenues to meet the cost of rehabilitation after the recent floods.
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- **Lotteries** - A group of ministers shall be constituted to examine the GST rate structure on lotteries.
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What is the significance?

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- The change on exemption threshold will benefit the MSMEs sector which is suffering from the twin effects of demonetisation and GST.
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- The GST Council seems to have finely balanced the need for providing relief and the concern about slipping revenue collections.
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- It has clarified that most of these exemptions will come into effect on April 1, the next financial year.
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- So the impact on revenue collections for this fiscal year has been rightfully

avoided.

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- Significantly, the GST Council also did not make any changes to the tax rates of items and allowed things to settle down.

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What lies ahead?

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- Repeated interventions in the form of exemptions and other reliefs can create confusion.

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- There are also concerns with the rising level of frauds (especially on claiming input tax credit) and tax evasions in the GST.

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- A better idea will be to go in for real reforms by bringing petroleum, the electricity duty and real estate under the GST.

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- This will cut out the cascade of taxes, raise transparency and widen the tax base.

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- The GST Council should now focus more on these issues so that the process works smoothly, leading to greater revenue mobilisation.

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Source: Indian Express, Business Standard

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