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## Reforming GST II The Buzz



**VIVEK BAJ**  
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The expectations from next GST council meeting are running high across industry and policy circles. One of the most anticipated agenda items likely to be taken in the rationalisation of GST rate slabs, a move that could significantly reshape the current tax structure. Alternatively, the council may consider introducing a 15 % slab by merging the existing 12 % and 18 % slabs, an approach that could offer a balanced middle ground while maintaining revenue neutrality.

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TAXATION

# Reforming GST

GST, which turned eight, has had a considerable impact on boosting compliance and, indirect tax kitty. It is time for a revamp

BY SURABHI

PHOTO BY ANI



**PACKED AGENDA** The GST Council has not met since last December, though it is mandated to meet every quarter

**₹2  
LAKH CRORE**

The average mop-up from GST per month, as against ₹92,283 crore collected in the first month

**16.2  
MILLION**

Returns filed under the GST since it was launched in 2017

► **EIGHT YEARS AGO**, the Goods and Services Tax (GST) was implemented across India. The tax, which came into force after years of negotiations between the Centre and states, subsumed a number of levies across the Union and states and brought considerable ease of doing business. Its impact is clearly visible with businesses gaining more confidence in the levy, which has also boosted compliance and widened the tax base and revenue.

The numbers say it all: The mop-up from GST has steadily risen to about ₹2 lakh crore per month from just ₹92,283 crore in the first month of its implementation in July 2017. The number of registered taxpayers had increased

to 15.2 million at last count, triple the nearly six million when it was launched. Over 16.2 million returns have been filed since launch. A total of 1.22 million e-way bills were generated in May, reflecting the robust transit of goods and payment of the tax.

A recent survey by Deloitte India also revealed that businesses were showing more satisfaction with the GST with 85% of respondents in 2025 expressing confidence, compliance maturity and alignment with the tax framework as against only 59% in 2022.

But taxpayers and businesses still have some concerns and have been calling for further reforms, be it in terms of rationalising the five-tier tax rate structure, streamlin-

ing tax audits and notices between the Centre and the states, as well as reducing the compliance burden.

Reducing litigation and providing more clarity on HSN rates and taxation is another key suggestion from industry, with cases being fought in courts across the country on GST rates on items such as donuts, *parathas* and flavoured milk. The controversy over taxation of sweet and salted popcorn is another case in point.

Sacchidananda Mukherjee, Professor at economic think tank National Institute of Public Finance and Policy, notes that significant benefits have accrued over the past eight years since the GST was introduced. Yet, while compliance has certainly increased, so have costs.

20 | "It is an IT intensive system, and tax administration functions need to be completed in a time-bound manner. This increases workload for tax administrations. There is a need for simplification of the GST system," he underlines.

Further, with the compensation cess paid to states in lieu of income foregone from local sales tax set to come to an end from March 2026, the Centre and states are also working on a new levy that would help protect the states' revenues.

The GST Council has set up seven groups of ministers to address these issues. The Council has not met since last December, though it is required to meet every quarter. It is expected to convene in July and will have a heavy agenda on its plate. A formal date is yet to be announced for the meeting.

Rationalisation of the GST rate structure and a decision on removing or reducing the 18% rate on insurance premiums are some of the most keenly awaited decisions. There are expectations that the compensation cess will be merged into a GST rate that would be levied on sin and luxury goods. An amendment to this is expected to be tabled in Parliament

## REIMAGINING GST

- 1 One of the main demands from stakeholders is rationalisation of the five-rate GST structure with a review of the 12% slab
- 2 The GST Council will also have to decide how it can extend the compensation cess given to states
- 3 Another major agenda item is the reduction in the GST on insurance premium, which has become a point of political contention
- 4 Businesses have demanded repeatedly that the compliance burden be lowered for the GST, as it is very tech intensive
- 5 Many businesses have called for streamlining tax audits and notices



later this year based on the decision of the GST Council.

Vivek Baj, Partner at Economic Laws Practice, notes that expectations from the next GST Council meeting are running high across industry and policy circles. One of the most anticipated agenda items likely to be taken up is the rationalisation of GST rate slabs, a move that could significantly reshape the current tax structure, he says.

One of the options before the council is to eliminate the 12% GST rate slab, which would require a further overhaul of the slabs and goods and services currently under this category would have to be moved either to the 5% or the 18% rate.

Alternatively, the council may consider introducing a new 15% slab by merging the existing 12% and 18% slabs, an approach that could offer a balanced middle ground while maintaining revenue neutrality, says Baj.

Some of these changes may not happen in one go, given the comprehensive overhaul that would be needed. There also remain concerns, at least in certain states, over the potential loss of revenue as a result of the changes and some are understood to be awaiting more clarity on the recommendations of the Sixteenth Finance Commission on sharing of taxes between the Centre and States before they make up their minds.

But moving ahead on at least some of the low hanging fruits and ensuring that there is some reduction in the tax burden on the common people and businesses could go a long way towards showing that the government intends to revamp the GST framework.

It would also provide a sweetener to investors seeking further reforms and ease of doing business in the country. **BT**

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