

## GST Council shows maturity

Choice to conduct pilot on digital payments wise

**T**he latest meeting of the national council, which steers the implementation of the goods and services tax, or GST, moved forward on certain issues of great importance to the broader economy. The first such issue was related to the beleaguered micro, small and medium enterprise (MSME) sector. It has been decided to set up a panel under the minister of state in the Union finance ministry that would include senior ministers from various state governments. The intention is to look into the troubles of the MSME sector, which has complained that it has found itself particularly uncompetitive after the implementation of the GST. The relative inability of this sector to cope with the transition to the new indirect tax regime has had a serious effect on the creation and preservation of jobs in the country, which is the Union government's primary worry at the moment. Going into an election year, the National Democratic Alliance government cannot afford to antagonise owners or workers in the MSME sector they will rely on heavily for support at the time of the polls.

Over the past year, some MSMEs have consistently pointed out that there are many ways in which they have been disadvantaged under the new system. As such, the Group of Ministers formed to look at MSME matters would first and foremost concern itself with easing the compliance burden on MSMEs having a turnover of less than ₹15 million. One argument is that since MSMEs with an annual turnover of less than ₹15 million were exempt from paying the excise tax, they should be exempt from the GST too since it has replaced excise now. The MSMEs have also expressed a desire for cheaper access to the specialised software package that is required for the proper maintenance of accounts related to the GST. Another demand is that the minimum level for the e-way bill be raised from ₹50,000 to a full ₹100,000. There are several other outstanding issues that need to be discussed in this connection, and thus it is good news that the government has set up a committee to examine them in detail.

Before the meeting, there were some concerns that the GST Council would rush through a proposal to incentivise digital payments in the form of cashback of 20 per cent of the GST paid on business-to-consumer transactions. But wiser heads have prevailed after several state governments raised revenue concerns. The GST Council has instead decided to study how proper incentives might aid in the shift to digital payments — through, in part, a pilot project that uses Bhim and the United Payments Infrastructure to incentivise the payment of tax in cash, with a ₹100 cap. A final decision on this will be taken only after studying the feasibility of such incentives on a large scale. While digital payments are very effective, help with cash management and build up granular data sources with considerable useful knock-on effects for activities such as lending, they are also somewhat opaque to many Indians, who might then find compliance too confusing or cumbersome.

This is a very important and praiseworthy development. Indeed, it shows a shift in emphasis from rushing through with decisions to taking time to assuage the concerns of various states. In the previous meeting, some decisions were sent for approval without the due process such as referral to a fitment committee. But this weekend's meeting of the GST Council showed that the spirit of cooperative federalism is back on track.