

GST Newsletter

The Constitution Amendment Bill has been passed in the Lok Sabha and presently pending with Rajya Sabha while all the efforts are being made by the ruling party to get the bill passed, political conditions do not seem to be conducive. The discussions and developments on the Bill as well as other aspects of proposed GST regime, during the month of June 2016, have been captured in this newsletter.

Draft of Model GST and IGST Bill released

The Government has released a draft of Model GST and IGST Bill in mid of June, 2016. The Draft is open for public and the States for analysis and debate. This is a positive move by the government and has raised the expectations of implementation of GST regime in near future.

Monsoon session likely from July 18, GST on table

The monsoon session of Parliament is likely to begin from July 18 and conclude on August 12, sources said. As Finance Minister Arun Jaitley has already made it known, the government will try to get the GST Bill passed in this session. Jaitley had recently stated after a meeting of state finance ministers that all states, except Tamil Nadu, were in favour of the Bill. The government's optimism stems from the Congress's isolation on the issue, with West Bengal Chief Minister Mamata Banerjee (TMC), Bihar CM Nitish Kumar (JD-U), and Kerala CM Pinarayi Vijayan (CPM) voicing their support for the legislation.

Government hopes to pass GST Bill with consensus in Monsoon Session

With the changing equation in the Rajya Sabha, the Bharatiya Janata Party-led NDA Government at the Centre expressed hope that the Congress won't repeat its earlier mistakes and help in passing the Goods and Service Tax (GST) Bill in the upcoming Monsoon Session of Parliament. Declaring the stalling of the proposed Goods and Services Tax Bill as a loss for poor people, mostly from India's north and eastern regions, Prime Minister Narendra Modi said the changing party arithmetic in parliament gave hope for enacting the law.

Left says no need for GST cap, Congress isolated

The country's largest communist party said it saw no need to cap a proposed Goods and Services Tax, isolating the opposition Congress further on a contentious clause and brightening the government's chances of winning parliamentary approval for the measure. "We are not echoing what the Congress is saying. We will be happy even if the government gives an

assurance on the floor of the House to keep the tax rate low," CPI(M)'s politburo member and Lok Sabha leader Mhd Salim told.

Kerala backtracks on GST after extending support

Kerala has backed out of its commitment to support the Goods and Services Tax (GST) bill, Chairman of the Empowered Committee of State Finance Ministers Amit Mitra said. "Finance Minister of Kerala Thomas Issac had supported the bill in the recent meeting held in the city, but now they said they were trying to arrive at a consensus," said Mitra, who is also the West Bengal's finance minister. He alleged that there was a state of complete contradiction and confusion in the Left Front on the issue.

GST coming in 6-8 months, J&K must participate: Haseeb Drabu

Predicting that Goods and Services Tax (GST) regime would come in 6-8 months, Jammu and Kashmir government today expressed its willingness to join it but said the state would have to protect its constitutional position which allows it to tax services in the state. Finance Minister Haseeb Drabu, who was speaking in the Legislative Council in the context of new Industrial Policy, said, "..after 6-8 months, GST is coming and the state will benefit greatly from it. We must participate, but we shall do so protecting our constitutional position especially the State Assets Act 1962 which gives us the power to tax services. I do not believe in the fact that we should trade our power to tax with the share in taxes, so we are trying to find the modalities on how do we participate in the GST because as an importing state, the state that consumes more and produces less, we will benefit from GST greatly."

West Bengal Finance Minister Amit Mitra hopes for GST consensus among States

Amit Mitra, who was named the new chairman of the empowered committee of state finance ministers in February, told ET that GST was good for the country and the state. The economist-turned-politician looked confident of forging a "consensus among states through discussions". Mitra said: "The empowered committee would strive for a consensus among the states." Sources said the committee is expected to meet before the monsoon session next month depending on the availability of finance ministers of states.

Manufacturing States will be net gainers under GST, says Jaitley

Finance Minister Arun Jaitley feels that the fears of manufacturing States such as Tamil Nadu, Maharashtra and Karnataka regarding revenue implications for their exchequer as a fallout of the Goods & Services Tax (GST) are overstated. "Manufacturing States, which believe that a destination tax will reduce their taxes, are also the ones that will gain the maximum out of service tax. So, when you net total it, I think the fear is a little overstated," Jaitley said

Government grapples with GST network glitches

Political consensus on unified Goods and Services Tax (GST) may appear well within reach, but the technology backbone, critical to roll out the system, is staring at glitches marred by funding and ownership issues. GST Network (GSTN), a special purpose vehicle (SPV), was set up as a private limited company in 2013 to create a robust IT backbone to make GST's implementation seamless, enable real-time taxpayer registration, filing returns, handle invoices, execute inter-state tax settlements, and connect states for two-way data flow. The department of expenditure has now questioned the logic of giving 51% stake to five private institutions for 5 crore in the GSTN special purpose vehicle (SPV). According to a May 17 finance ministry note reviewed by HT, such a structure adds "substantive cost" with "no apparent advantage".

GST may stifle innovation in e-commerce space: IAMAI

Good and Services Tax (GST) Bill creates unnecessary confusion for e-commerce companies as it boxing them in poorly-defined categories, said Internet & Mobile Association of India (IAMAI), the industry lobby group which represents companies like Flipkart, Snapdeal and Amazon. According to IAMAI, the Bill contains imprecise and overlying definitions for e-commerce activities failing to take into account the different business models that exist in this sector. The GST definition fails to recognize online classifieds such as Olx and Quikr, which provide listing services for 'goods', as it only defines 'aggregators' for services. Another issue that arises from the current avatar of GST Bill is that Online Travel Aggregators (OTA) like MakeMyTrip and Yatra can be wrongfully qualified as 'operators' rather than 'aggregators', as they facilitate payments and supply of services, as opposed to listing 'persons providing service of a particular kind under the brand name or trade name of the said aggregator'. "These discrepancies may lead to misinterpretation of the tax provisions by both regulators and the internet services companies, leading to unnecessary compliance related conflicts in the coming days," said IAMAI.

Tea Industry seeks GST exemption

The Tea Association of India, in a memorandum to the Empowered Committee of State Finance Ministers on goods and services tax, urged the panel to consider tea as an "agriculture produce", exempt from GST, and not a plantation crop. TAI has argued that tea plantation activity was "agricultural" in nature and about 70 per cent of industry cost consists of wages of workers, which do not offer any possibility of input credits. The current rate of VAT for tea sector is between 5 and 6 per cent. "Thus even if the lowest rate of 12 per cent as proposed by the Committee is applicable for tea, the tax cost on tea would be increased considerably," TAI said. It also apprehended that in the economic viability of the industry. the States might not have the flexibility to have a different rate for teas sold through auction system thus making it less attractive. TAI felt that any rise in tax incidence would inflate cost structure of

tea production and render a negative effect on its demand affecting the economic viability of the industry.

Government needs to speed up reforms to push economic growth: CII Survey

Government needs to speed up implementation of GST, address the issue of cheap imports and improve investment climate as majority of sectors are witnessing 'moderate' growth, says a CII survey. It said key economic reforms like GST, land acquisition, labour laws, public procurement policy will add to improving the business environment and also play a big role in investment decisions.

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