

Rajya Sabha panel for standard GST rate up to 20%

A select committee of the Rajya Sabha has observed that the standard Goods and Services Tax (GST) rate should be within 20 per cent, while the lower one should not cross 14 per cent. These rates are quite lower than the Revenue Neutral Rate (RNR) of around 27 per cent, arrived at by the sub-panel of the Empowered Committee of State Finance Ministers on GST, earlier. Besides, the panel suggested changes in the two important provisions of the Constitution Amendment Bill on GST — one per cent additional tax over GST on interstate supply of goods to help the producing states, and reduction in compensation to states in the fourth and fifth years.

In its crucial report on the Constitution Amendment Bill on GST, submitted to the Rajya Sabha on Wednesday, the committee recommended that the proposed GST council may opt for a broad-based and moderate rate as the high rate will surely erode the confidence of the consumers badly and may lead to high inflation. In its dissent note, the Congress wanted the GST rate to be within 18 per cent.

It should be noted here that the committee did not recommend any specific rate, but made an observation: “ To start with, India’s GST rate should not go beyond 20 per cent for standard rate, and perhaps 14 per cent for reduced rate.” It was so because the Constitution Amendment Bill, which was vetted by the panel, does not have any provision for the specific rates. It was left to the proposed GST council, a body of the union and state finance ministers. In fact, even the committee’s observation drew flak from AIADMK in its dissent note. “ The select committee has gone beyond its brief on the issue of Revenue Neutral Rate (RNR)... This is a matter for the Empowered Committee of State Finance Ministers, GST council to take an appropriate view.” The committee also favoured that Centre and states should have powers to impose the GST rate in a range over the floor rate, and wanted this band to be specifically defined in GST laws.

Earlier, a sub-panel of the Empowered Committee had recommended an RNR of around 27 per cent, to be broken into state GST of 13.91 per cent, and the central GST of 12.77 per cent. A committee, headed by Chief Economic Advisor Arvind Subramanian, is looking into the issue, and is expected to submit its report in four to six weeks.

OBSERVATIONS

Retains provisions on electricity, real estate, alcohol, tobacco

Wants that banking services be kept out of GST if possible, and if not possible:

GST rate for banking industry should be minimum, more than service tax rate of 14% not desirable [Interest, trading in securities, foreign currency and services to retail consumers should not draw GST

Congress dissent focuses on:

Reducing Centre’s voting power in GST council to 25% from 33.3% and raise that of states to 75% from 66.7%

AIADMK dissent focuses on:

GST council harms sovereignty of Parliament, Assemblies |Select panel exceeds brief by recommending GST rate

The Left parties' objections:

Same as the Congress and AIADMK in GST council

Corporate will dictate the policies of governments

(Business Standard)