GST Council

Why in news?

The 53rd Goods and Services Tax (GST) Council recently met in Delhi under the Chairpersonship of union minister for Finance.

What is a GST Council?

- **A constitutional body** – GST was added in the constitution under *Article 279A* by ***101st Constitutional Amendment Act in 2016*** and came into effect in 2017.
- **Article 279A (1)** – The GST Council has to be constituted ***by the President within 60 days*** of the commencement of Article 279A.
- **GST Council** – It will be a *joint forum of the Centre and the States*, shall consist of the following members
    - **Chairperson** – Union Finance Minister
    - **Member** – The Union Minister of State, in-charge of Revenue of finance
    - **Other members** – The Minister In-charge of finance or taxation or any other Minister nominated by each State Government
- **GST Council Meetings** – It takes decisions through a *consensus-based approach.*
- The Constitution did not mention the number of GST Council meetings per year.
- However, the Council meets periodically to discuss and decide on important issues related to GST.
- **Quorum** – The Constitution states that *one-third of the total number* of GST Council members shall constitute the quorum.
- **Voting structure** – Every decision of the GST Council shall be taken by a *majority of not less than three-fourths* of the weighted votes of the members present and voting.
- It shall have a weightage of
    - *One-third* of the total votes cast *to the Centre*
    - *Two-thirds* of the total votes cast *to the States*
- This inclusive weightage helps in promoting the spirit of the ***co-operative federalism***.

What is the role of GST Council?

- **Role** – It *oversees the implementation* and regulation of the Goods and Services Tax.
- It will *make recommendations to the Union and the States* on important issues related to GST like
    - The goods and services that may be subjected or exempted from GST
    - Model GST Laws
    - The principles that govern Place of Supply
    - Threshold limits
    - GST rates including the floor rates with bands

    - Special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc.
- **Recommendations are not binding** – In ***Mohit Minerals case of 2022***, Supreme Court stated that States and Centre can equally legislate on matters of GST thereby all recommendations of GST council is *not binding on State legislature.*
- The court said *Article 246A* of the Constitution gives both *Parliament and state legislatures "simultaneous" power to legislate on GST* and recommendations of the Council "are the product of a collaborative dialogue involving the Union and States."

Article 246A treats State and Centre as equal. Article 279 says state and centre cannot act independent of each other.

What are the major outcomes of the 53rd GST Council?

- **Apple farmers** – It *reduced the GST on cartons* from 18% to 12% to provide relief to apple farmers in Himachal Pradesh and Jammu and Kashmir.
- **Railways** – It *exempted* on services such as *platform tickets, waiting room and cloakroom facilities* in railway stations.
- **Rent and others** – The council recommended *12% taxes on items such as milk cans and solar cookers* and announced some relief for students living in certain kinds of rented accommodation.
- **Trade facilitation** – It recommended trade facilitation measures such as penalty waiver on demand notices sent during the initial three years of the roll out of the GST.
- That have been issued under Section 73 of the GST Act for cases not involving fraud, suppression or misstatements.
- **Biometric based GST verification** – Council *approves to rollout* Pan India based *biometric Aadhaar based GST Verification* that will help to weed out fraudulent claims, etc.
- **Fertilizers** – GST Council sends *request to reduce GST on fertiliser* on rate rationalisation.
- **Machinery** - A *uniform 5% IGST rate* will now apply to imports of aircraft parts, components, testing equipment, tools, and tool-kits, irrespective of their HS classification.
- This measure aims to boost Maintenance, Repair, and Overhaul (MRO) activities, subject to specified conditions.

GST in India

• **Origin** – The idea of a nationwide GST was first proposed by the *Kelkar Task Force* on Indirect taxes in 2000.
• **Objective** – It aims to replace the prevailing complex and fragmented tax structure with a *unified system*.
• It would *simplify compliance, reduce tax cascading*, and promote economic integration.
• **Dual structure** – Central GST (*CGST*) levied by the Central Government and the *State GST* (SGST) levied by the State Governments.
• In the case of Inter-state transactions, *Integrated GST* (IGST) is applicable, which is collected by the Central Government and apportioned to the respective State
• **Input tax credit** – The businesses can claim credit for the tax paid on inputs used in the production or provision of goods and services.
• **Composition scheme** – It is available *for small taxpayers* with a turnover below a prescribed limit (currently 1.5 crores and 75 lakhs for special category state).
• Under this scheme, businesses are required to pay a *fixed percentage of their turnover as GST* and have simplified compliance requirements.
• **Anti-Profiteering Measures** – The government established the *National Anti-Profiteering Authority* (NAA) to monitor and ensure that businesses do *not engage in unfair pricing practices* and profiteering due to the implementation of GST.

References

1. The Indian Express| 53rd GST Council Meetings
2. GST Council| Role of GST Council

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