Challenges with digital GST rate

Click here to know more about digital GST rate.

\n\n

What is the issue?

\n\n

\n
- Union government has proposed a 2% discount in GST for consumers who make digital payments.
\n
- Incorporating a digital GST rate for every digital transaction is going to be a huge challenge.
\n

\n\n

What is significance of digital GST rate?

\n\n

\n
- The proposal is likely to be taken up in the next GST Council meeting in January.
\n
- The incentive will be available to business-to-consumer (B2C) transactions for goods and services that face a GST rate of 3% or more.
\n
- The incentive will include a 1% concession on the Central GST and another 1 per cent on the State GST.
\n
- The move means that the effective GST rate for items in the 18% slab will come down to 16% for those paying through digital mode.
\n

\n\n

What are the concerns with the move?

\n\n

\n

- The concession will be limited to Rs.100 per transaction, this implies that goods and services bought up to Rs.5,000 per transaction will enjoy the full 2 percentage point concession of Rs.100.
  \n
- The cap of Rs.100 per transaction is too less to induce taxpayers accustomed to cash to switch over to digital.
  \n
- The proposal will not apply to retailers registered under the composition scheme.
  \n
- Customers will be offered two prices, one with the normal GST and the other with two percentage points lower GST for digital payments.
  \n
- This would need some alteration in the tax computation process and the return filing templates.
  \n
- GST is still a new law and revenue collections are oscillating substantially,it is too early to offer such incentives under a tax law.
  \n

\n\n

What are the expected challenges?

\n\n

  \n
- Providing a 2% rebate is going to further reduce collections from GST which could impact the coffers of the Centre and the States.
  \n
- In turn, this would force the Government to tap into the Compensation Cess for monetary comfort.
  \n
- The taxpayers with turnover of less than Rs.1.5 crore are most likely to conduct some transactions in cash.
  \n
- The condition not to extend the scheme to taxpayers registered under the composition scheme could actually turn out to be counter-productive.
  \n

\n\n

\n\n

Source: Business Line

\n



SHANKAR
IAS PARLIAMENT
Information is Empowering