GST Council Meet Highlights

Why in news?

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The GST Council, in its 25th meeting held recently, recommended many relief measures and clarifications on issues relating to GST.

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What are the highlights?

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- **Simplification of return filing** - The Council made serious discussions on moving towards one return form but a final decision in this regard is pending.
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- The plan seeks to do away with three forms — GSTR1, GSTR2 and GSTR3.
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- It would be replaced with GSTR3B initially along with the uploading of a supply invoice.
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- Accordingly, the monthly self-declaration on details of outward and inward supplies filed by a registered dealer will continue.
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- The filing of a return would be annually or whatever frequency is decided upon.
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- Taxes can be deposited on the basis of the invoice.
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- However, if there is any mismatch between the buyer and seller invoices, an explanation can be sought.
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- It will work as a deterrent against evasion that the invoices must match the return filings.
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- **E-way bill** - With the trial run of the e-way bill system taking off recently, the government committed to the Feb 1 rollout across the country.
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- With sole reliance on unilateral declarations and the resultant low GST collections, E-way bill is expected to be a significant anti-evasion measure.
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- **Tax rates** - The Council cut rates on 83 employment-oriented goods and services.
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- This was based on recommendations of the fitment committee.
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- The new rate cuts are assessed to hit the exchequer by Rs 10-12 billion annually.
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- **Composition Scheme** - The low proportion of collections under the scheme indicates poor response as well as large evasions.
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- Most of the people who have registered have a declared income of less than Rs. 20 lakh a year, suspectedly under-declarations.
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- To plug the loopholes, the Council is thinking of reverse-charge mechanism (RCM) under the composition scheme.
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- Unlike the usual practice of sellers depositing the tax to the government, the buyer does so under the RCM.
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- The reverse-charge levy on purchase from unregistered businesses could come back for composition dealers, in turn plugging possible tax leakage.
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- **IGST** - The council took note of large amount of Integrated GST (IGST) credit lying unclaimed in the form of IGST collections.
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- To ease the flow of funds for both the Centre and states, the Council decided to distribute IGST of Rs. 35,000 crore equally between the Centre and states.
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- This will ease the indirect tax position of the centre and the states which is reportedly very weak.
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- **Handicrafts** - The council approved a definition for handicrafts and the designation of 40 items as handicrafts.
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- These would now be examined by the fitment committee.
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- The council also rationalised the rates on 29 handicrafts items to zero percent.
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- This will certainly increase the exports and competitiveness in international

markets which in turn will boost the economy.
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- This will have a minor impact on revenues, but is potential of boosting job growth.
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- **GST revenue** - The figures on falling GST revenue so far are on voluntary compliance without any anti evasion measures.
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- It was thus expressed that with the anti evasion measures coming into place, the revenue will pick up.
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- While GST collections have been coming down, the growth in direct tax collection which is ahead of target is encouraging.
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Source: Economic Times, Business Standard

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Quick Fact

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Fitment Committee

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- The rate fitment committee comprises of tax officials of the central and state governments.
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- Its task is to evolve a principle and an appropriate methodology to determine rates for various supplies under GST.
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