

## GST structure to be reviewed on revenue concerns

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The Goods and Services Tax (GST) Council is set to embark on a comprehensive review of the tax structure in the wake of growing revenue concerns when it meets on December 18.

The review will include exempted items, GST and compensation cess rates and revenue augmentation measures. The GST Council secretariat has sought inputs from state governments on all these issues.

Rate calibration to address the inverted duty structure, compliance measures other than those currently under implementation and any other revenue augmentation measures will also be up for review.

“I would request you to provide your suggestions or inputs or proposals as regards measures on compliance as well as rates which would help in augmenting revenue,” said a November 27 letter sent to state GST Commissioners that ET has seen. Experts said this means the effective GST could also rise.

The move comes against the backdrop of states complaining about the Centre delaying compensation payments to them as revenues have slowed. However, after declining for two consecutive months, GST collections grew 6% to Rs 1,03,492 crore in November following the festive season sales push.

The letter said lower GST compensation cess collections have been a concern in the last few months. Compensation requirements have risen and are unlikely to be met from the


Compensation cess, it added.

# New Math?

## ON THE AGENDA

<b>1] Review</b> of exempted items	<b>3] Rate calibration</b> to address inverted duty
<b>2] GST &amp; compensation</b> cess rates	<b>4] Compliance &amp; other measures</b> to raise revenue


## WHY THE REVIEW

**GST revenues have been muted** 

**Compensation cess falling short of requirement**

## WHAT IT MEANS

**Some rates could go up**

**Compensation cess could rise temporarily** 

Finance minister Nirmala Sitharaman said at the ET Awards for Corporate Excellence on November 30 that GST rate simplification was under consideration.

As regards the rationalisation of the taxation... too many rates, too many high rates and so on, we are having good conversation with all the states," she had said. The government wants to ensure that essential items are kept at the lowest rate if not exempted from GST. "But for the rest of them we are trying to rationalise."

GST has as many as seven rates though the bulk of goods fall in the 12% and 18% slab. The thinking is that these two could be merged into a single slab of around 15%.

Experts said the GST Council may opt for revenue augmentation steps.

"Possible hikes in the cess to manage the compensation payouts to states and some rate changes in exempted and low rate items could figure as revenue augmentation measures in the next GST Council meeting slated for this month," said MS Mani, partner, Deloitte.

### **Making Corporate India Comply**

In the past year or so, the government has taken several steps to simplify compliance, going after tax evaders through more efficient use of technology and data analytics without having to resort to increasing tax rates.

“As such, unless the government is willing to consider taxing education and healthcare, there may not be many items under exempt schedule that can be brought under GST easily,” said Pratik Jain, national indirect taxes leader, PwC. “However, on the compensation cess, government might be running out of options as states need to be compensated for revenue shortfall, which is higher than expected.