



Improvements in GST Regime

Why in news?

\n\n

Recently the GST Council has made important modifications to the GST regime to reinforce its growth potency.

\n\n

What is the compilation trend of GST?

\n\n

\n

- Under GST manufactured goods and services are on the same tax platform and all products and services are subject to the same tax rates throughout the country.
- Average monthly revenues have been on the uptrend over the last 18 months.
- The number of returns filed has gone up from 3.76 million for August 2017 to 7.2 million in December 2018.
- This reflects a rising culture of compliance, manufacturers and traders who had remained out of the tax net now find it advantageous to be part of the formal supply chain under GST.
- Today, about 11.7 million enterprises are registered, with over five million of these being new registrations.
- Under the composition scheme where smaller enterprises pay as per fixed tax rates, another 1.8 million have signed up.

\n

\n\n

What are the recent modifications made to the GST?

\n\n

- \n
 - Many operational issues have been addressed on a real-time basis by the GST Council of State finance ministers chaired by the Union Finance Minister.
 - \n
 - Various meetings of GST have considered detailed inputs from industry and provided workable solutions.
 - \n
 - Special drives have addressed delays in refund of IGST on exports and accumulated input tax credits due to inverted tax structure.
 - \n
 - GST council has raised the thresholds and lowered the frequency of returns and including services under the composition scheme.
 - \n
 - GST Council has boosted 'ease of doing businesses for small enterprises.
 - \n
 - Tax rates have been continuously reduced on key items, leaving only about 30 items in the highest bracket and most mass consumption goods in the lower categories.
 - \n
 - The recent decisions of the GST Council are likely to cut the number of enterprises covered under GST from April.
 - \n

\n\n

What will be the key benefits of GST modification?

\n\n

- \n
 - Adhering to GST means large-scale change in processes, formats of invoices, tax accounting and coordination up and down the supply chain.
 - \n
 - Input tax credit refunds are generally quick and regular, streamlining the whole supply chain.
 - \n
 - Deferment of GSTR 2 and introduction of the simplified new return filing model have brought in efficiency.
 - \n
 - Elimination of cascading taxation and lower logistics costs have stabilized prices.
 - \n

- Further, consumer protection through anti-profiteering provisions has ensured that the benefits of input tax credit or reduction in tax rates are passed on to the consumers.

\n

- As the entire ecosystem becomes accustomed to this regime, an efficient business environment will emerge with higher transparency, lower transaction costs and better compliance.

\n

\n\n

What more reforms are expected?

\n\n

\n

- Bringing together Central and State governments and integrating numerous indirect taxes, GST is a far-reaching tax system and, as such, it is only to be expected that its full rollout would require an adjustment period.

\n

- Going forward, some provisions of the GST laws need to be simplified and inconsistencies should be removed.

\n

\n\n

\n

- Petroleum products, alcohol, electricity and real estate may be brought under GST ambit for providing seamless input tax credit across sectors.

\n

- The number of rates too can be reduced to just three slabs, standard rates on items of mass consumption, demerit goods in the highest tax category, and certain items at a lower slab.

\n

\n\n

\n

- The government is already working on these issues and in time to come, GST would not only benefit businesses and consumers but also strengthen India's competitiveness in the global marketplace.

\n

\n\n

\n\n

Source: Business Line

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative