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Goods and Services Tax Alert

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Select Committee on GST Constitution Amendment (One Hundred Twenty Second Bill) 2014 submits its report in Rajya Sabha

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Report of Select Committee on Constitution Amendment Bill submitted in Rajya Sabha

The Select Committee, set up to review the Constitution Amendment (One Hundred and Twenty Second) Bill, 2014 ('the Bill') and headed by Bhupender Yadav, submitted its report before the Rajya Sabha members on July 22, 2015.

The said report has accepted almost all Clauses mentioned in the Bill with following major recommendations:

- Modifications recommended in Clause 12, to define the term "band" for levying slightly higher GST rates on specified goods and services over the GST floor rate.
- The Committee has recommended that State Governments while framing the SGST laws should consider taking suitable measures to ensure the revenue flow to local bodies and their resources are not adversely affected.
- Recommends modifications to Clause 18 (relating to levy of 1% additional tax) of the Bill. The recommendation is to levy additional tax only on supplies made against a consideration. Thereby, excluding supplies, such as transfers within the branches of same entities, from the ambit of additional tax.
- Recommends amendment to Clause 19 of the Bill, relating to compensation to be provided by the Central Government. The Bill in its current form provides for compensation to the manufacturing states, for the revenue loss due to GST roll out. This compensation is at present for such period which can extend up to five years. The recommendation is to amend the clause and provide compensation for the first five years.
- The Committee mentioned that if the GST rate on banking services is higher than 14%, then the cost of doing business in India would be much higher as compared to other competing Countries. Therefore, it is recommended that, considering the international practices, banking services may be kept outside GST, if possible. If it is not possible, then some specified banking services such as interest, trading in securities and foreign currency and services to retail customers should not be liable to GST and GST rate for other banking services should be kept minimum.

Certain political parties opposing the Bill in its current form have submitted dissent notes on the said report. The major points are:

- No additional tax of 1% should be levied.
- Change in composition of representational powers, in the proposed GST Council, to lower the Centre's say in the GST Council.
- 18% cap to be imposed on the GST rate.
- Petroleum to be kept outside the purview of GST
- States to be empowered to levy higher rate of tax on tobacco and tobacco products

Further there have been significant developments towards building the GST Network ('GSTN') wherein bids from five IT companies were received, for building GSTN and the said bidding process is slated to be finalized soon.

GSTN would be the technology back bone for implementation of GST and would deal with the procedural and compliance related processes such as registration, tax payments, filing of returns etc.

Details of dealers currently registered under the current Value Added Tax laws, Central Excise laws, Service tax laws to be migrated to the new network.

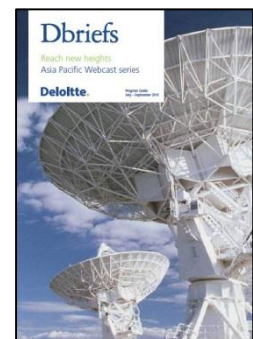
Source: Report of the Select Committee, presented to the Rajya Sabha on July 22, 2015

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