



GST Update - Dual control consensus, GST deferred to July 1, 2017

On completion of fifth meeting, it appears that GST Council has finally reached consensus over the dual control issue. The Finance Minister, in the news briefing yesterday, informed that the GST Council has agreed to most of the demands of the States including horizontal split with regards to tax payers based on annual turnover. Following issues were discussed and agreed upon between the Council members:

1. States to have power to assess and administer 90% of the service taxpayers having turnover up to Rs. 1.5 crores while the remaining would be administered by Centre. The Centre will also have power to audit 10% of the tax payers. For taxpayers above the said threshold, the Centre and the State will administer 50% of the assesses each. In this regard, as informed by the Finance Minister, it may be important to note that each assessee will be assessed by only one authority – Centre or State.
2. States would be delegated with taxation powers on economic activity within the territorial waters i.e. up to 12 nautical miles - though the constitutional rights vest with the Centre
3. By special provisions in the IGST Law, State will also be cross-empowered to administer inter-State movement of goods and services in line with the threshold limits indicated above.

Apart from above, the Finance Minister has indicated that GST implementation is likely to be deferred to July 1, 2017. This comes as breather to the industries considering the preparation levels for April deadline were inadequate. Any changes in the Budget 2018, including rate changes, withdrawal of exemptions etc. are likely to be kept to minimal and aligning with the GST provisions.

The Government has also indicated introduction of final laws by mid-February and rates by March. It would be relevant to see whether a concrete timetable would be laid out in the Budget. Deferring GST implementation to July 1, would give a much needed 3-month time frame to the industries to make changes to their IT systems.



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