GST could see major changes before Budget

The Goods and Services Tax (GST) Council has lined up a slew of relief measures, including simplifying procedures for returns filing and relaxation of tax on agriculture implements, at its upcoming meeting on Thursday, according to sources.

On the agenda are rationalisation of GST on agricultural implements and items used by farmers to a flat rate of 5% and enhancing threshold for composition scheme to Rs 3-5 crore from the current Rs 1.5 crore.

The Council is the decision-making body for GST-related issues headed by the Union finance minister Arun Jaitley and includes representatives from state finance ministries.

The meeting would also take up centralising registration for service providers like banks, financial institutions and insurance firms and a host of other changes that will boost compliance, sources said. This would be a crucial meeting before this year's Budget, slated for February 1, and some of the decisions approved in this meeting may require legislative amendments that may be undertaken in the Budget.

"This (2018) Budget is going to be farm-oriented, but the government cannot change the GST rates as it has to be done through GST Council. Agricultural implements and items used by farmers may be put on uniform rate of 5%," a senior official told DNA Money on condition of anonymity. Currently, the rate varies from 5% to 18%.

Another significant change that could be taken up for discussion would be of collapsing three returns filings – GSTR-1, GSTR-2 and GSTR-3 – into one and matching invoices once a quarter instead of monthly.

"Today, we have GSTR-1, GSTR-2 and GSTR-3 for return filing. These three will get combined into one return. What will happen is once the GSRT-1 is filed, it will not be necessary for taxpayers to file GSTR-2 and GSTR-3 as it was originally thought. Once GSTR-1 is filed, matching will be done at the backend of the GST system (GST Network). After that matching, whatever does not match will be thrown up by it (GSTN). If it matches, then the credit (input tax credit) is eligible and the taxpayers do not have to do anything. If it does not match, then he has to take it up with his suppliers," the official said.

He also expected the matching process to be done on a quarterly basis instead of monthly. This, he said, would ease compliance norms relating to returns filing.

Another official, who did not want to be named, told DNA Money that the turnover threshold for composition scheme for dealers could also be raised to Rs 3 crore or Rs 5 crore from the current Rs 1.5 crore. Such a move by the government would need GST Council nod before the legislation is altered for it in the Budget.

The composition scheme allows manufacturers, traders and suppliers with lower turnover to opt for paying a fixed percentage of their total revenues as tax and be relieved from detailed compliance of the GST provisions.

The reasoning for raising the threshold was that the tax collected from this bracket of taxpayers with turnover of up to Rs 5 crore was "peanuts" while the pressure on the system was huge.

"It (increasing threshold for composition scheme) may be undertaken because the amount of tax the government collects (from dealers with turnover of up to Rs 5 crore) is peanuts. However, the amount of pressure on the system is huge. They (government) want to reduce the compliance burden on the system," he said.

The official said the Council could also look at a simpler form for composition dealers.

This meeting could also see acceptance of a long-pending demand from multi-locational service providers like banks, financial institutions and insurance firms for a centralised registrations for GST. Though, they may be allowed to file returns from different locations. As per the current rules, it is mandatory for them to register themselves in every state they are present in.

"Now, they (government) feel that banks and insurance companies need to be registered only in one place but taxes can be paid in each states. Today, that is not permitted. Each state has a separate GSTIN (GST identity number) for banks and insurance companies. Under this norm, the amount of taxes collected is the same but the compliance burden is huge," he said.

In what could come as a relief to major taxpayers, the Council may also consider removing some of the restrictions in the input tax credit (ITC), as recommended by the law review committee that had submitted its suggestions on how GST could be made more compliance-friendly and effective.

"There could be amendment of the ITC provision in the GST to enable any business to take credit on anything that has to do with the business. This matter is likely to be taken up at the meeting," said the official.

For instance, an office providing meals to its employees through an outdoor caterer is today not permitted to take ITC on it even though it is an official obligation. Under the current provision, companies cannot claim ITC even on the transport service provided to employees for pick-up and drop.

"This will also require amendment of the (GST) Act, which can be done through the Budget but first GST Council has to accept this," said person in the know.

M S Mani, partner, Deloitte India, told DNA Money that he expected the Council to take measures that would "ease burden on taxpayers".

"Several compliance simplification measures are expected to be discussed in the next meeting on January 18 and these would ease the burden on taxpayers. These include combined returns, matching on a quarterly basis, faster refunds, combined registration for certain categories of taxpayers etc. It is expected that these would be made effective ahead of the Budget on February 1 and only those measures requiring legislative changes would become part of the Budget," he said.

(DNA India)