GST Council Meet

Why in news?

The GST Council's recent meeting was able to make slight progress.

In what aspects progress was seen?

- The progress is made in two respects, which includes,
  a. Simplifying the return filing process and
  b. Taking a tentative step forward in resolving the impasse over compensation cess.

What are the options?

- **Option 1** - The Centre raised the compensation payable to the States under 'option one' from ₹97,000 crore to ₹1,10,000 crore.
- Under this option, the States can borrow through a special window of the Reserve Bank of India.
- The entire principal and interest on the borrowing would be borne out of the cess.
- **Option 2** - This option involves the States borrowing the entire shortfall of ₹2,35,000 crore from the market.
- The interest will be borne by the States.
- **Opting** - While 21 States have opted for the first option, the remaining (largely Opposition-ruled) have opposed the terms.
- The latter States are demanding the 14% annual increase in GST revenues to States that was written into law.

What did the Centre say?

- The Centre has promised that all the dues of the States will be settled through the extension of the compensation cess beyond June 2022.
- It has released ₹20,000 crore of compensation cess collected this year.
- The opposing States should not insist on an escalation to the dispute redress mechanism.
- This would delay and complicate the process for all States at a time when their need for funds is immediate.

What is the move regarding return filing system?

- The intent to move towards auto-populated returns and invoice matching could check tax evasion and improve revenue collection.
- From January 2021, taxpayers would have to provide details required in the GSTR 1 return alone, regarding outward supplies.
- Other data pertaining to input tax credit will be captured from the suppliers and the net tax payable will be shown in the GSTR-3B return.
- These measures show that the GST return filing system is moving back to its original design of ease of compliance and improved collection.
- This move should be viewed along with requirement for businesses with turnover exceeding ₹500 crore to file e-invoices from October, 2020.

What is another good move?

- Almost 93% of the 1.3 crore GST registered taxpayers are smaller businesses having less than ₹5 crore of annual turnover.
- Providing leeway to these smaller businesses to file returns on a quarterly basis from next year is a good move.
- This move will provide relief to the majority of the businesses, cutting down their compliance costs to a third.
- However, there could be glitches for a few quarters.
- With small taxpayers filing quarterly returns, input tax credit could get blocked for larger taxpayers (who file on a monthly basis).
- Yet, the step may lead to larger companies persuading their suppliers to be more compliant in filing returns.
- These recent changes might further the shift of entities from the unorganised to organised sector, so far stalled by loose implementation.

Source: Business Line

SHANKAR IAS PARLIAMENT
Information is Empowering