

GoM for composition scheme tax cut

The Group of Ministers set up to make the GST composition scheme more attractive on Sunday suggested lowering tax rates for manufacturers and restaurants under the plan to 1%.

At present, while manufacturers pay GST at 2%, the rate for restaurants is 5%. Traders currently pay 1%.

The GoM, headed by Assam Finance Minister Himanta Biswa Sarma, has also suggested doing away with the tax rate distinction between AC and non-AC restaurants (those that are not covered under the composition scheme) and tax them at 12%.

Currently, GST is levied at 12% on non-AC restaurants, while it is 18% for air-conditioned ones.

It also suggested that hotels which have a room tariff of more than Rs. 7,500 should attract 18%, down from the current 28%. The composition scheme is open to manufacturers, restaurants and traders whose turnover does not exceed Rs. 1 crore. This threshold was earlier Rs. 75 lakh and the GST Council earlier this month raised it to Rs. 1 crore from October 1.

With regard to traders, the GoM suggested a two-pronged approach for taxation under the scheme.

Tax on traders

It suggested that traders who want to exclude the sale proceeds of tax-free items from their turnover can pay 1% GST. However, for those traders who pay tax on total turnover, the tax rate has been proposed at 0.5%. At the moment, all traders under the scheme pay a 1% rate of tax on their total turnover.

“The GoM decided that tax rates under the composition scheme for restaurants and manufacturers be lowered to 1%. For traders, the ministerial group suggested two tax rates,” an official told PTI.

The GoM also recommended allowing businesses who are engaged in inter-State sales to avail the composition scheme, he added.

While a regular taxpayer has to pay taxes on a monthly basis, a composition supplier is required to file only one return and pay taxes on a quarterly basis.

The indirect revenue collection by the government may fall short of the target this fiscal due to disruption caused by the GST roll-out, a top official said on Sunday.

For the year ending March 2018, the government had budgeted Rs. 9.68 trillion collection from customs and GST. However, the official of the Central Board of Excise and Customs (CBEC) made it clear that there was no plan to revise the revenue collection target for the year.

“The revenue collection target from customs and GST, which put together is Rs. 9.68 trillion for the current fiscal, seems difficult for the department [to achieve] at the moment, keeping in view the recent GST roll-out,” Vanaja N. Sarna, Chairperson, CBEC, told PTI here.

Moreover, the department would not penalise traders for any default on tax payment at the moment, Ms. Sarna said.

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