GST Council - Outlook for May

What is the issue?

\n\n

\n
- Major decisions like – “introducing a monthly compliance regime, nationalising GSTN, and Sugar Cess” were taken in GST council’s recent meet.
\n
- These are likely to be perceived negatively by industries as it further complicates compliances and enhances tax burden.
\n

\n\n

What expectations were belied by the GST council?

\n\n

\n
- Collections from the GST reached over Rs. 1 lakh crore for April 2018.
\n
- Hence, the industries hoped that the GST Council would make filings simpler as compliance is increasing.
\n
- Indeed, the Council recently decided to introduce a new compliance system that mandates the filing for a monthly GST return (with minor exemptions).
\n
- This new norm is to be introduced in a phased manner — with the first of three transition stages to begin six months from now.
\n

\n\n

How is the progress on simplifying returns filing?

\n\n

\n
- Discussions among stakeholders over simplifying GST returns have been under way for months, but a concrete solution hasn’t emerged yet.
\n

- For instance, in the second stage of the transition to simpler returns, buyers will get provisional input credit even if the seller doesn't upload the invoices.
\n
- This could lead to disputes if "a seller defaults on GST dues and remains evasive" – as authorities might withdraw the credit availed by the buyer.
\n
- Transition time to the GST regime is also proving long, and businesses that are yet to recover from the initial disruptions are facing further uncertainties.
\n
- Also, firms will again have to cope with significant changes in accounting software in the middle of the financial year – which is another slog.
\n

\n\n

What are the other major decisions taken?

\n\n

\n
- **Cess -** A cess at the rate of Rs. 3 a kg is proposed to alleviate deep distresses among sugarcane farmers (over and above the 5% GST).
\n
- Several States have opposed this as it would burden consumers while favouring larger sugarcane-growing States like U.P. and Maharashtra.
\n
- In addition, a special sugar cess will signal a looming breakdown of the basic tenet of GST - the abolition of such cesses and surcharges.
\n
- Notably, barring the "GST Compensation Cess" to help states to bridge their revenue shortfall for the next 5 years, all cesses have been abolished currently.
\n
- **GSTN -** A decision has been made to make the GSTN a 100% government-owned firm, instead of the present structure with 51% private ownership.
\n
- While "data security concerns" is said to be the reason for such a move, the implications of this on the "network's functional efficiency" wasn't discussed.
\n

\n\n

\n\n

Source: The Hindu

\n

