

SUCCOUR TO MSMEs

GoM for raising GST threshold to ₹75 lakh

Move to provide lakhs of small businesses the option to exit GST net, revenue impact seen minimal

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A GROUP OF STATE finance ministers might recommend raising the turnover threshold for the goods and services tax (GST) from the current ₹20 lakh to ₹75 lakh, in a move that would give lakhs of micro and small enterprises the option to be outside the ambit of GST. Sushil Kumar Modi, deputy chief minister of Bihar, who is a member of the group, told *FE* that a proposal to raise the exemption threshold was found to be more practical than tax refunds in providing relief to MSMEs.

Modi, who holds the finance portfolio in the state and has been a key member of many GST-related panels over the last two-three years, also said a composition scheme similar to existing ones for traders and manufacturers could be made available for small services providers. The annual revenue limit for the scheme could be between ₹50 lakh and ₹1 crore.

However, the higher overall GST threshold might not dramatically reduce the number of GST registrants, 1.2 crore at last count. Nor would it impact the government's revenue in any significant manner. While a quarter of the firms registered with the GST Network (GSTN) have turnover between

An average monthly GST collection of ₹1 lakh crore would have been ideal but despite the shortfall, the direction of revenue mop-up is satisfactory. The rate cuts on items that do not contribute much to revenue are in the right decision

A composition scheme for services sector with turnover threshold between ₹50 lakh and ₹1 crore could bring many businesses under GST ambit. The current rate (18%) and compliance requirements are prohibitive



The question of extending the compensation scheme for states by another three years to 2025 will be best left to the 15th Finance Commission

— SUSHIL K MODI
BIHAR DEPUTY CM

₹20 lakh and ₹1 crore, their share in the government's GST revenue mop-up is just 5%.

Even as the mandatory lower limit for a firm to register for GST is ₹20 lakh, more than half of the firms registered are those with turnover below that level. Though these sub-₹10 lakh firms contribute just 1.5% of the GST revenue, they prefer to be in the tax chain for the benefit of input tax credit and to keep large businesses (which are in the GST chain) as their buyers.

The panel headed by minister of state for finance Shiv Pratap Shukla was formed in August to suggest ways to make GST less burdensome for small firms. Although some states had proposed that MSMEs be refunded a portion of taxes paid by them, the group, Modi said, found the approach impractical. A better solution was to restore exemptions enjoyed by some of these companies in the pre-GST regime.

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