

GST update: Outcome of the recent meeting of the Empowered committee of State Finance Ministers

November 12, 2014

In brief

A meeting of the Empowered Committee of State Finance Ministers (EC) was held on 11 November, 2014 to finalise the framework of the 'Goods and Services tax' (GST).

In detail

Based on the information available in public domain, the following are the key takeaways from the meeting:

- Centre and States continue to differ on the threshold limit for applicability of GST: Centre's proposal to raise the threshold of annual turnover for the proposed GST from the earlier proposal of INR 10 Lakh to INR 25 Lakh has been rejected by EC. EC also indicated that the GST Council may take the final decision regarding fixing of the threshold limit;
- Decision on finalisation of the revenue neutral rate (RNR): Proposal of Central GST at 12.77 per cent and State GST at 13.91 per cent based on average neutral rates, made by a sub-committee of the EC, has been referred to National Institute of Public Finance and Policy (NIPFP). The proposal would be reconsidered by EC, post

the recommendation of NIPFP;

- Confirmation on Place of Supply Rules: The EC has given in-principle clearance to place of supply rules. Place of supply rules are fundamental in determining the state where a service/ goods would be considered as provided and state GST or integrated GST is required to be paid;
- Issue on inclusion of Petroleum within GST Framework: There have been suggestions that the Centre has included Petroleum within GST framework in the draft Constitution Amendment Bill as Zero rated product. The EC denied receiving any such Draft Bill from the Centre and reiterated its opposition to inclusion of Petroleum, Alcohol and Tobacco within GST framework;
- Time line for implementation of GST: It

was highlighted that if the Constitutional Amendment Bill is passed in this upcoming Winter Parliament Session, the target of introducing GST by 1 April 2016 could be achievable.

In addition, the Central Government is also working on a proposal to create a uniform market place for the entire country thereby proposing to do away with State level restriction to ensure seamless movement of goods across the country.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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