

## Goods and Services Tax (GST): Comparison of the 2014 Bill with the recommendations of the Select Committee, 2015

The Constitution (122<sup>nd</sup> Amendment) Bill, 2014 was introduced in Lok Sabha on December 19, 2014 and was passed by it on May 6, 2015. The Bill was referred to a Select Committee of Rajya Sabha for examination which submitted its Report on July 22, 2015. The Report contained three Notes of Dissent. The Table below compares the provisions of the 2014 Bill with the recommendations of the Select Committee and the Notes of Dissent.

**Table 1: Comparison of the 2014 Bill with the recommendations of the Select Committee, 2015**

Constitution (122 <sup>nd</sup> Amendment) Bill, 2014	Select Committee recommendations, 2015	Notes of Dissent in Committee Report, 2015
<b>Additional Tax (in interstate trade) (Clause 18)</b>		
<ul style="list-style-type: none"> <li>▪ An additional tax of up to 1% on the supply of goods will be levied by centre in the course of inter-state trade or commerce.</li> <li>▪ The tax will be assigned to the states from where the supply originates.</li> <li>▪ This will be for two years, or longer, as recommended by GST Council.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The 1% additional tax in its present form is likely to lead to cascading of taxes.</li> <li>▪ Add an explanation to the clause to define “supply” to mean all forms of supply made for a consideration”.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The 1% additional tax is market distorting, especially since 100% compensation for five years to states has been proposed.</li> <li>▪ Instead of the additional 1% tax, states should be permitted to retain 4% of centre’s share of IGST on all inter-state supplies of goods.</li> </ul>
<b>Compensation to states (Clause 19)</b>		
<ul style="list-style-type: none"> <li>▪ Parliament may provide for compensation to states for a maximum period of five years.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compensation to be for a five year period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100% compensation to be provided for five years.</li> <li>▪ Compensation must be deposited in a GST Compensation Fund, under the GST Council.</li> </ul>
<b>Coverage of GST (Clauses 12, 14 and 17)</b>		
<ul style="list-style-type: none"> <li>▪ Alcoholic liquor for human consumption to be exempt from GST.</li> <li>▪ GST is to be levied on petroleum crude, high speed diesel, motor spirit, natural gas, aviation turbine fuel at a later date.</li> <li>▪ GST to be imposed on tobacco. Centre to impose additional levy on tobacco.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No changes proposed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tobacco and tobacco products, alcohol for human consumption, and electricity supply and consumption must be brought within the purview of GST within five years.</li> <li>▪ States must also be permitted to levy taxes on tobacco.</li> <li>▪ Petroleum products to be kept out of GST.</li> </ul>
<b>GST Council (Clause 12)</b>		
<ul style="list-style-type: none"> <li>▪ Functions to include: Model GST laws, principles of levy and place of supply, rates including floor rates with bands of GST, apportionment of IGST, etc.</li> <li>▪ Voting: 3/4th weighted votes; 1/3 weightage to centre, 2/3 to states.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Define ‘bands’ (of GST) to include the range of GST rates (over the floor rate) within which CGST and SGST may be levied on specific goods or services or class of good or services.</li> <li>▪ Voting: No changes proposed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A statutory GST Council is not required. A body like Empowered Committee of state Finance Ministers is adequate.</li> <li>▪ A ceiling of 18% must be imposed on GST rates.</li> <li>▪ Special consideration to be given to states or Union Territories whose population does not exceed 20 lakh. (ex. Goa or Puducherry).</li> <li>▪ Voting: States must have 3/4 of the weighted votes, and the centre must have 1/4.</li> </ul>
<b>Dispute resolution (Clause 12)</b>		
<ul style="list-style-type: none"> <li>▪ GST Council to decide upon the modalities to resolve disputes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No changes proposed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Separate GST Disputes Settlement Authority, as provided for in the 2011 Bill, must be included.</li> </ul>

Sources: The Constitution (122<sup>nd</sup> Amendment) Bill, 2014; Select Committee Report on the Constitution (122<sup>nd</sup> Amendment) Bill, 2014 submitted on July 22, 2015, PRS.

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