

## **GST panel to frame model GST law; 3 comms to address issues**

State finance ministers today decided to prepare a model legislation and set up three committees to sort out various issues for smooth roll-out of the Goods and Services Tax (GST).

"There was a broad consensus ... Three committees were notified today to go into the details ..," the Chairman of Empowered Committee of State Finance Ministers, Sushil Modi, said after the meeting with Union Finance Minister P Chidambaram here.

The state finance ministers decided to set up panels to address issues such as Integrated GST (IGST) and VAT on imports. The committees would also consider dual control threshold and exemptions, and revenue neutral rate and place of supply rules, Modi said.

"Besides, the Empowered Committee will draft a model legislation, as after the Constitution is amended we require a model bill which has to be passed by every state legislature," Modi said.

On providing compensation to states for reducing central sales tax (CST) rate, Modi said that Chidambaram will "make provisions in this budget for providing full compensation for 2010-11".

"Out of total 2010-11 compensation, Rs 7,000 crore has already been paid so whatever is remaining Finance Minister will provide in the Budget," he said.

However, there appeared to be differences among states on the issues of autonomy and CST compensation.

On whether GST can be rolled out from April 1, 2014, Madhya Pradesh Finance Minister Raghavji said: "I don't think so. Autonomy is the main issue. By Constitution, sales tax has been assigned to the states. Sales tax should be levied by states.

"They (Centre) are not prepared to give 100 per cent compensation but states insisted on 100 per cent compensation".

Gujarat Finance Minister Saurabh Patel said: "Many states asked for full compensation. (Compensation) Issue has not been resolved. It will resolve on February 28 ... when the budget comes .. what is the allocation made in the budget".

West Bengal Finance Minister Amit Mitra said: "As far as CST compensation is concerned, it has to be there to a degree that position of states is recognised, and therefore autonomy and compensation, these are the two main issues".

Last month, the states had agreed to a lower payment of Rs 34,000 crore for phasing out the Central Sales Tax (CST), a pre-condition for rollout of the GST.

According to the resolution at the meeting in Bhubaneswar on CST issue, the Centre would bear 100 per cent of the loss accrued to states in 2010-11 fiscal on account of lowering of CST. However, for 2011-12 and 2012-13 fiscal, the Centre would give 75 per cent and 50 per cent of the losses to states.

CST, a tax imposed on the inter-state movement of goods, was reduced from 4 per cent to 3 per cent in 2007-08 and further to 2 per cent in 2008-09 after the introduction of Value-Added Tax (VAT).

*(Economic Times)*