

Goods and Services Tax implementation likely by mid-2015

The government is eyeing a mid-2015 rollout of its most comprehensive reform of indirect taxes aimed at replacing a plethora of state and central levies with a single goods and services tax, or GST.

"We are working on tying up all the loose ends...The new government has identified it as a key priority," a senior finance ministry official said, adding that efforts were on for possible implementation by mid-2015.

Revenue secretary Shaktikanta Das recently reviewed the performance of the GST Network - the IT backbone of the new tax - to ensure that the infrastructural framework does not pose any challenge when GST is launched.

Das also met senior state government officials to iron out differences and to finalise the constitutional amendment bill that the Centre hopes to introduce in the winter session of Parliament.

GST, which will replace service tax, excise duty, state value-added tax and other local levies, was to be rolled out from April 2010. But opposition from the states over compensation for revenue losses and also elements of the constitutional amendments prevented it from making much headway.

GST will help create a pan-Indian market for movement of goods and delivery of services and in the process add about 1-2 per cent to GDP. State finance ministers are expected to thrash out the contours of the GST structure at a meeting this week. The finance ministry is keen on having a neat structure for the new tax, without wide distortions.

"The structure of GST should be such that it does not defeat the very purpose of having a GST," the finance ministry official said. Officials from both the Centre and the states have also begun work on the GST law. The constitutional amendment to allow the Centre to tax goods and states to tax services will have to be ratified by a two-thirds majority in Parliament and by at least 15 state assemblies.

The government is keen to tie up both by the winter session so that the process of implementing GST can start.

States have reservations on the inclusion of petroleum products within the GST framework as also a few taxes such as entry tax.

They also want an assurance from the Centre on compensation for any revenue loss on account of the switchover to GST. As a pre-cursor to GST, the Centre and states had agreed to phase out central sales tax (CST) — collected by the Centre and distributed to the states — from April 2007 over three years. Consequently, the [CST](#) rate was reduced to 3 per cent and then to 2 per cent.

(Economic Times)