



GST Constitution Amendment Bill approved by the Upper House of the Parliament

Background

After a detailed deliberation and consideration of key demands of the opposition parties, the Union Cabinet has approved the changes in the GST Constitution Amendment Bill. The amended GST Constitution Amendment Bill was tabled/presented before the Upper House on 3 August 2016 and approved by the majority.

The key changes in the GST Constitution Amendment Bill are summarised below:

Coverage

- As compared to the GST Constitution Amendment Bill passed by the Lok Sabha on 6 May 2015, the current GST Bill passed by the Rajya Sabha has undergone the following changes:
 - The Bill is termed as 'the Constitution (One Hundred and First Amendment) Act, 2016'.
 - Removal of the proposed 1 per cent additional tax on interstate supply of goods.
 - Full compensation to states for loss of revenue for a period of five years. The language has been refined to ensure that states are entitled to be compensated for the loss of revenue up to a five year period.
 - The GST Council will establish a mechanism to adjudicate any dispute arising out of its recommendations or implementation thereof between different states as well as between any state and centre.

- Clause 12 dealt with the apportionment of IGST, however, the term IGST was not defined. Now, the revised draft has deleted the reference to IGST and replaced the same with 'Goods and Services Tax levied on supplies in the course of interstate trade or commerce'.
- The amount apportioned to state, and the state's share of IGST will not form part of the Consolidated Fund of India. This amendment has been necessitated as once revenue is credited to the consolidated fund, each further allocation to states will need passage of appropriation bill in the Parliament. Thus, to make the direct allocation of the state GST to states, the state's revenue is not to be credited to the Consolidated Fund.

Our comments

The approval of the GST Constitution Amendment Bill by the Upper House of the Parliament has cleared the uncertain environment regarding the fate of introduction of GST in India. The approval has paved the way for implementation of one of the biggest indirect tax reforms in India from 1 April 2017. As a next step, the amended GST Bill will be tabled/presented in the Lok Sabha before ratification by atleast 50 per cent of the states.

Now, the industry must take speedy action to assess the impact of GST on business and develop and implement the transition plan to achieve the promised benefits of GST.

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