

GST BULLETIN

Bhasin Sethi & Associates

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GST rate on environment unfriendly products to be higher than others: Arun Jaitely

The Finance Minister, Mr. Arun Jaitely, has indicated that GST rate on environment unfriendly products will be distinct from normal rate of taxation applicable to others under the upcoming GST regime in order to augment climate financing funds. This is has come within days of India signing the Paris Climate Treaty.

He said large commitment from the developed countries to provide funding for climate change financing is not sufficient to meet the sustainable development goals and that the multilateral agencies also need to contribute in it.

COMMENT:

The move is greatly positive because apart from funding

the climate financing, it will also help in reduction of environment unfriendly products.

Consumer Voice demands sin tax rate of 40% to be slapped on tobacco products under the GST

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To discourage the use of tobacco and its addiction, Consumer Voice, as voluntary action group has urged the GST Council to levy the highest, "sin tax" of 40 percent on all forms of tobacco products, including cigarettes, beedis and smokeless tobacco. "Higher taxes are particularly effective in reducing tobacco use among vulnerable populations", said the Consumer Voice's statement.

COMMENT: Taxing tobacco products at higher rate may lead to lesser consumption but at the same time it will also affect the revenue collection

"The indirect tax regime that we are planning, the rate of taxation on such products which are going to be environmentally unfriendly would be distinct from the normal rate of taxation. This is one of the proposals being discussed,"

"...resources have to be mobilised from all sources for climate financing so that sustainable development goals can be achieved in a much more concrete manner".

– Arun Jaitely

Report pointing out loopholes in Model GST law

A report on some major loopholes in the GST law has been prepared by the Central Excise Department. This is in response to the suggestions sought by the Union Govt. to

improve the law. One of the major apprehension of the tax officials is regarding the wide definition of the term 'supply' given under the Model GST Law which intends to cover almost all kinds of transaction. The Dept. has expressed concerns on lack of clarity on such transactions and its administration, which

in turn would lead to disputes and endless litigations.

Apart from the wide definition of the term 'supply' under section 3 of the model law, the Dept. has also highlighted the provision relating to 'valuation of supply of goods and services', which is again apprehended to create room for confusion and dispute.

Also the report expresses concern over the lacuna on the part of 'input tax credit', another important area which needs to be revisited as per the report.

COMMENT: Administration of GST has to be sorted out to implement it smoothly and also to reap its expected benefits

Commerce Ministry seeks exemption of exporters to continue under the GST

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The Finance Ministry has assured CBEC officers that there will be no reduction of manpower under the new GST regime and the HR policy will be drafted after taking their views on board. The assurance came after Central Excise officers expressed their concerns about use of technology and transfer of any assessee of excise and service tax to states under the new framework, leading to surplus manpower.

The board has invited comments on human resources from All India Association of Central Excise Gazetted Executive Officers which will be looked into while framing the policy.

The Association has demanded that the 11 lakh service tax assesseees which are under the Centre should continue to remain with the Centre in the GST regime and to which the board has said the final decision will be taken in the next meeting of GST Council.

"All central excise and service tax assesseees falling above the annual turnover of Rs. 20 lakh should necessarily be controlled by the Centre and its officers only. No need to say we require a strong and powerful Centre in our federal system," it added. It wants CBEC and its officers only to collect C-GST and I-GST. "State government officials should be allowed to collect only S-GST on intra-state supply of goods and services," the body proposed.

COMMENT: The fate of the concerns raised by the association shall be decided by the GST Council in its third meeting.

States protest against 'deprivation of power to enforce and collect taxes' under the GST regime

All India Confederation of Commercial Taxes Association (AICCTA), a body of tax officials of the state commercial tax departments, to protest for 'depriving' the states of the power to enforce and collect taxes on goods and services. The body is contending that GST will frustrate the very motto of co-operative federalism espoused by the central government, by curtailing the powers of the states to collect tax.

The body is apprehending that implementation of GST will make the commercial taxes departments under the state governments' subordinate branches of the central government. This is in light of the proposal that Centre will confer rights on the states to enforce and collect tax up to a turnover of Rs 1.5 crore on goods but not on services.

Two of the important demands raised by the association are to allow the states to enforce and collect tax on both goods and services up to the 1.5-crore turnover mark and to let the states administer IGST (earlier known as CST) as it is doing now.

COMMENT: The consensus between States and Centre is a must for smooth GST rollout.