

TAX FLASH NEWS

GST – What next?

The much awaited Constitution Amendment Bill (GST bill) was tabled in the Rajya Sabha on 11 August 2015. However, the discussions around the GST bill met with strong resistance from other political parties on procedural grounds. As a result of resistance, the Rajya Sabha got adjourned for both the days i.e. 11 and 12 August 2015 without any discussions and voting. Finally, the monsoon session also ended on 13 August 2015 *sine die*.

This was a huge disappointment for the government as well as to the industry, since GST is a path breaking business reform, and not just a tax reform for India. This could hamper the morale and spirit of investors as well the reputation of India in the global market. However, despite the setback, the general view is that GST will turn into a reality soon, and the target implementation date may not get deferred by more than a few months. This is because first and foremost, there is no opposition to the introduction of GST as such. All major states and political parties seem to be aligned, in principle, on the need for the introduction of GST. While some of the opposition parties have expressed reservations on a few proposals in the GST bill, as such they do not appear to be deal-breakers. Thus, once the ongoing political deadlock is resolved, one can expect the debate to resume on the merits of the proposals in the GST bill, to take it to its logical conclusion.

The pressure created for the introduction of GST by the industry, investor community, and the media is also likely to help in expediting work on this mega reform.

Against this backdrop, we believe there could be two possible scenarios for passing of the GST bill:

Scenario 1: Special session of the parliament:

Article 85 of the Constitution empowers the President of India to summon a session of the parliament at any time as he thinks fit. By virtue of this power, a special session of even a single day can be called for to discuss the

GST bill. Therefore, if the ruling party is able to resolve the stalemate with the opposition in the near future, it may consider holding a special session to discuss the GST bill. If this happens sometime soon, theoretically the 1 April 2016 deadline for GST rollout can still be met (although this appears to be ambitious, and is contingent upon several critical events taking place on time). Nonetheless, a special session can curtail the delay in the roll-out of GST by a few months.

Scenario 2: In the coming winter session:

The GST bill may be taken up during the winter session of the parliament which usually is held in November. As the session is just three months away, a lot can happen to settle the dust that was raised in the recently concluded session inside and outside the parliament.

Having said the above, the passage of the bill in the winter session seems more likely at this stage. But in such an event, the April 2016 timeline is virtually ruled out. A mid-year introduction (say, October 2016) appears to be more realistic in this case.

Our comments

By presenting the GST bill in the monsoon session, the Union Government has shown its resolve to introduce GST w.e.f. 1 April 2016. However, in the wake of recent events, a three to six months delayed implementation appears to be more realistic. Even from the industry's perspective, it is imperative that a 'clean' window of at least six months be made available to prepare for this mammoth transition. While GST is critical for the expeditious growth of business and the economy, it is even more important to help ensure that the transition to the new regime takes place in a smooth and effective manner.

Therefore, depending upon the scale and complexity of business operations, each company would now need to take a call as to whether to wait for further development on the GST bill, or to initiate/ continue with the preparations for the transition. It might be prudent to take stock of the various activities that the organisation would need to undertake, and also to carry out the ones that are unlikely to be impacted significantly by any delay in GST roll-out. Given all the uncertainty and the magnitude of the potential impact of GST on business, most of the large organisations may want to be over-prepared, rather than being under-prepared for the transition.



Ahmedabad

Commerce House V, 9th Floor,
902 & 903, Near Vodafone House,
Corporate Road,
Prahlad Nagar,
Ahmedabad – 380 051
Tel: +91 79 4040 2200
Fax: +91 79 4040 2244

Bengaluru

Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala, Bangalore 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chandigarh

SCO 22-23 (1st Floor)
Sector 8C, Madhya Marg
Chandigarh 160 009
Tel: +91 172 393 5777/781
Fax: +91 172 393 5780

Chennai

No.10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Delhi

Building No.10, 8th Floor
DLF Cyber City, Phase II
Gurgaon, Haryana 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Hyderabad

8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad 500 034
Tel: +91 40 3046 5000
Fax: +91 40 3046 5299

Kochi

Syama Business Center
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682019
Tel: +91 484 302 7000
Fax: +91 484 302 7001

Kolkata

Unit No. 603 – 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata 700 091
Tel: +91 33 44034000
Fax: +91 33 44034199

Mumbai

Lodha Excelus, Apollo Mills
N. M. Joshi Marg
Mahalaxmi, Mumbai 400 011
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Noida

6th Floor, Tower A
Advant Navis Business Park
Plot No. 07, Sector 142
Noida Express Way
Noida 201 305
Tel: +91 0120 386 8000
Fax: +91 0120 386 8999

Pune

703, Godrej Castlemaine
Bund Garden
Pune 411 001
Tel: +91 20 3050 4000
Fax: +91 20 3050 4010

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