



GST UPDATES

A DIWALI GIFT FROM THE MINISTRY OF FINANCE: THE NEXT
GENERATION OF GST REFORMS!

On 79th Independence Day, Prime Minister Shri Narendra Modi highlighted the Goods and Services Tax (GST), which was implemented in 2017, as a major reform that has benefited the nation. To advance the vision of an 'Atmanirbhar Bharat' (self-reliant India), the Central Government is proposing significant GST reforms that focus on three key pillars:

1. Structural Reforms;
2. Rate Rationalization; and
3. Ease of Living

The proposed reforms aim to strengthen key economic sectors, stimulate economic activity, and enable sectoral expansion. The Central Government has shared its proposal with the Group of Ministers (GoM) established by the GST Council to examine the issue. The government is committed to working with the States in a spirit of cooperative federalism to build a broad-based consensus in the coming weeks.

Key Pillars of the Centre's Proposed Reforms:

Pillar 1: Structural Reforms

- **Inverted Duty Structure Correction:** The proposed reforms will correct inverted duty structures to align input and output tax rates, which will reduce the accumulation of input tax credit and support domestic value addition.
- **Resolving Classification Issues:** The reforms aim to resolve classification disputes to streamline rate structures, minimize conflicts, simplify compliance, and ensure greater consistency and equity across all sectors.
- **Stability and Predictability:** The proposal seeks to provide long-term clarity on rates and policy direction to boost industry confidence and support better business planning.

Pillar 2: Rate Rationalisation

- **Reduction of Taxes:** The rationalization of tax rates will benefit all sections of society, including the common person, women, students, the middle class, and farmers. This includes reducing taxes on common and aspirational goods to enhance affordability and boost consumption.
- **Reduction of Slabs:** The goal is to simplify the tax structure by moving towards a two-slab system—standard and merit—with special rates for only a select few items.
- **Compensation Cess:** The end of the compensation cess has created fiscal space, offering more flexibility to rationalize and align tax rates within the GST framework for long-term sustainability.

Pillar 3: Ease of Living

- **Registration:** The reforms propose a seamless, technology-driven, and time-bound registration process, especially for small businesses and startups.
- **Returns:** The plan includes implementing pre-filled returns to reduce manual intervention and eliminate mismatches.
- **Refunds:** The proposal aims for faster, automated refund processing for exporters and those with an inverted duty structure.

The government is dedicated to evolving GST into a simple, stable, and transparent tax system that supports inclusive growth, strengthens the formal economy, and enhances the ease of doing business across the country. The GST Council will deliberate on the GoM's recommendations at its next meeting, and every effort will be made to facilitate early implementation so that the intended benefits can be realized within the current financial year.


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