

BOOST FOR SMALL BUSINESSES

GST exemption relief

JAYANTA ROY
CHOWDHURY AND
R. SURYAMURTHY

New Delhi: Small and medium businesses with an annual turnover of Rs 40 lakh will be exempt from paying the goods and services tax — a move that is expected to free 20 lakh firms from the rigours of the indirect tax regime that was introduced in July 2017.

The GST Council also announced on Thursday that the turnover cap for the composition scheme — under which most small businesses pay only a 1 per cent tax — would be raised to Rs 1.5 crore from April 1. The earlier threshold was Rs 1 crore. Restaurants, however, pay a higher 5 per cent tax under the composition scheme.

The twin decisions come as a relief for small and me-

dium businesses that have been groaning under the burden of taxation in the GST regime that replaced more than a dozen federal and state levies.

At present, over 1.17 crore businesses are registered under the GST scheme. Of these, over 18 lakh firms have opted for the composition scheme.

The BJP will be hoping that the decisions translate into support for the Narendra Modi government from the party's traditional voter base even though the decisions had the backing of states ruled by Opposition parties.

Moreover, service providers and suppliers of both goods and services up to a turnover of Rs 50 lakh will be eligible to opt for the GST composition scheme and pay a tax of 6 per cent.

Finance minister Arun

Jaitley told reporters after the meeting that the GST exemption limit for the north-eastern states is being doubled to Rs 20 lakh.

But there is an opt-out facility for states that fear their tax base will drastically erode if the exemption limit is raised from Rs 20 lakh at present to the proposed level of Rs 40 lakh.

“A few states felt that that if the turnover threshold for exemption was raised to Rs 40 lakh, their assessee base would be badly eroded. So, if they inform the GST secretariat within a week, then they will be given the option to opt down to Rs 20 lakh. Puducherry has kept this option. This is a one-time exception and will not affect businesses with inter-state supplies,” Jaitley added.

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