## Cabinet clears the decks for GST regulating e-commerce

***GST bill will be amended to say that states will be compensated 'for 5 years' rather than up to five years***

The National Democratic Alliance (NDA) government set the stage for ambitious reform legislation to roll out the goods and services tax (GST), with the cabinet on Wednesday signing off on amendments to the GST bill to be tabled in the Rajya Sabha.

The cabinet also approved a proposal to set up a fund to kick-start stranded infrastructure projects and a bill to replace the Consumer Protection Act, 1986, which would bring e-commerce companies under the consumer protection and competition laws, aimed at safeguarding the interests of online shoppers.

The cabinet accepted most of the changes in the GST legislation proposed by a Rajya Sabha select committee that submitted its report to Parliament last week, seeking to break an impasse on the bill that's seen as one of the most important tax reforms in post-independence India.

The government has agreed to change the language proposed in the bill with regard to compensation to states for revenue losses arising from GST's implementation. The bill will be amended to say that states will be compensated "for 5 years" rather than up to five years. It is, however, unclear if the centre has accepted the states' demand to provide full compensation for five years rather than the diminishing compensation structure proposed in the bill.

The government has also accepted the panel's recommendation that the additional 1% tax on supply of goods proposed in the bill be restricted to the inter-state sale of goods and not stock transfers by a company from one warehouse to another.

Cabinet approval for the amendments sets the stage for the 122nd Constitution Amendment Bill to be tabled in the Rajya Sabha, which, along with the Lok Sabha, has been paralysed by opposition protests.

If the bill gets passed in the Rajya Sabha, the government will have to again go to the Lok Sabha for getting the Lower House's approval for the proposed amendments.

The Constitutional Amendment Bill for GST needs the support of two-thirds of the members in both houses.

The NDA, which has a comfortable majority in the Lok Sabha, lacks sufficient numbers in the Rajya Sabha. In the Upper House, the government needs the support of at least 163 out of the total 245 members to get the bill passed. The Bharatiya Janata Party-led NDA's strength in the Rajya Sabha is only 63, requiring it to seek the support of other parties.

Given that the Congress, the Communist Party of India, the Communist Party of India (Marxist) and the All India Anna Dravida Munnetra Kazhagam have given dissent notes on the select panel's report that have not been accepted by the government, their support for the bill is doubtful.

The Congress party on Wednesday was quick to issue a seven-point note in response to the Union cabinet signing off on the amendments.

"Goods and Services Bill approved by Union Cabinet today is pitted with compromises, exclusions and exceptions defeating the sole purpose of ensuring a common market through 'Goods and Services Tax'," Congress spokesperson Randeep Surjewala said in a statement.

"Obstinacy of Prime Minister, Narendra Modi and arrogance of BJP Government in not accepting valid, meaningful and logically implementable suggestions of Congress Party is leading to introduction of a GST Bill, which undermines the very purpose of GST," he said.

The government hopes to implement GST from 1 April 2016. But it is short of time. Once both houses of Parliament pass the Constitution Amendment Bill, the bill has to be sent to the states for ratification. At least 50% of the states have to ratify the bill.

Once this is done, a GST council—with representation from the centre and the states—will be constituted to help in drafting the GST law. A central GST law, a state GST law and an integrated GST law for inter-state transactions have to be passed before GST becomes a reality.

"We are going to raise this issue in the Parliament strongly. A decision on what would be the manner in which we would oppose it would be known in a day or two," a senior lawmaker of the Congress party said on condition of anonymity.

Infrastructure fund

The National Investment and Infrastructure Fund (NIIF), announced in the Union Budget and approved by the cabinet, will have an initial authorized capital of Rs.20,000 crore and a government contribution of up to 49%.

NIIF will function as a sovereign fund and will seek equity participation from overseas investors as well.

With the NDA government making infrastructure building the central plank of its development agenda, restarting stalled projects and reviving private investments remain critical challenges if economic growth is to accelerate.

Many infrastructure projects, including roads and power plants, have been stuck in recent years because of delays in securing statutory approvals and in completing land acquisition, crimping the cash flows of developers, hurting their ability to repay creditors and in turn leading to a pile-up of bad loans at banks.

On Wednesday, the cabinet also approved a proposal to allow foreign investment in alternative investment funds announced in this year's Union Budget. AIFs will not only boost foreign money inflows, but also stimulate growth of start-ups and projects that often face difficulties in raising working capital due to their small size or unconventional business objectives. The move may also potentially bring large global hedge funds and wealthy foreign individuals, who now mostly invest in listed firms, into the unlisted space.

Regulating e-commerce

The cabinet also approved the Consumer Protection Bill, 2015, to replace the Consumer Protection Act, 1986, seeking to protect the interests of consumers.

“E-commerce has provided new opportunities to consumers, but equally this has rendered the consumers vulnerable to new forms of unfair trade and unethical business practices,” said a person familiar with the development.

“Misleading advertisements, multi-level marketing, direct selling and e-tailing pose new challenges to consumer protection and will require swift executive intervention to prevent consumer detriment. Therefore, there was a need to modernize the system and address the constantly emerging vulnerabilities of the consumer,” the person said on condition of anonymity.

In other developments, the cabinet approved amendments in the Anti-Hijacking Bill, 2014, which will be replaced by a 2015 version, enlarging the definition of hijacking by including persons who organize or direct others to commit offence in addition to those who seize control of an aircraft.

It also introduces the provision of death penalty where the offence results in death of any person not involved in the offence, or with life imprisonment and fine for the remaining part of that person’s natural life.

*(HT Mint)*