**GST HEADLINES**

**September 21, 2016**

**Phone Companies Want Sops to Stay under Sops**

 ***[Source : The Economic Times]***

**Consensus Unlikely on Tax Rates at GST Council Meet**

***[Source : Livemint]***

**Bihar Set to Pitch for Higher GST Rate**

***[Source : The Telegraph]***

**Centre, States Set For Faceoff at 1st GST Panel Meet**

***[Source : The Times Of India]***



**Consensus Unlikely on Tax Rates at GST Council Meet**

The first meeting of the goods and services tax (GST) council scheduled for later this week is unlikely to reach a consensus on tax rates under the indirect tax regime or on the issue of sharing administrative powers between the centre and the states, government officials aware of the matter said.

The sub-committees formed by the empowered committee comprising state and central government officials to look into these issues and arrive at a basic consensual framework has met only once so far, one of the state government officials cited above said, requesting anonymity.

“The methodology for deciding the rates has to be arrived at. For this, clarity is needed on the exemptions list and the threshold. The exemption list has to be pruned from the existing one. A decision also has to be taken if a negative list of service tax will continue in the GST regime. Rates and dual control will be discussed, but a consensus looks unlikely. A lot of the ground work still remains to be done,” the official said.

Since it is the first meeting, the main agenda will be to finalize the rules of conduct of business, another official said, also requesting anonymity.

A consensus on the revenue-neutral rate (RNR) or the tax rate at which there will be no revenue loss to the states under a GST regime has so far been elusive.

The states have expressed concern over the wide divergence in the RNR proposed by the government panel led by chief economic adviser Arvind Subramanian and the report commissioned by states and submitted by New Delhi-based think tank National Institute of Public Finance and Policy (NIPFP).

The standard rates proposed by the Subramanian panel are around 18%, while those proposed by NIPFP in its latest report are around 22-23%.

The centre had said that computation of the tax base will be another key factor that will go towards the calculation of the tax rate that protects the revenue of the states and the centre as well as keep the tax rate reasonable to minimize the inflationary impact on the common man.

Dual control has also been a major point of disagreement between the centre and the states with the latter insisting that all small traders with a revenue threshold of below Rs. 1.5 crore should be only under the administrative control of states. So far, the centre has not yielded on this issue, but has repeatedly assured the industry that every taxpayer will be under the administrative control of only one tax authority.

Calling it cross-empowerment, revenue secretary Hasmukh Adhia had said that it is possible to divide the scrutiny cases between the centre and the states as per mutual agreement.

Sumit Dutt Majumder, former chairman of the Central Board of Excise and Customs, said the way around the dual-control problem could be a small taxpayers unit along the lines of the large taxpayers’ unit (LTU) existent at present.

“All income tax, excise and service tax issues are handled by the LTU for large taxpayers. Something similar can be done for small taxpayers below Rs1.5 crore wherein state GST and central GST officials can work together in the small taxpayer unit. The Centre has the right to collect integrated GST (IGST). But if states’ demand single control, then the Constitution may have to be further amended to allow states to collect IGST,” he said.

The government is aiming to implement GST from 1 April, but finalizing these issues and the three draft GST legislation by mid-November will be crucial to adhere to this deadline.

GST, considered one of the most ambitious indirect tax reforms undertaken in independent India, will remove barriers across states and unite the country into a common market. It will subsume most of the indirect taxes levied by the centre and the states, including excise duty, service tax, value-added tax, entertainment tax, entry tax and luxury tax.

**Bihar Set to Pitch for Higher GST Rate**

Bihar is set to pitch for a Goods and Services Tax rate in the range of 20 to 22 per cent in the first meeting of the GST council scheduled to be held in New Delhi on September 22 and 23, a highly placed source in the state government told **The Telegraph** today.

"A team of senior officials is charting out the details and preparing the ground on the basis of which the state would raise this point in the GST council meeting," said the source. Commercial taxes minister Bijendra Yadav, and not finance minister Abdul Bari Siddiqui, has been nominated by the government as its representative in the council, the source added.

The GST council, having been formally notified on September 15 this year, is headed by the Union finance minister and consists of the Union minister of state for finance and state finance ministers or any other minister nominated by a state government.

The council is authorised to make recommendations on issues like GST rate; taxes, cess and surcharges levied by the Centre, states and local bodies which would be subsumed by the GST and exemptions to be made in the GST laws. For now, the Centre has set April 1, 2017, as the target date for rolling out GST in India.

Confirming his nomination to the GST council, minister Bijendra Yadav neither confirmed nor denied whether the state stood for a GST rate of 20 to 22 per cent.

"I would not comment on figures for now as details are being worked out by officials," he said.

He, however, hinted at Bihar's likely stand. "We never supported the Congress party's stand of putting a 18 per cent cap on the GST rate," Bijendra said.

The minister also hinted at mobilising support of like-minded states on the GST rate. He said there were several states which shared similar concerns as Bihar and hence Bihar would lobby with them to put forward its view strongly at the council meeting.

Bijendra said a state like Bihar which generated a major chunk of its revenue from existing value added taxes would try to push for a GST rate which could be beneficial for it.

According to official figures, Bihar generated a revenue of Rs 8,607 crore from taxes on sale, trade etc in 2014-15 against the total revenue of Rs 20,750 crore generated through its own taxes. The corresponding figures for 2015-16 stood at Rs 10,197 crore and Rs 25,655.85 crore according to revised estimates. The state budget for 2016-17 has set a target of collecting Rs 14,021 crore from taxes on sale, trade, etc against the total target revenue generation of Rs 29,730 crore through its own taxes.

Senior BJP leader Sushil Kumar Modi, who also headed the committee of state finance ministers on GST for some time in the past, refused to comment on whether Bihar's likely pitch for a higher GST rate was justified or not. "The rate would be finalised through discussions. Moreover, states don't need to worry for at least five years as there is a provision for compensation for this period in the GST Act in case any state suffers financial losses owing to implementation of GST," he said.

Economist P.P. Ghosh, however, was more forthcoming and maintained that the idea of a higher tax rate was not a good one. "Broad based low rate is always the best way if one wants to improve revenue collection," he said. "Demand for higher tax rate indicates an inefficient tax administration."

The GST became a reality on September 8 this year when President Pranab Mukherjee gave assent to the 122nd Constitution amendment bill after its passage from both Houses of Parliament and subsequent assent of 19 states.

# Centre, states set for faceoff at 1st GST panel meet



New Delhi: The Centre is not keen on letting the states have exclusive jurisdiction over imposing goods and services tax (GST) on entities with turnover of up to Rs 1.5 crore, setting the stage for a likely confrontation at the first meeting of the GST Council on Thursday.
Sources said the Centre is of the view that nearly 90% of the entities under the Rs 1.5 crore threshold would be from the services sector, where the states have virtually no experience. In addition, by giving up exclusive charge over these entities, the Centre would not be able to monitor properly.

States such as West Bengal are insisting that Centre should allow them to have exclusive jurisdiction over small units in the new regime as it would be simpler from the administration point of view and also reduce burden on the entities. The issue is listed on the agenda for the two-day GST Council meeting starting Thursday.
The GST rates and the list of exempted goods and services are seen as other possible flashpoints, although the Centre has agreed to raise the threshold for taxation to Rs 25 crore instead of Rs 10 crore proposed in the draft GST Bill.

The agenda note circulated to state finance ministers has also given the modalities and compensation formula and has suggested that the base year be fixed as 2015-16. The average for three years — 2013-14 to 2015-16 — will be calculated and linked to the base year. The difference between the actual collections and the base year will be the compensation that the Centre will pay to the states. The Centre has committed to compensate states for revenue losses for the first five years of GST rollout.

The agenda has also provided the proposed calendar, starting with the inaugural meeting of the Council, where the rules will be finalised and the details of electing a vice-chairman, who will be a state finance minister. The time table has suggested that the three draft Bills — India GST, Central GST and State GST — will be cleared this week and their passage by Parliament is likely in December.

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