

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:155
ANSWERED ON:19.11.2010
CONSENSUS ON GST
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Will the Minister of FINANCE be pleased to state:

- (a) the salient features of the proposed Goods and Services Tax (GST) and the status thereof;
- (b) the main points of difference between the Union and State Governments;
- (c) whether any consensus has been arrived at after consultation with the State Finance Ministers in regard to the proposed legislation on GST; and
- (d) if so, the details thereof ?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (d) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 155 FOR ANSWER ON 19th NOVEMBER 2010

(a) The Empowered Committee of State Finance Ministers (EC) had prepared and released First Discussion Paper on Goods and Services Tax (GST) with the objective of generating a debate and obtaining inputs from all stakeholders - taxpayers, including industry, trade and agriculture as also consumers.

The main features of GST as proposed in this Discussion Paper are:-

- (i) The GST shall have two components: one levied by the Centre (Central GST), and the other levied by the States (State GST).
- (ii) There will be two-rate structure for goods with a lower rate for goods of basic importance and a standard rate for goods in general. Services however will be taxed at single rate. There will be a special rate for precious metals and bullion.
- (iii) While the Centre would have legislation for CGST, each State would have its own legislation for SGST. A model legislation would be prepared to ensure uniformity in the basic features of law (such as chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc.) across States and between the Centre and the States.
- (iv) Both components of the GST would apply to every transaction of supply of goods and services for a consideration (including imports into India), except for exempt categories or for those outside its purview. Both the Centre and the States would have concurrent jurisdiction for the collection/ administration of these taxes.
- (v) Central Excise duty (including AED), Excise duty on Medicinal & Toilet Preparations, Service tax, CVD (additional duty of customs) on imports, special CVD (4%), and cesses and surcharges are the Central taxes that would be subsumed within GST.
- (vi) VAT/ Sales Tax, Purchase Tax, Entertainment tax (unless levied by local bodies), Luxury tax, Entry Tax not in lieu of octroi, and taxes on lottery, betting and gambling are the important State taxes that would be subsumed in the GST.
- (vii) States may retain their current list of 99 exempted goods under VAT including Goods of Local Importance. Government of India will align its current list of Central Excise exemptions accordingly.
- (viii) Tobacco & its products would be leviable to both CGST and SGST but the Centre could levy Excise duty on it, in addition.
- (ix) Alcoholic beverages. Crude petroleum, Motor Spirit, Diesel, Natural Gas and Aviation Turbine Fuel (ATF) would be kept out of GST
- (x) Centre would levy and collect a tax called 1GST (Integrated GST) on inter- State Supply of goods or services in order to enable input tax credit to be passed on seamlessly across State boundaries. 1GST would be equivalent to the sum of CGST and SGST.

(xi) Input tax credit of Central GST (CGST) shall be allowed to be utilized only for payment of CGST and similarly credit of SGST can be utilized only for the payment of SGST. No cross-flow of credit would be permitted except in the case of inter-State supplies. The rules for taking and utilizing input tax credit should be uniform between the Centre and the States.

(xii) To the extent feasible, uniform procedure for collection of both Central GST and State GST would be prescribed in the respective legislation for Central GST and State GST.

(xiii) There would be a threshold exemption for goods and services so as to keep the small dealers out of the tax net both under CGST and SGST. Over and above this, there would be a compounding/ composition scheme (presumptive tax) for dealers with a turnover upto a certain threshold.

(xiv) Registration of taxpayers would be PAN linked to facilitate exchange of data. Return formats for CGST and SGST should be common. Functions such as assessment, enforcement, scrutiny and audit would be undertaken by the authority which is collecting the tax, with information sharing between the Centre and the States.

(b) The Union Government had conveyed its views to the Empowered Committee on the above Discussion paper. The main points of difference between the Union and the Empowered Committee of State Finance Ministers/States are as follows:-

i. While the Central Government proposes Purchase Tax to be subsumed into GST, some of the States want to keep it out of GST.

ii. Central Government is of the view that annual turnover of Rs. 10 lakh should be the threshold for Central GST for goods whereas some States want that Centre should keep it at Rs. 1.5 crore.

iii. Central Government has proposed that a Constitutional body to be known as GST Council to recommend key GST parameters like threshold, exemption list, rates etc. should be set up for making recommendations to the Centre and States. Some of the States are opposed to setting up of such a Constitutional body.

iv. Central Government has proposed to setup a GST Dispute Settlement authority to hear and decide the references made to it by States/Centre, if they feel some other State or Centre has deviated from any of the recommendation made by the GST Council and such deviation has affected their revenue collection. Some States are opposed to the proposal of setting of this body.

(c) & (d) A Draft Constitutional Amendment Bill required in connection with introduction of GST had been prepared and sent to Empowered Committee of State Finance Ministers (EC) for obtaining the views of the States. The said Draft Constitutional Amendment Bill was discussed in the meetings of Empowered Committee of State Finance Ministers. On the basis of the feedback received from Empowered Committee of State Finance Ministers, the draft Constitutional Amendment Bill has been revised and sent again to the EC for discussion and obtaining views of the States. This revised draft of the Constitutional amendment bill has been discussed in the meetings of the EC held on 20th September, 2010 and 29th October, 2010. The EC is yet to revert back to the Centre with a concrete and clear proposal or comments in this regard.