GST in time deadlock

# GST Bill

Lok Sabha has finally passed the GST Amendment Constitutional Bill on 5th May 2015 .

The GST Bill no. 192 of 2014 will result the 122th amendment in Constitution of India

GST is an indeed path breaking tax reform since 1947 in India.

Goods and Service Tax (GST) in India can be soon a reality in 2016 .But, the April factor seems doubtful and more realistic time can be anywhere between August to October 2016.

# GST Bill vs. Rajya Sabha via State Assemblies

The GST Bill will have to undergo an acid test in Rajya Sabha where the Govt. is in minority.

Beside, a time frame deadlock factor is there and hardly two more sessions of monsoon and winter will be there in Parliament.

Once , it is passed from Rajya Sabha , it will have to be mandatorily passed by Assemblies of 50% States out of 29 States .

This process is mandatorily since in GST Council, States have two thirds weightage while Centre weigh by one third only. Further, any decision in GST Council has to be passed with 75% vote.

In light of the same, the present session of Parliament, which was initially up to 8th May, has been extended to more 3 days with the only factor in mind that if GST Bill is not passed in this session then the GST Bill might not see daylight in April 2016.

Further, there are very high chance of sending the GST Bill to Standing Committee since Congress is against some of the provisions of the Bill.

# Journey of GST Bill

GST Bill took long 12 years to transform with the consent of all states.

The actual journey has just started in 2014 and it will be a reality in April 2016 only if Rajya Sabha passes it without referring to the standing committee.

# Indication of GST Rate

The Finance Minister has hinted that GST rate of 27% is on a very higher side and it will be diluted to a good extent.

It must be noted that the rate of 26.88% was suggested by National Institute of Public Finance and Policy (NIFP).

It is a hard ground reality that such rate of 27% cannot be absorbed by service industry and would be worked out for sure around 16% to 18% only.

Whereas, the goods will suffer the GST rate in between 18% to 24%.

Inter State GST of 1% will be levied both on goods and services. Till date, it was applicable on goods only. Hence, it will be an interesting move.

# Deciding Factor in GST Rate

It is pertinent to understand the macroeconomics that the exclusion of Petrol is the villain in deciding a lower rate of GST.

India Imports 81% Petrol and the levy of tax on Petrol by the states is a factor which is controlling the rate structure.

Economists are suggesting that if Petrol is included in GST then the rates of GST can be 20% to 23%.

Overall, petrol’s inclusion or exclusion will result in 3% in both side either by increase or decrease.

Very few people can realize that Centre levy a fixed quantum of tax whereas states levy ad valorem tax. Another shocking factor is that states re levying taxes higher than Centre on Petrol.

Hence, GST rate i.e. Revenue Neutral Rate (RNR) will be dominated by Petrol, alcohol, tobacco, land etc.

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