

Economists say the panel's suggestion of 1% additional tax could have been completely done away with

RS panel backs most GST provisions

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New Delhi: The Constitution Amendment (One Hundred and Twenty Second) Bill, 2014 for goods and services tax (GST) crossed a major milestone on Wednesday with majority of the Rajya Sabha select committee supporting it.

With this, the GST Bill, which will unify all indirect taxes into one, moved one more step closer to becoming a reality. That is, after it is cleared in the upper house in the current monsoon session and 50% of the state assemblies ratify it. The Bill has already been passed in the lower house in the Budget session.

The deadline set by the government for its rollout is April 1, 2016.

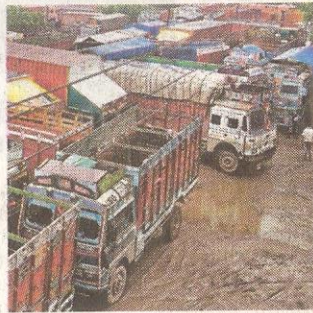
The economists and experts, however, called on the government to ensure that the new levy did not get diluted with the imposition like 1% additional tax for manufacturing states on every stock transfer between states that could push up the prices of goods.

Prashant Raizada, partner - indirect tax, BDO India LLP, said while the panel's suggestion of restricting the 1% additional tax was good, it would have been better if it had been completely done away with as the government has agreed to compensate 100% of the state's revenue loss for all five years.

"This levy will put the Indian manufacturers at a disadvantage because it will be charged at every stage of stock-transfer and will have a multiplier effect but even a little reprieve in this regard is a welcome step," he said.

According to him, the power given to the states to alter the GST floor rate within a band should have also been addressed by panel. This, he said, was similar to what was existent in European Union (EU), where every country has the power to change the floor rate.

"This (power to state to fix floor rate) also goes against the goal of GST to bring about a uniform indirect tax rate in the country," said Raizada. He would have also liked



the suggestions of GST Council to be binding rather than just be recommendatory in nature.

R Muralidharan, senior director, Deloitte said it was heartening to see that the select committee had submitted its report on time, however, the critical milestone for the GST bill to become a reality would be its passage in the Rajya Sabha in the current session that began on Tuesday.

"A consensus is required amongst all political parties to expedite implementation of the

Underlying concerns

The Constitution Amendment (One Hundred and Twenty Second) Bill, 2014 for GST was supported by majority of the Rajya Sabha select committee. However, the experts called on the government to ensure that the new levy did not get diluted with the imposition like 1% additional tax for manufacturing states on every stock transfer between states that could push up the prices of goods

GST regime early. While implementing this new tax reform it is also necessary for the government to ensure that the basic features of an ideal GST are not diluted much," he said.

For this, Muralidharan said that even while the government looked at widening the tax base, it could keep the GST rates moderate at below 20%.

"Ensure no variations in the tax rates and GST laws across all states. Keep the compliance process simple considering the low threshold

limits envisaged and ensure robust transitional provisions are put in place so the assesses are able to transition their existing credits to the new tax regime," he said.

According to him, the government now needed to begin consultative process with the trade and industry for finalising the GST rates, laws and rules. "A participative approach will yield a better GST," he said.

Bipin Sapra, tax partner, EY India, was disappointed with panel's advice to retain 1% origin-based tax and termed it as "regressive". However, he lauded the small reprieve of not levying the tax on stock transfers or self-supplies.

Revenue secretary Shaktikanta Das said the empowered committee of state finance ministers had already set up a sub-committee to look at ways to minimise the cascading effect of the additional levy. "That is the matter which GST Council will decide. I am sure GST Council will take very balanced and good decision," he said.