

GST Council begins review of rates, items to raise revenue

States Told To Examine Cess & Exemptions

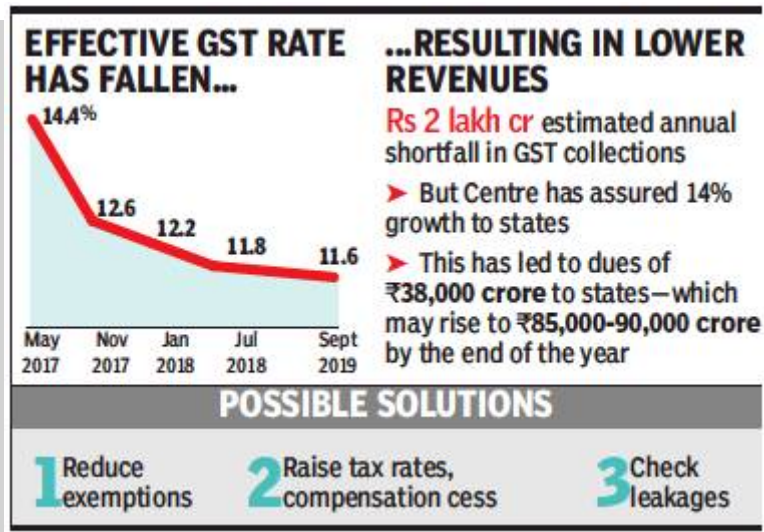
TIMES NEWS NETWORK

New Delhi:

The government has begun discussions with states for a possible revamp of the goods and services tax, which may include bringing some of the exempted items under the ambit of the levy while reviewing the rates and the cess on all goods and services, as part of an exercise to shore up revenue.

In a letter to states, the GST Council has given a full menu of options and sought their feedback ahead of a meeting of ministers which is expected before the end of the month. The move comes at a time when tax collections have been hit, which authorities believe is due to a massive reduction in rates.

The Reserve Bank of India had recently estimated that the effective GST rate in India has come down from 14.4% in May 2017 to 11.6% now. Officials said this has robbed the government of potential revenue of around Rs 2 lakh crore annually.



Income tax refunds increase over 22%

Income tax refunds have increased over 22% to little less than Rs 1.5 lakh crore so far this year, as the government focused on speeding up the process of giving dues to taxpayers, resulting in 68% claims being settled in 30 days. Between

April and November 28, 2.1 crore refund cases were processed by the Central Processing Centre, compared to 1.75 crore a year ago. [P 21](#)

Slowdown, tax leakage add to govt woes

It has also increased compensation payout to states as the Centre had assured them to make good any “losses” in case collection growth was less than 14% a year.

The economic slowdown, along with tax leakage, has added to the government's woes and the growth has been lower than anticipated despite an expansion in the taxpayer base.

"The effective indirect tax rate, comprising central excise and VAT, on many products in the pre-GST era was around 25%, which has reduced to 18% in GST. In the absence of a significant increase in volumes, there would be an impact on revenues," said M S Mani, a partner at consulting firm Deloitte India.

Another tax consultant said that the services sector revenue has not seen a significant expansion in the base as investments have slowed down.

As a result, the GST council has asked states to review the list of products that are currently exempted, which includes some of the items that were earlier subject to tax. For instance, bread and packed unbranded wheat flour and several items which faced VAT no longer attract GST.

And with states complaining about the Centre holding up compensation, the government is also seeking a review of the items that can face the levy apart from looking at the possibility of enhancing the levy on existing items such as tobacco, soft drinks and cars. With the compensation cess kitty eroded, states have little choice but to either agree to settle their bills over a longer period than the five years that was provided for or agree to higher cess or expanding its scope, said officials.

"All these months, states have been pushing for a reduction in rates at every GST council meeting. Let them examine the issue in detail so that the Centre and states have healthy revenue flow," said an officer.