

Course correction — on GST Council's alterations

Nearly 100 days after India's tryst with the new Goods and Services Tax regime began, the GST Council empowered to oversee its implementation has approved several alterations. These relate to coverage and compliance norms with a view to easing the burden of paperwork and stretched cash flows imposed on smaller businesses and exporters. The Council lowered the rates on 27 items, including dried sliced mango, *khakhra*, unbranded *namkeen* and, more importantly, yarn and sewing threads to soothe the textile industry that has been in distress over GST norms and is a bulwark for job-creation. Prime Minister Narendra Modi has said the Council's decisions at its 22nd meeting, taken at his behest to overcome the GST system's apparent shortcomings, are akin to an early Deepavali. That the meeting was advanced by almost 20 days, and that it has tried to deliver on the Prime Minister's promise to fix the problems faced by traders in the first quarter of GST is welcome. The decision to switch the requirement to file three monthly returns and an annual return to a quarterly frequency for firms with a turnover of 1.5 crore will ease the burden of compliances on small and medium enterprises, and reduce the workload on the tax regime's fledgling IT backbone.

Equally critical is the expansion and proposed simplification of the composition scheme, under which firms with an annual turnover of up to 1 crore pay a flat and low tax, and the six-month suspension of the reverse charge mechanism that required large firms to deduct tax on supplies from firms outside the GST net. This should spur fresh confidence among small firms and help expand the tax base. The promise of faster tax refunds, starting Tuesday, for exporters facing a working capital crunch too is re-assuring. Time will tell how smoothly these decisions pan out on the ground, but suspension for six months of the payment of integrated GST (IGST) on inputs used for exports will bring immediate relief. While putting off the e-way bill provisions dealing with movement of goods that were making businesses and transporters nervous, the Council is instead considering a staggered introduction. So the system would begin with one or more States from January 2018 and cover the entire country by April 2018. It is not clear how this will impact inter-State movement of goods in the interim three months, and industry has good reason to worry about fresh complications. Amidst this flurry of adjustments, suspense persists on the operationalisation of the GST law's anti-profiteering provisions, which cramp pricing decisions by businesses. The government needs to move swiftly to bring clarity on all such remaining grey areas. Lastly, though some of the latest rate revisions may be based on impeccable economic rationale, it is important to resist giving the impression that some tweaks, even if they are warranted, are based on the Assembly election schedules.

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