

GST Constitution Amendment Bill passed by Lok Sabha

May 7, 2015

In brief

The Lok Sabha has passed the Constitution (122nd Amendment) Bill, 2014 (GST Constitution Amendment Bill) by 2/3 majority on 6 May, 2015. The amendments proposed by the Constitution Amendment Bill confer concurrent powers to Central and State Governments to levy Goods and Services tax (GST).

In detail

The Bill has been passed through clause by clause voting in the Lok Sabha. It will now go to the Upper House (Rajya Sabha) where it needs to be passed with 2/3 majority.

Since this is an Amendment of the 7th schedule, it also needs to be ratified by not less than half of the State assemblies in India.

The key take away from the Lok Sabha session are:

Compensation to States

- The Finance Minister (FM) informed the House that in the proposed GST structure no State Government would lose revenue, as they would be compensated in three ways:
 - State Governments would get additional revenue in the form of SGST on services;

- 1% additional tax for first two years would compensate the loss incurred by manufacturing States; and
- Still if any State incurs a loss the same would be underwritten by the Central Government for the first 5 years.

No Cascading Effect of Additional 1% tax

- The FM has hinted that the additional 1% tax levied in the course of interstate sale shall have no cascading effect.

GST rate to be lower than 27%:

- FM has assured that the rate of GST will be much lesser than the speculated rate, i.e. 27%.

The bill has now been moved to the Rajya Sabha which is in session till 13 May, 2015. The ruling Government does not

hold a majority in the Rajya Sabha. The expectation was that the bill is likely to face stiff opposition from Congress (which walked out of the Lok Sabha during voting).

However, it is difficult to imagine that the Government has not foreseen this and does not have plans (and the numbers) to get the bill passed by the Rajya Sabha. The next week should be very interesting on the GST front.

Let's talk

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

Tax & Regulatory Services – Indirect taxes

Shyamal Mukherjee, Gurgaon
+91-124 330 6536
shyamal.mukherjee@in.pwc.com

Vivek Mishra, Gurgaon
+91-124 330 6518
vivek.mishra@in.pwc.com

Our Offices

Ahmedabad

President Plaza
1st Floor Plot No 36
Opp Muktidham Derasar
Thaltej Cross Road, SG Highway
Ahmedabad, Gujarat 380054
+91-79 3091 7000

Hyderabad

Plot no. 77/A, 8-2-624/A/1, 4th
Floor, Road No. 10, Banjara Hills,
Hyderabad – 500034,
Andhra Pradesh
Phone +91-40 44246000

Gurgaon

Building No. 10, Tower - C
17th & 18th Floor,
DLF Cyber City, Gurgaon
Haryana -122002
+91-124 330 6000

Bangalore

6th Floor
Millenia Tower 'D'
1 & 2, Murphy Road, Ulsoor,
Bangalore 560 008
Phone +91-80 4079 7000

Kolkata

56 & 57, Block DN.
Ground Floor, A- Wing
Sector - V, Salt Lake
Kolkata - 700 091, West Bengal
+91-033 2357 9101/
4400 1111

Pune

7th Floor, Tower A - Wing 1,
Business Bay, Airport Road,
Yerwada, Pune – 411 006
+91-20 4100 4444

Chennai

8th Floor
Prestige Palladium Bayan
129-140 Greams Road
Chennai 600 006
+91 44 4228 5000

Mumbai

PwC House
Plot No. 18A,
Guru Nanak Road (Station Road),
Bandra (West), Mumbai - 400 050
+91-22 6689 1000

For more information

Contact us at
pwctrs.knowledgemanagement@in.pwc.com

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