

FINANCE MINISTER ON GST

'Further rate cuts only after revenue collection improves'

ENS ECONOMIC BUREAU
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FINANCE MINISTER Arun Jaitley ruled out any further rate reductions under the goods and services tax (GST) regime unless there is improvement in revenue collections. Many states such as Punjab, Kerala expressed concerns about the revenue position under the indirect tax regime, even though revenue position of states was only presented but not discussed formally in the 32nd GST Council meeting held on Thursday.

When asked about the rate cut on pending items such as cement, which continues to be in peak slab of 28 per cent, Jaitley said, "We will consider any further reductions on individual items only when revenues move up."

Revenue deficit for states under GST is learnt to have again slipped back to 13 per cent in April-December from 10 per cent in April-November. States/UTs such as Puducherry, Punjab, Himachal Pradesh are facing high revenue shortfall under GST.

Kerala's Finance Minister Thomas Isaac said right now states are not affected that much because they get compensation.

REVENUE: SEVERAL STATES EXPRESS CONCERNS

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"But I think they better look ahead, three years from now what will happen," he said.

Isaac further said the lower revenue mop-up is because rates have been "savagely cut". "The weighted average of the tax rates would be around 40-50 per cent lower than the pre-GST rate," he said. Secondly, system is not in place, "we don't even have annual returns", Isaac added.

Punjab's Finance Minister Manpreet Singh Badal echoed similar views, saying that revenues of most states are improving, but Punjab is not improving. "Punjab is facing a huge shortfall because we have been structurally damaged because we used to charge taxes on food-grains and that was 40 per cent of the base. When a state loses 40 per cent of its tax base, so we are facing a shortfall of 36-37 per cent," he said.

GST revenue collections are a concern for government hav-

ing collected only Rs 8,71,043 crore in April-December, the first nine months of this financial year. With Rs 8.71 lakh crore collected so far and only a quarter remaining in this financial year, the government is still short of the overall target by Rs 4.77 lakh crore, giving rise to concerns about meeting Budget targets.

GST collections are expected to slip further after the recent round of rate cuts on 23 goods and services announced in the 31st GST Council meeting held on December 22 and became effective from January 1. The revenue cost of the latest rate cuts is estimated to be Rs 5,500 crore a year and Rs 1,375 crore in the January-March quarter.

Government finances are already under strain, with government's fiscal deficit for April-November period rising to Rs 7.17 lakh crore or 114.8 per cent of the full-year target of Rs 6.24 lakh crore.