

Minutes of the 3rd GST Council Meeting held on 18-19 October 2016

The third meeting of the GST Council (hereinafter referred to as 'the Council') was held on 18-19 October 2016 at Vigyan Bhawan, New Delhi under the Chairpersonship of the Hon'ble Union Finance Minister, Shri Arun Jaitley. The list of the Hon'ble Members of the GST Council who attended the meeting is at Annexure 1. The list of officers of the Centre and the States who attended the meeting is at Annexure 2.

2. In his opening remarks, the Hon'ble Chairperson of the Council welcomed all the members and noted the good progress made in the earlier meetings where several important issues had been decided. He emphasized the need to arrive at a consensus on each issue even if it needed discussion and re-discussion on the same issue.

3. The following seven agenda points were taken up for consideration:

1. Confirmation of the Minutes of the 2nd GST Council Meeting held on 30th September, 2016
2. Modalities for compensation to the states for possible revenue loss
 - (i) Definition of the term "Revenue" (outstanding issue from 2nd GSTC Meeting)
 - (ii) The formula for calculating the projected growth rate for compensation
3. Provision for Cross-Empowerment to ensure Single Interface under GST (outstanding issue from 1st and 2nd GSTC Meeting) –
 - (i) Distribution of taxpayers between States and Centre under GST regime
 - (ii) Modalities for exercising information based enforcement action
 - (iii) Periodicity of review of the distribution
4. Finalization of the bands of tax rates under GST Regime
5. Delegation of powers to the Chairman, GST Council to constitute Technical Committees of officers
6. Date of the next meeting of the GST Council
7. Any other Agenda item with the permission of the Hon'ble Chairperson

Discussion on Agenda Items

Agenda Item 1: Confirmation of the Minutes of the 2nd GST Council Meeting held on 30th September, 2016

4. The members suggested the following amendments to the draft minutes of the 2nd meeting of the Council –

- i. The Hon'ble Minister from Maharashtra stated that in paragraph 29 (iii), a reference also needed to be made to deferral schemes, which was agreed to by the Council.
- ii. The Hon'ble Minister from Punjab observed that in the 2nd line of paragraph 5, after "ITC reversals", 'ITC adjustments' also needed to be included. The Secretary to the Council clarified that the bracketed text in the first line indicated both ITC reversals and adjustments and therefore, reversals also covered adjustments. It was agreed that no change was required in the draft minutes.
- iii. The Hon'ble Minister from Punjab pointed out that in paragraph 21 (i), while referring to adoption of the draft minutes of the 1st meeting of the GST Council, the words 'monthly or bimonthly' should also be added in paragraph 37 (iii). The Secretary to the Council clarified that paragraph 37 (iii) of the draft minutes of the 1st meeting of the GST Council only recorded the final decision namely that compensation shall be released on a quarterly basis whereas during discussion on this issue, monthly or bimonthly compensations were also suggested. He clarified that as the decision was correctly recorded, there was no need to make any changes to the draft minutes. It was accordingly agreed to. The Hon'ble Minister from Punjab observed that it would affect their cash flow, but they would accept the Hon'ble Chairperson's decision. The Hon'ble Chief Minister of Puducherry stated that compensation on bimonthly basis would be more acceptable to the States. The Hon'ble Chairperson stated that a final view could be taken on this issue after consulting the Department of Expenditure, Ministry of Finance. The Hon'ble Deputy Chief Minister of Gujarat asked whether compensation would be given in advance. The Secretary to the Council clarified that compensation could not be given in advance as calculating the same would be difficult.


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- iv. The Hon'ble Deputy Chief Minister of Gujarat stated that the first sentence in paragraph 26 should be changed to read as follows – “The Hon'ble Deputy Chief Minister of Gujarat alluded to examine possible legal complications.” It was agreed to make this change.
- v. The Hon'ble Minister from Bihar pointed out that in paragraph 21 (iv), there was a reference to examination of certain issues by a committee of officers but no such committee was formed. The Secretary to the Council clarified that in order to save time, instead of constituting a committee, he had called a meeting of state government officers from all States who were willing to participate on 8 October 2016 and had discussed the relevant issues threadbare.
- vi. The Hon'ble Minister from Tamil Nadu suggested that the last sentence in paragraph 7 be deleted, which read as follows: “It was agreed that this need not be incorporated in the Minutes of the 1st Meeting of the Council.” The Secretary to the Council clarified that this sentence only recorded that as there was no agreement to count Central Sales Tax (CST) at the rate of 4% for computing compensation, it was agreed not to incorporate it in the minutes of the 1st meeting of the Council. After this clarification, it was agreed not to delete the sentence.
- vii. The Hon'ble Minister from West Bengal stated that in the 4th line of paragraph 14, the word ‘compromise’ should be replaced with the word ‘cooperation’ and in the 5th line, the expression “93% of” should be deleted. It was agreed to make these changes.
- viii. The Officer from Uttarakhand suggested deleting the last sentence of paragraph 28 which read as follows: “The Centre, therefore, could be expected to only reimburse the units out of the remaining 58% of the fund which was not part of the devolution and the States would also need to correspondingly reimburse such units out of the share of revenue received through devolution.” The Secretary to the Council clarified that the sentence could not be deleted as it was only a record of what the Hon'ble Chairperson had stated. The Officer from Uttarakhand pointed out that his state would get only 2%-3% of the devolution amount and the rest of the amount would be distributed between other States. The Hon'ble Chairperson had stated that the Centre would be able to reimburse only 58% of

the tax collected as the other 42% would be devolved to the States and the States would need to take a decision regarding reimbursement from the States' budget.

5. In view of the above discussions, for Agenda item 1, the Council decided to adopt the draft minutes of the 2nd meeting of the GST Council with the following changes –

- i. To replace the existing sentence in paragraph 29 (iii) with the following – “In case the State or Central Government decides to continue any existing exemption/incentive/deferral scheme, then it shall be administered by way of a reimbursement mechanism through the budgetary route, the modalities for which shall be worked out by the concerned State/Centre.”
- ii. To replace the first sentence in paragraph 26 with the following – “The Hon’ble Deputy Chief Minister of Gujarat alluded to examine possible legal complications.”
- iii. To replace the 1st two sentences of paragraph 14 with the following – “The Hon’ble Minister from West Bengal recalled the spirit of the house in the meetings of the Empowered Committee of State Finance Ministers in Kolkata and Delhi to allow the States to administer all taxpayers below the threshold of Rs. 1.5 crores and that the formulation agreed to in the 1st Meeting of the Council was in a spirit of cooperation. However, this cooperation was limited to the Centre administering the Service Tax assesseees whose turnover was below Rs. 1.5 crores and in his understanding, the agreement was that Service Tax assesseees with turnover above Rs. 1.5 crores would be administered jointly by the Centre and the States”

Agenda Item 2: Modalities for compensation to the states for possible revenue loss

6. On this agenda item, two issues were discussed namely –

- i. Definition of the term “Revenue” (outstanding issue from 2nd GSTC Meeting).
- ii. The formula for calculating the projected growth rate for compensation.

Shri Udai Singh Kumawat, Joint Secretary, Department of Revenue made a presentation on both the above issues. The first issue considered was whether Input Tax Credit (ITC)

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reversals should be included in the definition of the term 'Revenue'. The Council was informed that in the meeting of State Government Officers on 8 October 2016 under the Chairpersonship of the Revenue Secretary, a broad consensus was arrived at to include ITC reversals in the definition of "revenue subsumed" for the calculation of compensation. The Hon'ble Chairperson observed that as a broad consensus was reached at the Officers' level, the same may be adopted in the Council. It was agreed accordingly. It was further agreed that some revenues that did not go to the Consolidated Fund of the States but were directly devolved to 'mandi' or municipalities would also be included in the definition of 'revenue subsumed' if these were collected under the authority of Entries 52, 54, 55 and 62 of List II of Schedule 7 of the Constitution of India and were subsumed in the Goods and Services Tax (GST).

7. The next issue discussed was regarding inclusion of specific tax incentives/exemptions presently being given by States in the definition of 'Revenue'. In the presentation, it was stated that as decided in the 2nd GST Council Meeting held on 30th September 2016, no outright exemption schemes were to be allowed in GST regime, and in case the Centre or State decided to continue the incentive, the same would have to be provided through the budgetary route. JS (Revenue) further mentioned that in the meeting held with the State Government officers on 8 October 2016, the Central Government had clarified that the revenue earned by the State Governments after the withdrawal of exemption should be taken into account for calculation of compensation to States as otherwise the States shall have an incentive to continue with the exemptions with the burden being borne by the Central Government for a scheme which is distortionary in nature.

8. The Hon'ble Minister from Jammu & Kashmir stated that the issue regarding inclusion of exemptions in calculation of revenue collected under GST had two aspects, one for the pre-GST period and the other for the post-GST period. He stated that for the pre-GST period, some States had incentivized their industry through the budgetary route and for such States, the tax collected under the incentive scheme would be added to the revenue of the State for calculating compensation. It would be fair that those States which had given incentive by exempting tax should also have this exempted value added to the tax collected in the base year.

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9. The Hon'ble Deputy Chief Minister of Arunachal Pradesh stated that reimbursement given through budgetary route of a State should not be counted as revenue, as this would lead to loss to Special Category States. He added that the amount involved would be only Rs. 20-30 crores which was insignificant for the Central Government. The Hon'ble Minister from Telangana stated that revenue foregone due to exemptions should be included in the revenue of the State for calculating compensation.

10. The Hon'ble Minister from Maharashtra stated that apart from Rs. 7,000 crores that his State stood to lose due to subsuming octroi in GST, they would also lose another Rs. 7,000 crores due to removal of Local Body Tax from 1st August 2015 at the instance of the Hon'ble Prime Minister of India. The action was in consonance with GST. As the State compensated the revenue to the Local bodies, the amount of compensation paid should be considered for the purpose of revenue collected by the State for year 2015-16. Similarly, his State stood to lose Rs. 700 crores due to abolition of Sugarcane Purchase Tax. He stated that his State should not suffer any loss on this count and taxes on account of octroi, Local Body Tax and Sugarcane Purchase Tax should be included in the definition of revenue.

11. The Hon'ble Deputy Chief Minister of Gujarat stated that in the Empowered Committee meeting of the Finance Ministers of the States at Bhubaneswar in 2013, it was decided that Government of India would give compensation to States for loss of CST for delayed implementation of GST. The loss of revenue on account of CST was to the tune of Rs. 10,000 to Rs. 12,000 crores. The Hon'ble Minister from Bihar stated that consuming States should not bear the burden of CST compensation. The Hon'ble Deputy Chief Minister of Gujarat responded that this was not a subsidy issue and was related to CST compensation. The Hon'ble Minister from Odisha stated that the decision was that if GST was not implemented by 2013, CST rate would be restored to 4%. Therefore, revenue of State to be protected on account of CST should be at the rate of 4%. The Hon'ble Minister from Uttar Pradesh suggested that either CST rate of 4% should be taken in definition of revenue or States be given compensation for additional 2 years. The Hon'ble Minister from West Bengal also stated that CST be calculated at 4% under definition of revenue because GST implementation was delayed. He further stated that CST loss till introduction of GST should be compensated and all arrears on account of CST compensation to States should be

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released. He added that only those cesses should be included in the definition of revenue which were getting subsumed under GST and not other cesses such as coal cess being collected under Entry 50 of List II of Schedule 7 of the Constitution.

12. The Hon'ble Minister from Tamil Nadu supported the suggestion of calculating revenue for compensation taking the CST rate at 4%. He further stated that the definition of 'revenue' should include grants-in-aid and the amounts devolved to States. He also suggested that the definition of 'revenue' should not include revenue from petroleum products till such time as it was kept out of GST. The Hon'ble Minister from Jammu & Kashmir also supported the calculation of CST at the rate of 4% in the definition of revenue.

13. The Hon'ble Minister from Chhattisgarh stated that the definition of revenue should include revenue collected and revenue receivable. He pointed out that there were several cases pending in Courts on which there was a stay and in case there was a favourable decision of Courts at a subsequent date and revenue came to the State on this account, it should be added towards the calculation of revenue. The Hon'ble Minister from Odisha stated that many States were awaiting the verdict of the Hon'ble Supreme Court on the Constitutional validity of the Entry Tax Acts of the States. If the verdict went in favour of States, the Entry Tax for the base year 2015-16, which would be collected later, following the favourable judgement, should be considered in the definition of 'Revenue'.

14. The Hon'ble Minister from Maharashtra supported the suggestion of the Hon'ble Minister from Chhattisgarh that revenue accruing from matters pending in the High Courts or Supreme Court should be counted towards revenue for the year in which the dispute arose. He also suggested that the definition of revenue should be gross collection of revenue, i.e., without taking into account the refund of taxes made. It was pointed out that in the base year (i.e. 2015-16), refund amount would be high because of differential rate of VAT (12.5%) and of CST (2%). He also pointed out that Maharashtra accounted for 21% of the share of manufacturing in the country and once exemption/deferral schemes were gone, the revenue accruing to the States would become high and hence, the compensation figure would go down. He suggested the following definition of revenue for the purpose of Goods and Services Tax (Compensation for Loss of Revenue) Bill, 2016 – "Revenue collected for a State shall mean all gross revenues subsumed on account of amendments to entries or as the

case may be deletion of entries, made in the State list by the Constitution (One hundred and first amendment) Act, 2016 and revenue collected by the State under any Act passed by the Centre shall be considered for the purpose of calculating compensation irrespective whether they get credited to Consolidated fund of the State or not. Explanation: For the purpose of calculating revenue under Central Sales Tax Act 1956 revenue shall be equal to twice the amount of tax added by Input Tax Credit adjustment of VAT.” The Hon’ble Minister from Haryana proposed an amendment in the definition of “Revenue Collected” so as to include past arrears or dues collected during a particular year in the revenue of the year in which it was payable under the “earlier law”.

15. The Hon’ble Minister from Madhya Pradesh also suggested to take gross revenue in the definition of revenue. The Hon’ble Minister from Uttar Pradesh supported the suggestion of taking gross revenue in the definition of revenue and also to account for revenue locked in court disputes, especially those relating to entry tax. He also suggested to include deferred revenue such as Sugarcane Purchase Tax in the definition of revenue. The Hon’ble Minister from West Bengal stated that in practice, taxes were first collected and refunds were given out of it which gave the figure of net tax. Hence, the gross revenue was not a notional figure and it should be part of the definition of revenue. He also pointed out that in the 2013 Bhubaneswar meeting, the States had unanimously recommended full compensation on CST and it was immaterial whether or not the Central Government had agreed to this recommendation. He also observed that there were pending cases in the Courts in relation to entry tax and if the State Government concerned won the case, it should be added to the definition of revenue and if it lost the case, then a provision be made in the budget of the State to pay the refund. The Hon’ble Minister from Haryana observed that they were likely to get revenue in the next year from some tax compliance schemes of works contract tax and it should be accounted for in the definition of revenue. The Hon’ble Minister from Jammu & Kashmir stated that gross tax collection meant tax collected plus the cost of collection. He observed that the Finance Commission also followed this principle and exemptions, etc. were not part of the concept of gross tax collection.

16. The Hon’ble Deputy Chief Minister of Delhi also supported the suggestion to calculate revenue at the rate of 4% for CST for the purpose of compensation. He also suggested that

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VAT refund on purchases by diplomatic consulates should also be added to the definition of revenue. The Hon'ble Minister from Jharkhand supported the view that CST at the rate of 4% should be taken for the definition of revenue. The Hon'ble Minister from Karnataka supported the demand for giving CST compensation till the implementation of GST. The Hon'ble Minister from Rajasthan also supported this demand.

17. The Hon'ble Chairperson observed that if the pre-existing exemptions were to be included in the definition of revenue, this principle would apply to the revenues of the Central Government too and this would lead to an incongruous situation. The Hon'ble Ministers from Jammu & Kashmir and Tamil Nadu suggested that the Central Government exemptions on indirect taxes (except Customs) should be added in the calculation of revenue base for compensation. The Hon'ble Minister from Tamil Nadu added that all the exemptions taken together would not add to more than Rs. one lakh crores to the projected collection of GST. The Hon'ble Minister from U.P. observed that the figure would be lesser than Rs. one lakh crores. The officer from Uttarakhand suggested that, for the Special Category States, the definition of revenue should include the exemptions of indirect taxes given by the State Government and the Central Government, in the revenue calculation of the base year 2015-16. The Secretary to the Council informed that gross revenue foregone for the Central Government was very high. He further informed that the difference in tariff rate and the effective rate in Central Excise was treated as revenue foregone. The Hon'ble Chairperson observed that if revenue foregone on account of incentives under VAT, Service Tax and the difference between the tariff rate and the effective rate of Central Excise were added to the definition of revenue, the revenue figure would become much higher than what was actually collected and to safeguard this quantum of revenue, incidence of tax would become very high. He cautioned that for GST to be successful, the tax rates should be realistic and the rates should not become so high that people reject GST.

18. The Secretary to the Council clarified some of the basic premises in relation to the definition of 'revenue'. He observed that any revenue received by the States in 2015-16 on actual basis on account of taxes subsumed in GST would be taken as part of the definition of revenue. The taxes collected on net basis would form the base on which the projected growth rate would be applied. He observed that the suggestion of the Hon'ble Minister from

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Maharashtra and others to add arrears of revenue realized in a future year to the definition of revenue in the base year would create a grey area and calculation of revenue on this basis would lead to differences in figures from State to State. As regards CST compensation raised by the Hon'ble Minister from Gujarat and others, he stated that though the States had recommended compensation for CST beyond 2012-13 or to raise CST to 4% in the 2013 Bhubaneswar meeting of the Empowered Committee of State Finance Ministers, the Government of India at no stage agreed to these recommendations. It would not be possible for the Central Government to pay CST compensation for an additional 4 years, as the financial burden would be unsustainable. He also pointed out that if in the compensation formula, CST was to be taken at the rate of 4%, this would mean provisioning for an additional amount of Rs. 56,000 crores towards compensation and this would lead to a higher tax rate in GST than the presently proposed 6%, 12%, 18% and 26%. He also pointed out that it would not be correct to infer that losses were continuing due to CST at 2% because the State Governments had used other means to compensate for such reduction in revenue like ITC reversals on stock transfers. He further pointed out that on the subject of counting tax exemptions for industries in the definition of revenue, it was decided that the cost of 'grandfathering' exemption schemes could not be borne by the Government of India and it would also be discriminatory towards those States that operated a reimbursement scheme rather than an exemption scheme. Many consuming States had also not given any incentive to industries and it would not be fair that the cost of incentives given by some States should be borne by taxpayers of all States.

19. The Hon'ble Chairperson stated that in order to arrive at the taxation rate for 2017-18, the actual revenue earned by the States and the Central Government in 2015-16 should be taken as the basis as both have run their administration on this collection. It would not be advisable to add any notional figure. One should look at the actual collection and safeguard that rather than inflating the base by calculating what the Centre ought to have done. He stated that a notional approach would increase the burden of taxation on citizens in 2017-18. The Hon'ble Minister from West Bengal stated that the Central Government had earlier given compensation for CST on a notional basis. The Secretary to the Council pointed out that at the presently proposed rates, there was already a shortfall of Rs. 40,000 crores in meeting the target of revenue collection in GST for 2016-17 and there would hardly be any

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avenue to collect an additional amount of Rs. 56,000 crores, if CST compensation was calculated at the notional rate of 4% instead of the actual rate of 2%.

20. The Hon'ble Minister from Jammu & Kashmir observed that development of the hill states was in the interest of the overall economic development of the country. The amount of revenue was small – in the range of Rs. 1,200-1,300 crores and for these States, the amount of exemption should be added in the definition of revenue. The Hon'ble Minister from Assam supported this proposal and stated that if it was not done, this would be a discrimination vis-à-vis those States which used reimbursement route. The Hon'ble Deputy Chief Minister of Arunachal Pradesh and the Hon'ble Ministers from Meghalaya, Uttar Pradesh and West Bengal supported this proposal. The Hon'ble Chairperson observed that in the definition of revenue for the base year 2015-16, for Special Category States, exemptions given by States should be included. The Hon'ble Minister from Chhattisgarh stated that the Empowered Committee had decided in 1998 that no State should allow exemption to industries and therefore, such exemptions were in violation of the decision of the Empowered Committee and therefore, should not be counted as revenue. The Hon'ble Chairperson stated that the argument presented by the Hon'ble Minister from Chhattisgarh might be valid for other States but should not be applied to the Special Category States. He added that Special Category States were regarded as a distinct identity for which both the Centre and the States had exempted taxes. The Hon'ble Chief Minister of Puducherry stated that his state should also be considered for this benefit along with the Special Category States. The Hon'ble Chairperson stated that this could be discussed separately.

21. In view of the above discussion, the Council unanimously agreed that for the eleven Special Category States referred to in Article 279A of the Constitution, the revenue foregone on account of exemption of taxes granted by States shall be counted towards the definition of revenue for the base year 2015-16.

22. On the issue of including other elements in the definition of 'revenue' namely, CST at the rate of 4%, gross collection of taxes and revenue receivable on account of disputes pending in Courts, the Hon'ble Chairperson pointed out that Clause 18 of the Constitution (One hundred and first Amendment) Act, 2016 provided that the Parliament shall provide for compensation to the States for loss of revenue arising on account of implementation of

GST for a period of five years. The spirit of the amendment was to look at the actual collection of revenue and not to inflate the same as this would lead to additional taxation burden on the common man. He also stated that there was no sovereign commitment to pay CST compensation beyond 2013-14. He added that GST was not implemented as per the original schedule due to several reasons and the Constitutional provision for compensation was only for loss of revenue due to GST implementation and not for some breach of promise by the Central Government in some past period. He clarified that Clause 18 could not be read to mean a commitment to compensate States for losses arising during the period 2013-14 to 2016-17.

23. The Hon'ble Minister from West Bengal stated that Clause 18 did not limit the Central Government to one particular formula and that it had earlier calculated notional loss in one year. The Hon'ble Chairperson stated that citizens could not be compelled to pay more tax than what was provided for in the Constitution. The Hon'ble Minister from Bihar supported this interpretation.

24. The Hon'ble Minister from Karnataka stated that lowering of CST was linked to non-implementation of GST and therefore, loss was on account of GST. The Hon'ble Chairperson stated that loss in anticipation of GST was different from loss on account of implementation of GST.

Formula for calculating the projected growth rate for compensation

25. The next issue discussed was the possible formula for projection of revenue growth. In the presentation by Shri Udai Singh Kumawat, Joint Secretary, Department of Revenue, it was highlighted that some States had proposed the formula to be average of revenue growth rate of the best three years out of the preceding five years from the base year 2015-16. It was explained that this was unacceptable to the Central Government as it could lead to unreasonably high revenue growth projection rates. In view of this, the following alternative formulae were discussed with the States:

- i. Average revenue growth achieved in the three years ending 31st March, 2016;
- ii. Average revenue growth achieved in the five years ending 31st March, 2016;

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- iii. Average revenue growth achieved in three years of the five years ending 31st March, 2016 excluding outliers;
- iv. Fixed rate of 12% p.a.;
- v. Rate equivalent to the nominal GDP growth rate of the country

It was proposed that the projected growth rate should be equivalent to the nominal GDP growth rate of the country or another variant could be to take the nominal GDP growth rate but with a minimum floor rate.

26. In the discussion that followed, the Hon'ble Minister from Maharashtra suggested to take the projected growth rate of a State on the basis of the average growth rate of the States for five years preceding the base year or the nominal GDP growth rate, whichever was higher. The Hon'ble Minister from Tamil Nadu observed that the options regarding outliers and best 3 out of 5 years were quite close and therefore, the latter should not be rejected. He also suggested to keep the minimum growth rate at 12%. The Hon'ble Minister from Kerala observed that the proposed formula of nominal GDP growth rate of the country was not acceptable as revenue outcome of GDP growth rate was based on efficiency of collection. He supported the proposal of the Hon'ble Minister from Tamil Nadu. The Hon'ble Minister from Jammu & Kashmir observed that in calculation of GDP, the basket of goods deflated had several errors and therefore, GDP growth should not be considered for projected growth rate.

27. The Hon'ble Chairperson stated that the period subsequent to the implementation of VAT, i.e. 2007-09, was a boom period marked by high growth and high inflation. GDP grew at 9% and tax buoyancy was high and therefore, compensation was not needed. In such a situation, the formula of the best 3 out of the previous 5 years would have worked. He pointed out that growth projection for 2008-09 was moderate and inflation was also down. Therefore, a formula adopted during such a boom period could not be the basis. He stated that there was a need to look at future growth prospects. The Hon'ble Minister from Kerala stated that the boom period ended in 2010-11 and so, half of the five-year period was a boom and the other half was a down period. He observed that the best 3 out of 5 years was


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cherry-picking and instead, it would be preferable to adopt some method of calculating trend growth rate or maybe, even the average of 10 years.

28. The Hon'ble Minister from West Bengal stated that taking GDP as a proxy for tax-growth was not acceptable as variations in growth rates of different States and of the Centre was very high. He stated that national GDP growth rate was a poor reflector of States' growth rates. He further stated that no cross-sectional regression analysis was done before suggesting projected growth rate to be equivalent to the nominal GDP growth rate of the country. He suggested taking the best 3 growth rates out of the previous 5 years growth rate. The Hon'ble Minister from Uttar Pradesh stated that the option suggested by West Bengal could be considered or, in the alternative, to take the average of the growth rate of 5 years to calculate the projected revenue growth. The Hon'ble Minister from Karnataka supported this proposal. The Hon'ble Deputy Chief Minister of Gujarat and the Hon'ble Minister from Odisha supported the proposal to take the average of the best 3 of the preceding 5 years' growth rates. The Hon'ble Minister from Meghalaya stated that if the average growth rate of the last 3 years was taken, his state stood to lose considerably as there was only 2% rate of growth. He suggested to take the average of the best 3 years of the preceding 5 years.

29. The Hon'ble Minister from Punjab suggested to take a period of 10 years and to take out 4 outliers. He observed that taking an average of 6 years would be more in tune with the general business cycle. The Hon'ble Chairperson observed that a lot of ground reality had changed in 10 years and therefore, considering a period of 5 years would be a better criterion. The Hon'ble Minister from Telangana pointed out that for his State, the growth figures would only be available for the years 2015-16 and 2016-17.

30. The Hon'ble Chief Minister of Puducherry observed that all states had agreed to take the average of the best 3 out of the preceding 5 years growth rate. The Hon'ble Chairperson stated that if the option of average of the best 3 out of the preceding 5 years growth rate was taken, the revenue growth rate would range between 10%-18%. He observed that a consistent 18% growth rate was not a realistic figure. The average all-India growth rate during the last 3 years was 10.6% which was closer to reality. He further pointed out that the average growth rate of the past 5 years was 14.2% and the projected nominal GDP growth rate in the next 5 years was 12%-13%. If the growth rate was considered on the basis of

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removing 2 outliers and taking the remaining 3 years, it worked out to 13% which would be burdensome for the Central Government but would still be bearable.

31. The Hon'ble Minister from Uttar Pradesh suggested to adopt a secular rate of 14%-15%. The Hon'ble Minister from Jharkhand suggested a secular rate of 14.5%. The Hon'ble Ministers from Punjab and Haryana suggested a secular rate of 12%-13%. The Hon'ble Minister from Kerala opposed this suggestion. The Hon'ble Minister from Karnataka stated that the approach of 'one size fits all' was not correct as there were huge variations in the growth rates of different States. He suggested to consider the method of taking 3 out of 5 years' growth rate after removing the 2 outliers. The Hon'ble Minister from West Bengal observed that for removing outliers, a regression analysis would need to be done and he instead suggested taking an average of the previous 5 years' growth rates. The Hon'ble Minister from Bihar stated that tax efficiency was important and therefore, taking the average growth rate of preceding 3 years would be desirable. The Hon'ble Minister from Punjab and Assam supported the adoption of a floor rate. The Hon'ble Deputy Chief Minister of Gujarat supported a floor rate of 14.5%. The Hon'ble Minister from Rajasthan mentioned that for the projected growth rate calculation, the average growth rate of best of three years of last five years or average growth rate of last five years may be considered.

32. The Hon'ble Minister from Jammu & Kashmir observed that in the next 5 years, loss of revenue could be on account of reasons other than implementation of GST like drought, flood, social disturbances, etc. and a mechanism could be worked out to limit the compensation to loss of revenue suffered only on account of implementation of GST. The Hon'ble Minister from Karnataka stated that, on the lines of the Hon'ble Union Finance Minister's argument that compensating for the loss arising out of reduction of CST would not be as per the Constitutional mandate as enshrined in the Constitutional Amendment, even compensating on the basis of a flat projected revenue growth rate of 14% went against the Constitutional mandate. It did not really compensate the States that have witnessed average revenue growth of more than 14% in past five years, from the loss of revenue due to introduction of GST. He argued that the States should be compensated in accordance with their past revenue performance to honour the spirit of the Constitutional provision.

33. The Hon'ble Chairperson brought to the notice of the Hon'ble Members that GST was to be implemented in the next few months. He added that if consensus could not be arrived at, then the country could miss the deadline of 1 April 2017 for rollout of GST, but under no circumstances could the deadline of 16 September 2017 be breached. So he exhorted that the House should work in a spirit of statesmanship and decide the issues after comprehensive discussion and by avoiding voting. Keeping the above spirit in mind, the Hon'ble Chairperson suggested to calculate revenue for the base year 2015-16 at the actual rate of 2% for CST and not a notional rate of 4% and to adopt a fixed growth rate of 13% or to take the average of 3 years growth rate out of the previous 5 years after removing the 2 outliers, i.e. the highest and the lowest growth rates during these 5 years. The Hon'ble Minister from Kerala expressed his support for calculating revenue at the rate of 2% for CST but for the fixed growth rate, he suggested that the rate be 14%. The Hon'ble Minister from Assam also supported this suggestion. The Hon'ble Minister from Gujarat presented 2 options – first to calculate CST revenue at the rate of 4% and a 13% fixed annual growth rate or to calculate CST revenue at the rate of 2% and a 14% fixed annual growth rate. In a spirit of compromise, the Hon'ble Chairperson accepted the suggestion of calculating CST revenue at the rate of 2% and to a fixed annual growth rate of 14%. The Council reached a unanimous agreement on this proposal.

34. In respect of Agenda item 2, the Council decided as follows –

- i. ITC reversals shall be included in the definition of 'revenue subsumed' for the base year 2015-16 for the calculation of compensation to the States for any loss of revenue owing to the implementation of GST for five years.
- ii. Such revenues of States that did not go to the Consolidated Fund of the States but were directly devolved to 'mandi' or municipalities would also be included in the definition of 'revenue subsumed' if these were collected under the authority of Entries 52, 54, 55 and 62 of List II of Schedule 7 of the Constitution of India and were subsumed in the Goods and Services Tax (GST).
- iii. For the eleven Special Category States as mentioned in Article 279A of the Constitution, the revenue foregone on account of exemption of the State taxes

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granted by the States to the industries and subsumed in the GST shall be counted towards the definition of revenue for the base year 2015-16.

- iv. In the definition of 'revenue', CST shall be calculated at the rate of 2%.
- v. The formula for calculating the projected growth rate for GST compensation shall be a fixed rate of 14%.

Agenda Item 4: Finalization of the bands of tax rates under the GST regime

35. The Chairperson suggested to take agenda item 4 ahead of agenda item 3 to permit more time to discuss the important issue of bands of tax rates under the GST regime. The House accepted the suggestion. Shri Udai Singh Kumawat, Joint Secretary, Department of Revenue made a presentation on this item. In the presentation, it was clarified that the present discussion was limited to consider the possible GST rate structure and the rate of tax for individual items would be worked out subsequently by a group of officers of the Centre and the States. The presentation highlighted that the rate structure under the GST regime was worked out after taking into account the Central and State taxes subsumed under GST which are as follows –

- Central taxes subsumed under GST
 - a. Central Excise Duty;
 - b. Service Tax;
 - c. Countervailing Duty (CVD);
 - d. Special Additional Duty of Customs(SAD);
 - e. Cesses and surcharges in so far as they relate to supply of goods and services subsumed under GST.
- State taxes subsumed under GST
 - a. VAT/Sales Tax;
 - b. Central Sales Tax (levied by the Centre and collected by the States);
 - c. Entry tax (all forms);
 - d. Taxes on luxury, entertainments, lottery, betting and gambling;
 - e. Taxes on advertisements;
 - f. State cesses and surcharges in so far as they relate to supply of goods and services.


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36. In the presentation, it was highlighted that the broad consideration kept in view while working out the rate structure was: (i) Present tax incidence on goods and services in the country; (ii) Need to protect present tax revenues of Centre and States; (iii) Inflation impact of proposed GST Rate structure; (iv) Mode of raising resources for payment of Compensation. It was pointed out that the present tax incidence of Central and State taxes was as follows –

- i. 42.3% of the Centre's Tax Base and 64.6% of the States' Tax Base was taxed at less than 6% (Lower Rate)
- ii. 53% of the Centre's Tax Base and 33.3% of the States' Tax Base was taxed between 12.4% and 14.5% (Standard Rate)
- iii. 4.7% of the Centre's Tax Base and 2.1% of the States' Tax Base was taxed at more than 14.5% (Higher/Demerit Rate)

37. In the presentation, it was pointed out that for 2015-16, the Central revenue to be protected was Rs. 4.42 lakh crores and for States, was Rs. 4.40 lakh crores. The individual break-up of Central and State taxes was also shared in the presentation. It was stated that the revenue collection for States might change because revenue from petroleum products had also been included by some States. The principles on the basis of which the proposed GST rate structure was worked out was elucidated and these included: (i) proposed rate slabs should be closest to the present combined tax incidence of Excise and VAT (including cascading); (ii) protecting existing revenues of Centre and States; (iii) impact on inflation i.e., on items in the Consumer Price Index (CPI) basket is minimal; (iv) proposed GST rate structure should not be regressive in nature; (v) items of mass consumption should not be taxed at higher rate; (vi) revenue for compensation should be raised through cess. On this basis, the following four slabs of GST rates were proposed-

- i. 6% (to cover those goods presently attracting combined tax rate of Central Excise and VAT between 3% and less than 9%);
- ii. 12% (to cover those goods presently attracting combined tax rate of Central Excise and VAT between 9% and less than 15%);
- iii. 18% (to cover those goods presently attracting combined tax rate of Central Excise and VAT between 15% and less than 21%);

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- iv. 26% (to cover those goods presently attracting combined tax rates of Central Excise and VAT equal to or more than 21%).

It was mentioned that for calculating the present tax incidence as above, only the combined incidence of Central Excise, VAT and their cascading was taken into account. If cascading due to CST, Entry Tax and other non-vatable taxes were also taken into account, the present tax incidence would be even higher. Services were proposed to be taxed at the rate of 18%. It was clarified that impact of the proposed GST Rate Structure on the CPI basket of 300 items would be (-)0.06%. Based on the above, the estimated revenue collection under GST was indicated to be Rs. 8.39 lakh crores as against the projected revenue requirement of Rs. 8.82 lakh crores which did not include compensation requirements. In this regard, it was clarified that Table 11 of the agenda note was revised through a corrigendum as the original figure of expected tax collection under GST indicated as Rs. 8.72 lakh crores was due to a mistaken calculation for Standard Rate 2 at the rate of 20% instead of 18%. The revised Table 11 of the note for agenda item 4 reads as below –

Table 11(R1): Estimated revenue collection with proposed GST rate structure

(in Lakh crore Rs.)

| <u>Rate</u> | <u>Rate of tax</u> | <u>Tax base</u> | <u>Tax collected</u> | <u>% of Tax Base</u> |
|---------------------|--------------------|----------------------------------|------------------------------------|----------------------|
| (a) Lower rate | 6% | 3.66 | 0.22 | 7.08% |
| (b) Standard rate 1 | 12% | 14.66 | 1.76 | 28.30% |
| (c) Standard rate 2 | 18% | 5.50 (Goods) 10.60 (Services) | 0.99 <u>1.91</u> <u>2.90</u> | 31.30% |
| (d) Higher rate | 26% | 12.83 | 3.34 | 24.80% |
| Total (a+b+c+d) | | 47.26 | | |
| (e)Gold | 4% | 4.5 | 0.18 | 8.70% |
| | | 51.76 | 8.39 | |

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38. The presentation also dealt with the mechanism for funding compensation to the States for 5 years after implementation of GST. It was proposed to fund compensation by imposing cess on: (a) items presently being taxed at rate higher than the highest proposed rate slab of 26%; (b) cess on tobacco equal to a rate mentioned at (a); and (c) Clean Environment Cess on Coal, Peat and Lignite. It was mentioned that a compensation fund was proposed to be created in Public Account and cess revenues would be credited to this Compensation Fund. Any amount remaining in this account after the compensation period of 5 years was to be devolved to the States. It was also informed that the National Calamity Contingency Duty (NCCD) was to continue for funding the National Disaster Relief Fund (NDRF). The amount of revenue proposed to be raised from cess in a year was Rs. 51,552 crores as per the break-up given in the table below –

Raising Revenue for Compensation

| <u>Category of item</u> | <u>Taxable Base (Rs. in Crores)</u> | <u>Estimated Revenue (Rs. in Crores)</u> |
|--|---|--|
| Cess on items presently taxed at rates higher than 26% <ul style="list-style-type: none"> • Pan Masala • Aerated waters • Luxury Motor vehicles | 93,500 | 13,090 |
| Cess on tobacco | | 12,314 |
| Clean environment cess (estimated in 2016-17) | | 26,148 |
| Total | | 51,552 |

39. After the presentation, the Hon'ble Members gave their views on the proposed GST Rate Structure. The Hon'ble Deputy Chief Minister of Delhi stated that the weight of items under CPI was very important as in GST, there should be no increase in the price of basic necessities of food, shelter and clothing. The Hon'ble Minister from Tamil Nadu expressed that it might not be necessary that the taxpayer would pass the reduced incidence of tax

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under GST to the consumers by reducing the price. He also pointed out that rates of tax were different for branded and unbranded items of food such as biscuits. He emphasized that the impact of tax on items under CPI was at the heart of the GST Rate Structure. The Hon'ble Minister from West Bengal requested for more clarity as to how inflation impact was calculated and requested for the calculation sheets to be sent. This would enable States to carry out their own analyses which would enrich the overall quality of data analysis. (In accordance with this request, in the evening of 18 October 2016, the GST Council Secretariat circulated the data sheets as obtained from the Department of Revenue to the nodal officers of the States).

40. The Hon'ble Minister from Kerala enquired about the estimate of the present tax collection of Central Excise and VAT at the proposed GST rate structure. The Joint Secretary, Department of Revenue clarified that for the calculation of tax rates, the tax base was taken on the basis of reports of the National Institute of Public Finance and Policy (NIPFP) and the Chief Economic Advisor to the Government of India. The Joint Secretary, Department of Revenue further clarified that the tax base for 2015-16 was taken as Rs. 51.76 lakh crores. He further stated that the calculation of NIPFP's tax base was for the year 2013-14 and that the tax base calculation in the CEA's report was Rs. 44.24 lakh crores after excluding the efficiency gains calculation and that they have revised this base to Rs. 51.76 lakh crores on the basis of certain detailed calculations. He also pointed out that Service Tax base was common in the report of NIPFP and CEA. The Hon'ble Minister from Tamil Nadu enquired whether the tax base had also taken into account the collection efficiency. The Chief Economic Advisor clarified that the tax collection figure was based on actual collection efficiency of States. The Secretary to the Council stated that if one considered an efficiency gain of 2% in GST, this would lead to an additional gain of taxable base of Rs. one lakh crores. The Hon'ble Minister from Tamil Nadu enquired whether the projected revenue of Rs. 8.8 lakh crores could be collected by having 40% band of rate. The Secretary to the Council stated that as the base for 40% band rate would be small (only about Rs. 1.8 lakh crores), the collection might not reach the targeted figure of Rs. 8.8 lakh crores as the gain would be only about Rs. 25000 crores. He added that if this higher rate was adopted, then there would be no room to impose cess for compensation.

41. The Hon'ble Minister from Tamil Nadu raised a question whether collection of cess would be constitutionally permitted after introduction of GST. The Hon'ble Minister from Gujarat stated that if the Central Government was to collect cess, the State Governments should also be allowed to collect cess. The Hon'ble Minister from Tamil Nadu stated that 42% of all taxes collected by the Central Government should come to States by way of devolution. The Secretary to the Council stated that cess was a better mechanism for compensation instead of additional tax. He explained that for raising additional Rs. 50,000 crores for compensation through tax route, the amount of CGST required to be raised would be around Rs. 86,000 crores as 42% of CGST collection would be devolved to the States. As corresponding SGST rate would also go up, the total additional tax burden on the citizens would come to Rs. 1.72 lakh crores. This would also lead to additional gain to all States, whereas only few States would need compensation. He further stated that whatever balance of the collected cess was left in the Compensation Fund at the end of the five years would be devolved to the States.

42. The Hon'ble Minister from Odisha stated that GST was meant to reduce multiple taxes and therefore, he did not support the proposal to introduce cess and to continue with Clean Environment Cess, NCCD, etc. He also raised a doubt whether the Constitution permitted imposition of cess under GST. He also stated that in GST, the aim of one nation-one tax should be realized. He further suggested to restore a demerit and sin rate of tax to minimize the amount of compensation. He suggested to impose cess on direct tax which would not be regressive in nature and would not cast burden on the poor. In the alternative, he suggested to impose a cess on import but not on GST.

43. The Hon'ble Minister from Punjab supported an independent mechanism of cess for compensation and stated that the fund meant for compensation should not go to the Consolidated Fund of India (CFI). He further observed that after five years, whatever amount was collected from cess could be shared between Central Government and State Governments. The Hon'ble Minister from Karnataka stated that the cesses should continue for luxury goods and demerit goods after five years and these should be shared between Centre and States. The Hon'ble Chairperson suggested the possibility to have a tax on

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luxury and demerit goods after five years. The Hon'ble Minister from Karnataka stated that in such a case, there should be a super slab rate of tax for such goods.

44. The Hon'ble Minister from Tamil Nadu observed that if there was an increase by 1% of tax in the 26% slab, then extra revenue collection would be roughly about Rs. 12.84 thousand crores and thus if a higher tax rate of 40% was kept, an extra revenue of Rs. 1.79 lakh crores could be collected. The Hon'ble Chairperson stated that all items presently taxed at 26% could not be taxed at the rate of 40% as many of them were consumed by the middle class. The Hon'ble Minister from Puducherry suggested to examine whether cess was legally allowed to be imposed and if so, States should also be allowed to levy cess. The Hon'ble Minister from Rajasthan mentioned that levy of cess for purposes of compensation was not desirable; instead he felt that a separate higher rate of tax of more than 50% should be imposed on demerit goods. He further observed that in Rajasthan, Bidi was taxed at 65%, Cigarette at 35%, Tobacco at 45% and Pan Masala at 35% and that the State would have to forego substantial revenue of more than Rs. 750 crores if rate on demerit goods was kept at 26%. The Hon'ble Minister from Gujarat supported this view and observed that States should not lose taxes from demerit goods like tobacco, luxury cars and other luxury goods. He suggested to impose differential rates of taxes on goods like refrigerator for lower and higher priced models. He also suggested to allow imposition of cess by States on Pan Masala, etc. which would reduce compensation requirement. The Hon'ble Chairperson observed that efficiency gain of GST would need to be ascertained. He expressed that the States might impose cess in anticipation of revenue loss which might not actually occur. Cess for Compensation Fund was different and the Council would have the power to decide the mode of disposal of the unspent amount in the Fund.

45. The Hon'ble Minister from U.P. stated that if cess was collected by the Central Government, citizens of his State would have to pay cess whereas his State might not require compensation. He stated that in principle, cess be allowed to be collected by all States especially in case of natural disasters. He also suggested to impose higher tax on luxury goods. The Hon'ble Chairperson clarified that the Constitution permitted States to impose additional tax in case of natural disasters on the recommendation of the GST Council. The Hon'ble Minister from Punjab observed that the States losing revenue after

GST implementation would need to be compensated from a common kitty and all States should also bear this burden. He observed that mechanism for compensation should not be dependent upon the CFI as the manner of devolution could change. He stated that the broad principle to be followed was that no State should stand to lose in GST regime.

46. The Hon'ble Minister from Kerala wondered why compensation for GST must be raised from GST. He recalled that compensation for VAT was paid from the CFI. He pointed out that the Central Government could fund compensation from Corporate tax, Customs duty, sale of spectrum or increasing tax on Petroleum products. He also objected to the principle of keeping the higher band of tax rate low to raise fund for compensation. He expressed his opposition to reducing taxes on luxuries, consumer durables, cigarettes, aerated drinks etc. from current rate of almost 30% to a lower rate, particularly so if tax on goods presently attracting 1% to 5% was to be increased to 6%. He also stated that there was no guarantee that lower taxes would be passed on to consumers. He observed that the representatives of FICCI, CII and ASSOCHAM during the interaction with the Empowered Committee of State Finance Ministers had given no assurance to reduce prices and had only stated that the market forces would take care of this issue.

47. The Hon'ble Minister from Andhra Pradesh also stated that the VAT compensation should come from the CFI and that in GST, earlier there was no proposal for levying cess. He did not support the suggestion of levying cess and creation of Compensation Fund. He suggested that compensation for GST should come from the CFI.

48. The Hon'ble Minister from Haryana stated that the idea of levying additional cess by States was a good idea as it provided for assured compensation. He stated that imposition of cess could be reviewed in the light of yearly revenue collection and if compensation was not needed, cess could be subsumed in tax. He supported the idea of a higher slab of tax rate for super luxury items and observed that goods for the consumption for lower middle classes should be kept in the lower rate. The Hon'ble Minister from Uttarakhand also supported the demand that States should have the power to levy cess and the demerit/luxury goods should be charged to a higher rate of tax. The officials from Uttarakhand further stated that his State was a disaster prone area and, they needed power to *suo moto* levy cess in a disaster situation and put it before the Council later on. He suggested that a sub-committee of the

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Council could approve this cess instead of it being brought before the full Council. The Chairperson observed that this suggestion was against the relevant provisions of the Constitution.

49. The Hon'ble Minister from Bihar stated that a new taxation system was introduced in India after 70 years and a holistic view needed to be taken on how to run the country's indirect tax administration. He observed that neither Centre had unlimited resources nor States were completely devoid of resources. He further observed that as 70% to 80% of revenue of States came from indirect taxes, States should not suffer on account of GST reform and they should continue to have resources for their welfare schemes. At the same time, consumers should not be made to pay very high taxes. He suggested to keep taxes on luxury goods at the current levels. He also supported the idea of raising resources for compensation by imposing a surcharge on Income tax and Corporate tax.

50. The Hon'ble Minister from Chhattisgarh observed that there was no Constitutional provision to levy cess after the amendment of Article 271 of the Constitution and imposition of cess could become unconstitutional leading to uncertainty in regard to compensation. He also observed that the general expectation of the public was that GST rate would not be more than 18% and a tax rate of 26% could dampen the general enthusiasm for GST. He also observed that goods like ceiling fan, soap, bulb were not luxury items and therefore should not be kept in the 26% rate bracket. He suggested to remove the 26% rate, keep the highest rate at 18% and to introduce a rate of 40% only for some items as proposed by the Chief Economic Advisor. For raising compensation amount, he suggested to levy a surcharge on direct tax and to keep the CGST rate higher in the 40% rate slab to enable raising fund for compensation.

51. The Hon'ble Minister from Jammu & Kashmir observed that levying cess for compensation to States amounted to self-compensation whereas this should come from the Central Government. He also suggested to bring compensation within the mandate of the Finance Commission. The Hon'ble Chairperson observed that the need of compensation would be over by the time the new Finance Commission looked into this aspect. The Hon'ble Minister of Jammu & Kashmir emphasized that States needed elbow room for policy making and they should not be reduced to the status of the twelfth man in a cricket

team! He stated that the States had responsibilities far greater than their resources and they needed to raise resources to meet their expenditure obligations on education, health, etc. He also suggested that Compensation Fund should not affect the rates of taxes in GST. The Hon'ble Minister from Tamil Nadu supported the suggestion of the Hon'ble Minister of Kerala to impose cess on direct taxes to raise resources for compensation as the Corporates stood to gain from introduction of GST. The Hon'ble Chairperson observed that reduction in rate of direct tax was a major part of 1991 reform process. He observed that Corporate tax in India should be competitive within the Asian region (such as China, Thailand, Malaysia and Indonesia) so that investment and jobs in India were protected.

52. The Hon'ble Minister from West Bengal stated that the sense of the House was that cess must not have a place in GST. He observed that to collect cess from some States and to give it to some other States was a form of cross-subsidy which had several distortions. He suggested certain alternatives to raise money for GST compensation like increasing the tax base of income tax by redeploying officers from indirect tax to Income tax or to levy additional CGST. The Hon'ble Chairperson observed that the Direct tax base was of about five crore people and this base was unlikely to rise radically because large segments of population like those in agriculture and those falling below the poverty line would remain out of income tax net. He also reminded that in the Indian scenario, normally only one member of a family was an Income tax payer. Some other suggestions of the Hon'ble Minister of West Bengal to raise more revenue was to rationalize multiple deductions in Corporate tax, address the problem of inverted duty structure in Customs, expedite the process of anti-dumping investigations and review the Free Trade Agreements. He also suggested that the tax levels on luxuries should remain at the current level.

53. The Hon'ble Chairperson reminded the House that the Council was to discuss policy issues relating to GST and not of Direct tax. He further observed that GST was designed to benefit all States in the long run and therefore, it would not be fair for the beneficiaries to state that their taxpayers should not be touched at all. He also reminded that not only 42% of the Centre's collection went to the States but from the balance 58% also, a large part of money went to States through Central Government sponsored schemes. He also reminded the House of the Centre's larger responsibilities like maintaining the army, funding the

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functioning of the Central Government, etc. He mentioned that CFI was already getting reduced by Rs. 5 lakh crores every year and borrowing from outside at high rate of interest was not a viable option. He also pointed out that compensation was only for a few years and therefore, it was a smaller issue and the bigger issue was the rate structure in GST. He observed that the main stakeholder of the tax reform was the tax payers and one had to be cautious as to how much of tax burden should be put on them. The Hon'ble Minister from Kerala observed that States were in the danger of becoming glorified municipalities and they needed a degree of comfort to operate. The Hon'ble Chairperson reminded the House that GST involved a collective surrender of power by the Centre and the States.

54. The Hon'ble Minister from Assam observed that it was unfair to advise the Central Government on matters relating to Direct tax. He suggested that one option for States to raise revenue could be to raise the amount of Professional tax. The Chief Economic Advisor observed that cess was also an indirect tax and if after two years, no compensation was needed, cess could be rolled into tax, but, according to him, the general rate of tax should come down. He added that if GST compensation had to come out of the structure of GST, the general rate of tax would need to be lower.

55. The Hon'ble Deputy Chief Minister of Delhi observed that GST had both cost and benefit. He observed that his State was likely to lose revenue on goods due to elimination of tax arbitrage. The cost for the reform should come from the Central Government's share, whether from Direct taxes or from some other source. The Commissioner of Commercial Tax, Gujarat pointed out that if States were not allowed to levy higher tax on tobacco, pan masala, etc. they would annually lose revenue to the tune of Rs. 2500 crores. The Hon'ble Chairperson observed that if tax rate was kept very high, it led to increased smuggling and in India the two most smuggled items were gold and cigarettes due to high tax rates on them. The Chairman CBEC affirmed the large incidence of smuggling of cigarettes and informed that about 100 containers of cigarettes were seized last year. The Hon'ble Minister from U.P. reminded that rate of tax on gold was also being doubled to 4%. The Chairperson observed that the rate of VAT on gold in most States and that of Central Excise was 1% and Kerala was the only exception with a rate of 5%. He expressed the hope that in GST regime there would be less unaccounted transactions in gold.



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56. The Hon'ble Chief Minister of Delhi suggested keeping a rate of 40% tax on cinemas and Centre's rate could be higher and this could be earmarked for GST compensation. The Hon'ble Minister from Assam suggested that cess collection could also be divided between the Centre and the States and this would bring down the compensation requirement of the States. The Hon'ble Deputy Chief Minister of Delhi supported this proposal. The Hon'ble Chairperson recognized the historical allergy to cess. He observed that when the present Central Government assumed office, the fiscal deficit was 4.6% without counting several other items like CST compensation to States. He also reminded that the Central Government's assistance to States had gone up, the share of revenue devolved to States had gone up and the Centre's expenditure had also increased. If instead of cess, a higher rate of tax was applied, the GST would become unpopular. Further, the States which were gainers in the GST would stand to gain even more and the Centre would additionally lose 42% through devolution. At the same time, Centre would have to compensate the losing States while the States gaining additional revenue will keep it with them.

57. The Hon'ble Minister from Punjab stated that due to lower GST rates, States would suffer double loss: one foregoing revenue and second a lower devolution from the Finance Commission. The Hon'ble Minister from Kerala emphasized that he had not accepted the suggested GST rate of 26% as it was too low. The Chairperson stated that the 26% slab would cover those goods that were presently attracting a combined Central and State tax rate of 27% which would come to about 30% after adding certain other additional State taxes like octroi, entry tax, etc. He stated that tax on luxury and sin product could possibly be higher as suggested by Gujarat. He reminded the House that during the Parliamentary debate relating to the passage of GST Amendment Bill, there was a demand to put a cap of 18% on the GST rate in the Constitution; while this was not conceded, the general expectation was that the tax would not be very high. He stated that these considerations were kept in mind while suggesting the rates. The Secretary to the Council stated that after five years, one policy option could be to keep the same level of tax and add another super slab rate for luxuries and sin goods and second could be to continue with cess and different commodities could be levied cess at different rates. The cess so collected could be divided equally between the Centre and the States. The Hon'ble Minister from Karnataka observed that one super slab rate might not fully solve the problem as aerated beverages might not be taxed at

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the highest rate. He, therefore, supported the idea of levying a range of cess on different products.

58. The Hon'ble Minister from West Bengal echoed the view of many others as to whether cess could be Constitutionally levied. The Hon'ble Chairperson stated that one interpretation could be that the Central Government shall have power to levy cess under Article 246 read with Entry 97 of List I of Schedule 7 of the Constitution, as this was being levied before Constitution (One hundred and first Amendment) Act. He added that under Article 271 of the Constitution, power to levy surcharge on GST was restricted after the aforesaid Constitutional amendment but not the power to levy cess. He stated that this view would need to be confirmed from the Law Ministry. The Hon'ble Minister from West Bengal cautioned that this could be challenged in a Court of Law. He further added that under Article 270 of the Constitution, cess could be levied for a specific purpose and he wondered how the purpose of cess would be justified. The Hon'ble Chairperson clarified that the Clean Environment Cess was a carbon tax to discourage use of coal and the money so collected was going to the CFI and not to the Ministry of Environment. He added that GST law could provide for imposition of cess and could also provide that it would be kept in the separate fund to be used for GST compensation and to be distributed in a manner provided by law.

59. The Hon'ble Minister from Odisha raised an issue as to what compensation would accrue to the coal bearing States. The Hon'ble Chairperson clarified that the coal bearing States got benefit of the auction amount, royalty and District Development Fund. He mentioned that last year, Rs. 1300 crores went to Chhattisgarh as District Development Fund. The Hon'ble Finance Minister from West Bengal stated that as money was generated from States, 60% of the cess amount should be retained by the States. The Hon'ble Chairperson stated that such an arrangement would mean collection of additional resources for compensation which would put higher burden of tax on people. The Hon'ble Minister from Assam stated that Clean Environment Cess was Centre's fund which it was surrendering in favour of States and it would not be proper to ask for 50% of its share for the States. The Hon'ble Minister from Kerala stated that other than environment and tobacco cess which was collected by the Centre, levy of no other Central cess was acceptable. He

also suggested first agreeing upon the GST tax rate and then examining the rate structure for cess. He stated that additional Rs. 7000 crores should be mobilized by Centre from its own resources. The Hon'ble Minister from Punjab suggested that this amount could be split between Centre and States, and Centre could raise additional amount of Rs. 3500 crore for GST compensation.

60. The Hon'ble Chairperson stated that the amount collected by way of Clean Environment Cess (approximately Rs. 26000 crores) and cess on tobacco (approximately Rs. 12000 crores) were presently being collected by Union of India and therefore, this could be used for funding GST compensation. He however sounded a note of caution that if global prices of coal went up, continuation of this cess would make the thermal sector unviable. So if market conditions altered, then alternative ways of raising Rs. 7000 crores would need to be looked into. The Hon'ble Minister of West Bengal assured that in such a case, GST Council could meet and make minor adjustments. As regards the proposal to raise additional amount of cess of approximately Rs. 13000 crores from pan masala, aerated waters and luxury motor vehicles, approximately Rs. 6500 crores was being presently collected by the Centre through Central Excise and the balance was presently being collected by States through VAT. He observed that the issue to be examined was that if this component of tax was kept for States, then how it would structurally fit into GST as this would imply that States' share of Rs. 6500 crores would be added to SGST whereas the Centre's share of Rs. 6500 crores shall go towards cess. He stated that this issue would need to be examined at the officers' level before a final decision was taken on the subject.

61. In view of the above, it was agreed to defer a decision regarding the method of compensating States for GST losses for the next meeting to permit the officers to examine this issue further. It was also agreed to defer further discussion on the proposed bands of GST rates for the next Council meeting.

62. In respect of Agenda item 4, the Council decided as follows –

(i) to defer a decision regarding the method of compensating States for losses due to implementation of GST for the next meeting and to allow further examination of the same at officers' level;

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(ii) to defer further discussion on the proposed bands of GST rates for the next Council meeting.

Agenda item: 3 Provision for Cross-Empowerment to ensure Single Interface under GST (outstanding issue from 1st and 2nd GSTC Meeting)

63. Under this agenda item, the following issues were discussed;

- (i) Distribution of taxpayers between States and Centre under GST regime
- (ii) Modalities for exercising information based enforcement action
- (iii) Periodicity of review of the distribution

64. On this agenda item, two presentations were made. The first one was made by Shri Shashank Priya, Commissioner, GST Council highlighting the salient points covered in the Agenda Note for this Agenda Item. This was followed by a presentation by Shri Ritvik Pandey, Commissioner of Commercial Taxes, Karnataka where he highlighted the issues discussed with respect to cross-empowerment and single interface in the group of State and Central officers dealing with the drafting of the Model GST Law and Rules.

65. In the first presentation, it was mentioned that though GST was a dual levy, there was a consensus that the taxpayers, to the extent possible, should have a single interface with the tax administration. It was also recalled that in the 1st meeting of the Council on 22-23 September 2016, this issue was discussed and a broad framework was arrived at but in the 2nd Council meeting on 30 September 2016, differences emerged on the interpretation of the details of this framework. As these differences were persistent, the Council directed that a team of officers should discuss this issue to suggest possible solutions. These issues were discussed in a meeting of officers on 8 October 2016 in New Delhi chaired by the Revenue Secretary. In this meeting five options were discussed to achieve single interface and these were presented before the Council. These five options were as follows:

Option I- Pure turnover based division where taxpayers below Rs. 1.5 crore turnover should be administered only by States and taxpayers above Rs. 1.5 crore turnover should be administered only by the Centre. However, this was not acceptable to States as bulk of revenue comes from taxpayers with turnover above Rs. 1.5 crore

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Option II- Turnover-based decision with overlap where taxpayers below Rs. 1.5 crore turnover should be administered only by States and taxpayers above Rs. 1.5 crore turnover should be administered by the Centre and States with cross-empowerment. This was not acceptable to Centre as 93% of the service tax payers and 85% of VAT payers have turnover below Rs. 1.5 crore and thus it led to highly skewed distribution.

Option III- Division based on turnover and the nature of business which was considered in the Council meeting held on 22-23 September 2016 but discussions had remained inconclusive. Under this option, it was proposed that taxpayers dealing in goods below the turnover of Rs. 1.5 crore shall be dealt only by States, taxpayers dealing in goods with turnover above Rs. 1.5 crore shall be dealt by both States and Centre and taxpayers dealing in services shall, to begin with, be only dealt by the Centre, till State officers were trained on service tax. However, it was later recognised that this arrangement causes a divide between goods and services and also created jurisdictional problems for those suppliers who had a substantial mix of supply of both goods and services.

Option IV- Cross-empowerment with division for specific functions in which it was envisaged to divide taxpayers only where human interface was required like audit, return scrutiny etc. as most of the other functions would be automated. It envisaged to cap audit to 5% of the total number of taxpayers. Under this option, every year, both the Central and the State officials in each State shall prepare a list of taxpayers for audit on the basis of risk parameters and then distribute such taxpayers between the two administrations either through a Protocol or on random basis. It also proposed stability in division for the purposes of audit for three years. It also envisaged that if required for other administrative purposes, the taxpayers could be allocated between Central and State administrations through State level Committees.

Option V- Complete vertical division where the entire taxpayer base to be divided between Central and State tax administrations in a particular ratio for a period of 3 years for all purposes, including audit. The possible ratios for distribution of taxpayers between Centre and State above and below Rs. 1.5 crore turnover could be 50%:50% or 40%:60%. It was proposed that if percentage distribution was asymmetric, then a mirror image approach shall be adopted in favour of the Centre for turnover above Rs. 1.5 crores. This implied that if 60% of taxpayers below the threshold of Rs. 1.5 crore turnover were allocated to States, then

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60% of taxpayers above the threshold of Rs. 1.5 crores would be allocated to the Centre. The arrangement could be switched every three years. It was also proposed that while assigning taxpayers to Centre or State, account shall be taken of the factors like geographical consideration, size of taxpayer and available competencies of the Central and State tax administrations. It was pointed out that this arrangement lent greater clarity in respect to jurisdiction.

66. The first presentation also dwelt on the issue of administration of Integrated Goods and Services Tax (IGST) and information based enforcement action. In respect of IGST, it was pointed out that it was a Central levy and that Article 269A of the Constitution provided that IGST shall be levied and collected by the Government of India. However, in order to achieve single interface, it was proposed that States should conduct audit or enforcement action for interstate supplies but subsequent legal action like issue of show cause notice/adjudication/appeal, etc. shall remain with the officers of the Centre. It was stated that this arrangement would avoid any potential conflict of interest between two States. On the subject of information based enforcement action, it was proposed that officers of the Centre and States shall act independently on the basis of intelligence. Initiation of action by one authority shall be intimated to the other authority and the other authority would not normally initiate any enforcement action for a given period of time except in cases where concrete information was available and action was authorized by an officer at a higher level. It was also proposed that the administrative arrangement could be reviewed after every three years except for the arrangement for enforcement related activities.

67. In the second presentation made by Shri Ritvik Pandey, Commissioner of Commercial Tax, Karnataka, the five options as mentioned above were touched upon. It was informed that a group of officers of the States and Centre who were part of the sub-committee for drafting the Model GST Law and Rules looked into various aspects of cross-empowerment and single interface from the implementation view point and found the pros and cons overall in favour of Option IV, keeping in view the fact that GST would have highly computerized processes and minimal human interface. It was highlighted that in a year, not more than 10% taxpayers interacted with the tax departments and that interaction was restricted by the

administrative capacity of the tax department. It was also suggested that for seeking any administrative assistance, choice could be left to the taxpayer to visit the jurisdictional office of the State or Centre as per his convenience. It was explained that as GST systems stabilized, the requirement for visiting a tax officer would steadily decline. Some of the difficulties related to operation of Option V were also discussed. It was pointed out that it was difficult to arrive at an ideal and mutually acceptable ratio. In addition, the division itself could lead to inefficiencies and inconvenience, for example, taxpayers in areas where offices of a tax administration did not exist might get assigned to that tax administration. Further, certain nature of businesses that could be better administered by a tax administration might get assigned to the other tax administration. It was emphasized that for smooth implementation of GST, co-operation between Central and State tax departments was extremely essential, especially at the field level and it would be better if strengths of each department complement the other rather than compete. It was also pointed out that the suggestion for vertical division overlooked the fact that the human interface in GST would be minimal as most processes would be automated and there would hardly be any need to obtain any permission from the tax department for any procedural requirements.

68. On the subject of administration of IGST, the second presentation acknowledged the fact that Place of Supply would be a major issue in administration of IGST and due to potential conflicts of interest between the States, this could be handled only by the Central Government. It was further pointed out that many other issues would come up with respect to IGST like wrong rate of tax, suppression of turnover, supplies without issuance of invoices, wrong availment of input tax credit, etc. where the issues would be exactly same as that in SGST/CGST and these could be brought under the cross-empowerment framework to prevent dual control in such cases and also to avoid the situation of divergent orders getting passed if handled by two separate officers. It was suggested that a small group of officers could look into the issues relating to administration of IGST. On the subject of information based enforcement action, it was suggested that both Centre and States be allowed to act independently irrespective of the model adopted. However, initiation of action by one authority should be intimated to the other authority through GSTN and the other authority

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should not initiate any enforcement action for a given period of time except for cases where concrete information was available and the action was authorised at a higher level.

69. The Hon'ble Minister from UP expressed that there was no merit in keeping IGST under the exclusive jurisdiction of the Central authorities as the State authorities had considerable experience in dealing with CST and in inter-state co-ordination. He further expressed that decision on place of supply would be on the basis of the extant provisions of law and therefore, no conflict of interest might arise. The Hon'ble Chairperson pointed out that there could be situations of conflict of interest where a tax authority might rule the tax payable to be intra-state rather than inter-state.

70. The Hon'ble Chief Minister of Puducherry enquired as to what was the Central Government's view on this subject. The Chairperson stated that it would be desirable to first have an open discussion before taking stand on a particular view. The Hon'ble Minister from West Bengal observed that all the Options discussed in the presentations had their own merits and shortcomings. He pointed out that the total number of taxpayers in goods segment was 67 lakh and dealers below the turnover threshold of Rs. 1.5 crore was 56 lakh. After the decision of Rs. 20 lakh taxable threshold, 33 lakh taxpayers would go out of the tax net and that left 23 lakh taxpayers below the turnover of Rs. 1.5 crore. Out of this 23 lakh dealers, about 50% dealers carried out inter-State trade and would be registered both with the State and the Central tax authorities, which would be a figure of about 11 lakh taxpayers. He further added that above Rs. 1.5 crores threshold, there were 1 lakh taxpayers who were only retailers and thus Centre would have a net gain of 12 lakh new assesseees in goods segment. He added that in the Service Tax, out of total tax base of 11 lakh, 92% were below 1.5 crores turnover which meant about 10.1 lakh assesseees. After the agreement on taxable threshold limit of Rs. 20 lakhs, 9.2 lakh assesseees would be out of the tax net and that left only 90 thousand assesseees below the turnover threshold of Rs. 1.5 crores. He added that this effectively left a taxpayer base of 2 lakh in Service Tax, 1 lakh each below and above Rs. 1.5 crores turnover. He observed that as the number of assesseees going to States in Service Tax was no longer 92% of the taxpayer base, the Council should go back to the original decision of the Empowered Committee that the State tax administration shall

exclusively handle all taxpayers whose turnover was below Rs. 1.5 crore, including the audit and enforcement functions. He suggested that for taxpayers above the threshold of Rs. 1.5 crore, cross-empowerment model could be applied with an audit cap of 5%. The Hon'ble Minister from Tamil Nadu suggested to have a relook at the Service Tax threshold if the data presented was correct. The Hon'ble Minister from West Bengal stated that numbers would be dynamic and slowly the number of Service Tax taxpayers above the threshold of Rs. 20 lakhs would grow in the next two to three years.

71. The Hon'ble Chairperson stated that the figures mentioned above would need to be relooked as now revised figures have been received from Goods and Services Tax Network (GSTN). The Chairperson, CBEC informed that according to the latest data available with the GSTN received by them in course of PAN validation, the total number of registered VAT dealers, as on 31 December, 2015, was 81.38 lakhs. Shri Prakash Kumar, CEO GSTN explained that in many States, there was a difference in the number of registered dealers and active dealers. The total registered VAT dealers were 81.38 lakhs but total active dealers were 66.53 lakhs and the number of PAN verified dealers was even less (59 lakhs). Shri Upender Gupta, Commissioner GST, CBEC, further clarified that in Service Tax, total taxpayer base was 38 lakhs, and out of this 26 lakhs were active taxpayers and PAN verified taxpayers were 21 lakhs. He stated that likely taxpayer base in GST would be 107 lakhs, and out of this States accounted for 67% of the taxpayer base and the Centre 33%. He stated that the same percentage remained if calculation was done on the basis of number of active dealers. He also clarified that taxpayers below the threshold of Rs. 20 lakhs had paid Service Tax of Rs. 3600 crores in cash which implied that even if the taxable threshold had gone up, not all Service Tax assesseees would surrender their registration. The Hon'ble Minister from Uttar Pradesh observed that this number would be less than 2%. The Chairperson observed that the figure for VAT dealers was not much different but there was considerable difference in the number of Service Tax taxpayers. The Hon'ble Minister from West Bengal enquired regarding the number of taxpayers registered under Central Excise, VAT and Service Tax as per the latest data. He also requested for similar data for taxpayers below the turnover of Rs. 1.5 crore. He further wanted to know the number of taxpayers below the threshold of Rs. 20 lakh. The Hon'ble Minister from U.P. requested for the number of non-filers of service tax

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return. He requested that the latest data be circulated to all Members for a proper analysis. The Hon'ble Chairperson directed that the available data should be shared with the States immediately and that the latest data regarding the taxpayer base should be sent to all States, at least two days before the next meeting of the Council so that no decisions were taken on erroneous premises. He further advised that the States which had not furnished the latest data to the GSTN, should furnish the same to the GSTN at the earliest.

72. In respect of agenda item 3, the Council decided the following:

- (i) The issue of cross-empowerment for single interface be taken up for further discussion in the Council's next meeting.
- (ii) The latest available data of the taxpayer base under VAT, Central Excise and Service Tax above and below the turnover of Rs. 1.5 crore and other relevant latest data may be shared with all the States.

Agenda Item 5: Delegation of powers to the Chairman, GST Council to constitute Technical Committees of officers

73. Introducing this agenda item, the Secretary to the Council stated that there were many technical issues of taxation which would come before the Council for decision and it might not be possible for the Council to invest its valuable time in analyzing such issues in detail. He also observed that such issues would require technical inputs from the officers having domain knowledge in taxation. In such situations, Technical Committee of officers would be required to be constituted to explore all policy options and present the same before the Council. It was proposed that the Council may authorize the Chairperson of the Council to constitute such Technical Committee of officers. It would be open for any State to join such Committee by volunteering for the same and that the Council would be kept duly informed regarding formation of such Technical Committees. He further informed that the Empowered Committee had constituted a committee of officers that was looking into GST Laws and Rules. He proposed that the same committee could be redesignated as the Technical Committee to look into GST Laws and Rules and to carry out other technical discussions. The Hon'ble Minister from U.P. stated that membership of the committee should be opened again so that if more States wanted to join, they could do so. The Hon'ble

Chairperson observed that the existing committee should continue and if more States wanted a representation in this committee, they could register their request with the GST Council Secretariat. The Council approved this proposal. The Hon'ble Ministers of UP and Telangana requested to join the membership of this Committee.

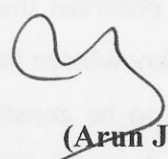
74. In respect of Agenda Item 5, the Council decided the following:

The existing committee of officers constituted by the Empowered Committee to look into GST Laws and Rules shall be redesignated as the Technical Committee of officers of the Council to look into GST Laws and Rules and to carry out other technical discussions. If more States wanted to join this Committee, it would be allowed and the interested States could register their request with the GST Council Secretariat.

Agenda Item 6: Date of the next meeting of the GST Council

75. After some discussion, the Chairperson proposed that the next two meetings of the Council could be held on 3-4 November 2016 and on 9-10 November 2016. For the meeting of 3-4 November 2016, the Chairperson informed that the outstanding Agenda items of the 3rd Council meeting could be taken up and for 9-10 November 2016 meeting of the Council, draft GST legislations could be taken up.

76. The meeting ended with a vote of thanks to the Chair.


(Arun Jaitley)
Chairperson, GST Council


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Annexure 1 (List of the Hon'ble Members of the GST Council who attended the Meeting)

| <u>Sl.No.</u> | <u>Centre/State/ UT</u> | <u>Name of Minister</u> | <u>Designation</u> |
|---------------|-----------------------------|-----------------------------|--|
| 1 | Government of India | Shri Arun Jaitley | Union Minister of Finance and Corporate Affairs |
| 2 | Government of India | Shri Santosh Kumar Gangwar | Union Minister of State for Finance |
| 3 | Puducherry | Shri V Narayanasamy | Chief Minister |
| 4 | Arunachal Pradesh | Shri Chowna Mein | Deputy Chief Minister |
| 5 | Goa | Shri Francis D'Souza | Deputy Chief Minister |
| 6 | Gujarat | Shri Nitinbhai Patel | Deputy Chief Minister |
| 7 | Delhi | Shri Manish Sisodia | Deputy Chief Minister |
| 8 | Andhra Pradesh | Shri Yanamala Ramakrishnudu | Minister of Finance and Planning, Commercial taxes and Legislative Affairs |
| 9 | Assam | Shri Himanta Biswa Sarma | Minister of Finance |
| 10 | Bihar | Shri Bijendra Prasad Yadav | Minister for Commercial Taxes |
| 11 | Chhattisgarh | Shri Amar Agrawal | Minister of Commercial Taxes |
| 12 | Haryana | Captain Abhimanyu Singh | Minister for Excise and Taxation |
| 13 | Himachal Pradesh | Shri Prakash Chaudhary | Minister for Excise and Taxation |
| 14 | Jammu and Kashmir | Dr Haseeb A Drabu | Minister of Finance |
| 15 | Jharkhand | Shri C.P. Singh | Minister, Urban Development, Housing & Transport |
| 16 | Karnataka | Shri Krishna Byregowda | Minister for Agriculture |
| 17 | Kerala | Dr. T M. Thomas Isaac | Minister of Finance |
| 18 | Madhya Pradesh | Shri Jayant Malviya | Minister for Finance and Commercial Tax |
| 19 | Maharashtra | Shri Sudhir Mungantiwar | Minister of Finance |
| 20 | Meghalaya | Shri Zenith M. Sangma | Minister of Taxation |
| 21 | Mizoram | Shri Lalsawta | Minister of Finance |

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| 22 | Odisha | Shri Pradip Kumar Amat | Minister of Finance |
| 23 | Punjab | Shri Parminder Singh Dhindsa | Minister of Finance |
| 24 | Rajasthan | Shri Rajpal Singh Shekhawat | Minister for Local Self Government, Urban Development and Housing |
| 25 | Sikkim | Shri R.B. Subba | Minister for HRD, Law & Parliamentary Affairs |
| 26 | Tamil Nadu | Shri K.Pandiarajan | Minister for School Education & Sports and Youth Welfare |
| 27 | Telangana | Shri Etela Rajendar | Minister for Finance |
| 28 | Uttar Pradesh | Shri Abhishek Mishra | Minister for Vocational Education and Skill Development |
| 29 | Uttarakhand | Dr. Indira Hridayesh | Minister of Finance |
| 30 | West Bengal | Dr. Amit Mitra | Minister for Finance and Excise |

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Annexure 2 (List of officers from the Centre and States)

| <u>Sl. No.</u> | <u>Organization</u> | <u>Name of Officer</u> | <u>Designation</u> |
|-----------------------|----------------------------|-------------------------------|--|
| 1 | Govt. of India | Shri Has Mukh Adhia | Revenue Secretary and ex-officio Secretary to GST Council |
| 2 | Govt. of India | Shri Arvind Subramanian | Chief Economic Advisor |
| 3 | Govt. of India | Shri Najib Shah | Chairman, CBEC |
| 4 | Govt. of India | Shri Ram Tirath | Member (GST), CBEC |
| 5 | Govt. of India | Shri PK Mohanty | Advisor (GST), CBEC |
| 6 | Govt. of India | Shri B.N. Sharma | Additional Secretary, Department of Revenue |
| 7 | Govt. of India | Shri Vivek Johri | Principal Commissioner, Customs, Delhi, CBEC |
| 8 | Govt. of India | Shri Upender Gupta | Commissioner (GST), CBEC |
| 9 | Govt. of India | Shri Alok Shukla | Joint Secretary (TRU), CBEC |
| 10 | Govt. of India | Shri Amitabh Kumar | Joint Secretary (TRU), CBEC |
| 11 | Govt. of India | Shri Udai Singh Kumawat | Joint Secretary, Department of Revenue |
| 12 | Govt. of India | Ms. Aarti Saxena | Deputy Secretary, Department of Revenue |
| 13 | GST Council | Shri Arun Goyal | Additional Secretary |
| 14 | GST Council | Shri Shashank Priya | Commissioner |
| 15 | GST Council | Shri Manish K Sinha | Commissioner |
| 16 | GST Council | Ms. Himani Bhayana | Joint Commissioner |
| 17 | GST Council | Shri G.S. Sinha | Joint Commissioner |
| 18 | GST Council | Shri Santosh Kumar Mishra | Deputy Commissioner |
| 19 | GST Council | Ms. Thari Sitkil | Deputy Commissioner |
| 20 | GST Council | Shri Kaushik TG | Assistant Commissioner |
| 21 | Andhra Pradesh | Shri J. Syamala Rao | Commissioner, Commercial Tax |
| 22 | Andhra Pradesh | Shri T. Ramesh Babu | Additional Commissioner, Commercial Tax |
| 23 | Arunachal Pradesh | Dr. Brij Mohan Mishra | Secretary-cum-Commissioner, Tax & Excise |

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| 24 | Arunachal Pradesh | Ms. Ruchika Katyal | Special Secretary, Tax & Excise |
| 25 | Assam | Shri Anurag Goel | Commissioner, Tax |
| 26 | Bihar | Ms. Sujata Chaturvedi | Principal Secretary-cum-Commissioner, Commercial Taxes |
| 27 | Bihar | Shri Arun Kumar Mishra | Additional Secretary, Commercial Taxes |
| 28 | Chattisgarh | Shri Amit Agrawal | Secretary, Finance & Commercial Tax |
| 29 | Chattisgarh | Ms. Sangeetha P | Commissioner, Commercial Tax |
| 30 | Chattisgarh | Shri Khemraj Jhariya | Additional Commissioner, Commercial Tax |
| 31 | Delhi | Shri H. Rajesh Prasad | Commissioner, VAT |
| 32 | Delhi | Shri C. Arvind | OSD to Deputy Chief Minister |
| 33 | Goa | Shri Dipak Bandekar | Commissioner, Commercial Tax |
| 34 | Gujarat | Shri P.D. Vaghela | Commissioner, Commercial Tax |
| 35 | Gujarat | Ms. Mona Khandhar | Secretary (Economic Affairs) |
| 36 | Haryana | Shri Shyamal Misra | Commissioner, Excise & Taxation |
| 37 | Haryana | Shri Hanuman Singh | Additional Commissioner, Excise & Taxation |
| 38 | Haryana | Shri Vidya Sagar | Joint Commissioner, Excise & Taxation |
| 39 | Himachal Pradesh | Shri Pushpendra Rajput | Commissioner, Excise & Taxation |
| 40 | Himachal Pradesh | Shri Sanjay Bhardwaj | Additional Commissioner, Excise & Taxation |
| 41 | Jammu & Kashmir | Shri Navin K. Choudhary | Finance Secretary |
| 42 | Jammu & Kashmir | Shri P.I. Khateeb | Commissioner, Commercial Taxes |
| 43 | Jammu & Kashmir | Shri P.K. Bhat | Additional Commissioner, Commercial Taxes (Tax Planning) |
| 44 | Jharkhand | Shri Ranjan Kumar Sinha | Joint Commissioner, Commercial Taxes |
| 45 | Jharkhand | Shri Sanjay Kumar Prasad | Deputy Commissioner, Commercial Taxes |
| 46 | Karnataka | Shri Ritvik Pandey | Commissioner, Commercial Taxes |
| 47 | Kerala | Shri P. Marapandiyan | Additional Chief Secretary, Taxes |

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|----|----------------|-----------------------------|---|
| 48 | Kerala | Shri Mansur | Assistant Commissioner, Commercial Taxes |
| 49 | Madhya Pradesh | Shri Manoj Shrivastav | Principal Secretary, Commercial Taxes |
| 50 | Madhya Pradesh | Shri Raghwendra Kumar Singh | Commissioner, Commercial Taxes |
| 51 | Madhya Pradesh | Shri Sudip Gupta | Deputy Commissioner, Commercial Taxes |
| 52 | Maharashtra | Shri D.K. Jain | Additional Chief Secretary (Finance) |
| 53 | Maharashtra | Shri Rajendra Bhagat | Deputy Secretary (Finance) |
| 54 | Maharashtra | Shri Praveen Kulkarni | Deputy Commissioner, Commercial Taxes |
| 55 | Manipur | Shri R.K. Khurkishor | Assistant Commissioner, Taxes |
| 56 | Meghalaya | Shri Abhishek Bhagotia | Commissioner, Taxes |
| 57 | Meghalaya | Shri L. Khongsit | Assistant Commissioner, Taxes |
| 58 | Mizoram | Shri K Sanglawma | Commissioner, Taxes |
| 59 | Mizoram | Shri L.H. Rosanga | Joint Commissioner, Taxes |
| 60 | Nagaland | Shri Y. Mhathung Murry | Additional Commissioner, Taxes |
| 61 | Nagaland | Shri Wochamo Odyuo | Joint Commissioner, Taxes |
| 62 | Odisha | Shri Ashok K.K. Meena | Special Secretary (Finance) |
| 63 | Odisha | Shri Saswat Mishra | Commissioner, Commercial Taxes |
| 64 | Odisha | Shri Sahadev Sahoo | Joint Commissioner, Commercial Taxes |
| 65 | Puducherry | Dr. V. Candavelou | Secretary (Finance) |
| 66 | Puducherry | Shri G. Srinivas | Commissioner, Commercial Taxes |
| 67 | Punjab | Shri D.P. Reddy | Additional Chief Secretary (Taxation) |
| 68 | Punjab | Shri Rajat Agarwal | Excise & Taxation Commissioner |
| 69 | Punjab | Shri Supreet Singh Gulati | Additional Excise & Taxation Commissioner (GST) |
| 70 | Rajasthan | Shri Praveen Gupta | Secretary (Finance) |
| 71 | Rajasthan | Shri Alok Gupta | Commissioner, Commercial Taxes |
| 72 | Rajasthan | Shri Vinod Sharma | Additional Commissioner (GST), Commercial Taxes |
| 73 | Rajasthan | Shri Dinesh Rakhecha | Assistant Commissioner (GST), Commercial Taxes |

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| 74 | Sikkim | Shri Manoj Rai | Joint Commissioner, Commercial Tax |
| 75 | Tamil Nadu | Shri C. Chandramouli | Additional Chief Secretary, Commercial Taxes |
| 76 | Tamil Nadu | Shri D. Soundararajapandian | Joint Commissioner, Taxation |
| 77 | Telangana | Shri Ajay Mishra | Special Chief Secretary |
| 78 | Telangana | Shri Anil Kumar | Commissioner, Commercial Taxes |
| 79 | Telangana | Shri Laxminarayan Jannu | Joint Commissioner, Policy |
| 80 | Tripura | Shri D. Bardhan | Commissioner, Taxes |
| 81 | Uttar Pradesh | Shri Biresh Kumar | Principal Secretary (Commercial Tax) |
| | Uttar Pradesh | Shri Mukesh Kumar Meshram | Commissioner, Commercial Taxes |
| | Uttar Pradesh | Shri S.C. Dwivedi | Special Secretary |
| | Uttar Pradesh | Shri Vivek Kumar | Additional Commissioner, Law |
| 82 | Uttarakhand | Shri Amit Singh Negi | Secretary (Finance) |
| 83 | Uttarakhand | Shri Ranveer Singh Chauhan | Commissioner, Taxes |
| 84 | Uttarakhand | Shri Piyush Kumar | Additional Commissioner, Commercial Tax |
| 88 | Uttarakhand | Shri Kamal Kishore Kafaltiya | PA to Finance Minister |
| 89 | West Bengal | Shri H K Dwivedi | Principal Secretary, Finance |
| 90 | West Bengal | Ms. Smaraki Mahapatra | Commissioner, Commercial Tax |
| 91 | West Bengal | Shri Khalid A Anwar | Senior Joint Commissioner, Commercial Tax |
| 92 | GSTN | Shri Prakash Kumar | Chief Executive Officer |

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