



GST INSIGHT

GST Update
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For any GST related queries, you may reach our GST Helpline at +91-22-66371984 or by email at GST@elp-in.com

The upcoming winter session of the parliament will see the Government table the reformative (GST) Constitution Amendment Bill, which is expected to have contentious issues addressed and see political concurrence in its passage.

Looking back, the Constitution Amendment Bill, 2011, tabled on 22nd March, 2011, proposed the following amendments:

- Provisions dealing with a body to be set up as GST Council, its composition, powers and functions
- Powers of the Parliament to establish a GST Dispute Settlement Authority, in order to adjudicate disputes between the Centre and States
- Set out the GST net, while excluding certain petroleum products and alcoholic liquor.

When put to vote, many States were not agreeable on various aspects, some of which were:

- The compensation mechanism for Central Sales Tax (CST) was not being enshrined in the Constitution
- The design of the Dispute Settlement mechanism threatened to supplant the States' fiscal autonomy
- The subsuming of local levies within the GST net and associated revenue loss fears.

The Bill, though referred to the Parliamentary Standing Committee which made its recommendations after two years, met a fatal end, with it lapsing.

Based on information from various quarters (Centre, Empowered Committee of State Finance Ministers, etc.), the following may be the features of the redrafted Bill:

- Floor rate with a bandwidth within which the States can levy taxes
- The Revenue Neutral Rate (RNR) be fixed at 11% for the Centre and 12% for States totalling to an effective 23%
- Petrol and petroleum products are likely to be brought under the GST net at a nil rate of duty, thereby, giving flexibility to both the Centre and States to impose duties over and above GST
- A new voting pattern for the GST Council is proposed in the redrafted Bill under which the Centre will get a 1/3rd share in the voting rights. This will evidence the supremacy of the Centre as no decision will be arrived at without the concurrence of the Centre. The proposed pattern will also mandate a quorum of 3/4th of the members of the Council.

Last year, the Centre had decided to drop the declared goods list from the Bill, thereby, accommodating the States' demand to continue to allow States to levy taxes on the products. However, there does not appear to be any recent development on this front.

It is understood that the Finance Ministry is in the process of preparing a Cabinet note on the Bill, and once the same is completed it will put to rest any speculation on this subject matter. In the backdrop of these developments the eagerness and determination to usher in this game-changing reform is a message the Government is strongly projecting and acting upon, even though there was a recent back and forth between Centre and States on the issue of threshold of annual turnover for levying GST; it seems that barring a few, most States are aligned with the Centre's proposal to set an annual threshold turnover at Rs. 25 lakh.

Industry and businesses must gear up and begin planning activities in order to brace themselves and prepare for GST.