

Items in 28% GST rate slab need to be pruned: Adhia

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The number of goods in the highest 28 per cent goods and services tax (GST) slab would be brought down and a committee of officers will calculate the revenue impact before going in for further reduction in tax rates, Revenue Secretary Hasmukh Adhia said today.

"It is required, the fitment of rates which has happened is mainly based on excise and VAT," he said, when asked if the GST Council is considering pruning of the number of items in 28 per cent tax bracket.

The GST, rolled out from July 1, has subsumed over two dozen taxes and has transformed India into a single market for seamless flow of goods and services. All goods and services have been fitted in the four-tier GST rate structure of 5, 12, 18 and 28 per cent.

Adhia said while fitting the goods and services in various tax bracket, the GST Council has taken into consideration only the excise duty and VAT rate applicable on those items prior to GST.

"There are industries where 95 per cent of production used to take place in MSME and all of them used to avail excise duty exemption. So that means the excise rate we have taken for that item is only theoretical in nature and actually we have done a substantial increase in the rate of that item."

"That way it is being pointed out that it is a theoretical rate which has been derived, there is



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a need for rationalisation. Instead of doing a piecemeal reduction here and there, we do need to look at the entire rate of 28 per cent," Adhia said at a GST Townhall organised by CNBC TV18.

There is definitely a scope for rationalisation of rates but it will happen only after the fitment committee does a detailed calculations of its revenue impact.

"The fitment committee will have to look at how much revenue we got from this items from excise and VAT earlier before we

agree to any further wholesale reduction of rates. If we find that revenue reduction is too much, we may have to do that in stages," he said.

Adhia also said that in the last 30-40 days glitches faced by GST Network software has reduced and there would be no leniency shown on businesses for delayed filing of returns.

Asked if the government is planning to waive penalty for delayed filing of GST returns, he said "It cannot be a consideration because the moment we say we will not take any penalty till March, the compliance rate will come down further. How can we say that file return whenever you want till March."

He said that any waiver, if at all is to be given, will be post facto. "It can't be immediate. It is now absolutely essential that we bring discipline in businesses (for

timely filing of returns)".

As many as 5.5 million businesses had filed the initial GSTR-3B returns for July, the number was only 4.6 million who had filed final returns for the month.

Besides, 4.8 million businesses had filed initial GSTR-3B returns for August and till today morning 1 million businesses had filed 3B returns for September.

The government had earlier waived late fee for all taxpayers who could not file GSTR-3B for July within due date in view of glitches in GSTN portal.

With regard to bringing real estate within GST, Adhia said it would require that businesses can claim seamless credit of any taxes paid for a project.

"Now for that to happen, you will have to start taxing it from land itself. Land has to be part of GST. Now there are several issues connected with that. Issue of whether you want to put an extra GST on real estate while continuing with stamp duty. Stamp duty is a big source of income for state government," he said.

Finance Minister Arun Jaitley had last week said real estate is a sector where maximum amount of tax evasion and cash generation takes place and the GST Council in its next meeting on November 10 will discuss bringing it within the fold of GST.

A 12 per cent GST is levied on construction of a complex, building, civil structure or intended for sale to a buyer, wholly or partly. However, land and other immovable property have been exempted from the GST.