PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA
****

UNION FINANCE MINISTER SHRI ARUN JAITLEY INTODUCES THE CONSTITUTION AMENDMENT BILL ON GOODS AND SERVICES TAX (GST) IN LOK SABHA; NEW ARTICLE 246A PROPOSED TO CONFER SIMULTANEOUS POWER TO UNION AND STATE LEGISLATURES TO LEGISLATE ON GST ; CENTRE TO COMPENSATE STATES FOR LOSS OF REVENUE ARISING ON ACCOUNT OF IMPLEMENTATION OF THE GST FOR A PERIOD UP TO FIVE YEARS

Dated the 19th December, 2014
28 Agrahayana, 1936

The Union Cabinet approved on 17th December,2014 the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The Union Finance Minister Shri Arun Jaitley introduced the said Bill in the Lok Sabha today.

The proposed amendments in the Constitution will confer powers both to the Parliament and State legislatures to make laws for levying GST on the supply of goods and services in the same transaction.

GST will simplify and harmonise the indirect tax regime in the country. GST will broaden the tax base, and result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one state to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders. It is thus, expected that introduction of GST will foster a common and seamless Indian market and contribute significantly to the growth of the economy.

Following are the salient features of this Bill:

- A new Article 246A is proposed which will confer simultaneous power to Union and State legislatures to legislate on GST.
- A new Article 279A is proposed for the creation of a Goods & Services Tax Council which will be a joint forum of the Centre and the States. This Council would function under the Chairmanship of the Union Finance Minister and will have Ministers in charge of Finance/Taxation or Minister nominated by each of the States & UTs with Legislatures, as members. The Council will make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution modalities etc.
- It is proposed to do away with the concept of ‘declared goods of special importance’ under the Constitution.

- Centre will compensate States for loss of revenue arising on account of implementation of the GST for a period up to five years. A provision in this regard has been made in the Amendment Bill (The compensation will be on a tapering basis, i.e., 100% for first three years, 75% in the fourth year and 50% in the fifth year).

The proposed GST has been designed keeping in mind the federal structure enshrined in the Constitution and will have the following important features:

- Central taxes like Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty (CVD) and Special Additional Duty of Customs (SAD), etc. will be subsumed in GST.
- At the State level, taxes like VAT/Sales Tax, Central Sales Tax, Entertainment Tax, Octroi and Entry Tax, Purchase Tax and Luxury Tax, etc. would be subsumed in GST.
- All goods and services, except alcoholic liquor for human consumption, will be brought under the purview of GST**.** Petroleum and petroleum products have also been Constitutionally brought under GST. However, it has also been provided that petroleum and petroleum products shall not be subject to the levy of GST till notified at a future date on the recommendation of the GST Council. The present taxes levied by the States and the Centre on petroleum and petroleum products, i.e., Sales Tax/VAT, CST and Excise duty only, will continue to be levied in the interim period.
- Both Centre and States will simultaneously levy GST across the value chain. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State.
- The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. There will be seamless flow of input tax credit from one State to another. Proceeds of IGST will be apportioned among the States.
- GST is a destination-based tax. All SGST on the final product will ordinarily accrue to the consuming State.
- GST rates will be uniform across the country. However, to give some fiscal autonomy to the States and Centre, there will a provision of a narrow tax band over and above the floor rates of CGST and SGST.
- It is proposed to levy a non-vatable additional tax of not more than 1% on supply of goods in the course of inter-State trade or commerce. This tax will be for a period not exceeding 2 years, or further such period as recommended by the GST Council. This additional tax on supply of goods shall be assigned to the States from where such supplies originate.

******