In effort to placate traders, BJP doubles GST relief limit to ₹40L

TIMES NEWS NETWORK

New Delhi:

As part of an attempt to make life simpler for small businesses, the Goods and Services Tax (GST) council decided on Thursday to double the registration limit for manufacturing units, kirana and garment stores to an annual turnover of Rs 40 lakh, while opening a window for service providers such as beauty parlours to pay tax at a flat rate without having to file detailed returns.

Coming weeks before the general elections are announced, the move is seen as an attempt to assuage small traders and businessmen who have been complaining about high compliance burden.

Last month, the council, led by Union finance minister Arun Jaitley, had reduced levies on several items as part of the tax rationalisation drive meant to benefit consumers. Thursday's decision comes a day after the government got Parliament's approval for a 10% quota for economically weaker sections from upper castes, a move seen as an outreach to a key political constituency.

"Every decision is intended to help MSMEs (micro, small and medium enterprises). We have given them various options," Jaitley told reporters after the meeting, where some Congress-ruled states such as Chhattisgarh and Puducherry initially opposed the simplification.

This time the Centre opted to double the registration limit for goods manufacturers and traders, while raising the limit for the composition scheme from an annual turnover of Rs 1 crore to Rs 1.5 crore.

The composition scheme comes with a flat levy of 1% of turnover, and businesses will now have to only file an annual return, although tax payment will have to be deposited every quarter. Businesses opting for the facility are not entitled to claim input tax credit.

Now, the benefit of the composition scheme has been extended to service providers with a flat levy of 6%, which the government hopes will result in more small players coming into the tax net.


TOI | JAN 7, 2019

Ministers propose to shield small units from GST burden

States Allowed To Impose Calamity Cess

Delhi, Kerala to take call on GST threshold

But, while deciding on the new registration, the GST Council opted to make a distinction between goods manufacturers and sellers and service providers — something that had been dispensed with to make the tax regime uniform from July 2017. Now, the two segments will have different thresholds and states and Union territories have also been given flexibility in deciding their own limits for goods. Puducherry is expected to have a lower threshold, while Delhi deputy CM Manish Sisodia and Kerala finance minister Thomas Isaac said they would soon take a call.

While Jaitley said this was a one-time exception, tax practitioners appeared worried. "Different thresholds for service providers and dealers of goods and varying limits across states in case of goods would bring back complexity and would be similar to the VAT era," said M S Mani, partner at consulting firm Deloitte India.

Officials as well as consultants said the difference was due to a lower threshold for service providers under the composition scheme. "Since GST is a common tax on all goods & services, from a policy standpoint it may be better to keep the same threshold for both. In that case, for service providers possibly the composition scheme limit would need to be fixed higher than Rs 50 lakh to, say, Rs 75 lakh. Nonetheless, this is a major relief for small businesses." The GST Council decided to set up two ministerial panels to review taxation structure for lotteries and suggest a road map for possible reduction in levy on under-construction residential property.

NOW EASIER TO COMPLY

FOR GOODS

- GST exemption limit for manufacturers and traders of goods raised from ₹20 lakh to ₹40 lakh annual turnover
- Up to 20 lakh GST assessees may go out of the tax net
- States can fix a threshold lower than ₹40 lakh
- But large companies may insist on exempted firms staying within GST — to ensure input credit
- Even now, 11 lakh units with under ₹20 lakh turnover are registered for GST

FOR SERVICES

- Registration limit stays unchanged at ₹20 lakh (₹ 10 lakh for hill states and North East)
- New window allows beauty parlours, automobile service centres, others with annual turnover of Rs 50 lakh to pay flat 6% GST and only file annual returns
- Similarly, small manufacturers, traders with a turnover of up to ₹1.5 crore can pay a flat 1% tax and file only annual return

EXEMPTION LIMIT DOUBLED TO ₹40 LAKH

3 Cheers: Council Raises GST Bar for Small Business

More biz exempt, can opt for composition scheme; compliance burden to come down

Our Bureau

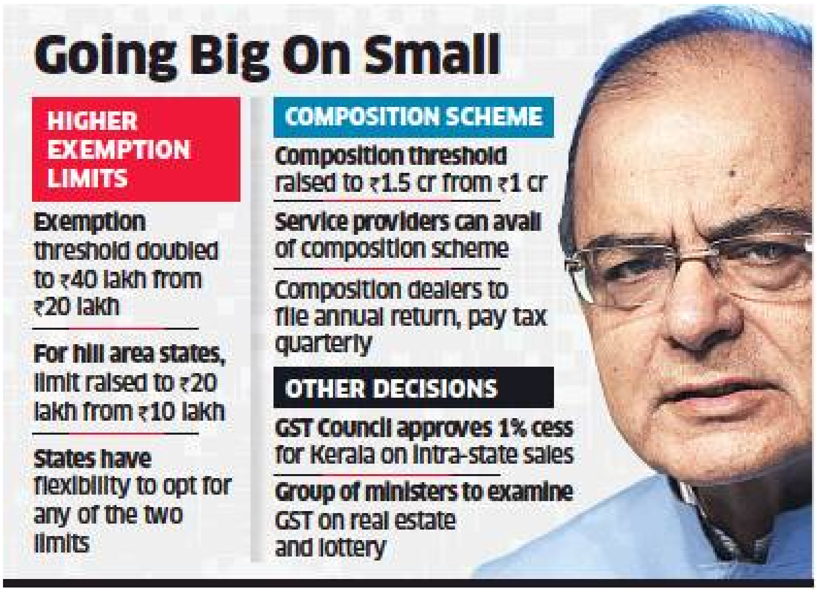
New Delhi:

The Goods and Services Tax (GST) Council approved a series of measures aimed at benefiting small businesses, such as a doubling of the exemption threshold to ₹40 lakh and an increase in the turnover limit for service providers looking to avail of the low-compliance composition scheme.

"There were several items in today's meeting that dealt with structure and procedure… We raised the composition scheme limit to ₹1.5 crore from ₹1 crore," said Union finance minister Arun Jaitley, who also heads the council. "The decision will be applicable from April 1, 2019."

While the exemption limit for registration and payment of GST has been raised to ₹40 lakh from ₹20 lakh for suppliers of goods, states would have flexibility to decide on one of those in a week. The threshold will be doubled to ₹20 lakh from ₹10 lakh in northeastern and hilly states. However, for service providers it will stay at ₹20 lakh and ₹10 lakh in special category states.

"We have decided to continue with twin structure with two slabs. While the ₹20 lakh threshold has been doubled to ₹40 lakh, for smaller states, the exemption has been kept at ₹20 lakh," Jaitley said. The minister said states will have option to "opt up" to higher limit and those concerned about erosion of assessee base can "opt down".



More than 2M Eligible for Exemption

While the decision would make more than 2 million businesses eligible for exemption, all of them may not avail of it so that they can continue to enjoy benefits of GST such as input tax credit, Jaitley said. Congress-ruled states and union territories led by Puducherry and Chhattisgarh opposed the move to raise the threshold. Though the original proposal was to raise it to ₹50 lakh, it was pegged at ₹40 lakh to arrive at a consensus-based decision.

The exercise is part of ongoing refinements that the council has been making since GST was rolled out on July 1, 2017. Over this period, it has sought to lower the GST rates on most items of regular use while only retaining luxury or sin goods in the top slab to ease the burden on consumers.

COMPOSITION SCHEME

The composition scheme will be available to services and mixed goods and services suppliers with a tax rate of 6% — 3% central GST and 3% state GST — if they had annual turnover of ₹50 lakh in the preceding financial year, Jaitley said. The composition scheme is meant for smaller businesses, allowing them to pay a flat rate and involving less-onerous documentation. On the other hand, such companies can’t claim input tax credit.

The GST Council also decided that those opting for the composition scheme would need to file their returns only once a year to further ease the compliance burden from quarterly filing now, Jaitley said. The tax payment mode, however, would continue to be on a quarterly basis. This facility will also be applicable from April 1.

“Allowing filing of just one return in a year for taxpayers under composition scheme is a positive step towards reducing the compliance burden being faced by small taxpayers and shall also help to reduce load on GSTN (GST Network) portal,” said Pratik Jain, partner and national indirect taxes leader, PwC.

Industry welcomed the move.

“By raising thresholds of various GST categories, the council has signalled its intention to facilitate MSME compliances and promote ease of doing business,” said Confederation of Indian Industry (CII) director general Chandrajit Banerjee. “Initiating a composition scheme for the services enterprises is a landmark step and will integrate these enterprises with their manufacturing counterparts.

“This is one of the most crucial decisions of the council and would indeed help a large number of taxpayers,” said Federation of Indian Chambers of Commerce & Industry (Ficci) president Sandip Somany. “It is a big step in the right direction and I am confident that going forward the council may consider increasing it further.”

GOM FOR PENDING ISSUES

The GST Council decided to set up a seven-member group of ministers (GoM) to examine the proposal for a composition scheme for the real estate sector and also to look at the tax rate structure of lotteries. This was decided after differences arose between state finance ministers on operational aspects. The real estate proposal entailed imposing GST of 5% on flats that are under construction. State-owned lotteries face a 12% slab, while state-authorised ones attract 28%.

The GSTN will also provide free accounting and billing software to small taxpayers, the council said.

KERALA CESS

The council also considered a GoM report on imposing a cess in the case of calamities and natural disasters. The GoM had been set up after Kerala sought a cess after being hit by floods in August last year.

“Kerala is now entitled to impose a maximum cess of 1% on intra-state sales for a maximum period of two years,” Jaitley announced, adding that the GST Council can allow states to levy a cess in the event of natural disasters.

EY India tax partner Abhishek Jain said, “While this additional levy should help Kerala victims, companies as well as GSTN would need to modify their IT systems to incorporate the change. Also, to some extent it dilutes the one-nationone-tax concept.”