

AIR Spotlight - Outcome of 43rd GST Council Meeting

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 outcome of the 43rd GST Council Meeting.

Participants:

1. Sharad Kohli, Economic Analyst.
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Context:

Finance Minister Mrs. Nirmala Sitharaman recently chaired the 43rd GST Council meeting.

What is the GST Council?

- **Goods & Services Tax Council** is a constitutional body for making recommendations to the Union and State Governments on issues related to [Goods and Service Tax](#).
- The GST Council is chaired by the Union Finance Minister and other members include the Union State Minister of Revenue or Finance and Ministers in charge of Finance or Taxation of all the States.
- As per Article 279A (4), the Council will make recommendations to the Union and the States on important issues related to GST, like the goods and services that may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc.

Read more on the [Goods and Services Tax Council](#) in the linked article.

Significance of the 43rd GST Council meeting:

- The meeting of the GST Council comes at a time when the country is reeling under the second wave of coronavirus infections that have derailed the economic recovery.
- Though the council is required to meet once every quarter, the last meeting was held in October 2020.
- As the pandemic is going on, Covid-19 related relief items, kits, medicines, etc. have gained a lot of attention. These are also subject to indirect taxes which play a substantial part in framing the prices of these products.
- Along with this, when these medicines are imported IGST is imposed on these items.
- Indirect taxes are the most important source of revenue for the government and when the economy is shaken due to the Covid-19 pandemic, when each penny matters in the economy and when the ratio of saving and investment is disrupted, the meeting on this important matter was highly needed.

What were the agendas and expectations?

- Since this second wave of Covid 19 has thrown the economy out of gear, it was expected that the Finance Minister would touch upon every possible reason and provide solutions to put the Indian economy back on track.
- GST exemption on hand sanitizers, face masks, gloves, PPE kits, temperature scanners, oximeters, ventilators, and the like was expected.
- As this meeting comes at a time when the country is braving the second wave, the meeting was expected to take bold steps related to tax waivers on medical supplies and related equipment. Compensation to states was also on the cards.
- There is also a demand to make medical devices related to Covid 19 tax-free.
- Earlier, Punjab finance minister Manpreet Badal raised the concern that life-saving items for COVID-19 have Basic Custom Duties of up to 20 percent and GST of up to 18 percent, and said they need to be tax-free.

Key decisions of the meeting:

- Council has decided to exempt the export of relief items and this is being extended till August 31, 2021.
- The import of medicine for black fungus, that is Amphotericin B, has also been included in the exempted category.
- Import of Covid-related relief items, even if purchased or meant for donating to the government or to any relief agency upon recommendation of state authority, to be exempted from IGST till August 31, 2021.
- Finance Minister Nirmala Sitharaman announced an Amnesty Scheme to reduce late fee returns. Small taxpayers can file pending returns under this scheme.
- A Group of Ministers will be formed who will submit their report within 10 days – on or before June 8, so that if there are any further reductions which need to be done, those will be done, in the sense that rates will be decided by them.

GST on domestically produced items:

- Mrs. Sitharaman clarified that abolition of GST on Covid-19 vaccines and domestically produced products will have a negative impact on prices as the “manufacturers would be denied input tax credit who will, in turn, pass on this to the consumers as a cost”.
- When a product is exempted from GST, the manufacturer cannot claim the input tax credit on that product. Hence, the whole burden is shifted to the consumer because the cost of production rises for the manufacturer. If the manufacturer is able to claim the input tax credit, he will get the returns and then the prices can be subsidized.

Measures taken for trade facilitation:

The following steps have been taken to facilitate trade:

Amnesty Scheme:

- To provide relief to the taxpayers, a late fee for non-furnishing FORM GSTR-3B for the tax periods from July 2017 to April 2021 has been reduced/waived as under:

- Late fee capped to a maximum of Rs 500/- (Rs. 250/- each for CGST & SGST) per return for taxpayers, who did not have any tax liability for the said tax periods;
- Late fee capped to a maximum of Rs 1000/- (Rs. 500/- each for CGST & SGST) per return for other taxpayers;
- The reduced rate of the late fee would apply if GSTR-3B returns for these tax periods are furnished between 01.06.2021 and 31.08.2021.

Rationalization of the late fee imposed under Section 47 of the CGST Act:

- - To reduce the burden of late fee on smaller taxpayers, the upper cap of late fee is being rationalized to align late fee with tax liability/turnover of the taxpayers, as follows:
 - The late fee for delay in furnishing of FORM GSTR-3B and FORM GSTR-1 to be capped, per return, as below:
 - For taxpayers having nil tax liability in GSTR-3B or nil outward supplies in GSTR-1, the late fee to be capped at Rs 500 (Rs 250 CGST + Rs 250 SGST).
- **For other taxpayers:**
 - - For taxpayers having Annual Aggregate Turnover (AATO) in the preceding year up to Rs 1.5 crore, the late fee to be capped to a maximum of Rs 2000 (1000 CGST+1000 SGST);
 - For taxpayers having AATO in the preceding year between Rs 1.5 crore to Rs 5 crore, the late fee to be capped to a maximum of Rs 5000 (2500 CGST+2500 SGST);
 - For taxpayers having AATO in the preceding year above Rs 5 crores, the late fee to be capped to a maximum of Rs 10000 (5000 CGST+5000 SGST).

Compensation cess issue:

- States have been given assurance in the meeting that there will be a special session on the compensation cess issue beyond July 2022.
- Rs 1.58 lakh crore worth of compensation numbers have been worked out and this money will be provided as back-to-back loans to states.

Way Forward:

- The Indian economy suffered a lot due to the lockdown in 2020. It was expected that the revenue collection would fall down. But, things have started getting better since October-November 2020 and the GST collection was at an all-time high.

- The compliance issue has been reduced because the number of people filing returns has increased and the same is expected in the near future.
- Though India is a consumption-driven economy, it is expected that revenue collection will meet the expected figures when everything is back on track after unlocking.

