



## 49th GST Council Meeting

**Prelims:** GST, GST appellate Tribunal, Cess, Indirect tax, Tax Evasion.

**Mains:** GST, its significance and Related Issues.

### Why in News?

Recently, the [Goods and Services Tax \(GST\)](#) Council in its 49th Meeting has reached consensus **on the constitution of the GST Appellate Tribunal** to resolve the rising number of disputes under the old indirect tax regime.

### What are the Key Highlights of the GST Meeting?

- **GST Appellate Tribunal:**
  - The council has approved the creation of a national tribunal mechanism **with state benches** for the redressal of disputes.
  - The Tribunal will **resolve the rising number of disputes under the GST regime** that are now clogging High Courts and other judicial fora.
  - This year's Finance Bill can incorporate the enabling legislative provisions for the Tribunal.
    - The GST Tribunal will have one principal bench in New Delhi and many benches or boards in states. The principal bench and state boards would have two technical and **two judicial members each**, with equal representation.
    - But all four members would not sit to hear each case, which is likely to be decided based on the threshold or value of dues involved.
- **Cleared Pending Compensation Dues:**
  - It has cleared the balance of Rs 16,982 crore (for June 2022).
  - It has finalized [GST compensation](#) of Rs 16,524 crore to six states/UTs including, Delhi, Karnataka, Odisha, Puducherry, Tamil Nadu, and Telangana
- **Lower Penal Charges:**
  - It approved **lower penal charges for delayed filing of annual returns** by businesses with a turnover of up to Rs 20 crore a year.
  - The council has approved an [Amnesty Scheme for taxpayers](#) unable to file three statutory returns, that entail conditional waivers or reductions in late fees for such filings.
    - The GST Amnesty Scheme was introduced to encourage non-filers to voluntarily come forward and file their GST returns by providing a one-time relief from late fees.
- **Rate Changes:**
  - The GST rate on **several items has been changed**, such as pencil sharpeners, rab (liquid jaggery).
  - The Council also **decided to extend the GST exemption to educational institutions** and central and state educational boards from conducting entrance examinations through any authority, including the **National Testing Agency**.
- **Plugging Tax Evasion:**
  - The Council has decided to switch the compensation [cess](#) levied on pan masala and gutkha

commodities from an ad valorem basis to a specific tax-based levy.

- The ad valorem tax is levied according to value.
- This will boost the first stage collection of the revenue.
- The Council also mandated that exports only be allowed against letters of undertaking assuring of GST compliance.

## What is the GST Council?

### ▪ About:

- It is a **joint forum** of the Centre and the states.
- It was set up by the **President as per Article 279A (1)** of the amended Constitution.

### ▪ Members:

- The members of the Council include the **Union Finance Minister (chairperson)**, the Union Minister of State (Finance) from the Centre.
- Each **state can nominate a minister in-charge of finance** or taxation or any other minister as a member.

### ▪ Functions:

- According to **Article 279** of the Constitution, the council can 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".
  - **Article 279** as well as **Article 279A** of the Indian Constitution **deal with the financial provisions** of the country.
  - They are **specifically related to the calculation of "net proceeds" from Union duties and taxes** on goods and the formation of the Goods and Services Tax Council, respectively.
- It also **decides on various rate slabs** of GST.
  - For instance, an interim report by a panel of ministers has suggested imposing 28 % GST on casinos, online gaming and horse racing.

## What is the Concept of Goods and Services Tax?

### ▪ About:

- GST is a **value-added tax system** that is **levied on the supply of goods and services** in an economy.
- It is a comprehensive indirect tax that was introduced in India on 1<sup>st</sup> July 2017, through the **101<sup>st</sup> Constitution Amendment Act, 2016**, with the slogan of **'One Nation One Tax'**.
- The GST has subsumed **indirect taxes like excise duty, Value Added Tax (VAT), service tax, luxury tax etc.**
- It is essentially a consumption tax and is levied at the final consumption point.

### ▪ Tax Structure under GST:

- Central GST to cover Excise duty, Service tax etc,
- State GST to cover VAT, luxury tax etc.
- Integrated GST (IGST) to cover inter-state trade.
  - IGST per se is not a tax but a system to coordinate state and union taxes.
- Under GST, Goods and services are divided into five different tax slabs for collection of tax: 0%, 5%, 12%, 18% and 28%.

## What are the Issues Related to GST?

### ▪ Complexity:

- The GST system in India is quite complex, **with multiple tax rates, exemptions, and compliance requirements.**
- It **hampers the progress of a single indirect tax rate** for all the goods and services in the country.

### ▪ High Tax Rates:

- Some industries and goods are subject to high GST rates, **which can make them**

**unaffordable for many consumers.**

- For example, the tax rate on luxury goods and services is 28%, which is quite high.
- Though rates are rationalized, 50% of items are under the 18% bracket.

▪ **Compliance Burden:**

- The GST regime has a lot of compliance requirements, including **filing of returns, maintaining records, and regular audits**. This can be a burden for businesses, especially small and medium enterprises.

▪ **Technical Issues:**

- There have been reports of **technical glitches in the GST network**, leading to delays in filing returns and claiming input tax credits.

▪ **Impact on the Unorganized Sector:**

- The unorganized sector, which forms a significant part of the Indian economy, has been **adversely affected by the GST**.
- Many small businesses and traders have **found it challenging to comply with the new tax regime**.

▪ **Lack of Clarity:**

- There is still a lack of clarity on some aspects of the GST regime, such as the classification of goods and services and the applicability of tax rates. **This lack of clarity can create confusion and disputes.**

## Way Forward

- Simplifying the compliance process, providing easier access to information, and increasing support **for taxpayers can help address this issue.**
- Technical issues such as system downtimes, portal errors, and other glitches can cause significant disruptions for businesses. Addressing these technical **issues can help businesses comply with GST requirements more effectively.**
- Many small businesses and traders are not fully aware of the GST system and its implications. **Increasing awareness and education about the GST system** can help improve compliance and reduce errors.
- GST is a collaborative effort between the central and state governments, and coordination between them is crucial to its success. Improving communication and coordination can help ensure a smooth implementation of the GST system.

## UPSC Civil Services Examination Previous Year Question (PYQ)

### Prelims

**Q1. Consider the following items: (2018)**

1. Cereal grains hulled
2. Chicken eggs cooked
3. Fish processed and canned
4. Newspapers containing advertising material

**Which of the above items is/are exempted under GST (Good and Services Tax)?**

- (a) 1 only  
(b) 2 and 3 only  
(c) 1, 2 and 4 only  
(d) 1, 2, 3 and 4

**Ans: (c)**

**Q2. What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'? (2017)**

1. It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.

2. It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of economy of India and will enable it to overtake China in the near future.

**Select the correct answer using the code given below:**

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (a)**

### **Mains**

- Q.** Explain the rationale behind the Goods and Services Tax (Compensation to States) Act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions? **(2020)**
- Q.** Enumerate the indirect taxes which have been subsumed in the Goods and Services Tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017. **(2019)**
- Q.** Explain the salient features of the Constitution (One Hundred and First Amendment) Act, 2016. Do you think it is efficacious enough "to remove cascading effect of taxes and provide for common national market for goods and services"? **(2017)**
- Q.** Discuss the rationale for introducing the Goods and Services Tax (GST) in India. Bring out critically the reasons for the delay in roll out for its regime. **(2013)**

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