

Topic: One Nation, One Tax

Goods and Services Tax:

As the name suggests, it is a **tax levied** when a consumer buys a good or service. It is meant to be a **single, comprehensive tax** that will subsume all the other smaller indirect taxes on consumption like service tax, etc. GST is officially, the Constitution (**One Hundred and Twenty-Second Amendment) Bill 2014**. It was introduced in the **Lok Sabha on December 19, 2014** by Finance Minister **Arun Jaitley**. The Bill seeks to amend the Constitution to introduce a goods and services tax (GST) which will subsume various Central indirect taxes, including the Central Excise Duty, Countervailing Duty, Service Tax, etc. It also subsumes State value added tax (VAT), Octroi and entry tax, luxury tax, etc.

The Bill inserts a **new Article in the Constitution** to make legislation on the taxation of goods and services a concurrent power of the Centre and the States. The Bill seeks to establish a GST Council tasked with optimising tax collection for goods and services by the State and Centre. The Council will consist of the **Union Finance Minister (as Chairman)**, the Union Minister of State in charge of revenue or Finance, and the Minister in charge of Finance or Taxation or any other, nominated by each State government. The **GST Council** will be the body that decides which taxes levied by the Centre, States and local bodies will go into the GST; which goods and services will be subjected to GST; and the basis and the rates at which GST will be applied. Under the Bill, **alcoholic liquor for human consumption is exempted** from GST. Also, it will be up to the GST Council to decide when GST would be levied on various categories of fuel, including crude oil and petrol. The Centre will levy an additional **one per cent tax** on the supply of goods in the course of inter-State trade, which will go to the States for two years or till when the GST Council decides. Parliament can decide on compensating States for up to a five-year period if States incur losses by implementation of GST. **It is likely that GST will be around 18% and it is come into force from APRIL 2017 after being approved by the government of India.**

Key amendments proposed:

1. Additional tax up to 1% on inter-state trade

2014: An additional tax of up to **1% on the supply of goods will be levied** by centre in the course of inter-state trade or commerce. The tax will be directly assigned to the states from where the supply originates. This will be for two years or more, as recommended by GST Council.

2016 proposed amendments deletes this provision. The Committee had noted that the provision for the 1% additional tax is likely to **lead to cascading of taxes.**

2. Compensation to states

2014: Parliament may, by law, provide for **compensation to states for any loss of revenues for a period which may extend to five years.** This would be based on the recommendations of the GST Council. This implies that Parliament may decide : (i) whether it wants to provide compensation ;(ii) the time period for which it can provide such compensation, up to five years.

2016: Parliament shall, by law, provide for compensation to states for any loss of revenues, for a period which may extend to five years. This would be based on the recommendations of the GST Council. This implies that (i) **Parliament must provide** compensation; and (ii) compensation **cannot be provided for more than five years**, but allows **Parliament to decide a shorter time period**. The Select Committee had recommended that compensation should be provided for a period of five years. This recommendation has not been addressed by the 2016 amendments.

3. Dispute resolution

2014: The GST Council may decide upon the modalities to resolve disputes arising out of its recommendations.

2016: The GST Council shall establish a mechanism to adjudicate any dispute arising out of its recommendations. Disputes can be between: (a) the centre vs. one or more states; (b) the centre and states vs. one or more states; (c) state vs. state. This implies there will be a standing mechanism to resolve disputes.

4. Replacement of the term IGST

Under the **2014 Bill**, the GST Council would make recommendations on the apportionment of the integrated Goods and Services Tax (IGST). However, the term IGST was not defined.

The **2016 amendments** replace this term with goods and services tax levied on supplies in the course of inter-state trade or commerce

5. Apportionment of Integrated GST

This is a technical change in relation to the apportionment of the IGST. It clarifies that the states' share of the IGST shall not form a part of the consolidated fund of India.

6. Inclusion of CGST and IGST in tax devolution to states

The GST collected and levied by the centre, other than states' share of IGST, (CGST and centre's share of IGST) shall also be distributed between the centre and states.

Read further:

<http://www.ey.com/IN/en/Services/Tax/EY-goods-and-services-tax-gst>

<http://indianexpress.com/article/business/business-others/gst-bill-pass-what-happened-so-far-parliament-timeline-biggest-2952711/>