

Prickly Issues May Delay GST Rollout

BONE OF CONTENTION Division of tax administration between states and the Centre is holding up progress

The Centre is not yet giving up on an April 1 rollout of the Goods and Services Tax, although there is growing realisation that with a number of 'knotty' issues still remaining, it may be difficult.

The GST Council has approved most of the drafts of all three legislations, which have been sent to law ministry for vetting, with gaps to be filled once the contentious issue of division of tax administration between states and the Central government and the definition of "territory" are resolved.

"We know the difficulty...We are moving against time," finance minister Arun Jaitley said, responding to a query on whether the April 1 deadline can be met.

Briefing reporters after the two days meeting of the council, Jaitley admitted that some issues still had to be settled. The division of tax administration between states and the Centre has emerged as the key issue holding up progress, especially with the former wanting a pie in the Integrated GST administration.

"Some issues remain open...We haven't found a solution (to division of tax administration) but majority of the states were positive...We would again meet on January 16 to untie the knots," he said.

The Constitutional amendment enabling GST mandates that the Centre administer the Integrated GST, which is to be collected on interstate transactions and distributed among the states. The law ministry has also said that the power to administer I-GST under the proposed destination-based tax rests with the Centre to avoid disputes. On tax administration, the Centre has suggested the division of administrative functions across the board for all taxpayers, but the states insist on exclusively administering taxpayers with a turnover of less than `1.5 crore and a division for higher amounts.

On the definition of territory, which extends out into the sea, Jaitley said the Constitution provides for any territory that is not scheduled being treated as a Union Territory, but a matter in this regard was before the Supreme Court.

"A constitutional solution has to be found...We are examining it," he said, adding that Karnataka had suggested a formulation that the council will consider.

He said the council had held presentations on the first day of its meeting on Tuesday where IT, telecom, banking and insurance sectors sought a centralised registration

facility. The finance minister said this is an administrative issue and the council will take a view.

Jaitley subsequently held a prebudget consultation with the state finance ministers, most of whom pitched for a relaxation in the Fiscal Responsibility and Budget Management Act. He said he asked the states to provide revenue collection data for the past two-three years for November and December to study the impact of demonetisation.

A number of states, he said, have seen a jump in tax collections. “States which are governed well have earned well,” he said, responding to West Bengal's lament on a decline in revenue collection after demonetisation.

(Economic Times)