

**Special Session addressed by Shri Sushil Kumar Modi, Chairman, Empowered Committee of State Finance Ministers on Implementation of Goods and Services Tax, Government of India and Hon'ble Deputy Chief Minister, Government of Bihar on 'GST : Some Imperatives and The Visible Roadmap':**

The Chamber organised a Special Session addressed by Shri Sushil Kumar Modi, Chairman, Empowered Committee of State Finance Ministers on Implementation of Goods and Services Tax, Government of India and Hon'ble Deputy Chief Minister, Government of Bihar on 'GST : Some Imperatives and The Visible Roadmap' on 27<sup>th</sup> April, 2013 at 11.15 a.m. at The Park Hotel, Kolkata.

Welcoming Shri Modi , Shri Sajjan Bhajanka, Senior Vice-President of the Chamber observed that GST is one of the most important forward looking steps towards fiscal reforms and harmonisation of taxes levied in India. GST was first conceived in 2004 and proposed in the Union Budget – 2006, Shri Bhajanka stated. Various reasons, such as the clash of interest of the Centre and States, have so far delayed its implementation. However, under the stewardship of Shri Modi many of the frictions in the path of implementation of GST has been cleared out.

Shri Bhajanka emphasised that implementation of GST would help in creating a single Indian common market for all goods and services. This, in turn, would help in bringing supply chain efficiencies which will lead to higher growth of GDP on a sustainable basis. Shri Bhajanka stated that there are two fundamental issues concerning GST. One of them being the concept of uniformity in GST, which is to be shared between the Centre and States. This concept of Dual GST was the most complex issue as it would have included two taxes namely State GST (SGST) and the Central GST (CGST). Since the financial position of few States do not appear to be sound, provisions for automatic transfer of State tax revenues could be more prudent approach for the acceptability of GST, he felt.

The question of control of the respective States during transfer of goods from one State to another, according to Shri Bhajanka has not yet been resolved. It may, therefore, be worthwhile to consider if the originating States involved in Integrated GST (IGST) could be allowed to retain 1 to 2 per cent of the tax to compensate the loss of CST, presently levied, Shri Bhajanka stated.

Lauding the decision taken by the Committee to keep micro and small entrepreneurs and traders out of the purview of GST, Shri Bhajanka felt that this would tackle the problems that the small traders may face. If in this regard organisations could be listed as recognised service providers for GST, it would help the small entrepreneurs, whose turnover is marginally in excess of Rs. 25 lakhs per annum to adopt the GST system smoothly, he suggested.

Introducing Shri Modi, Shri S M Surana, Chairman, Taxation & Company Affairs Standing Committee observed that he is one of the most practical and pragmatic personalities in the political leadership of the country today. As a school student, Shri Modi was a scholar and holder of the National Merit Scholarship for academic excellence. Despite his deep involvement in student politics and social work, he stood second in B.Sc. Honours in Botany of the Patna University, Shri Surana stated. Shri Modi demonstrated his zeal for social work when he sacrificed his post-graduate studies to join the call made by Shri Jai Prakash Narayan for social upliftment of the country during the Sino-Indian war. Shri Surana observed that Shri Modi was elected to the 14th Lok Sabha, but, because of his popularity in Bihar he had to resign from his Parliamentary seat to be appointed as the Deputy Chief Minister of Bihar as well as Finance Minister first in 2005 and again from November, 2010.

In his Address, Shri Sushil Kumar Modi, Chairman, Empowered Committee of State Finance Ministers on Implementation of Goods and Services Tax, Government of India and Hon'ble Deputy Chief Minister, Government of Bihar observed that he had succeeded

Dr. Asim Kumar Dasgupta as the Chairman of the esteemed Committee. Shri Modi stated that the Indian system of taxation has imposed a large number of indirect taxes. The concept of GST scheduled to be implemented within a short period would subsume all the indirect taxes prevailing in India. Thus, the system of GST aims to reduce the cascading effect and the problems of dual taxation. In this regard, GST can be compared to VAT which, like GST, eliminates the incidence of double taxation by taxing the value addition in every stage of production.

GST, according to Shri Modi has a wider tax base. It is expected that if introduced effectively, GST would help in raising the GDP of a State by 2 per cent. It is not that the States will incur revenue loss due to proposed GST. But to provide support to the States, the Centre should agree to compensate for a period of five years from the time of implementation. Besides, if a revenue neutral rate is evolved that will assure no loss of revenue for the State and rolling out GST would not consume much time. Citing instances of delay in implementation of CENVAT and VAT, Shri Modi said that it took 15 years and 10 years respectively to implement these taxes. Almost 80 per cent of the States have reached a consensus on GST and once the remaining 20 per cent agreed, GST would be rolled out within a short period of time, Shri Modi emphasised. The Parliamentary Standing Committee on Finance is expected to submit its report on the GST Bill shortly and thereafter, an all party meeting would be convened to further discuss the matter, he observed.

According to Shri Modi, GST is a destination based tax paid by the consumers. This requires uniformity in its implementation in all States. It is due to this reason that GST needs to be implemented by the Government in a phased manner. Since GST aims to create a single common market in India, a uniform implementation of GST in all the States is a mandate. Shri Modi stated that implementation of GST in the European Union has proved to be a great success. It has been implemented in a very smooth manner despite EU having 27 countries within its aegis, ruled by 27 separate

Constitutions. India, in this regard, has an advantage as it is a single country with a single Constitutional obligation to be met.

Referring to the obstacles in implementation of GST in India, Shri Modi stated that the principal source of revenue of the State Governments is Service Tax and other Indirect Taxes. The States today, collect their own tax revenue and are thus, self sufficient. The Central Government, in order to align its existing tax structure in favour of GST had brought down the Central Sales Tax from 4 per cent to 2 per cent. But following the delay in rollout of GST, the States have asked the Centre to consider restoring the rate back to 4 per cent or compensate for the loss of revenue. As per the Governments of different States, implementation of GST would threaten the fiscal autonomy for revenue collection by the State Government. Some States fear that implementation of GST would also make them dependent on Central funds.

Another important issue is the amendment of the Constitution which requires the approval of both the Parliament and the State Legislatures. Since the Indian Constitution under the Central and the State lists empowers the Central and the State Governments to impose certain taxes, the imposition of a common GST would require its amendment. The process of amending the Constitution being a very lengthy process it can be expected that the implementation of GST would require some time, Shri Modi observed.

Delays in implementation of GST is on account of subsuming other taxes like entry tax and octroi and determining exemptions for them. Deadlines for the implementation of GST have also been crossed on account of the differences in CST compensation and design of the GST structure between States and the Centre. Such resolutions are mandatory as all the States are under the obligation of being covered under the GST in a uniform manner.

Shri Modi stated that three Sub-Committees have been formed to recommend measures for the speedy implementation of GST. The Committees, according to Shri Modi, have been endowed with the task of creating a common exemption list for both the Central and the State GST. It would also determine the threshold limit for all States and commonly for both the Centre and State. The State rate would be determined by the Sub-Committees on the basis of their levels of prosperity, Shri Modi stated. The Sub-Committees would also deal with the small producers who are unable to meet the dual tax norms of the Centre and the State. Other provisions for such groups are being chalked out by the Sub-Committees so as to simplify tax compliance norms. The technological support to GST is being provided by a Committee headed by Nandan Nilekani and in this regard the progress has been impressive, according to Shri Modi.

Shri Modi also sought suggestions from the Chamber on ways to deal with entry tax, dual control, threshold limit, octroi and exemptions under the GST system.

Shri Rakesh Shah, Vice President of the Chamber offered a hearty Vote of Thanks to Shri Sushil Kumar Modi.

Shri Modi was presented with a publication covering the Chamber's suggestions on 'Goods and Services Tax' that the Chamber brought out on the occasion and in course of his Address, Shri Modi responded to some of the suggestions made by the Chamber in the publication.

\*\*\*\*\*