

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:71

ANSWERED ON:25.02.2011

GOODS AND SERVICES TAX 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);
- (b) whether some States and Union Territories have expressed reservations /differences of opinion over GST and consensus is still alluding;
- (c) if so, the main points of differences among States and UTs over GST;
- (d) whether the Committee of Finance Ministers of States has rejected the proposal of GST;
- (e) if so, the details thereof along with the main objections raised by it; and
- (f) the efforts made by the Union Government to evolve consensus on GST and to implement it within a stipulated time period ?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (f); A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 71 FOR ANSWER ON 25th FEBRUARY, 2011

(a): The salient features of the proposed Goods and Services Tax (GST) are given below

(i) The GST shall have two components: one levied by the Centre called Central GST (CGST), and the other levied by the State called State GST (SGST).

(ii) While the Centre would legislate for CGST, each State would have its own legislation for SGST. Efforts will be made to ensure uniformity in the basic features in Central and State legislations, such as chargeability, definition of taxable event and taxable person, valuation provisions, basis of classification, etc.

(iii) Both CGST and SGST would be levied on every transaction of supply of goods and services (including imports into India) for a consideration, except on exempt goods and services or goods kept outside the purview of GST. Both the Centre and the States would have concurrent jurisdiction for the collection and administration of these taxes.

(iv) Central Excise duty (including Additional Excise Duty), Excise duty on Medicinal & Toilet Preparations, Service tax, CVD on imports (Additional duty of customs) Special CVD (4%), and Central cesses and surcharges would be subsumed within GST.

(v) VAT/ Sales Tax, Entertainment tax (unless levied by local bodies), Luxury tax, Entry Tax not in lieu of octroi, and taxes on lottery, betting and gambling would also be subsumed within GST.

(vi) There will be a common exemption list for goods and services between Centre and the States.

(vii) Tobacco & its products would be leviable to both CGST and SGST but the Centre could levy Excise duty over and above GST.

(viii) Petroleum crude, Motor spirit, Diesel, Natural Gas and Aviation Turbine Fuel (ATF), and Alcoholic liquor for human consumption would be kept out of GST to begin with.

(ix) Centre would levy and collect a tax called Integrated GST (IGST) on inter-State supply of goods or services. This will enable passing of input tax credit seamlessly across State boundaries. IGST would be equivalent to the sum of CGST and SGST. Such transactions would, therefore, bear only IGST and not CGST and SGST separately.

(x) The IGST would follow the destination principle with the revenue accruing to the State where the goods or the services on which tax is paid is finally consumed.

(xi) 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.

(xii) Registration of taxpayers would be PAN based. Return formats for CGST and SGST should be common to the extent possible. 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) and (c): A broad consensus over design of dual GST has been achieved between the Centre and the States. However, there are some issues on which such convergence of views between the Centre and States is yet to be arrived at. Some of such issues are listed below:

(i) Some States want Centre to exempt all the goods currently exempted under Central Excise regime, under CGST also. Centre, however, is of the view that the exemption list for CGST and SGST should be common.

(ii) Some States have requested that Centre should have gross annual turnover of Rs. 1.5 crore as threshold for CGST. Centre has however, consistently maintained that the threshold for CGST and SGST should be same.

(iii) A few States have demanded total autonomy to fix tax rates in GST regime, whereas Centre has suggested that both Centre and States should follow recommendations of GST Council while fixing GST rates.

(d) to (f): Empowered Committee of State Finance Ministers has not rejected the proposal to introduce GST but is working on GST for past few years. EC has prepared and published on 15th November, 2009 'First Discussion Paper on GST'. Central Government is closely engaged with Empowered Committee of State Finance Ministers (EC) to evolve consensus on all issues related to GST. A meeting to discuss early introduction of Constitutional Amendment Bill required for rolling out to GST with members of EC was held on 11th February, 2011.