

15th AUG 25 - #GST2.0 - #GST #DiwaliBonaza by #GSTCouncil #PrimeMinister

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GST Reforms

PM Promised Diwali Bonaza to the Nation on 15th AUG from Red Fort and thereafter MoF also had a Press Briefing

3 pillars of GST Reforms

1. Structural reforms
2. Rate Rationalisation
3. Ease of living

Industry Needs to prepare for proving that there is Anti-Profiteering

Pillar 1: Structural Reforms

A. Inverted duty structure correction: Working capital expenses due to IDS should not be there. Eg. Parts of Lithium Ion Cells (renewable Energy); Pharma Raw Materials

B. Resolving classification issues: minimise disputes by getting one kind of products in only one class eg. whether a kesar lassi is a 'soft beverage' or a 'dairy product'; Drones with "permanently embedded camera" are 18% and otherwise are 5%

C. Stability and Predictability: Provide long-term clarity on rates and policy direction, Eg. Whether how recipients would not be penalized for supplier's defaults

GST Reforms

Pillar 2:

- **Rate Rationalisation: On Common Sense Logic rather than Legacy Logic on slabs**
- **Small Revenue Shortfalls to be compensated with consumption boost**
- **No compensation to states for revenue shortfall**

A. Reduction of taxes on common-man items and aspirational goods: Eg. Food; medicines; Education, etc - 5% or NIL; Insurance policies - from 18% to 5%; Agricultural goods (Farm Goods and Machinery);

B. Reduction of slabs: 5% and 18% slabs with a 40% slab for few items; Approx 40 items in 28% slab and 280 items in 12% slabs to be rejigged;

1. 12% bracket - 17% items are there and (99% of these) would be moved to 5% Eg. Solar modules
2. 18% - Most Service Sector items; Most white goods (TV/ AC/ Washing machines/ Refrigerators/ Batteries) would be moved from 28% to 18%
3. 40% - 5-7 sin products only Eg. Tobacco, Pan masala, Online gaming, etc

Important to see whether cement/ batteries/ etc which attract 28% would be in 18%

GST Reforms

C. Compensation Cess: The end of compensation cess has created fiscal space, providing greater flexibility to rationalise and align tax rates within the GST framework for long-term sustainability: It needs to be seen how the fiscal gap created, in case for states is filled up so that SGST Departments are also aligned with the 'Ease of Living' Module

GST Reforms

Pillar 3: Ease of Living:

1. **Registration:** Quick 3-Day registration for 'trusted taxpayers' and with a security for new taxpayers limiting the amounts for passing of ITC for a period of time
2. **Return: Implement pre-filled returns :** Already there by IMS implementation
3. **Refund: faster and automated processing of refunds :** Specifically for service refunds where FIRC is a roadblock

THANK YOU