

Govt may allow commodity exchange warehouses to issue integrated GST

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The Government is actively considering a proposal to allow commodity exchange accredited warehouses to issue integrated GST to allow corporate hedgers and traders to take delivery on the exchange platform to benefit from set-off. Currently, these warehouses issue bills with a component of State GST and traders with manufacturing centres in different States find it difficult to set it off. The entire process pushes up the cost of hedging and discourages corporates from looking for alternate means to hedge their risk.

Narinder Wadhwa, National President of the Commodity Participants Association of India, said repeated representations have been made to the government on the GST issue, and they have acknowledged it as a genuine concern. Still, there has been a

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procedural delay in finding a solution. "We are hopeful that the government will address this concern to boost hedging on domestic exchange platform," he said. The GST set-off has assumed importance as the market regulator SEBI has made delivery mandatory on the expiry of all commodity derivative contracts, except for the energy basket contracts, which are cash settled.

18 PER CENT GST

The government levies 18 per cent GST on brokerage and transaction charges for commodity futures and options. Of

this, the Union and State governments get an equal share of 9 per cent each.

The integrated GST issued against the 9 per cent of Centre's share can be set off across the country while for setting off State GST, the buyers have to generate some business activity in the State where the commodity delivery has been taken. To circumvent the problem, a few corporates set up a subsidiary in the State where the warehouses operate and registered for a separate GST number. Even then, this subsidiary must have some business activity that generates GST liability in the State to offset the accumulated credit.

Despite a bearish sentiment in the metal segment, delivery of copper and zinc on MCX increased 70 per cent and 53 per cent last fiscal to 21 million tonnes (mt) and 18 mt against 12 mt and 12 mt. However, that of aluminium and lead was down at 37 mt (38 mt) and 8 mt (15 mt) on MCX.