

## REDUCE GST ON MEMBERSHIP SERVICES BY TRADE ASSOCIATIONS

The GST Council has finalized the GST rates for all goods and services under the new tax regime. Under the GST regime, the tax on services offered by trade associations has been finalized at 18% as against the existing 15%. This would substantially increase the membership support fees. All India Association of Industries would therefore request the Government of India to reduce the GST to 5% and thereby help the trade and industry to grow.

Under the GST, services are taxed under four rate slabs of 5%, 12%, 18% and 28%. This multiple rate structure is a paradigm shift from the current regime, which taxes services at a uniform rate of 15%. This will help to ensure that different economic classes are not subject to tax at the same rate and thereby the net outgo would be kept at the reasonable level.

Considering the nature of the services and its impact, several exemptions currently applicable have been retained. These includes, services provided by educational institutions and healthcare services from clinical establishments, authorised medical practitioners and paramedics have been exempt from GST. However, the GST rates have been reworked upwards on IT, telecom, financial services, hotels and entertainment. While in many of these, availability of input tax credit may rationalise the additional cost, the imposition of 18% on membership services by trade associations will affect trade associations' activities adversely.

Trade associations are non-profit organisations, registered as a Section 8 Company, under the Companies Act, 2013. **According to section 8(1), (a), (b) and (c) of the Indian Companies Act, 2013, a Section 8 Company is established 'for promoting commerce, art, science, sports, education, research, social welfare e, religion, charity, protection of environment or any such other object',** provided the profits, if any, or other income is applied for promoting only the objects of the company and no dividend is paid to its members.

Trade associations are an important interface between government and industry and this has been an established fact. Various state and central government departments and ministries often consult trade associations on important policy matters affecting trade and commerce. This clearly indicates that these are essential services to promote trade, industry and commerce and are not entertainment services.

An increase in tax rate can only be justified if there is indeed a reduction in cost and if the benefit of this reduction is passed on to the end consumer. In GST roll-out, input tax credit will be available to majority of service providers to offset the higher taxes, we are afraid that no such benefits would be available to trade associations and higher taxes would seriously threaten the existence of many such trade associations.

Similarly, restaurants with air-conditioning and central heating facility would attract 18% GST. Today, restaurants are required to fit air-conditioning as a necessary amenity to maintain hygiene and not as luxury as the GST Council might have perceived. Similarly, high taxes on hotels will adversely impact tourism sector. By rationalising taxes, India can easily multiply its tourism revenues and in absolute terms earn more money. Presently, high taxes are detrimental to investment and as a result employment generation is falling. Government of India must use this opportunity to rationalise high taxes, abolish tax terrorism, reduce tax multiplicity and simplify tax structure to create investment friendly atmosphere.

AIAI would make this representation to reduce the taxes on membership services to 5% against the proposed 18%.