

Status of implementation of GST

General Elective Economics 4th Semester Public Finance

Part B: Issues from Indian Public Finance

Unit: 2- Goods and Services Tax

Economic Survey-Vol-2-Chapter-2: Annexure (Status of implementation of GST)

Facilitation measures in GST:

Facilitation of trade has been done by increasing the exemption limit over aggregate turnover from registration and payment for the suppliers of good. Composition scheme¹, has been formulated for small businessman- supplier of goods and restaurant services. This is formulated for the suppliers of services as well. The GST Council allowed again the migration process for taxpayers from previous tax regimes. A new return filing system of only one return form was introduced. This allowed the supplier to upload the invoices continuously anytime during the month and the recipient would also able to view the same. Exemption from TDS² has been granted if any Govt. body is the supplier. Government is very pro-actively implementing GST. The GST Law / Rules / procedures have been adapted to the needs of the trade and industry.

Measures under GST to boost exports:

To boost the trade, exporters were given relief if they write an undertaking keeping in line with no tax on exports policy. Glitches in the refund process were overcome by devising manual process. Total amount of RFD-01A³ claims disposed by Centre and States is `65,567 crore (approximately). To provide a big thrust to the growth of the export sector and resolve their working capital issues, merchant exporters are charged a nominal GST of 0.1 per cent for procuring goods from domestic suppliers for export.

¹Composition scheme is an easy and simple scheme under GST. The tedious GST tax paying formalities can be get ridden of by small tax payers and pay a fixed GST rate of the turnover. This scheme can be opted by the tax payer whose earnings are less than ₹ 1 crore.

² Tax Deduced at Source (TDS) is one of the ways to collect tax based on certain percentage on the amount payable by the receiver on goods/services. This tax is revenue for the government. This is also one of the mechanism to track the transaction of supply of goods/services.

³ RFD-01A is the application form for refund form under GST for manual processing, notified for certain cases of refund.

GST rate rationalization:

Goods

As the tax base under GST is increasing, there is an attempt to rationalise it even more. Only 32 items are remaining today in the 28 per cent slab. The major reduction during the financial year 2018-19 are,

(a) 28 per cent to 18 per cent/ 12 per cent/ 5 per cent on consumer goods to boost the purchasing power of the consumers.

(b) 18 per cent to 12 per cent/5 per cent/nil to avoid classification dispute on cork by rationalising articles of natural cork, agglomerated cork and marble rubble as well as stone/marble/wooden deities, bamboo flooring, brass kerosene pressure stove, hand operated rubber roller, zip and slide fasteners etc.

© 12 per cent to 5 per cent on natural cork, walking stick, fly-ash blocks, handloom dari, fertilizer grade phosphoric acid, knitted cap/topi having retail sale value less than `1000 have been rationalised.

(d). Other significant rationalization measures under GST: The GST council recommended refund to fabrics on account of inverted duty structure⁴. It is also rationalised for specific handicraft items.

(iii) Exemption from the levy of GST on goods:

GST council recommended exemption for goods which can not be consumed immediately. Clarification/amendments as regards to certain goods consisting of nozzles, LPG etc. is brought.

Services

GST rate has been rationalised to address the concerns of trade and consumers. Restaurant service, construction of affordable houses rate has been reduced. GST rate on Cinema entry ticket upto Rs.100 has been reduced. Amusement park rate has also reduced.

(ii) Exemption from the levy of GST on Services:

Healthcare and educational services are exempted from GST. Services provided by Fair Price shops by government bodies also enjoy complete exemption. Services by protected monument too enjoy that. Services by way of right to admission to circus, dance, or theatrical performance also enjoy the waiver where the price is not more

⁴ Inverted duty structure is a situation where import duty on finished goods is low compared to the import duty on raw materials that are used in the production of such finished goods.

than Rs. 500. Life Insurance, National Pension System services are also exempted. Services of Residence Welfare Association (RWA) enjoy exemption against the contribution of amount up to Rs. 7500.

(iii) Multiple reliefs from GST taxation have been provided to following categories of services:

- (i) Agriculture, farming and food processing industry,
- (ii) Education, training and skill development,
- (iii) Pension, social security and old age support.
- (iv) Banking/ Finance/ Insurance services,
- (v) Government Services,
- (vi) Tourism and hospitality services,
- (vii) Construction and works contract services,
- (viii) Transportation services.

B. Customs Duty:

The Basic Custom Duty(BCD) rate have been rationalised to the rate of 2.5 per cent/5 per cent/7.5 per cent on most of the inputs and intermediate products. To promote “Make in India” government of India lower rates of customs duty have been prescribed on goods imported for further processing in India and higher import duties on finished products as well as several end use-based exemptions. Textile articles, manmade fabrics custom duty has also increased currently to promote domestic industry.