

GST HEADLINES

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GST Stalemate Resolved, Rollout Deferred to July 1

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90:10 formula agreed upon for dual control of assesseees.

The Goods and Services Tax (GST) Council arrived at a consensus on contentious issues such as administrative control over tax payers in the new indirect tax regime on Monday, thus paving the way for GST to be introduced this year, although three months after the Centre's original rollout deadline of April 1, 2017.

"The issue of cross empowerment and dual control was taken up and we discussed the issue for the entire day," Union Finance Minister Arun Jaitley told a press conference following the conclusion of the Council's ninth meeting.

"And we have been able to arrive at a decision on this issue. The entire taxation base will be shared between the assessment machinery of the Centre and the States," he said.

Another area of contention between the Centre and the States was the issue of who would get to collect tax on the economic activities taking place in Indian territorial waters. This issue has also been smoothed out, Mr. Jaitley said.

Meeting in February

The Council will now meet on February 18 and approve the legislations that need to be cleared by Parliament and it is expected that those would be passed and ratified during the Budget session.

"Simultaneously, after they are free from the preparation of these drafts, the officials who are lending technical support will start working out the fitment of

various rates into the various slabs,” Mr. Jaitley said. “This exercise will in all probability take us well into the month of March.”

“So I requested the Ministers to give their opinion about the realistic dates and there was a broad view that July 1 appears to be more realistic [for the rollout of GST],” he said. “Since it is a transactional tax, it can be introduced anytime. Also, they felt that industry and trade would have to be given adequate notice and once the rates are decided, the GST network would have to be modified suitably.”

As per the formula for dual control of assesseees, 90 per cent of those with a GST turnover of Rs. 1.5 crore or less will be assessed for the purposes of scrutiny and audit by the States and 10 per cent by the administrative machinery of the Centre.

“Those above a turnover of Rs. 1.5 crore would be assessed in the ratio of 50:50 between the Centre and the States,” the Finance Minister said.

The Finance Minister said that while the power to levy and collect the Interstate GST (IGST) will lie with the Central government, a special provision would cross-empower the States in the same ratio agreed upon for tax assesseees.

“In the exercise of IGST, where there are contentious issues between conflicting States with regard to place of supply, etc., obviously one of the States cannot assess, and therefore those assessments will necessarily be done by the Centre,” Mr. Jaitley said.

“As far as the area of 12 nautical miles into the territorial waters is concerned, it’s a part of the Centre’s territory. But as per convention, the States will be empowered to collect tax on any economic activity there,” he said.

“All the Ministers present agreed to the proposal [that assessment on Rs. 1.5 crore turnover or less should be divided 90:10 between States and the Centre] except the West Bengal Minister who wanted it to be 100:0 not 90:10,” Mr. Jaitley said. “To all other proposals, he also agreed.”

Mr. Jaitley said this consensus would have to be incorporated into the draft legislation, following which all the four draft laws — the Central GST, State GST, Interstate GST, and the Compensation Law — would have to be tabled for approval in front of the GST Council during its next meeting on February 18.

Following this, the laws would have to be tabled for approval in the legislative bodies of the Centre and the States.

“The next critical aspects to be watched out are the GST Council’s discussions on supporting GST legislation, publication of rules and GST rates,” Rajeev Dimri, Leader, Indirect Tax, BMR & Associates said.

Pratik Jain, Partner and Leader-Indirect Tax at PwC India said: “With indication of the rollout date, industry gets much needed clarity and some additional time for preparation for this huge reform.”

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