



Ministry of Finance

# Reduction/exemption of tax rates under GST for small businesses

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The Government has received representations from small businesses relating to exemption from GST, reduction in applicable rates of GST, and product and area wise exemptions. The GST rates on supply of goods and services have been notified based on the recommendations of the GST Council. The tax rates on goods have been fixed taking into consideration, inter alia, the total indirect tax incidence on goods prior to GST, which included the central excise duty rates / embedded central excise duty incidence, VAT rates or weighted average VAT rates, embedded VAT incidence, cascading of VAT over excise duty, incidence on account of CST, Octroi, entry tax, etc.

Keeping in view the interests of small business, any supplier in the State or Union territory, other than special category States, whose aggregate turnover in a financial year does not exceed Rs.20 lakh [Rs.10 lakh in the case of Special Category States] is not liable to be registered under the Central Goods and Services Tax Act, 2017.

Further, a composition scheme has been provided for the benefit of small business. An eligible registered person in the State or Union territory, other than Special Category States [other than Uttarakhand], can avail benefit of this scheme (Except those manufacturing ice-cream, pan masala and tobacco products) by paying an amount equal to 2% of turnover in the State in case of manufacturers and 1% equal to the turnover in the State in the case of trader dealers. The turnover limit for availing of composition levy initially was Rs. 50 lakhs in the preceding financial year. However, keeping in view the interests of small businesses, the same was increased to 75 lakhs [except in case of Special Category States]. The raised limit in case of Uttarakhand, however, is Rs. 75 lakhs. Thus, the interests of traders are not likely to be adversely affected in general.

This was stated by Shri Santosh Kumar Gangwar, Minister of State for Finance in written reply to a question in Rajya Sabha today.

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