

GST Council meeting remains inconclusive

Consensus eluded the goods and services tax (GST) Council meeting which was held on 2 and 3 December 2016. The agenda of the meeting included finalisation of issue of the dual administration as well as the draft GST laws and no agreement has been reached on either of the issues.

The next meeting to conclude on the above-mentioned issued has been fixed on 11 and 12 December 2016.

Key features of the GST Council meeting included:

- Nine chapters of CGST/ SGST laws were discussed and the Finance Minister stated that broadly consensus was reached on the same. Balance Chapters along with IGST law and Compensation Bill would be taken up in the next meeting
- Issue of cross empowerment (which is integrally linked with IGST law) was discussed in detail
- State Finance Ministers' wanted to discuss the issue of demonetization. However, the Finance Minister indicated that this was not part of the agenda and not the right forum to discuss the same

The Finance Minister in a press conference highlighted that there can be three options for dual administration which includes horizontal division, vertical division as well as a hybrid model. The Finance Minister also reiterated that GST needs to be implemented by 16 September 2017 in view of the Constitutional amendment carried out.

It is important to note that in the previous meeting of the GST Council held on 4 November 2016, there was a general alignment on principle of dual administration i.e. each assessee should deal with a single assessing officer only.

Recap of other developments in the past month

Even though no progress was made in the GST Council meeting on 2 and 3 December 2016, last month had seen substantial developments on the GST front. Few of these have been summarised below for reference:

(i) Rates decided

In the meeting held on 3 November 2016, a multi-tiered GST rate structure was finalised as under:

- Zero tax rate – This would include approximately 50% goods of the CPI. It was indicated that food grains used by common people would be included in this category
- 5% – These would include goods of mass consumption used by common people i.e. essential commodities
- 12% and 18% - These would be the standard rate of tax for goods
- 28% - There would be a higher rate of 28% on certain items which fall under category of luxury goods, sin products or demerit goods. Further, an additional cess would be levied over and above this demerit rate on certain items

The rate for services is yet to be decided. The items to be covered in each category would be decided separately by Revenue secretaries who would then provide a report on the same to the GST Council.

(ii) Model GST laws

The updated Model GST laws were released in public domain on 26 November 2016.

(iii) Migration of registrations

The GSTN portal has launched the portal for migration of existing taxpayers to GST on 8 November 2016 at www.gst.gov.in. The details of migration timelines for various State has been provided.

PwC Comments

While no consensus was reached, it is encouraging to see that substantial progress seems to have been made in terms of discussion on the Model GST laws and general consensus seems to have been achieved on the chapters discussed during the meeting.

One would hope that the next meeting is more conducive on the issue of dual control as well as finalisation of Model GST laws.

The Government is still aiming to pass the GST laws in the winter session of the Parliament (which is up to 16 December 2016). However, if this is not achieved, it would mean that passage of the GST laws would be deferred to the budget session.

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