Syllabus subtopic:

- Statutory, regulatory and various quasi-judicial bodies.
- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Prelims and Mains focus: about the key decisions taken in the GST Council meeting and their significance; GST Council and its structure

News: Goods and Services Tax (GST) Council, the federal indirect tax body, broke from its tradition of consensus-based decision-making to vote on a proposal for imposing a uniform tax rate on lotteries.

Why this change happened?

The decision to go for voting was taken after efforts by Union finance minister Nirmala Sitharaman to build consensus on the proposal failed as states were divided on the issue and one Kerala insisted on voting.

What did the Council decide?

- The Council decided to set the GST rate on all lotteries at 28%. At present, lotteries run by state governments are taxed at 12%, while those authorized by states and operated by private players as well as interstate suppliers of lotteries are taxed at 28%. The decision was favoured by 21 states and opposed by seven, while three abstained. The change is effective from 1 March.

- The Council also took a few steps to curb tax evasion, but did not take up any proposal for GST rate increase. The decision to abstain from raising GST rates comes after official data issued last week showed consumer goods output had shrunk 18% in October, its fifth straight month of contraction. Several state ministers also said the time was not right for raising GST rates.
The anti-evasion measures included limiting input tax credit in cases where invoices or debit notes are not properly reflected in records, blocking fraudulently availed tax credits and invalidating e-way bills generated by taxpayers who have not filed their tax return forms for two tax periods.

The Council also decided to exempt entities in which either the central or state government owns 20% or more from paying an upfront amount for long-term lease of industrial or financial infrastructure plots. Currently, this relief is available to entities with at least 50% state ownership. Also, businesses will get an extra month for filing annual returns and tax audit report for the first year of GST, 2017-18. The new due date is 31 January.

GST Council

The Goods and Services Tax (GST) is governed by the GST Council. Article 279 (1) of the amended Indian Constitution states that the GST Council has to be constituted by the President within 60 days of the commencement of the Article 279A.

According to the article, GST Council will be a joint forum for the Centre and the States. It consists of the following members:

1. The Union Finance Minister will be the Chairperson
2. As a member, the Union Minister of State will be in charge of Revenue of Finance
3. The Minister in charge of finance or taxation or any other Minister nominated by each State government, as members.