

Congress isolated, most parties agree on GST Bill

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Even as political support for the Constitutional Amendment Bill for the goods and services tax (GST) seemed to grow, the Rajya Sabha select committee has mostly concurred with the Bill as proposed by the Modi government, sources privy to the matter told FE.

The House panel, which is to finalise its report on Monday, is learnt to have endorsed the 1% tax on interstate trade proposed for the initial two years of the GST regime to give relief to manufacturing states.

The ruling coalition partners and many others including the Trinamool Congress largely supported the current version of the Bill as passed by the Lok Sabha and did not agree with the Congress party's proposals to include petroleum products in the GST from the start itself and cap the tax rate at 18% in the Constitution itself. The Congress may give a dissent note.

In parallel, the Centre has sought to give a sense of urgency to the executive processes to meet the April 1, 2016, deadline to launch the new tax. The finance ministry, sources said, has mooted a converged list of items to be exempted from GST for the central and state components of GST to keep administration simple. As far as area-based exemptions are concerned, they would be retained until the end dates already announced, while these, being incompatible with the GST, won't be extended.

The central government is also set to choose an IT company for building the necessary infrastructure.

Navin Kumar, chairman of GST Network, a joint venture between the federal and state governments, said that five bids for building the necessary IT infrastructure for GST have been received and that the partner would be identified by end of next month. While Kumar did not specify the names of the bidders, sources said TCS, Wipro, Infosys, Tech Mahindra and Microsoft have expressed interest in the project.

The Centre and the empowered committee of state finance ministers will work together to expedite the preparation of the draft central and state level GST statutes.

VS Krishnan, member, service tax and GST, said here at an interaction organised by industry chamber Ficci that there was a general consensus that the list of exemptions at the central and state levels needed to converge. At present, about 99 items are exempted by states from levy of VAT, while 219 items are exempted from central excise duty.

“When the lists of products that are exempted from central excise duty and state level VAT are converged, fewer items in the current list of excise exemptions would get the duty benefit,” said R. Muralidharan, senior director, Deloitte.

Krishnan said the broad policy of the central government was to phase out area-based tax exemptions, but in cases where incentives are committed in order to attract investments, the

benefit would be “grandfathered”, implying that these would be allowed for the full promised extent.

“Wherever sunset clauses (end dates for benefits) are mentioned in law, we will have to honour them,” he said. These would include the area-based tax exemptions given to businesses in the northeast and in hill states. The official also said that states could determine their exemptions within the flexibility the new indirect tax regime would offer.

Senior officials said that the central government was fully prepared to meet the April 1, 2016, deadline for GST, but political observers remain sceptical about getting the Constitution (122nd Amendment) Bill passed in the Rajya Sabha in the forthcoming session of Parliament beginning July 21. The Bill was passed earlier in Lok Sabha but was referred to a select panel of the Rajya Sabha led by the BJP’s Bhupender Yadav. The panel has to present the report by July 24.

Congress, the main opposition party in the Upper House, is learned to be preparing a dissent note on the Bill, saying it cannot support a Bill that was not “simple and comprehensive”. Trinamool Congress has in the meantime offered to support the Bill.

The Congress wants an 18% ceiling for GST to be specified in the Constitution itself, besides dropping the provision for 1% tax that states could levy on exports for two years.

Registration of new traders on the IT network of GST would commence from January 31 and traders currently registered with state tax departments would be migrated to the new system.

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