

Tax Experts React to 49th GST Council Meeting Announcements

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49th meeting of the GST Council took place on the auspicious day of Shivratri i.e. 18th February 2023. It convened at the majestic Vigyan Bhawan, New Delhi. The gathering was led by the Hon'ble Union Finance & Corporate Affairs Minister, Smt. Nirmala Sitharaman, whose wisdom and guidance have been influential in shaping the policies and decisions of the council.

The government seems to be inspired by the principles of an expert taxpayer Pigou. It is taking a balanced approach to its financial responsibilities. On the one hand, it is seeking to reduce its expenditure by limiting the liability of paying refunds corresponding to cess, which may be necessary to manage its fiscal position effectively. On the other hand, it is showing a commitment to ensuring that businesses, such as the tobacco industry, contribute their fair share of taxes and do not engage in any form of tax evasion, which is essential to maintain a stable and fair tax system. Overall, the statement suggests that the government is being responsible and proactive in managing its finances. It is also ensuring that businesses meet their obligations to the state.

The Council, after 5 years of the inception of GST, agreed to establish a GST tribunal. This will reduce the burden on the High Courts.

Also, the council cleared the opaque way for the 'Rab' industries. It reduced the taxes from 18% to 5% for prepackaged and labeled products and will be nil for non-prepackaged or non-labeled products. Similarly, it reduced the taxes for pencil sharpeners by reducing them from 18% to 12%, probably considering it a necessity.

Moreover, the council has decided to amend entry at Sl. No. 41A of notification No. 1/2017-Compensation Cess (Rate) so that the exemption benefit now covers both coals rejected supplied to and by a coal washery, arising out of coal on which compensation cess has been paid, and no input tax credit has been availed by any person.

Lastly, Courts and Tribunals will no longer have to pay GST on these services, resulting in cost savings as the Council has decided to extend the exemption from payment of GST under the reverse charge mechanism.

The decisions made in the meeting are geared towards advancing the interests of trade and commerce, streamlining the collection of revenue, and facilitating a simplified regime under the Goods and Services Tax (GST). The much-awaited release of pending compensation and admissible final GST compensation shall empower the states to navigate their financial matters judiciously. A transformation in the compensation cess on certain commodities, from ad valorem to specific tax-based levies, accompanied by a crackdown on any possible revenue leakages or evasions is anticipated to stimulate the initial stage of revenue collection. Additionally, the extension of time limits and provision of one-time amnesty for past cases shall alleviate compliance in the country.