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GST Council meeting today: Lease rates, refund for exporters and extra cess on agenda

BY SACHIN DAVE & SALONI SHUKLA, ET BUREAU | UPDATED: DEC 18, 2019, 11.59 AM IST

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MUMBAI: A boost for the real estate sector, rationalisation of tax rates on lotteries, making refunds seamless for exporters — these topics are set to dominate Wednesday's Goods and Services Tax (GST) Council meeting, according to people with knowledge of the matter and the agenda for the meeting.

The government is looking to balance revenue collections between states and the Centre besides ironing out problems faced by a few industries, the people said. The government is also contemplating a temporary cess of 2% on certain goods, especially those falling in the 5% and 18% slabs, to make up for the revenue shortfall.

The GST Council may clarify rates on long-term leases, exempting those of 30 years or more if provided by a state, or if the central government has a stake of at least 20%. If approved, this will benefit manufacturing, realty and hospitality companies, experts said. Several companies had taken the government to court over 18% GST on long-term lease transactions. A GST rate of 5% will be levied on long-term leases if the plot is owned by a private individual, according to the GST agenda note, which ET has seen.

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On the Table	REALTY	LOTTERIES
FOR EXPORTERS Single-window clearance for all refunds and disbursements	Zero GST on lease of 30 years or more if provided by a state or if the Centre has at least 20% stake	May be taxed at either 28% or 18%
	5% rate on long-term leases if the plot is owned by a private individual	CURRENT STATUS Lotteries run by state governments attract 12% GST
	CURRENT STATUS 18% GST on long-term lease transactions	Those authorised by them and sold outside the state are taxed at 28%

Incentives to Set up Plant

Exempting long-term land leases for setting up industrial units could help encourage investment in manufacturing, industry trackers said.

The government is also set to rationalise GST rates for lotteries, which currently contend with two different rates. Those run by state governments attract 12% GST while those authorised by them and sold outside the state are taxed at 28%.

Lotteries are sin/demerit goods and should be taxed at high rate of GST, at either 28% or 18%, the agenda note read.

“In addition to the divergent rates on state lotteries and state-authorized lotteries which need to be harmonised, it is also necessary to determine the appropriate valuation mechanism to tax lotteries,” said MS Mani, partner, Deloitte India. “This issue acquires urgency considering the fact that the writ petition filed in the Supreme Court, which was adjourned earlier to enable submissions, is slated to come up in early January 2020.”

The government is pushing for single-window clearance for all exporter refunds and disbursements, said the persons cited above. Currently, exporters have to approach two different authorities for refunds, which often creates pressure on their cash flows.

“There were issues that were raised by the industry around delays in refunds and there was no way the Centre could monitor allocation of refunds or whether they are being generated as per the requirement,” said Suresh Nandlal Rohira, an independent GST expert. “The Centre will now be able to monitor refunds for exporters and can even sanction ones that are being held back by the state authorities due to various reasons.

The government may look at implementing additional surcharges over the present GST slabs to prop up tax collections and divide revenues equally between Centre and state through [SGST](#) and [CGST](#), said the people cited above. This however has not been mentioned in the agenda document.

“There have been a lot of discussions with several state authorities and this could be a way to address the revenue collection shortfall,” said a person advising two state governments on the matter.

“The government could levy 2% cess so the 5% GST will become 7%, while 18% would become 20%, for some time.”

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