

Threshold limit for goods, services tax proposed by States too low: FinMin

The 10-lakh threshold limit for imposition of Goods & Services Tax (GST) proposed by States is 'too low' for creating a business-friendly tax administration, according to the Finance Ministry.

The Empowered Committee on State Finance Ministers, in its meeting on August 20, agreed on setting a 10-lakh threshold limit for general category States and 5 lakh for special category and North Eastern States. Earlier, the proposed limit was 25 lakh.

"States are proposing 10 lakh and 5 lakh as the gross turnover. Considering various kind of reliefs and exemptions, the taxable limit will be much lower. Such a limit will not be very conducive for a business-friendly tax administration," a senior Finance Ministry official told *BusinessLine*. He, however, refused to divulge the limit which the Centre thinks is appropriate.

GST aims to subsume Central indirect taxes, such as excise duty and service tax, into a central GST (CGST) and various States levies, such as value-added tax and Central sales tax into State GST (SGST).

The official said Revenue Secretary Shaktikanta Das had held meetings with States on various issues.

Building consensus

Efforts are on to build a consensus so that the Constitutional Amendment Bill for introduction of GST can be re-introduced during the Winter Session of Parliament.

Once approved, the Bill would need to be endorsed by at least half of the State Assemblies before it becomes a law.

Petroleum products

The Centre has also proposed bringing petroleum products within the GST framework with 'nil' rate, giving flexibility to both the Centre and States to impose duties over and above the GST.

However, States want these products to be kept out of the new indirect tax regime.

Currently, the Centre levies customs and excise duties on petroleum products, while States impose sales tax.

Meanwhile, both the Centre and States seem to agree on keeping alcohol outside GST's purview. When asked about tobacco, the official said this was a 'fringe' issue and would be sorted out soon.

TN's concerns

Tamil Nadu Chief Minister J Jayalalithaa has raised concerns over the issue, as the Amendment Bill does not include enabling provisions for States to levy higher taxes on tobacco and tobacco products.

Tobacco consumption is a public health hazard and many States, including Tamil Nadu, levy higher taxes on such products, which should continue to be permitted, she had written in a letter to the Prime Minister.

(The Hindu)