**GST HEADLINES**

**October 03, 2016**

**GST Council Meeting: Waivers, Draft Rules Okayed; Differences over Tax Assessees**

 ***[Source : The Indian Express]***

**Centre, States can Levy Taxes for One Year after GST Notification: Jaitley**

***[Source : Business Line]***

**GST Council Meeting: Waivers, Draft Rules Okayed; Differences over Tax Assessees**

## States’ compensation to be discussed on October 18-20



GST council meeting: there was consensus on the items listed in agenda for second meeting such as area-based exemptions and draft rules dealing with issues ranging from registration to invoicing.

Cracks surfaced in the second meeting of the GST Council with disagreement between some states and Centre regarding the Centre’s administrative control of service tax assessees, a decision which was agreed upon in the first meeting of the council last week. As a result, minutes of meeting held on September 23 were not approved by the council in its meeting on Friday.

“With regard to one item recorded in the minutes with regard to the service tax assessment in the new dispensation. There was a long discussion on the interpretation on the decision taken in the last meeting and that discussion consumed a lot of time today. That discussion was inconclusive and therefore it will continue in the next meeting on 18th (October),” finance minister [Arun Jaitley](http://indianexpress.com/profile/politician/arun-jaitley/) told reporters after the meeting.

However, there was consensus on the items listed in agenda for second meeting such as area-based exemptions and draft rules dealing with issues ranging from registration to invoicing.

“Now these rules are with regard to registration, rules for payments, return, refund and invoices. These rules are notified once the Act is passed, these five sets of rules were taken up of consideration and have been approved. So we are in a state of readiness with the subordinate legislation once the Act itself is approved,” he said.

The rules approved will form part of the supporting legislations needed to roll out the GST regime. “So once the Act is passed by Parliament or by the state legislatures as the case may be, we want the draft rules to be ready so that the rules can be notified immediately,” he said.

For the second item on agenda regarding existing tax incentives by the Centre and the state governments, he said GST will be levied on all exempted entities and later central and state governments will decide to reimburse the quantum of tax back to some entities.

“It is possible that some of the exemptions may get phased out…the Council took up for discussion the management of these exemptions and it was agreed that there would be a levy of tax under the GST system on all exempted entities…once the tax is levied, the central govt or state government, which gets that tax, would then reimburse from the Budget, that quantum of tax back to exempted entity,” he said.

The Centre has given some exemptions from excise duty to 11 Northeast and hill states, while states give out a series of incentives to incentivise industries to invest in their states.

When asked if tax exemptions would be grandfathered, Jaitley said: “It is not necessary to grandfather everything but if you do grandfather it then the process of payment of tax and reimbursement, it will be like a direct benefit cash being returned.”

Which exempted entities will remain, which will not remain will be decided by states and the Centre, he said adding that states would have to decide on exempted entities as they will reimburse tax to them.

Since the tax share will be shared between Centre and states in the ratio of 58 per cent to 42 per cent, respectively, the reimbursement for the area-based exemptions would also be in the same ratio.

“We (Centre) will reimburse only 58 per cent. How the remaining 42 per cent will be reimbursed that arrangement has to be worked out. I can’t get 58 per cent tax and reimburse 100 per cent,” he said.

The 14th Finance Commission in its report had scaled up devolution to states from the central pool of taxes to 42 per cent from 32 per cent. The GST Council, which is headed by the union finance minister, had last week decided to fix the exemption limit for the indirect tax at Rs 10 lakh for northeastern states and hill states and Rs 20 lakh for other states along with decision to subsume all cesses into GST.

Apart from the decision on dual control between states and the Centre, the council had then decided to maintain status quo for assessment of 11 lakh service tax assessees, with the powers continuing to stay with the Centre. Jaitley had said state government officials will be trained in due course to handle the service tax cases, but till then Centre will have exclusive jurisdictional control. New assessees which would be added to the list would be divided between the Centre and states. With the Friday’s meeting, as many as seven issues have been settled by the Council.

Discussions on service tax assessment and the formula for calculating compensation for states in case of revenue shortfall as a result of implementation of GST regime would be taken up in the next meeting on October 18-20.

**Centre, States can Levy Taxes for One Year after GST Notification: Jaitley**

# Laying to rest doubts on the government’s powers to levy indirect taxes after the notification of the Constitution Amendment Act for the goods and services tax regime, Finance Minister Arun Jaitley said that the new legislation empowers the government to continue levying excise duty, service tax and value added tax (VAT) till September 16, 2017.

“Until one year after the provisions of the Constitution (101st Amendment) Act, 2016 is brought into force, the Constitution empowers the Central Government to levy excise duty on manufacturing; and service tax on the supply of services,” he informed the Parliamentary Consultative Committee attached to the Ministry of Finance on Friday.

He further added that the Constitution Amendment Act similarly also empowers the State governments to levy sales tax or VAT on the sale of goods till that time for the same time period.

His comments come after there were questions over the legality of levying excise duty and services tax when provisions of the Constitution Amendment Act for GST had been notified on September 16.

At that time, after discussions with the Law Minister, Revenue Secretary Hasmukh Adhia had said there is “no legal infirmity” in the notifications.

**Rollout as per schedule**

Meanwhile, in his opening remarks at the meeting, the Finance Minister also expressed confidence that GST will be rolled out from April 1, 2017, adding that the government is following the road map for implementation of indirect tax levy as per the schedule.

Jaitley also assured the Committee that the GST Council is working in a cordial environment.

Members of the Committee also made suggestions and sought clarifications on GST.

“The members hoped that this law will bring relief to the common man by exempting certain essential items from GST and moderate the rate of taxation on other items which in turn will bring down the prices consumption items of the common man as well as cost of living at large,” said an official release.

*Disclaimer : The news in the GST Corner is purely according to the information available in public domain and does not necessarily reflect the views of ICSI. Any person wishing to act on the basis of this document should do so only after cross checking with the original source.*