



**Presentation on GST in India**  
**to**  
**The Empowered Committee**  
**of State Finance Ministers on GST**  
**28<sup>th</sup> November, 2011**

**Federation of Indian Chambers of Commerce and Industry**



## ***Agenda***

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- FICCI Suggestions on Constitutional Amendment Bill
- FICCI Suggestions on GST Model
- Conclusions



## ***Comments/Suggestions on Constitutional Bill***

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- The GST must extend to all sectors without exception
- Exclusions of key industrial sectors from GST will have significant adverse implications for the overall economy
- Adverse implications are:-
  - tax cascading
  - high stranded (unabsorbed) taxes
  - reduction in overall competitiveness
  - significant increase in complexity
  - core sector growth imparted negatively
  - higher compliance costs for business
  - higher administrative costs for Government



## ***Comments/Suggestions on Constitutional Bill***

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- Exclusion of key sectors also goes against the principle of broadbasing of the GST and also reduces the ability to moderate the GST rates
- In case it is not found possible to extend the GST to the above sectors, the exclusion should not be achieved through the Constitutional Bill but through notification
- In case these sectors are excluded in the Bill itself, their subsequent inclusion will need another amendment to the Constitution. This will be very difficult to achieve



## ***Comments/Suggestions on GST Model***

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### ***Taxation Principles***

- Precise rules governing the time and place of supply to be laid down based on international best practice
- Service taxation to be based on negative list
- IGST model to form the basis for taxation of inter State supplies of goods and services
- Uniform CGST and SGST law governing
  - tax code
  - chargeability/tax events
  - valuation principles
  - compliance procedures
  - payment and filings
  - administration of dual GST
  - others



## ***Comments/Suggestions on GST Model***

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### **Coverage**

- All Central and State taxes to be subsumed, including purchase tax
- Timeline for subsumation of octroi and other municipal levies should be laid out

### **Rates**

- The GST rates on all goods should be uniform across the Centre and States
- The GST rates on goods should not be more than two : a normal rate and a concessional rate and there should be only one GST rate on services
- If GST is extended to all sectors the GST rates could be significantly moderated



## ***Comments/Suggestions on GST Model***

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- If GST is not extended to all sectors
  - the normal and concessional rates on goods should be 16% (8+8) and 12% (6+6) respectively from Year 1
  - the service tax rate should be 16% (8+8)
  - target must be to lower the GST rate to a uniform 12% in 3 years

### **Exemptions**

- The list of exemptions should be minimised and in no case comprise more than the 99 products presently identified
- Present location based excise exemptions and State level industrial policy based exemptions should be converted into deferral/refund schemes

### **Thresholds**

- Uniform thresholds should apply for both goods and services
- Uniform thresholds should apply for both CGST and SGST at Rs. 20 lacs with compounded levy of 2% GST (1+1) upto the level of Rs. 40 lacs with no input tax offset



## ***Conclusions***

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- We welcome the dual GST
- We would welcome the earliest introduction of the GST - if possible on 1<sup>st</sup> October, 2012
- We would be very pleased to work with and support the Empowered Committee on all aspects of the GST





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**Thank You**