

Panel recommends structural changes to boost GST revenues

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The government needs to make structural changes in the goods and services tax (GST) regime and step up compliance to boost revenues, given the need to make up for the gap in states' GST revenue receipts, a parliamentary panel has advised the finance ministry.

Due to the pandemic, several states reported revenue losses, impacting GST collections—a development that warrants measures to boost compliance, the parliamentary standing committee on finance chaired by Jayant Sinha, the former minister of state for finance, said in a report tabled on Tuesday.

“In light of the prevailing economic scenario, the committee would, therefore, urge the government to initiate all possible measures, both structural and enforcement related, to increase GST collections, which has in recent months shown an upward trend,” the panel said in its report.

The panel's reference to structural changes to GST comes in the wake of plans by the central government to merge the 12% and 18% GST slabs, an idea that has found support among some states. The idea is to address the erosion of indirect tax incidence on transactions following the GST rollout. The Fifteenth Finance Commission (FFC) had also urged the government to restore the “rate neutrality of GST”, which was compromised by multiple rate cuts.



The panel, chaired by Jayant Sinha, presented the report in Parliament on Tuesday. **MINT**

Although some transformative changes have been brought in to step up tax receipts, India's tax buoyancy has not been proportionate to the growth in income and wealth, said the report. In developed countries, the tax to gross domestic product (GDP) ratio is about 25-26%. In India, the bulk of the national income is contributed by those who cannot afford to pay taxes, which explains why India's tax to GDP ratio hovers around 10%, the panel said. “Given the constraints in raising tax rates, including its counter-productive economic impact, the committee would expect higher revenues to be generated through tighter enforcement and higher compliance,” the report said.

Since July 2017, more than 17,000 entities have been booked and over ₹2,800 crore recovered from fake invoice cases. The panel recommended creating awareness on the GST structure and enforcing punitive action against assesseees in case of non-compliance on a wider scale.