Pre-packaged food under GST, 12% tax on hotels with tariff up to Rs 1,000

Bringing pre-packaged and labelled food items such as wheat flour, puffed rice, curd/ lassi/ buttermilk and paneer under the GST net, withdrawing exemption for hotels with rent below Rs 1,000 a day and correction of inverted duty structure for host of items such as edible oils, coal, LED lamps, printing ink, knives and solar water heaters are learnt to have been approved by the Goods and Services Tax (GST) Council on the first day of its 47th meeting.

The discussion on the contentious issue of extension of compensation for states beyond June 2022 and 28 per cent GST rate on casinos, online gaming, and horse racing, are to be taken up for deliberations.According to sources, the GST Council has also approved compliance measures for high-risk taxpayers including mandatory biometric authentication, inclusion of electricity bill data, real-time validation of all bank accounts against a particular PAN and geo-tagging.Mandatory generation of e-way bills by states for intra-state transportation of gold and precious stones has also been approved by the Council but the decision on the threshold has been left to the states.

It has also sought to bring pre-packaged food items including puffed rice, wheat flour, curd, lassi, at par with branded food items with a tax rate of 5 per cent. Currently, 5 per cent GST is levied on branded and packaged food items, while unpacked and unlabelled are tax exempt. Further, the panel has suggested withdrawal of input tax credit refund for inverted duty structure for edible oil and coal.

More measures for compliance to plug revenue leakages are in the offing with a greater scrutiny to be over high-risk taxpayers.

Identifying risky behaviour of the new registrants/applicants using artificial intelligence and place the information on the back office for the field officer to carry out mandatory physical verification of these taxpayers along with real time validation of bank accounts through integration of GST system with NPCI and inclusion of electricity bill metadata (CA No.) as a data field during registration by new taxpayers are some of the measures going to be discussed in the Council meeting.

Rate rationalisation measures under GST are being considered as the compensation regime — under which states were offered compensation for revenue loss below the guaranteed compounded 14 per cent rate — comes to an end in June after five years of the rollout of the indirect tax regime and GST weighted average growth rate being around 11.6 per cent as against 14.4 per cent revenue neutral rate at the time of its 2017 rollout.