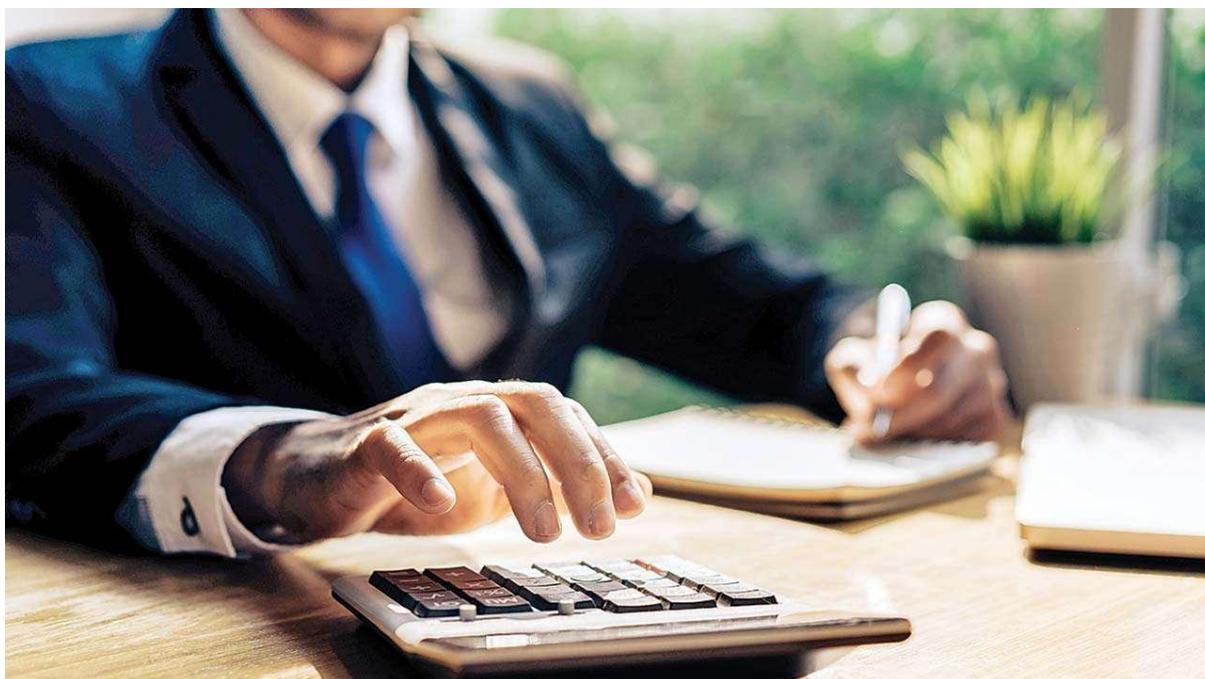


## **GST exemptions may cost govt up to Rs 8,000 crore**



The government may lose about Rs 5,200 crore annually following the GST Council's decision to double the exemption limit for payment of goods and services tax (GST) to Rs 40 lakh by micro, small and medium enterprises (MSMEs).

Besides, the government may also have to take hit of another Rs 3,000 crore, according to a GST Council member, who did not want to be named. This would be on account of the revision in GST Composition Scheme that can be availed of by small traders and businesses having a turnover of Rs 1.5 crore, up from the earlier Rs 1 crore, and making service providers and suppliers of both goods and services up to a turnover of Rs 50 lakh eligible to for GST Composition Scheme and pay a tax of 6%.

Another GST Council member, however, argued that while a quarter of the firms registered with the GST Network (GSTN) have turnover between Rs 20 lakh and Rs 1 crore, their share in the government's GST revenue mop-up is just 5%. Even as the

mandatory lower limit for a firm to register for GST is Rs 20 lakh, more than half of the firms registered are those with turnover below that level.

EY India tax partner Abhishek Jain said, "While it does yield its set of benefits for the smaller players, it may have an impact of increased compliance and tax costs for their buyers in scenarios where the reverse charge provisions for procurement from unregistered dealers are reinstated."

Pratik Jain, partner and leader of indirect tax, PwC, hoped that the rise in threshold limit would benefit a large number of taxpayers. "Raising the threshold to Rs 40 lakh instead of Rs 75 lakh (as speculated) is better because while we need to provide relief to small taxpayers, it is equally important to expand the tax base," he said.

However, Chandrakant Salunkhe, president, SME Chamber of India, said the GST Council should have increased the threshold limit to Rs 75 lakh as MSME is finding it difficult to stay afloat, especially in the wake of demonetisation, rupee volatility and rising input costs.

### **MORE LEEWAY**

- **Rs 40 lakh** – Turnover exemption limit for payment of GST now
- **Rs 20 lakh** – the limit raised for north-eastern states