GST HEADLINES
January 19, 2017

Service Tax Kitty of Maharashtra, Tamil Nadu, Karnataka, West Bengal, Gujarat to Swell in GST: Icra

[Source: Business Standard]

GST May Hike Clean Energy Costs; Power Min Pushes for Exemptions

[Source: MoneyControl.com]

Service Tax Kitty of Maharashtra, Tamil Nadu, Karnataka, West Bengal, Gujarat to Swell in GST: ICRA

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Icra has assessed that Maharashtra, Tamil Nadu, Karnataka, West Bengal and Gujarat are likely to gain significantly in service tax revenues under the goods and services tax (GST) regime, likely from July 1.

Tax revenues related to services of nearly all states are likely to be favourably impacted after GST kicks in, it said.

"Overall, we expect the transition to GST to be positive for some states, particularly on account of services," Icra said in a note.

In the event that some states experience a revenue growth under GST below 14 per cent in the first five years, that would be neutralized, provided that the amount collected by way of the GST compensation cess exceeds the total revenue losses of the states related to the transition to GST, the rating agency said.

While states get 42 per cent of service tax collected and imposed by the Centre at present, they will get 42 per cent of central GST in services and the entire portion of service tax in state GST.

GST May Hike Clean Energy Costs; Power Min Pushes for Exemptions

Renewable energy tariffs could rise by up to 50 paise a unit under goods and services tax (GST), a concern that has prompted the power ministry to push for the sector to be kept out of the new tax system as an interim measure.

In a presentation to the finance minister Arun Jaitley-headed GST Council on Monday, representatives from the power ministry said that the capital expenditure for the renewable energy sector could rise by 10-12 percent in the GST regime.

Currently, there is no central excise duty on equipment used for solar and renewable power plants. States also charge a concessional value added tax (VAT) ranging from 0 to 5 percent. Besides, a central sales tax of two percent is levied on such equipment.

GST will consolidate all these taxes into a single levy. The GST council has agreed on a four-slab structure –5, 12, 18 and 28 percent—along with a cess on luxury and `sin' goods such as tobacco.

A bureaucrats' panel (of states and the Centre) is working towards classifying the goods and services according to this slab structure.

There is a possibility that renewable power equipment could attract a GST rate of 18 percent.

"Any impact of taxes paid on procurements used in renewable energy sector would have a direct impact on cost of renewable energy," the ministry of renewable energy said in a study "Implications of GST on delivered cost of renewable energy".

"Basis information available in the public domain on levy of GST, it appears that taxes on procurements for renewable energy sector would go up, which would lead to increase in cost of renewable energy (resulting in negative impact for the sector)," the study said.

Experts said that the government should provide a tax "pass through" for solar power project bidders. A 'pass-through' status, in this context, would imply that the project developer is exempt from paying taxes.

“For ongoing bids, government is saying that it will be a pass through for the bidder. Government also has to clarify what happens to projects that are awarded but under construction,” Debasish Mishra, partner at Deloitte Touche Tohmatsu, told Moneycontrol.

The power ministry has pitched for a `deemed export’ status to offset a potential inflationary impact. A deemed export status would mean that goods and services supplies to renewable, energy plants would be exempt from GST.

Alternatively, power ministry is pushing for `zero-rated’ status, implying that equipment and services for renewable energy plants should be kept outside GST as an interim measure.

Both deemed status and zero-rating would also ensure input tax credit for such products and services.

The ministry said that higher electricity tariffs due to GST could have a multiplier effect on the economy as it would be difficult for power producers to pass on the tariff hike to agriculture and domestic consumers.

Apart from having an adverse impact on export competitiveness of products, the hike would negatively impact factory output as electricity constitutes over 10 percent on factory output.

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