

# MSMEs may get GST refunds

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**THE GOODS AND** Services Tax Council, in its meeting on Saturday, is likely to consider extending some monetary sops to micro, small and medium enterprises (MSME) within the turnover threshold of ₹1.5 crore, sources said.

The 29th Council meeting is being held to exclusively discuss challenges facing small taxpayers, which include laws, tax rates, procedure and GST Network-related issues.

Although a final proposal on sops is being formulated, sources said small taxpayers could be given refund of a certain percentage of tax paid by them. This would ensure that no separate exemptions/differential rates are carved out under the GST and the input credit tax (ITC) chain also remains intact.

The decision to provide succour to the MSME sector is based on the fact that many such businesses were exempt



from the excise duty in the pre-GST regime, but their tax liability now is equivalent to a combination of excise and VAT. This has robbed them of the competitive advantage since the rollout of the GST. For instance, small scale industries were exempt from excise duty for units with turnover of less than ₹1.5 crore since 2008.

Incentives to MSMEs will come with adverse revenue implication, but sources said even a small quantum of relief would cover a large part of taxpayers, given that small taxpayers contribute a small fraction to the GST revenue collection. According to official data, registered taxpayers up to turnover of ₹1 crore constitute

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over 78% of the total base, but contribute less than 7% to the revenue collection. In absolute terms, these assesseees pay about ₹6,000 crore in GST every month if the total collection is ₹90,000 crore.

"It would be a welcome step if the GST Council provides us with refunds to lower tax liability, but the MSME sector needs much more. Ideally, MSMEs with turnover of up to ₹5 crore should be exempt from the GST and businesses with up to ₹25-crore turnover should be allowed to file and deposit tax quarterly," Chandrakant Salunkhe, founder and president of the SME Chamber of India, said.

The Council had allowed quarterly return filing for

assesseees with up to ₹5-crore turnover in last meeting, but they would still need to deposit tax every month.

The MSMEs sector is believed to have suffered the most in the aftermath of demonetisation. Besides, they have also had the hardest time adjusting to IT-heavy infrastructure of the new indirect tax regime, which has made it difficult for small taxpayers to comply without engaging a tax professional. This had led to additional cost to the businesses.

However, the Council would have to factor in the possible shortfall in GST revenue collection due to the proposal. In the last meeting, the Council had cut rates on 88 items with an estimated revenue loss of nearly ₹12,000 crore annually. Even though the GST revenue collection has been growing every month this fiscal, it is still a long distance away from the ₹1.12 lakh crore of monthly collection required to meet the Budget target for FY19.