

December 22, 2014

## Features of GST Constitutional Amendment Bill

On December 17, 2014, Union Cabinet approved the introduction of GST Constitutional Amendment Bill. In pursuance of this, Finance Minister Arun Jaitely introduced the Bill in Lok Sabha on December 19, 2014.

### Salient Features of the Bill

#### **A. Constitutional Amendments**

- Proposes new Article 246A to confer simultaneous power to Union and State legislatures to legislate on GST.
- Proposes new Article 279A to establish GST Council which will be a joint forum of the Centre and the States. The Council to function under the Chairmanship of Finance Minister and will comprise of Ministers in charge of Finance / Taxation or Minister nominated by each of the States & Union Territories. Further, GST council to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution modalities etc.
- Proposes concept of 'declared goods of special importance' under the Constitution.
- Centre to compensate States for loss of revenue arising on account of implementation of the GST for a period up to five years. A provision in this regard has been introduced in the Constitutional Amendment Bill.



## **B. GST Inclusions**

- Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty (CVD) and Special Additional Duty of Customs (SAD), to be subsumed in GST.
- VAT/Sales Tax, Central Sales Tax, Entertainment Tax, Octroi and Entry Tax, Purchase Tax and Luxury Tax, etc. to be subsumed in GST.
- Petroleum and petroleum products covered under GST. However, provision has been provided that petroleum and petroleum products will not be subject to GST levy till notified at future date on the recommendation of the GST Council. Hence, in the meanwhile, present state taxes to apply on petroleum / petroleum products.
- Alcoholic Liquor for human consumption out of GST.

## **C. Dual GST Scheme**

- Centre and States to simultaneously levy GST across the value chain. Centre to levy and collect Central Goods and Services Tax (CGST), and States to levy and collect the State Goods and Services Tax (SGST) on all transactions within a State.
- The Centre to levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. Proceeds of IGST to be apportioned among the States.
- All SGST on the final product to ordinarily accrue to the consuming State since GST is a destination based tax.



#### **D. GST Rate**

- GST rates to be uniform across the country. However, to give some fiscal autonomy to the States and Centre, there will a provision of a narrow tax band over and above the floor rates of CGST and SGST.
- Proposes to levy non-vatable additional tax of not more than 1% on supply of goods in inter-State trade / commerce. Such tax not to exceed 2 years, or further such period as recommended by the GST Council. Additional tax to be assigned to States from where such supplies originate.

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