

Hold urgent GST meet to cut tax on drugs: States

Also want to discuss extension of the compensation period beyond July 2022

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As the country grapples with a stronger second Covid wave, states want the Centre to urgently convene a meeting of the Goods and Services Tax (GST) Council, which has not met for the last six months. This comes after the chorus for rate cuts on key medicines and equipment grows louder.

Besides, states also want to discuss extension of the compensation period, under the GST regime, beyond July 2022 in the council meeting as uncertain times cast a shadow over state finances.

States are demanding exemption of key Covid drugs like Remdesivir, medical grade oxygen used in oxygen cylinders, and related supplements, which currently attract 12 per cent tax.

Other decisions piled up include rationalisation of GST rate slabs, correction of inverted duty on certain items and inclusion of petroleum products, among others.

The law mandates the council to meet at least once a quarter, but the long gap this time has given rise to apprehensions.

Chhattisgarh health minister, T S Singh Deo, who represents the state at the council, told Business Standard that the state is going to write to the Centre for GST exemption on Remdesivir, and related supplements. "We are demanding a GST exemption on Remdesivir and some other items. But, the GST Council needs to meet for that. It should certainly have had a virtual meeting," said Deo.

Amid shortage of the Remdesivir drug across the country, Chhattisgarh has placed an order for 90,000 Remdesivir injections with pharma major Mylan Laboratories worth ₹14.11 crore. "We have placed the order with Mylan Laboratories for 90,000 injections at the rate of ₹1,400 plus 12 per cent GST. Around 2,000 injections will come in two days and another 28,000 within a week, which makes it 30,000 injections a week" said Deo.

Punjab finance minister Manpreet Singh Badal said that states need to discuss extension of the GST compensation issue beyond July 2022 in the council as eco-



UP FOR DISCUSSION

- ▶ Exemption/reduction in GST rates for Covid drugs such as Remdesivir and related supplements and equipment
- ▶ Merger of 12% and 18% slabs
- ▶ The way forward for rate rationalisation exercise
- ▶ Correction of inverted duty structure in textiles, footwear and fertiliser
- ▶ Inclusion of natural gas and aviation turbine fuel in GST
- ▶ Yearly rate revision

nomie uncertainty continues. "Rules require the GST Council to meet once in a quarter. This is the time to repair the GST regime. Unless it is done in the formative stages, that is, less than five years, it will not get repaired. We need to discuss GST compensation extension, but first we need to meet," said Badal.

States were promised a compensation for five years since GST implementation in July 2017 to make up for revenue shortfall, if any, since states lost autonomy over indirect taxes. Compensation cess is levied on a few items in the 28 per cent GST slab, such as automobiles, cigarettes, and aerated drinks. The GST Council met last on October 12 last year as it finalised contours of borrowing by states to meet compensation requirements for the shortfall.

Kerala Finance Minister Thomas Isaac

said that the council must meet on an urgent basis to discuss how states would cope with finances in the post compensation period. "The Centre must convene the meeting and seriously consider increasing and extending the compensation period to beyond July 2022," said Isaac.

Finance ministry officials have attributed the delay to elections in key states and waiting for governments to be formed. "We would like representation from all states in the council. So, it is better that it takes place after new governments are formed in the poll-bound states," said a key finance ministry official.

The issue of correction of inverted duty structure in certain items such as textiles, footwear and fertilisers, among others, is pending. The decision on correction was deferred in June last year due to Covid.

The council had to correct the inverted duty structure on mobile phones and specified parts by increasing the rate to 18 per cent from 12 per cent. An inverted duty structure arises when the rate on inputs is higher than that of the final product. Besides, merger of 12 per cent and 18 per cent slabs for a leaner rate structure is to be discussed also.

The 15th Finance Commission, headed by N K Singh, has suggested rationalisation of GST into a three-rate structure, comprising a 5 per cent merit rate, a rate by merging 12 and 18 per cent and 28-30 per cent de-merit rate.

Rajya Sabha member and former minister Jairam Ramesh tweeted recently that many vital decisions impacting the welfare of states and taxpayers are pending as the council has not met for six months.

Pratik Jain, partner, Price Waterhouse & Co. LLP, said that several critical issues need to be discussed at the council besides rate rationalisation. "Industry would expect Covid-related relaxations as well, both in terms of compliances and working capital support..."

MS Mani, partner, Deloitte India, said, "A discussion on rate rationalisation, inclusion of some petro products, correction of inverted duty structures and introduction of new returns have been on the anvil for some time now."