GST Council Meeting

Why in news?

The GST Council has met for the second time since the pandemic.

What are the relaxations?

- The GST Council decided to relax late fees and interest payable for those taxpayers failing to file returns on time.
- For businesses with no tax liabilities under the indirect tax regime, the late fees were completely waived.
- This is in line with Centre's relaxations, in March, before the lockdown was declared, to ease compliance deadline worries of small businesses.

Are these relaxations enough?

- Since the full lockdown lasted longer than initially envisaged, and only began to unwind this month, the forbearance on offer was necessary.
- But given the extent of economic damage as well as the States' fiscal positions in the period between these two meetings of the Council, its decisions are far from sufficient.

What are the revenue gaps?

- In March, GST collections had slipped to Rs. 97,597 crore after surpassing the Rs. 1-lakh crore mark over the previous four months
- The numbers for April and May will not be known before July.
- Finance Minister has told State representatives in the Council that just 45% of the indirect tax target had been met in the past two months.

What do the States want?

- Although aware of the dwindling tax kitty during the lockdown, States have had their hands full managing the pandemic.
- It is for this reason that several States have been urging the Centre to extend emergency fiscal support.
- They want the Centre to release past GST compensation dues enshrined in the pact that allowed the new tax regime to take off three years ago.

What did the Centre do?

- In its stimulus package, in May, the Centre enhanced States' power to borrow, but only part of that was completely unconditional.
- A large chunk was contingent on States undertaking specified reforms.
- These reforms may be long-pursued ideals, but whether this is the right time for prioritising them has been questioned.
- GST compensation (for revenue shortfalls in the first 5 years of GST) due to States for December 2019 to February 2020 was only released on June 4.
- Perhaps, it was timed to pre-empt discontent in the Council's meeting.

What could be done?

- The GST Council did not finalise the way forward for paying States the compensation.
- One of the officially discussed ideas on the table is to raise loans against future GST cess accruals in order to **recompense States**.
- Any decision on this front can only be expected at a special meet in July.
- The proposed GST rate rationalisations in the textiles, footwear and fertilizers sectors that were on the Council's agenda will also be decided only by July.

Source: The Hindu

SHANKAR IAS PARLIAMENT
Information is Empowering