



Salient features of the 122nd GST Constitutional Amendment Bill

21 December 2014



Introduction

The One Hundred and Twenty-Second Constitution (Amendment) Bill 2014 was introduced in the Lok Sabha by the Hon'ble Finance Minister Shri Arun Jaitley yesterday i.e. on 19.12.2014 paving the way for introduction of the eagerly-awaited "Goods and Services Tax" (GST) Regime in the country and also signalling the firm resolve of the Government to go ahead with this "Game-changing" Reform, in the field of Indirect Taxation, an unprecedented one since Independence.

In an historic step, the much awaited Goods and Services Tax (GST) Bill has finally been introduced paving the way forward for introduction of GST in India.

The following are the salient features of the Bill:

1. "Goods and Services Tax" has been defined to mean "Any tax on supply of goods or services or both except taxes on supply of alcoholic liquor for human consumption".
2. "Services" has been defined to mean "anything other than goods".

3. The Centre and States would now have concurrent powers to levy GST on supply of goods and/or services.
4. The following Central Taxes would be subsumed in GST:
 - a. Central Excise Duty
 - b. Additional Excise Duty
 - c. Excise Duty levied under the Medicinal Toilet Preparations Act
 - d. Service tax
 - e. Central Sales Tax
 - f. Additional Customs Duty i.e. CVD
 - g. Special Additional Duty of Customs i.e. SAD
 - h. All Surcharges and Cesses relating to supply of goods and services
5. The following State level taxes would be subsumed in GST:
 - a. VAT/Sales Tax
 - b. Entertainment Tax (other than that levied by local bodies)
 - c. Octroi and Entry Tax
 - d. Purchase Tax
 - e. Luxury Tax
 - f. Taxes on lottery, betting and gambling
 - g. All Surcharges and Cesses relating to supply of goods and services
6. Centre would continue to have powers to levy Excise Duty on the following goods:
 - a. Petroleum Crude
 - b. High Speed Diesel
 - c. Petrol
 - d. Natural Gas
 - e. Aviation Turbine Fuel
 - f. Tobacco and Tobacco Products
7. Significantly, the concept of “Declared goods of special importance” is being withdrawn. This means that no special tax treatment would be available for goods like Cotton, Iron, Steel, oil seeds, specified cereals etc which are currently enjoying concessional rate of taxes.
8. Inter- State supply of goods and services are proposed to be subjected to levy of “Integrated Goods and Service Tax” (IGST).

9. An additional tax not exceeding 1% is proposed on supply of goods in the course of Inter-state trade or commerce. This tax is proposed to be collected by the Centre for a period of two years and will be allocated to the States from where the supply originates. This temporary levy is to meet the demand of the States to compensate them from probable loss of revenue on implementation of GST.
10. GST to cover all goods and services except alcoholic liquor for human consumption.
11. Petroleum and petroleum products would not be subjected to GST till a date to be notified on the recommendation of the GST council.
12. States would be compensated for the loss of revenue due to implementation of GST for a period that may extend to 5 years.
13. A GST council consisting of Centre and State Finance ministers is proposed to be constituted with wide powers which would include powers to:
 - a. examine issues relating to GST
 - b. recommend to the Centre and the States on parameters like rates, exemption list and threshold limits
 - c. recommend model GST laws, principles of levy, apportionment of IGST and the principles governing the place of supply
 - d. to recommend special rates for a specified period to raise additional resources during any natural calamity or disaster
 - e. to recommend on special provisions with respect to North Eastern States, J&K, HP and Uttarakhand
 - f. Any other matter relating to GST
14. Transitional Provisions have also been made. Accordingly, any provision of the existing State laws relating to tax on goods and/or services which is in conflict or is inconsistent with the GST law would continue to be in force until amended or repealed or until expiration of 1 year from the commencement of the GST law, whichever is earlier.

Contacts

Dinesh Kanabar, CEO
dinesh.kanabar@dhruvaadvisors.com

Rakesh Dharawat, Partner
rakesh.dharawat@dhruvaadvisors.com

Vishal Gada, Partner
vishal.gada@dhruvaadvisors.com

Ajay Rotti, Partner
ajay.rotti@dhruvaadvisors.com

Our offices

Mumbai

12th Floor
Discovery of India Building (Nehru Centre)
Dr. Annie Besant Road
Worli, Mumbai 400 018

Bengaluru

Prestige Terraces
5/1, Union Street
Infantry Road
Bangalore 560001

Ahmedabad

A/5, Safal Profitaire,
Prahladnagar, Corporate Road,
Opp. Auda Garden,
Ahmedabad – 380015

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