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DIRECT TAX NEWS

SITHARAMAN RAPS CBDT, CBIC FOR NOT ADDRESSING TAX ASSESSEES' GRIEVANCES

Finance Minister Nirmala Sitharaman on Monday came down heavily on the tax boards for allegedly not responding to grievances of the tax assessees and directed their officials to reserve Saturdays to hold meetings with them.

During the Budget Outreach Programme between Finance Ministry officials, the industry and trade bodies in Bengaluru, the General Manager and the Chief Financial Officer of the Karnataka Bank Muralidhar Krishna Rao posed a question seeking clarity on certain provisions of the GST Act and the direct tax deductions impacting the banking sector.

Even before the officials responded, Sitharaman intervened and pulled up the Central Board of Direct Taxes (CBDT) and Central Board of Indirect Taxes & Customs (CBIC) officials.

"I'm very curious to know if the CBIC and CBDT are here. Are you all engaging with your own assessees? The questions which are being asked here are not those questions where I want the secretaries of the Ministry of Finance sit here and explain. These are for the boards to be with your assessees," Sitharaman said.

"I would now tell the CBDT and the CBIC to please keep your Saturday's free, engage with assessees and give them all the clarification required," she added.

Sitharaman directed the boards to tell tax assessees where the glitches were and if there was a policy tweak required or if there was a requirement to change something in the Finance Bill they can suggest the revenue and the finance secretaries.

According to her, most of the questions asked during the interactive session on budget were related to the two boards, which they were fully empowered to deal with.

"It (the questions) just tells me and I'm sorry to have to comment like this on the boards -- Are you all sitting in your office and not even accessing your assessees? What's going on? You're not expecting the revenue secretary to be talking to the assessees for things which you have every power in your hand to sit and explain? Am I over-reading the situation?" Sitharaman said.

Asking the boards to do better, Sitharaman repeated that they have to keep their Saturdays reserved for the assessees.

"You will have to be here every Saturday. Keep yourself open and also on the phone and the emails. Many of the questions here which Tarun Bajaj (Revenue Secretary) has bothered to answer, I would want you (CBDT and CBIC) to answer in person to the assessees," the Finance Minister said.

DOSA, IDLI MIX TO ATTRACT 18% GST: TAMIL NADU AAAR

Tamil Nadu's Appellate Authority for Advance Ruling (AAAR) has upheld that ready-to-cook dosai/idly/tiffin mix distinct from mixture of flour and will attract Goods & Services Tax at the rate of 18 per cent.

The appellant, Tiruchi-based Krishna Bhavan Foods and Sweets, moved the AAAR after the Authority for Advance Ruling (AAR) ruled that 18 per cent GST is chargeable on these products. It relied upon Gujarat's AAR which had ruled that similar products would attract 5 per cent GST (in the matter of Dipak Kumar Kantilal Chotai). However, it may be noted that later Gujarat AAAR revised the ruling and said products will attract GST at the rate of 18 per cent.

The appellant manufactures and sells mixture of four of grains/cereals, pulses mixes with spices and condiments. Its products are mainly used for preparing Indian dishes such as Idly Mixes, Dosai Mixes, Tiffin Mixes (Adai Mavoo, Millet Adai Mix, UzhunthakaiMavoo, Ready Idiyappam, Bajji Mix), Health Mixes and Porridege Mixes. These mixtures of flour are commercially known as instant mixers of flour. The raw materials used for manufacturing of these products are pulses and grams, grains/cereals, spices etc.

The appellant argued that most of the ingredients are falling under the exempted category. Further, it mentioned that AAR failed to appreciate the real nature and intent of said products, which is manufactured and sold by it for the past several years, which is not liable to any tax either by sales tax authorities and Central excise authorities. "The Authority (AAR) further failed to appreciate the intention of the government and council to grant exemption on the food preparation," it said.

The appellant put forward difference between ready-to-eat (RTE) and ready-to-cook (RTF) food products. In the former case, there is no need to further cooking and it applies to any product intended for human consumption without further preparation steps. In the matter of latter, they are raw but have been portioned and prepped as it is freshly frozen and most importantly, they need to be cooked at home before consumption. Appellant's products fall into second category.

After going through all the facts AAAR observed that products mentioned here do contain the flour and same is not meant for supply as flour but meant as dosai mix, idly mix, vada mix, tiffin mix, healthy mix and porridge mix which are the products for human consumption by way of cooking as directed in the container label. Hence, these products are not mere mixture of dried leguminous vegetable or cereal. This means they will not attract GST at the rate of 5 per cent.

Earlier, in its order AAR had said the products in question are all food preparations in the form of powder. The dosai mixes and idli mixes are packed and sold as mixes that are to be mixed with water/boiled water/curd to make it as batter and the product sold is a powder and not batter, it had said while making it clear that these will attract GST at the rate of 18 per cent and not 5 per cent. Now, AAAR upheld this order.

GST COUNCIL MAY CONSIDER PROPOSAL TO RAISE LOWEST SLAB TO 8 PERCENT

The GST Council in its next meeting may look at raising the lowest tax slab to 8 per cent, from 5 per cent, and prune the exemption list in the Goods and Services Tax regime as it looks to increase revenues and do away with states' dependence on Centre for compensation

A panel of state finance ministers is likely to submit its report by this month end to the Council suggesting various steps to raise revenue, including hiking the lowest slab and rationalising the slab.

Currently, GST is a four-tier structure attracting a tax rate of 5, 12, 18 and 28 per cent.

Essential items are either exempted or taxed at the lowest slab, while luxury and demerit items attract the highest slab. Luxury and sin goods attract cess on top of the highest 28 per cent slab. This cess collection is used to compensate states for the revenue loss due to GST rollout.

According to sources, the GoM is likely to propose raising the 5 per cent slab to 8 per cent, which may yield an additional Rs 1.50 lakh crore annual revenues. As per calculations, 1 per cent increase in the lowest slab, which mainly include packaged food items, results in a revenue gain of Rs 50,000 crore annually.

As part of rationalisation, the GoM is also looking at a 3-tier GST structure, with rates at 8, 18 and 28 per cent.

If the proposal comes through, all the goods and services which are currently taxed at 12 per cent, will move to 18 per cent slab.

Besides, the GoM would also propose reducing the number of items which are exempted from GST. Currently, unpackaged and unbranded food and dairy items are exempted from GST.

TODAY'S QUOTE

"If your eyes are positive, you will love the world.
But if your tongue is positive, the world will love you"

-Mother Teresa

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