Financial Recourse to Kerala Disaster Loss

Why in news?

\n\n

At the recent GST Council meet, it was decided to set up a seven-member Group of Ministers to decide on financial recourse to meet Kerala flood disaster loss.

\n\n

What are the proposals?

\n\n

\n
- The State government proposed to levy Calamity Tax, a special tax or cess to raise additional resources on the State GST component.
\n
- But the Centre is of the view that it will be operationally difficult to implement.
\n
- The Centre thus suggests the levy of a small disaster cess for some items across the country for a limited period.
\n
- The GoM will decide either on levying a disaster cess or allowing Kerala to levy an additional SGST.
\n
- Both these options are proposed on only a few products and for a short duration.
\n

\n\n

What are the limitations?

\n\n

\n
- Cesses are supposed to be for a short term and should be removed once the purpose of the levy has been fulfilled.
\n
- However, in the past, many cesses have continued well beyond their proposed period.

\n
- There was no evidence to confirm that they were used for the purposes for which they were levied.
\n
- Taxpayers would also be cess-averse as they cannot claim input tax credit on cesses paid.
\n
- This distorts the supply chain architecture which GST is supposed to protect.
\n
- Also, levy of a cess will need a change in laws and the government may need to bring in an ordinance to provide for it.
\n
- Besides, the constitutional validity of a cess has been challenged in the Supreme Court.
\n
- So the GST Council has to wait for the verdict before levying it.
\n
- On the other hand, the additional Kerala SGST levy option has a limited scope.
\n
- It may not be able to make a substantial contribution to the finances of the state.
\n

\n\n

What could be done?

\n\n

\n
- Essentially, what is needed is a short-term levy that could contribute a significant sum to the GST kitty.
\n
- So the e-way bill system could be considered as a tool to garner the funds, through a change in rules and possibly an ordinance.
\n
- The e-way bill platform has been structured to handle up to 75 lakh e-way bills daily.
\n
- The GST Council can propose a token fee of Rs. 100 for every e-way bill generated on the portal.
\n
- Taxpayers will not worry over the lack of input tax credit on an amount of Rs. 100.
\n

- Assuming that 65 lakh e-way bills are generated daily, the levy of Rs. 100 for four months would yield a revenue of Rs. 7,800 crore which is a significant sum.
  \n
- Nevertheless, the key is to stop the levy once the target has been reached.
  \n

\n\n

\n\n

Source: BusinessLine

\n

