

AIR Spotlight - 44th GST Council Meeting and its Outcomes

AIR Spotlight is an insightful programme featured daily on the All India Radio Newsonair. In this program, many eminent panelists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, the topic of discussion is the 44th GST Council Meeting and its outcomes.

Participants:

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Context:

The 44th GST Council Meeting was held on 12th June 2021 where recommendations of a group of ministers regarding the rationalization of GST on Covid relief materials were considered and decisions were taken based on these recommendations.

Background:

- The GST Council had met in October 2020 but because of the pandemic, it was not able to meet and it finally met in May 2021.
- Due to the delay in the meeting, there were lots of things that were on the page. Mainly there was a concern about whether there should be a duty cut on medical equipment and medicines.
- There were two demands by the states that either the medical equipment be exempted or, it should not be exempted but rates should be brought down to zero which is also a slab under GST.
- Hence, the group of ministers decided to meet and make decisions accordingly.

Also read: [GST Council](#)

Key Highlights of the Meeting:

- Based on the recommendations of the group of ministers (GoM) – constituted to deliberate on the tax rates of COVID-related essential items, the GST Council cut tax rates on most supplies and exempted the medicines for treating the [black fungus](#) infection from the GST.

The tax cuts are as follows:

A. Medicines

- No tax will be levied on Amphotericin B, the medicine used to treat black fungus, which is a fungal disease that affects coronavirus patients. Tocilizumab, a monoclonal antibody given to COVID-19 patients, is also exempted from GST.
- GST rates on anticoagulants like heparin as well as Remdesivir – a drug for treating COVID-19, are reduced from 12 per cent to five per cent.
- The GST Council said that the tax rate on any other drug recommended by the Health Ministry and the Department of Pharmaceuticals (DoP) for treating COVID-19 is reduced from 12 per cent to five per cent.

B. Oxygen, Oxygen Generation equipment and other medical devices:

- The tax rates on medical grade oxygen, oxygen concentrator/generator, including personal imports, ventilators, ventilator masks/cannula/helmet, BiPAP machine, and high flow nasal cannula (HFNC) device are reduced from 12% to 5%.

C. Other Covid-19 related relief materials:

- The GST rates on pulse oximeters, including import for personal use, have been reduced from 12% to 5%.
- The tax rate on hand sanitisers has been reduced from 18% to 5%.
- The GST rate on temperature check equipment has decreased from 18% to 5%.
- Tax rates on gas/electric/other furnaces for crematoriums, including their installation, are lowered from 18% to 5%.
- GST rates on ambulances have been slashed from 28% to 12%.

Importance of Tax Cuts:

- It essentially reduces the cost of medical care for those who are suffering from the pandemic.
- Many of the medicines are imported hence, lower duty helps people get access to these medicines.

Will the deadlines be extended?

- The Council decided that tax cuts are valid till September 30, and can be extended further upon nearing the deadline. While most of the medicinal supplies got a tax cut, **COVID vaccines will continue to attract a 5% GST.**
- When the centre and the state mutually accept these cuts, they will have to accept the fact that there will be a loss of revenue.
- Although these are not very heavy duty items, the centre and states have to bear the loss based on their respective shares.

What is the difference between exemption from GST and zero-rated GST?

- An exemption means the product will be out of the purview of the GST. It means that the producers who produce that product will not be able to claim the input tax credit. Hence, tax exemption is not a good idea.
- However, zero-rating it means that the entire value chain of the supply is exempt from tax.
- This means that in the case of zero-rating, not only is the output exempt from payment of tax, there is also no bar on taking/availing credit of taxes paid on the input side for making/providing the output supply. However, the input tax credit will be so low that the producers will not be able to get substantial tax benefits.

Why is there a 5% GST on vaccines?

- If the vaccines will be exempted or zero-rated under GST, the producers will either lose the input tax credit or receive a very low amount of input tax credit and will not be able to avail tax benefits.

- Therefore, keeping vaccines under low tax rates such as 5% is better than exempting them.

Who will collect the GST on vaccines?

- It is a matter of concern that when the Centre is buying 75% of the vaccines and distributing them for free, will states be able to collect the revenue?
- The answer is yes, the GST collection will be based on the formula suggested by the GST law which says that 2/3rd will be collected by the states and 1/3rd will be collected by the central government.

Way Forward:

- The step taken in the 44th GST council meeting will provide financial relief to the people during the pandemic.
- The recommendations made in the meeting will boost the confidence among manufacturers that they will be able to get the tax benefits.
- The announcements made regarding GST on medical items will give a signal to everyone that the centre and the states are willing to work together for the faster recovery of the economy.