

UP announces procedure for SGST relief to multiplexes

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Multiplexes such as PVR, INOX and GGN can heave a sigh of relief as the Uttar Pradesh Government has announced detailed procedures for refund mechanism under Goods and Services Tax (GST) for multiplexes in the State.

It is the second State after Rajasthan to announce such a mechanism.

There are over 8,700 screens (both multiplexes and single screen) in India, out of which nearly 500 are in Uttar Pradesh alone.

The basic principle of GST does not promote exemption, but prescribes for deposit of taxes due. However, both the Centre and States can prescribe refund mechanism in lieu of exemption to continue promoting industrial activities in their respective region. Accordingly, beneficiaries will first have

to deposit the tax and then they will be given refund.

The UP Government, in its Cabinet meeting on November 20, decided to have such a mechanism for the multiplexes/cinema theatre and has come out with details about "the limits and procedures of grant-in-aid given as an incentive to multiplexes/cinema theatres after the GST regime." This will be applicable to both running and under-construction entities.

The need for such a policy arose after the entertainment tax was subsumed in the GST. Prior to introduction of GST, the State Government offered incentive in the form of five-year tax exemption to multiplexes. As part of the scheme of exemption, multiplex companies were allowed to retain 100 per cent of the entertainment tax charged in the first year, 75 per cent in the

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second and third years, and 50 per cent charged in fourth and fifth year of operations, respectively. There was question mark on continuation of such incentive post GST which forced many multiplexes to seek legal recourse for the continuation of the scheme. The Yogi Government then came out with the detailed procedure.

Abhishek A Rastogi, partner at Khaitan & Co, who is the arguing counsel for various petitioners, termed this a big step forward towards

the promises made to businesses and said that UP has lived up to the expectations.

"It is to be seen whether the Central Government also offers similar benefit. However, the quantum of benefit granted is not the same as that promised in the past and hence the dispute to that extent may remain before the courts in case of few multiplexes. The State may consider extension of time to meet the deficit," he said.

How reimbursement works

According to circular dated December 3, the licence holders for the multiplexes/cinema theatres need to deposit the SGST (State Goods and Services Tax) collected from the viewers in State treasury. Within a month, by the pre-determined procedure and as per the allocated budgeted, the equivalent amount of the SGST collec-

ted from the viewers will be transferred in the account of the concerned multiplexes/cinema theatres. For all such units covered under incentives schemes before the application of GST regime and have incentive in the form of grants-in-aid, the amount of SGST deposited by them will be reimbursed as permissible on annual percentage basis.

Various multiplex have different dates for the beginning of such incentives which will continue for five years. A senior State Government official said under the new mechanism, effort is to ensure commitment for the period as promised during the pre-GST regime. Earlier, the Rajasthan Government, in its new policy, decided to refund 50 per cent of the State GST collected on tickets to multiplex owners, who were promised exemptions.