

GST Council may shun mid-year rate changes

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The structure of the Goods and Services Tax (GST) is expected to largely remain unchanged for at least five to six years once the GST Council, at its 57th meeting on Thursday, clears a slew of process reforms.

Officials expect the rate structure to be reviewed only once a year henceforth, and any changes will take effect from April 1, not in the middle of the financial year.

“We won’t tweak the rates any more unless there is a real reason, and it will be done only once a year and not every time the GST Council meets. Once a decision is taken, it will be implemented from April 1 and not instantaneously,” an official said, requesting anonymity.

This follows the GST 2.0 reforms implemented last September. The GST Council had overhauled the structure of the indirect tax regime, replacing the four main rates of 5 per cent, 12 per cent, 18 per cent and 28 per cent with a two-rate structure of 5 per cent and 18 per cent, alongside a 40 per cent rate for select sin and luxury goods and services. It also



Reforms on the cards

- GST rate structure likely to be reviewed only once a year
- Tweaks in rates only if there is a ‘real reason’
- Rate revisions would be implemented from April 1, and not in the middle of the year
- Process reforms will be introduced progressively through 2027

phased out the GST compensation cess on the 28 per cent slab.

The exercise involved widespread rate rationalisation across consumer goods, automobiles, cement, healthcare and other sectors, with several items either being moved to lower slabs or getting exempted. “A stable rate structure means contracts can be priced over their term. Capital spending can be assessed on known as-

sumptions. Systems do not have to be reconfigured every few months. Stability of this kind is what businesses ask for,” the official said. The Centre has not received a single request for tweaking GST rates from states after the GST 2.0 overhaul, the official added.

At the upcoming GST Council meeting, a bouquet of process reforms is expected to be put forth. This includes widening the access to input tax credit and tax refunds, removing provision of criminal proceedings, optional annual return with quarterly payment for units up to ₹5 crore turnover supplying to unregistered persons, easier e-commerce rules for small businesses, among others.

“The process reforms will be introduced progressively through 2027. We will not introduce them lock, stock and barrel so that the vendors, the state administration and the traders do not face disruption. After that, we believe for the next five to six years, we would not require any tweaking at all,” the official added.

The official said after GST 2.0 reforms were implemented, the indirect tax base has grown by 25 per cent.

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“When GST was adopted, a lot of restrictions were put on input tax credit. Many of these are now being removed because the doubts that people had about revenue loss and misuse are unfounded. We are trying to align the GST structure to what it should be conceptually,” the official added.

Abhishek Jain, Indirect Tax Head & Partner at KPMG, said the industry is keenly awaiting the announcements, already being called GST 3.0. “The one everyone is watching is the refund of input services under the inverted duty structure. Allowing that would help in

credit monetisation and improve liquidity for businesses whose rates were cut, such as FMCG, food, pharma, etc. Industry also looks forward to refunds on capital goods, even if spread over a period of time,” he added. Jain said another demand is faster processing of refunds. “While enabling provisions exist, stricter timelines for processing refunds, at least to the extent of a provisional amount, would be a great step for all refunds. Together, these measures would go a long way in improving ease of doing business and delivering on the GST’s original promise.”