

Ministers propose to shield small units from GST burden

States Allowed To Impose Calamity Cess

TIMES NEWS NETWORK

New Delhi: A group of ministers has recommended several steps to make life easier for small businesses under goods and services tax (GST), including backing a plan for raising the registration threshold, while another panel has cleared the decks for levying state-specific calamity cess, sparing the burden on consumers across the country.

A ministerial group on MSMEs, headed by junior minister for finance Shiv Pratap Shukla, on Sunday supported the proposal to increase the registration threshold beyond an annual turnover of Rs 20 lakh but could not agree on the new limit, leaving that decision to the GST Council, headed by finance minister Arun Jaitley, which is sche-

WHAT THE RECOMMENDATIONS MEAN

MOVE: Higher registration threshold for GST

IMPACT: Several SMEs to go out of tax net if proposal to double threshold to Rs 40 lakh is accepted

MOVE: Composition scheme for service providers with turnover up to Rs 50 lakh

IMPACT: Simpler process with flat levy of 5%

MOVE: Manufacturers and traders under composition scheme to file returns annually instead of quarterly



IMPACT: Will address concerns of small businesses

MOVE: Cess in states needing funds to meet expenses related to natural calamity

IMPACT: Will be levied only in specific state, instead of imposing a national burden

duled to meet later this week.

While the law committee had recommended doubling the threshold to Rs 40 lakh, which was supported by the Delhi government, Bihar was seeking an increase to Rs 50 lakh. Besides, Bihar deputy chief minister Sushil Modi has also floated a proposal for a flat payment for businesses with annual turnover of Rs 50-75 lakh, a facility that was

available under the value-added tax regime.

A higher threshold will put several small businesses out of the GST net and address the oft-repeated concerns about unnecessary compliance burden ahead of this summer's general elections. But it will make the system more prone to leakages as several businesses will not be tracked.

The ministerial panel has, however, backed a simpler facility for a 'composition' scheme—with a flat 5% levy and much-simplified returns—for service providers with turnover of up to Rs 50 lakh. This plan was rejected earlier as there were fears that it could be misused.

Currently, the composition scheme is available to small manufacturers and traders, where the limit is to be increased from Rs 1 crore to Rs 1.5 crore and the GoM has suggested that these businesses be allowed to file annual returns instead of making quarterly filings. They will, however, be required to make quarterly tax payments with the challan capturing some of the details.

The other GoM, headed by Bihar's Sushil Modi, which also met on Sunday, sorted out a long-pending issue of allowing states such as Kerala to levy additional tax to meet expenditure related to natural calamities.

► 1% cess for Kerala? P 15

'GoM proposes 1% cess levy for Kerala for 2 yrs'

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Instead of agreeing to an increase in the GST rate nationally, the panel agreed to suggest a cess that will be levied by the state concerned but will need specific clearance from the GST Council.

"Kerala had asked the GST Council for levying cess to fund rehabilitation work. The GoM has recommended to the Council that Kerala be allowed to levy 1% cess for two years," **Sushil Modi** told reporters after the meeting. The GoM has also recommended amendments to the Fiscal Responsibility and Budget Management Act to

increase the borrowing limit for funding natural calamity-related spending by the states.

There was also a suggestion to have a permanent cess for natural calamities, which was rejected by the ministerial panel. The proposal came as the Centre is seeing a significant dip in collection from the national calamity contingency duty, imposed on several products as many of the items are now covered under GST. As a result, the annual collection in the kitty is pro-



jected to shrink to Rs 2,500 crore from around Rs 5,700 crore in 2015-16. With a smaller corpus, the Centre would now have to allocate funds for the purpose.

The stand taken by the GoM addresses concerns of several states that did not want their consumers to bear the burden of a state-specific natural calamity. Besides, there would have been issues related to distribution of the taxes that were collected through a higher GST. Ministers thought that states would themselves be prudent in imposing a cess as they would not want consumers to be unnecessarily burdened.