

Composition scheme: GoM bats for higher threshold, lower tax

Wants floor raised to ₹1.5-crore; moots uniform GST of 12% on eateries

OUR BUREAU

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A Group of State Finance Ministers (GoM) has recommended tweaking the GST composition scheme for restaurants, traders and manufacturers to make it more attractive and to lower the compliance burden. The composition scheme allows small businesses to pay GST and file returns every quarter.

The panel has mooted a higher threshold of ₹1.5 crore and a lower tax of 1 per cent for the scheme. It also felt restaurants in hotels with a tariff of ₹7,500 a night should be taxed at the existing 18 per cent.

Extending significant relief to eateries, the GoM has suggested a uniform GST of 12 per cent on air-conditioned and non-air-conditioned restaurants. The current levy on AC eateries is 18 per cent. It has also recommended that restaurants enjoy input tax credit.

The recommendations of the GoM, which met on Sunday, will be taken up by the GST Council at its meeting on November 10.

"Eating out should not be considered a luxury in today's world. The distinction of AC and non-AC is hardly relevant. A higher tax should only be applicable on five-star hotels," an official said.

Headed by Assam Finance Minister Himanta Sarma, the GoM was set up by the GST Council



Himanta Biswa Sarma, Chairman Group of State Finance Ministers

earlier this month to review tax rates on restaurants, the definition of turnover and inter-State sales under the composition scheme.

Composition change

The GoM has suggested raising the threshold to an annual turnover of ₹1.5 crore under the scheme, and a flat tax of 1 per cent tax for all.

Currently, the threshold stands at ₹1 crore, and restaurants pay a tax of 5 per cent, manufacturers pay 2 per cent, and traders face a levy of 1 per cent.

For kirana shop owners, who deal both in exempt items such as unbranded foodgrains and taxable items such as *ghee*, the GoM has suggested a two-tier rate.

Traders who exclude tax-free items from their turnover can pay a tax of 1 per cent. They will have to maintain account books detailing the transactions.

Others, who do not want to exclude tax-free items, can pay tax at 0.5 per cent. Businesses involved in inter-State sales should also be allowed entry into the scheme, the GoM said.