

How GST progressed in this Monsoon Session?

In order to set the stage for the ambitious reform legislation, it was necessary for the Modi Government to facilitate the introduction of Goods and Services Tax (GST) in the country. Both the Central and State Government will levy tax on a common base in the proposed GST model.

Milestones till today:

Date	Progress
19-12-2014	The Modi Government introduced the Constitution (122nd) Amendment Bill, 2014 in the Lok Sabha
06-05-2015	The Bill containing 21 clauses and was passed in the Lok Sabha
22-07-2015	The Select Committee under the chairmanship of Shri Bhupender Yadav, which was formed on the note of further legislative scrutiny when the Bill reached Rajya Sabha, submitted its report in the Parliament recommending various changes in the Bill
29-07-2015	The cabinet accepted most of the changes in the GST legislation as proposed by the Select Committee

Here is a brief comparison between what were recommended by the Select Committee and what were approved by the Union Cabinet:

Sl. No.	Select Committee Recommendations	Approved by Union Cabinet
1	Define bands to mean the “Range of GST rates over the floor rate within which CGST or SGST may be levied on any specified goods or services or any specified class of goods or services by the Central or a particular State Government as the case may be”.	The Government has agreed that a “band” tax rate would be finalised for the GST while framing the rules.
2	Explanation should be given for the word ‘supply’ to mean all forms of supply made for a consideration.	The government accepted the panel’s recommendation partially that the additional 1% tax on supply of goods proposed in the bill be restricted to the inter-state sale of goods and not stock transfers by a company from its one location to another.
3	Replace the words in the Clause 19 of the Bill from “upto 5 years” to “for 5 years” and pay 100% Compensation for all five years.	The government has agreed to change the language proposed in the bill with regard to compensation to states for revenue losses arising from GST’s implementation. The bill will be amended to say that states will be compensated “for 5 years” rather than up to five years. However, it is unclear if the centre has accepted the states’ demand to provide full compensation for five years rather than the tapering compensation structure proposed in the bill.

Immediate Next Steps and Possible Impacts:

(I) From Political perspectives:

- The 122nd Amendment Bill, along with the changes approved by the Union Cabinet will be placed before Rajya Sabha for its approval before completing 68 years of Independence on August 15, 2015
- If the bill gets passed in the Rajya Sabha, the government will have to again go back to the Lok Sabha for getting the Lower House approval for the proposed changes approved by the Cabinet
- There are a total of 245 members in the Upper House of Parliament of which 68 belong to Congress, 11 to AIADMK and 10 members to the left parties. This implies that out of 245 members, 89 belong to the parties opposing the bill finally approved by the Cabinet, which is little more than one third of the seats in the Rajya Sabha (approximately 7 surplus seats)
- The point to be noted over here is that a Joint Session of the Parliament cannot be called in the case of a Constitutional Amendment. Therefore it becomes necessary for the Government to get some of them on Board to get the required consent in the Upper House
- GST was initiated by the UPA Government and surprisingly some of the dissenting points were not part of the 2011 Bill piloted by the Congress. The dissent notes submitted by the different opposing parties still remains inconsistent
- If the paramount agenda is the progress and development of the country then at least 2/3rd of each house of the parliament must accept the changes suggested by the Select Committee
- However, this may be difficult considering the fact that almost a decade has passed since the idea of GST was first introduced in the Parliament and still no Government could successfully influence all members to come to a consensus

(II) From the Consumer and Business perspectives:

- What is materially different in the Constitution (122nd) Amendment Bill, 2014 from the 115th Constitution Amendment Bill, 2011 is the 1% Additional Tax
- There is no doubt that the GST model in the present form is a fractured one but it is still a huge improvement over India's current taxation system
- It may be a small step up but it is a step in the right direction. As far as the shortcomings are concerned, the truth is that the compromises often become necessary in Federal democracies where you have to take all the states on the board
- An imperfect GST is atleast a beginning, over a period of few years all the flaws can be plugged. It is important that India can move to the GST regime with new tax remormations effective April 1, 2016