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GST Council may offer more relief to industry in next meeting

FE BUREAU
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THE GOODS AND Services (GST) Council has already acted on more than half of the industry representations it had received during its last meeting, but tax experts say the Council is likely to make more changes to the rate structure for a few sectors, given their genuine grievances.

The Council will meet for the 17th time on June 18.

Sources said it was expected that the Council could consider representations from car lease rental companies, distributors with imported transition stock and the fertiliser industry. Last Sunday, the Council revised downwards the rates for 66 items against representations received for 133 items. Additionally, it had to also raise the revenue cap for composition scheme to ₹75 lakh annually from ₹50 lakh.

While the Council had revised rules for claiming input credit on excise paid on the stock of goods that will transition from the current regime to GST on July 1, there was no relief for those who are holding imported stock.

The rules say that a distributor or retailer can claim credit of excise duty paid partly or fully depending on the type of stocks, but the manufacturer of the goods need to be domestic.

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The same facility has not been extended to goods manufactured outside the country. For imported goods, a distributor/retailer pays customs duty as well as countervailing duty (CVD) but can't avail input credit for the latter unless the council changes its stance.

"CVD is similar to excise duty but while those stocking goods made in the country would be able to avail credit for excise duty already paid, those holding stock of imported goods stand to incur substantial losses," Pratik Jain, national leader of indirect tax at PwC said.

The electronics industry with imported goods are likely to be hit hard as their goods would become more expensive than those made in the country. The industry has made representations to the Council to find a way out.

Similarly, the car lease rental firms have petitioned the Council to either give them credit for excise duty paid on cars or waive the central GST. Currently, the car leases are subjected to VAT and service tax amounting to an effective tax rate of 28%.

According to GST provisions related to leasing of motor vehicles where the right to use is being transferred, these leases will be taxed at the same rate as the vehicle, ranging from 29% to 43% depending on the size of the vehicle.

Although this problem will be taken care of once these companies start using the vehicles manufactured post July 1 as input credit for GST paid will be available, the sharp jump in levies may result in cancellation of existing leases. This hit on the sector is estimated to be nearly ₹1,800 crore, Jain said.

Additionally, the fertiliser sector has also petitioned the Council regarding its unique problem, whereby it would be saddled with accumulated input credit.

Since fertiliser companies sell their product at a lower price while the rest of the amount is refunded to them by the government through subsidies, its output liability will be much lower than the available input credit as the subsidy payment will not be taxed under GST.