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CONSTITUTION AMENDMENT BILL

The Lok Sabha has today passed the Constitution (122nd Amendment) Bill, 2014 that seeks to bring in the Goods and Services Tax, with the Hon'ble Finance Minister assuring the States that the Centre would compensate any revenue losses suffered by them over the next five years.

The passing of the Bill in the Lok Sabha is an historic step in its three step legislative journey. With this step, the doorway to introduce GST in India has been partially opened. All attention will now be on the further two steps – (i) passing of the Bill in Rajya Sabha, and (ii) endorsement by half the States. Considering that the Ruling Party is outnumbered in the Rajya Sabha, and if the 'walk out' by the Congress and certain other opposition parties during the voting in the Lok Sabha is indicative of the stance of such parties in the Rajya Sabha, achieving the required consensus (voting by majority of members in the Rajya Sabha and not less than two thirds of the members present and voting) is going to be a difficult task for the Government.

A delay in any of the above two steps may correspondingly delay the introduction of GST beyond 1st April 2016.

Recap on the key aspects of the Bill

The Amendment Bill as introduced in the Lok Sabha seeks to amend the Constitution to:

- Confer concurrent power upon Parliament and the State Legislatures to make laws governing the GST;
- Subsume various prescribed Central level taxes into a Central level GST and State level taxes into a State level GST;
- Levy an Integrated Goods and Services tax on inter-state transactions of goods and services;
- Levy an additional tax not exceeding 1% on inter-state transactions of goods for a period of two years (which is to be collected by the Centre but assigned to the originating State);
- Cover all goods and services under GST except for alcoholic liquors for human consumption. Petroleum and petroleum products, though not excluded from the GST regime, will not be subject to or be covered under GST till a date to be notified on the recommendation of the GST Council;
- Create a GST Council, which will then examine and make recommendations to the Union and States on issues such as rates, exemption lists, threshold limits etc. under GST; and
- Provide for compensation to the States for loss of revenue arising on account of implementation of GST for a period which may extend to five years.