

GST in Parliament

DECEMBER 22, 2021

By Vijay Kumar

THIS week, I bring to you some important answers given by the Finance Ministry to questions in the Parliament yesterday and some days ago.

Sin Goods? A Member asked, whether there is any plan by the Ministry to increase taxes on sin/demerit goods including tobacco in view of the financial needs of the exchequer continuing to grow on the face of the vast resources needed for the vaccination drive and for the preparation of possible third wave of the pandemic .

And the Minister of Finance replied:

The Central Excise Act and the GST Acts, under which Central Excise duty and GST are respectively levied, do not prescribe any list of goods as sin/demerit goods. However, on items like tobacco products, which in general are considered as demerit goods, the central excise duty is reviewed periodically taking all relevant aspects into account. Tobacco products such as bidi, cigarettes, chewing tobacco, gutkha, etc. attract GST at the highest rate of 28%, and in addition attract a compensation cess up to 290% on ad valorem basis along with specific rate, on certain products like cigarettes, up to Rs. 4170 per thousand. Further, GST rates and Cess are decided on the basis of the recommendations of the GST Council. At present, there is no recommendation from the GST Council for changing GST rates on these products.

Textile GST fabric: The question: whether the textile industry is benefitted with uniform GST of 12 percent; if so, the details thereof; whether the MSMEs have been benefitted .

The Minister replied:

GST rates are prescribed on the recommendations of the GST Council. The Council has in its several meetings examined the anomalies in the GST rate structure that created inverted duty structure and other distortion in various sectors including textiles. GST Council recommended a revised rate structure for textile sector in its 45th meeting held on 17th September, 2021 with an objective to rectify such anomalies in rates, while ensuring that textile sector is subjected to lower standard rate of 12% uniformly across fabric and garments. Further, GST rate for MMF fibres has also been reduced from 18% to 12% to correct inversion in rates at yarn and fabric stages. These changes in rates will be made effective from 01.01.2022. Correction of inverted duty structure shall benefit the entire textile sector. It would address the issue of accumulated input taxes and cascading effect thereof. This would help in reducing cost, bring in new investment in the sector, provide level playing field to the domestic industries against imports, and combined with all the other incentives provided to the textile sector, it would give a boost to the entire sector, and enhance its competitiveness.

Fuel GST

Question:

- a) whether the advice of the RBI Governor regarding a calibrated reversal of indirect taxes on fuel will be considered as the taxation rate on petroleum products stands as the cause of inflation;
- b) if so, the details thereof and, if not, the reasons therefor;
- c) whether Government is aware of the demand to bring fuel under the GST scheme, if so, the reaction of Government; and

d) the details of action to be taken to curtail crude oil crossing \$80 per barrel and the rising fuel burden on households?

The Reply:

The excise duty rates on petroleum products are calibrated time to time with the objective of generating resources for infrastructure and other developmental items of expenditure, taking into account all relevant factors like international product prices, exchange rate, tax structure, inflation and keeping in view the prevailing fiscal situation.

Certain representations have been received to bring petrol and diesel under GST. Article 279 A (5) of the Constitution prescribes that the Goods and Service Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel (ATF). Also, as per the section 9(2) of the CGST Act, inclusion of these products in GST will require recommendation of the GST Council. So far, the GST Council, in which the states are also represented, has not made any recommendation for inclusion of these goods under GST.

The Government keeps a close watch on the factors affecting the international fuel prices and makes interventions by way of calibrating Excise Duty rates on these products as and when required. Government has, with effect from, 4th November, 2021, reduced Central Excise Duty (including cesses) on Petrol by Rs. 5 per litre and on Diesel by Rs. 10 per litre to provide relief to the consumers.

Rejig GST

- (a) whether Government intends to rejig the current GST rate structure;
- (b) if so, reasons for adopting a new GST structure;
- (c) the consequences of a rejig in GST structure on the prices of essential goods;
- (d) whether this rejig would impact the overall GST collections.

The Minister replied:

GST rates are notified based on the recommendations of the GST Council. The Council has set up a Group of Ministers to recommend measures for GST rate rationalization with an objective to simplify the rate structure, to reduce classification related disputes and enhance GST revenue. The recommendation of the Group of Ministers, as and when received, shall be considered by the Council for making recommendations as it considers appropriate.

GST Compensation

The Finance Minister also told the Parliament in reply to certain questions that:

As per provisions of GST (Compensation to States) Act, 2017, GST compensation for financial years 2017-18, 2018-19 and 2019-20 has already been paid to all the States/UTs. However, the economic impact of the pandemic has led to higher compensation requirement due to lower GST collection and at the same time lower collection of GST compensation cess. GST compensation of Rs. 1,30,464 crore has been released to States/UTs to partly meet the compensation payable for the period April 20 to March 21 as the amount in GST Compensation Fund was not adequate to meet the full compensation requirement.

The issue of shortfall of cess collection into Compensation Fund and GST compensation to States/UTs due to economic impact of the pandemic has been deliberated in 41st, 42nd & 43rd GST council meetings. As per the decision of GST Council, Rs. 1.1 lakh crore for FY 2020-21 & Rs. 1.59 lakh crore for FY 2021-22 has been released to States/ UTs as back-to-back loan to meet the resource gap of the States/UTs due to shortfall in GST compensation. Release of this amount has been front loaded during the financial year to enable States/UTs to undertake capital expenditure. In addition, depending on the amount available in the Compensation Fund, Centre has also been releasing the regular GST compensation to States to make up for GST revenue shortfall. Taking into account, the GST compensation released from Compensation Fund as well as back-to-back loan released in FY 2020-21 and FY 2021-22, GST compensation of Rs. 37,134 crore for period April 20 to March 21 and Rs. 14,664 crore for April-September 21 is pending to States/ UTs as per provisional figures. Centre is committed to release full GST Compensation to the States/UTs as per GST (Compensation to States) Act, 2017 for the transition period by extending the levy of Compensation cess beyond 5 years to meet the GST revenue shortfall as well as servicing the loan borrowed through special window scheme. As far as States' share of Central portion of GST is concerned, it is being released regularly.

GST Borrowed

Parliament was also told that:

The shortfall arising out of GST implementation was borrowed through issue of debt under Special Window coordinated by Ministry of Finance during the year 2020-21 and 2021-22. The interest on the borrowing under the Special Window will be paid from the GST Compensation Fund. After the transition period, both principal and interest will also be paid from proceeds of the cess, by extending the levy of cess beyond the transition period for such period as may be decided by the GST Council.

GST GoM

The Finance Ministry further informed the Nation through Parliament that:

The terms of reference of the Group of Ministers (GoM) on Rate Rationalization constituted on 24th September, 2021 include, inter-alia,

- (a) Review the current tax slab rates and recommend changes in the same as may be needed to garner required resources.
- (b) Review the current rate slab structure of GST, including special rates, and recommend rationalization measures, including merger of tax rate slabs, required for a simpler rate structure in GST.
- (c) The GoM on Rate Rationalization have already held two meetings and would submit the report once it concludes its deliberations.

GST Roadmap

To a question whether any roadmap has been framed by the GST Council to help the small businesses and consumers, the Government replied:

The GST Council, in its meetings have deliberated and taken various measures for the benefit of small businesses and consumers. Details of the salient milestones are as follows:

- i. A threshold exemption limit of Rs. 40 lakh for goods and Rs. 20 lakh for services has been prescribed.
- ii. A composition levy scheme is operational under which assesseees with turnover below a specified threshold can discharge their GST liabilities in a simple manner at reduced rates.

iii. Taxpayers having aggregate annual turnover less than Rs. two (2) crore are not required to file Annual Return in FORM GSTR-9 and FORM GSTR-9A for F.Y. 2017-18, 2018-19, 2019-20 and 2020-21. Further, taxpayers having aggregate annual turnover less than Rs five (5) crore are not required to furnish Annual Reconciliation Statement in FORM GSTR-9C.

iv. Quarterly Return Monthly Payment Scheme (QRMP) has been introduced with effect from 01.01.2021 for registered persons having aggregate turnover up to Rs. five (5) crore, as per which taxpayers have been given facility to file GST returns on quarterly basis, instead of monthly basis.

v. Late fee imposed for delayed filing of returns has been rationalized to reduce the burden of late fee on smaller taxpayers.

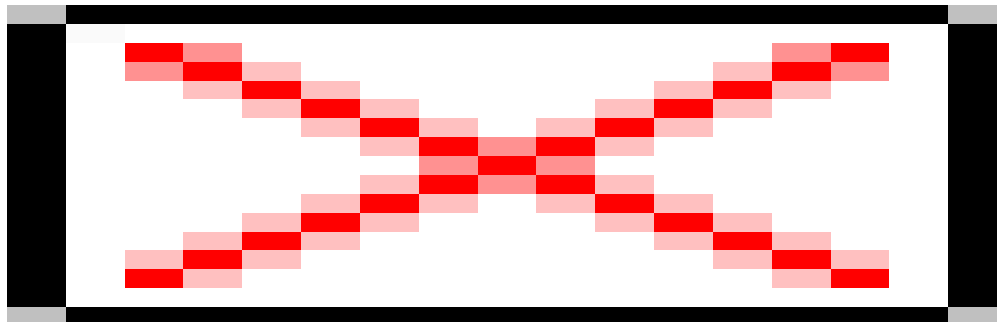
GST on Petrol

Article 279 A (5) of the Constitution prescribes that the Goods and Service Tax Council shall recommend the date with effect from which the goods and services tax would be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel (ATF). Also, as per the section 9(2) of the CGST Act, inclusion of these products in GST will require recommendation of the GST Council. So far, the GST Council, in which the states are also represented, has not made any recommendation for inclusion of these goods under GST.

GST Council Meeting

The date of the next meeting of the Goods and Services Tax (GST) Council has not been fixed.

Excise Duty on Petrol



In his latest weekly letter to his staff, the CBIC Chairman stated,

I am confident that your teams and you are putting in your best possible efforts for revenue augmentation in whatever **legitimate** way you can â€¦.

Until Next Week.