

REFORM RELUCTANCE: ON THE 49TH GST COUNCIL MEETING

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Meeting in person after nearly eight months, the [Goods and Services Tax \(GST\) Council last Saturday](#) reached a broad consensus on [establishing GST Appellate Tribunals to resolve disputes](#) under the tax regime launched in July 2017. After some fine print changes in consultations with States, the Finance Ministry hopes to include the legislative backing for the tribunals in the Finance Bill likely to be passed next month. This raises hopes of quicker disposal of GST disagreements that are adding to courts' caseloads, but the reason for delaying this vital cog of the 'One Nation, One Tax' promise is difficult to fathom. A few rate changes that could make, among other things, pencil sharpeners a tad cheaper, and lower penal charges for delayed filings by smaller taxpayers also got the Council's nod. The implications of some other moves, like a new system for evasion-prone sectors such as gutkha, will depend on the minutiae in their notifications. A much-deferred review of the GST on online gaming and casinos remains stuck. The stated reason for not taking it up this time was that the chief of the ministerial group entrusted with the issue had Assembly poll work. With nine Assembly elections scheduled this year, that does not augur well for the Council's ability to resolve prickly issues faster this year.

Of greater concern is the stalling of the rationalisation of the complex GST rate structure with multiple slabs, and critical inputs left out. A Group of Ministers (GoM) was tasked, in late 2021, to propose a fix for anomalies in GST levies such as inverted duty structures, and propose revised rates with fewer slabs. The Council was informed that GST was still not delivering enough revenues — with the aggregate tax rate close to 12% rather than the 15.5% revenue-neutral rate envisaged originally, “knowingly or unknowingly” due to rate cuts on some items between 2017 and 2021. While some anomalies flagged by the GoM were fixed last June, the Centre had signalled the rates' rejig would be deferred as inflation had surged and any revision would mean higher taxes for some items. The report on rate reforms is still awaited, inflation remains a headache and the onset of an electoral season culminating with the Lok Sabha election in 2024, means the same dithering logic holds true. Tighter compliance and higher prices have also bolstered average GST revenues, perhaps diluting the urgency to fix the unwieldy tax tangle. But for taxpayers, who continue to pay 28% GST on as essential an item as cement — whether it is used to build a roof over one's head or construct an expressway — a truly good and simple tax system will now likely have to wait till at least 2025.

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