GST rate panel for keeping 4-slab structure 'for now'

Asks fitment panel to submit findings on potential impact of rate changes to Council at Sep 9 meet

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A panel of state ministers tasked with suggesting changes to the Goods and Services Tax (GST) regime has signalled that the current four-slab tax structure should remain in place — "for now".

"Some members of the group of ministers (GoM) are insisting there should be no changes to the tax slabs under GST," said Bihar Deputy Chief Minister Samrat Chaudhary, who is also convener of the group, following a meeting on Thursday. However, he stressed that the discussions were still at a preliminary stage, with no decisions reached yet.

The GoM convened in the national capital to review the progress of ongoing efforts to rejig GST rates and discuss the course forward.

The panel advised central and state revenue officers to examine the potential impact of rate changes on mass-consumption items and present their findings before the GST Council at its meeting on September 9.

Two other ministers on the six-member GoM echoed Chaudhary's stance. West Bengal Finance Minister Chandrima Bhattacharya said: "I have said there should be no changes in the GST slabs. A presentation will be made before the Council." Karnataka Revenue Minister Krishna Byre Gowda voiced a similar sentiment, stating: "The GST regime has broadly stabilised. So why disturb it? What do you achieve by disturbing it?"

Under the current GST regime, goods and services are taxed across four broad slabs — 5 per cent, 12 per cent, 18 per cent, and 28 per cent. A cess is levied on top of the 28 per cent rate for luxury and sin goods. Some items are not taxed. The GoM, which draws input from a fitment committee of central and state revenue officers, is expected to deliver a status report at the next Council meeting.

This comes a month after Finance Minister Nirmala Sitharaman's July 23 Budget speech, during which she said: "To multiply the benefits of GST, we will strive to further simplify and rationalise the tax structure and endeavour to expand it to the remaining sectors... I propose to undertake a comprehensive review of the rate structure over the next six months to rationalise and simplify it for ease of trade, removal of duty inversion and reduction of disputes."

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FOR STATUS QUO

- Currently, GST rates are 5%, 12%, 18%, and 28%; some items are not taxed
- The fitment panel suggested 3 options against the current structure
- One proposal includes tax slabs of 8%, 16%, and 24%. Another suggests 9%, 18%, and 27%. The third sets rates at 7%, 14%, and 21%
- But Karnataka Revenue Minister Krishna Byre Gowda said: "GST regime has broadly stabilised. So why disturb it?" West Bengal FM echoed this sentiment

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BLOOMBERG
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The Centre will find ways to resolve tax disputes with major companies including Infosys and foreign airlines, people familiar with the matter said, suggesting the government is open to making accommodations to avoid hurting investor sentiment.

Authorities are exploring options to settle with companies including Infosys, which last month got hit by a demand for ₹32,403 crore ($3.9 billion) in back taxes dating back to 2017, the people said. Authorities at the time cited non-payment of taxes on expenses incurred by overseas offices of the company, which provides IT services to banks and other multinational corporations from the US to Europe. A finance ministry spokesperson didn't respond to an email seeking comment.

GST rejig panel talks on taxation of health, life insurance

During the Council's last meeting on June 22, Sitharaman, who heads this body, there would be a presentation by the GoM regardless of whether its report is at the draft stage. The council is set to start discussions on rate rationalisation at its upcoming meeting.

It is understood that the fitment panel has suggested three options against the current four-slab structure. One proposal includes tax slabs of 8 per cent, 16 per cent, and 24 per cent. Another suggests 9 per cent, 18 per cent, and 27 per cent. A third alternative sets rates at 7 per cent, 14 per cent, and 21 per cent. Each model aims to shield essential goods from significant tax increases and may include a provision of tax abatements.

However, luxury goods — often referred to as "sin goods" — may be subject to different treatment.

Nevertheless, the GoM is not obligated to adopt the fitment committee's proposals.

In addition to rate rationalisation, the GoM is tasked with addressing the inverted duty structure to simplify the overall rate framework, reviewing GST exemptions, and boosting revenue collection.

First formed in 2021, the state ministers' panel was reconstituted in November 2023 following changes in its leadership. The previous head, Basavaraj S Bommai, was replaced after a debacle in the Karnataka Assembly elections, and a further reshuffle occurred following the departure of former Bihar Finance Minister Vijay Kumar Chaudhary. Under the leadership of Karnataka's then finance minister and chief minister, Bommai, the panel presented an interim report at the June 2022 council meeting, requesting more time for final recommendations. The GoM on Thursday also deliberated on the taxation of health and life insurance, an issue referred to the fitment committee. "We've asked for further reports (from the fitment committee). We're not sure if it's part of the agenda yet," said Karnataka's revenue minister.

Additionally, it received submissions from various sectors, including restaurants, beverages, and online gaming, which will be reviewed, with some being referred to the fitment committee for further analysis.