Rajya Sabha panel to hear GST concerns on 16 June

Trade bodies and states worried about the bill are expected to submit their recommendations to the select committee

The Rajya Sabha select committee discussing the bill on goods and services tax (GST) will meet on 16 June to hear the concerns of industry and some states about a proposal for an additional 1% levy on the supply of goods.

The proposed tax over and above the GST is a cause of concern because it is expected to have a cascading effect as goods move from state to state and because companies cannot claim input tax credit on it.

“The select committee has called the trade bodies and the states for the next meeting on 16 June. We are going to discuss every aspect of the bill including the additional 1% tax on supply of goods,” said a person aware of the development.

Industry lobby groups such as the Confederation of Indian Industry and Cellular Operators Association of India as well as individual companies are expected to submit their recommendations to the panel.

Some states, too, have raised doubts over the impact of such a levy that has a sunset clause of two years. The National Democratic Alliance (NDA) government introduced this tax in the bill after pressure from manufacturing states, especially Gujarat.

Since then, this levy has been opposed even within the government. Arvind Subramanian, chief economic advisor in the finance ministry, called for a rethink, arguing the levy will work against the government’s ‘Make in India’ initiative.

A favourable report by the select committee with minimal changes will be key to the government’s plan to roll out GST before 1 April 2016.

The 21-member select committee has to submit its report by the first week of the monsoon session, which is likely to start in July. The bill has already been passed by the Lok Sabha. The NDA is in a majority in the Lok Sabha but not in the Rajya Sabha.

“GST is a consumption-based tax and the 1% (levy) is an origin-based tax. So the proposed additional tax is completely against GST’s principles,” said R. Muralidharan, senior director, Deloitte India.

“As it is, the states are going to be fully compensated for revenue losses in the first three years. So there was no need to bring this tax for two years to take care of revenue losses of states,” he said. “In addition, this 1% tax will have a multiple cascading impact, as every time the good moves from one state to the other, this tax will be imposed.”

(HT Mint)