

GST Council to meet in Srinagar by June-end

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- One of the proposals expected to come up before the Council is the recommendations from a group of ministers led by Meghalaya CM Conrad Sangma to specify 28% tax rate on casinos, race courses and online gaming.

Federal indirect tax body, the Goods and Services Tax (GST) Council will meet for two days from 28 June in Srinagar, finance minister Nirmala Sitharaman , who chairs the Council, said in a social media post on Thursday.

The 47th meeting of the Council comes at a time some of the state governments are seeking extension of GST compensation beyond June as the scheme to make up for states' revenue losses from the 2017 indirect tax reform expires at the end of this month. At present, Centre has not agreed to any extension as the GST cess to be collected till 2026 is to be used to repay the liquidity support given to states during the pandemic, financed by market borrowing.

One of the proposals expected to come up before the Council is the recommendations from a group of ministers led by Meghalaya chief minister Conrad Sangma to specify 28% tax rate on casinos, race courses and online gaming. At present, casinos, racecourses and online gaming firms are paying 18% GST, backed by court orders in the absence of clarity on the subject. Businesses claim that these are games of skill rather than betting or gambling.

Another ministerial group on rate rationalization led by Karnataka Chief minister Basavaraj Bommai is meeting virtually on Friday to examine various options for tax rate changes and revenue augmentation. At Friday's meeting, this panel will take a call on when its final recommendations will be ready, a person familiar with the discussions in the panel, said on condition of anonymity. The idea is to correct tax anomalies which will help save the government's tax refund outgo, prune the list of tax exemptions and revise rates that will restore the tax base that got eroded due to sharp rate cuts in the past. However, given that the RBI is raising its benchmark policy rate to tame inflation and businesses have passed on rising cost of raw

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materials to consumers in many commodities, an increase in the tax on consumption would be a challenge for policy makers to implement in the short term. An increase in the 18% slab to 20% and shifting some items in the 18% to 28% are among the suggestions before the panel, said a second person, who also spoke on condition of anonymity.

Some of the state governments, including West Bengal, Kerala and Punjab have been pitching for an extension of the GST compensation beyond June. However, it is unlikely that this may be granted. The Centre is expected to point out to states that they may not need compensation as better compliance management has already led to an improvement in GST revenue buoyancy. An email sent to the finance ministry on Thursday seeking comments for the story remained unanswered at the time of publishing.