

# GST Newsletter

The Constitution Amendment Bill has been passed in the Lok Sabha and presently pending with Rajya Sabha while all the efforts are being made by the ruling party to get the bill passed, political conditions do not seem to be conducive. The discussions and developments on the Bill as well as other aspects of proposed GST regime, during the month of March 2016, have been captured in this newsletter.

***Arun Jaitley: Numbers change in Rajya Sabha will permit GST passage***

The government hopes that the biennial elections in the Rajya Sabha will give it enough seats in the upper house of parliament to pass the Goods and Services Tax (GST) Bill, Finance Minister Arun Jaitley said. "Numbers are going to significantly change in the Rajya Sabha with the biennial elections. Every political party in parliament, barring one, has told me it will support GST," Jaitley said at the annual India Today Conclave.

***Government could gain votes in 2016 to pass GST bill: Morgan Stanley***

The government is likely to gain the votes it needs to pass the Goods and Services Tax (GST) bill this year which could have far reaching macroeconomic and earnings implications, says a Morgan Stanley report. In recent time, investor expectations regarding the passage of the GST bill have waned due to a logjam in the Upper House. However, according to the global financial services major, support for GST bill is rising in the Rajya Sabha. "The key to the bill's passage is a reduction in the number of Upper House members opposing the bill. That number currently stands at 91 and it needs to fall to 82 for the bill to clear - we forecast that to happen by July 2016," the report noted. The report further noted that "once the bill clears Parliament, getting the bill passed by more than half of the states should not prove challenging, as the BJP and its allies are currently in power in 12 of 29 states, and a few beyond the 12 are supportive of the bill".

***Government signals GST may be implemented from 1 April 2017***

The government signaled that the goods and services tax (GST) will be implemented from 1 April 2017 even if the constitution amendment bill on GST gets cleared in this session of Parliament. "Ideally, we should have GST from the beginning of a fiscal. Once the constitution amendment bill gets passed in Parliament, we need about five-six months of preparation (to roll out GST). Businesses also need to time to prepare and traders need to be explained the working of GST," said revenue secretary Hasmukh Adhia.

***GST network to be implemented soon across India***

"Our network will be ready by June for introducing the GST at the Centre and in all states, including union territories of Delhi and Puducherry," GSTN chief executive Prakash Kumar told reporters at an event. Software major Infosys, which bagged the Rs 1,379-crore deal to set up the nationwide network and operate for five years, is working overtime to ensure it is up and running for rolling out the digital service soon across the country. "The network is built for about 70 million taxpayers, who will upload about three billion (3 crore) business-to-business (B2B) invoices every month across the country," Kumar said at a day-long meet on 'How to be digitally ready for GST', organized by the Confederation of Indian Industry (CII) southern region. As against the complex and time-consuming filing of returns offline, a company will have to fill only two forms, as various taxes such as GST will subsume value added tax, central sales tax, central excise and other taxes at state level. "In addition to filing monthly returns online in a secured network, the users can pay the tax online with an automated generated challan (form) attested by their digital signature certificate," Kumar added.

***There must be a cap on GST bill: Chidambaram***

Reiterating his views on constitutionalising the goods and services tax (GST), former union finance minister P Chidambaram has said that in case of a genuine emergency, parliament can change it. "If you don't put restraint on the government, it has the tendency to increase rates," he said. "The idea is that it must be difficult to change it. Let the government first accept a cap, if it does, then we can argue if there should be a constitutional or any other equally efficacious cap," Chidambaram said.

***Congress govt is keen on early introduction of GST: Karnataka***

The Congress government has batted for quick introduction of the goods and services tax (GST), even as the bill has been stalled in Parliament by the party demanding some amendments. According to the Karnataka fiscal plan for 2016-2020, released after chief minister Siddaramaiah presented the budget on Friday, introduction of GST will create a healthy and competitive environment besides propelling growth and development. It said the emergence of a common market will end competition among states in offering tax incentives for attractive investments and that a conducive atmosphere of ease of doing business will attract investors. The state government is geared to switch over to the GST regime, according to the plan.

***GST to push India's economic growth rapidly: Vijay Kelkar***

The introduction of Goods and Services Tax (GST) is an important reform which will lead India into next rapid phase of economic growth, said former chairman of 13th Finance Commission Vijay Kelkar. "The most important reform will be GST which will bring this country as one market. Launching of GST has taken us

into next very rapid phase of growth," Kelkar, a noted economist, said at a Skoch summit.

***Modi govt slow in implementing key reforms like GST: US official***

The Narendra Modi government has not moved as fast as expected to implement long-awaited reforms like the GST and Land Acquisition Bill, Arun Kumar, Assistant Secretary for Global Markets in the US Department of Commerce, International Trade Administration, said in New York and asked American businesses to be patient since reforms cannot be implemented overnight. "The Modi government is well aware of the hurdles and while it may not be moving as fast as some would like, it has taken a number of initial positive steps," he said, citing the "real progress" made by India on complex tax issues, reducing the backlog of transfer pricing cases and easing foreign investment restrictions in the defence and railways sector. He pointed out that US businesses have to be patient since reforms cannot be implemented overnight and given the vast growth opportunities in India, it is important that US businesses do not lose faith but hold on to the Indian economic growth story.

***GST poses a big risk for Indian solar industry: Report***

Renewable sector, currently a beneficiary of several indirect tax exemptions, may be a big loser if goods and service tax is implemented since the bill proposes to revoke most of these exemptions, according to Bridge to India, a renewable analyst house. Bridge to India feels if GST is implemented, input cost or tariff will rise by anything between 12-20% in the sector and this would wipe out the pricing gains of the past two years. Successful passage of the GST bill, although highly beneficial to the wider economy, would severely impact both ongoing and new projects in the sector. The Ministry of New and Renewable Energy (MNRE) is believed to be pushing for a waiver from GST arguing that a sudden increase in cost would lead to disruption in the sector and delay implementation of policy targets.

***Additional cess to be subsumed in GST: Tax official***

Government will subsume all the additional levies like Krishi Kalyan and Infrastructure cess in the Goods and Services Tax (GST), said Ram Tirath Member (Budget), Central Board of Excise and Customs. Besides, the tax official said the government has tried to address all tax areas in the Budget. He also hoped that excess litigation in indirect tax matters would be cut down by 50 per cent in an year's period. Tirath also said the government has simplified and rationalised many tax processes in the Budget.

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