

## **GST Council meet begins, tax rate cut on Covid essentials on agenda**



The [GST Council](#) in its meeting on Friday would take up for discussion proposal for cut in the tax rate on COVID medicines, vaccines and oxygen equipments as well as means to make up for the shortfall in revenues promised to states.

The 43rd [GST Council](#) meeting, chaired by Finance Minister Nirmala Sitharaman and comprising state finance ministers, is being held via video conferencing. The council is meeting for the first time in nearly eight months.

Ahead of the first meeting of the top decision-making body, finance ministers of eight states ruled by non-BJP and its like-minded parties -- Rajasthan, Punjab, Chhattisgarh, Tamil Nadu, Maharashtra, Jharkhand, Kerala and West Bengal -- have devised a joint strategy to press for a zero tax rate on COVID essentials, sources said.

Besides discussion on tax rates, the council may also deliberate on the estimated Rs 2.69 lakh crore that states need to be provided as per the promise in 2017 to make good any loss in revenue they suffer because of giving up their right to levy VAT and other taxes.

Sources said the Fitment Committee on GST rates, comprising tax officers of centre and states, has also given its report to the council listing out the pros and cons of waiver and zero-rating of COVID vaccines, drugs and other equipment.

Exempting final product from GST would deny manufacturers from claiming the benefit of the input tax credit on raw materials and hence not much benefit accrues to consumers.

Hence, it needs to be seen whether the council decides to exempt these items from GST or cut rates.

Currently, domestic supplies and commercial imports of vaccines attract a 5 per cent goods and services tax (GST), while COVID drugs and oxygen concentrators attract a 12 per cent levy.

With regard to the issue of compensation payable to states, the centre has estimated the shortfall at Rs 2.69 lakh crore.

The centre expects to collect over Rs 1.11 lakh crore through cess on luxury, demerit and sin goods which will be given to the states to compensate them for the shortfall in revenue arising out of GST implementation.

The remaining Rs 1.58 lakh crore would have to be borrowed to meet the promised compensation.

[GST Council](#)