

## Cabinet OKs GST Bill, may Table it Today



The Union Cabinet gave its assent late on

Wednesday to the constitutional amendment bill that needs to be approved before GST can become a reality. The Bill is likely to be tabled in Parliament on Thursday. >> 17

# Cabinet Okays GST Bill, May be Taken up in Parliament Today

Bill needs to be ratified by two-third majority in Parliament and at least 15 state assemblies

## GST HEADS TO PARLIAMENT



Union Cabinet has approved the constitutional amendment bill to facilitate goods and services tax

It is likely to be moved in parliament on Thursday

### Petroleum in GST, but...

Petroleum to be included in GST but zero rated for three years



States can continue to levy taxes on them

Review of petroleum products after three years by GST Council

### ENTRY TAX IN GST

Entry tax to be included in GST, which will make it a better tax

Compensation to be provided

Alcohol and tobacco to be kept out of GST



### FIVE-YEAR COMPENSATION

Compensation for revenue loss for five years on a tapering basis



### POWER TO STATES

States will wield a good collective power in GST council

States will have two-third vote

### Our Bureau

**New Delhi :** In a big step forward for the long-delayed goods and services tax (GST), the Union Cabinet gave its assent late on Wednesday to the constitutional amendment bill that needs to be approved before the levy can become reality, with the Centre having made significant concession to get states on board.

The bill is likely to be introduced in Parliament on Thursday and the government hopes to roll out GST on April 1, 2016, replacing a range of indirect taxes levied by the Centre, states and local bodies with one unifying levy.

"The bill has been cleared," said a government official.

The development marks a key milestone, one expert said.

"This is a turning point in India's history of fiscal reforms and facilitate the rise of an economic super power," said Sachin Menon, chief operating officer, tax and regulatory services and head, indirect tax, KPMG in India. "This is a moment in history and all the architects who worked for bringing in GST since 2006 would remembered for their contribution to the nation."

Others recognised the government's achievement in walking the extra mile to accommodate the concerns of states. A lack of consensus had made it impossible to get the levy in place on the original start date of April 1, 2010.

"Cabinet clearance assumes greater importance as there

were a few doubts after the recent empowered committee meeting, wherein it seemed that consensus between the Centre and the states still eluded on a few critical points," said Pratik Jain, partner, indirect tax, KPMG. "Now with the Bill all set to be presented in the current session of Parliament, it would be seen as enormously positive towards GST implementation (on) April 1, 2016." The bill will have to be ratified by a two-thirds majority

**The states had been worried over the possible loss of revenue and fiscal autonomy**

in Parliament and at least 15 state assemblies. The government is hoping for parliamentary approval in the budget session. The constitution

has to be amended to allow states to tax services and the Centre to tax goods at the retail level besides laying down the basic framework for GST by creating a council and a dispute settlement mechanism.

The states had been worried over the possible loss of revenue and fiscal autonomy. The Narendra Modi government has accommodated these concerns by providing for a five-year tapering compensation in the constitutional amendment bill itself. Petroleum products have been included in GST but will be taxed at zero rate for three years, implying that states will be able to tax these for that period.

After three years, a decision will be taken by the proposed

GST Council, which will take decisions on the tax, on which states will have about two-thirds of the vote.

Entry tax has been included in GST, making it a more rounded tax, but states will be adequately compensated. States had wanted this levy kept out. Tobacco and alcohol, major revenue sources for states, are not likely to be covered by GST.

"This is a welcome move because petro products and entry taxes have been subsumed into GST. The sign of the introduction of this reform will further encourage the industry and give confidence to investors to attract investments," said Prashant Deshpande of Deloitte. The stalemate between the Centre and the states was broken after finance minister Arun Jaitley held a series of meetings over the past few days with state finance ministers to address their concerns including compensation.

He had also announced compensation of ₹11,000 crore to make up for the cut in the central sales tax (CST) rate to 2% from 4% and assured an additional sum in the coming budget. The issue of CST compensation had been a key irritant. While states insisted on the release of compensation, the Centre wanted them to show some movement on GST as quid pro quo. But the opposition was largely politically driven, with BJP-ruled states blocking the UPA government-led reform before the Narendra Modi administration took over in May.

✓

*Pratik* Economine Times  
18/12/14