

Hit refresh: on the slashed GST rates

The script was altered for the second time in two months but with far greater impact. Soon after Prime Minister Narendra Modi promised far-reaching changes to simplify the goods and services tax regime, especially for small businesses and consumers, the [GST Council delivered some relief measures](#) on Friday. At its meeting in Guwahati, the Council lowered the tax rates on over 200 products, compared to [27 items in its previous meeting](#) and about 100 tweaks since GST rates were finalised in May. Over 1,200 products and services had been placed in five tax brackets — 0%, 5%, 12%, 18% and 28%. That those rates no longer hold for about a quarter of those items, and the highest tax bracket is left with just 50 products, compared to more than 250 in July, is a tacit admission that the initial rates were worked out in a hurry with maximising revenue being the prime consideration. Similarly, the ambit of the Composition Scheme for small businesses has been expanded twice — from an initial turnover threshold of 75 lakh per year to 1 crore (in October), and now further to 1.5 crore. This would require a change in the GST laws, so it may take some time to kick in. There should be no doubt that all the course corrections currently under way to ease the transition to GST are more than welcome — and the government will be hoping these ‘people-friendly’ changes will not only spur consumption but also boost compliance.

But the transmission of lower rates may take time as it could be two-three months before existing inventory in the market is replaced with freshly priced products. With returns for the first month of the tax yet to be filed by all registered taxpayers and less than three months to go till the presentation of the Union Budget, Finance Ministry mandarins face a unique challenge on revenue visibility. In the interest of the exchequer and the taxpayer, whatever other improvements the GST needs must be implemented at the earliest — whether they are stuck because of a lack of consensus (letting inter-State suppliers avail of the Composition Scheme), poor implementation (the GST Network) or simply the lack of bandwidth to think through. The Opposition has criticised the latest reboot of the GST as a Gujarat campaign effect. While that rang truer in October when rates for popular snacks in the State were lowered, many decisions remain curious. Cement is taxed at 28%, but granite and marble have been lowered to the 18% bracket. Instead of a tactfully designed One Nation, One Tax system, the GST should not degenerate into a tool to please constituencies. The Council must institute a transparent system with an explicit rationale for any rate changes in the future. Only then can business and retail find predictability in the GST, rather than be wistful for a time when indirect tax rates were reviewed once a year in the annual Budget instead of every month.

Revving up infrastructure spending is necessary, but not sufficient

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