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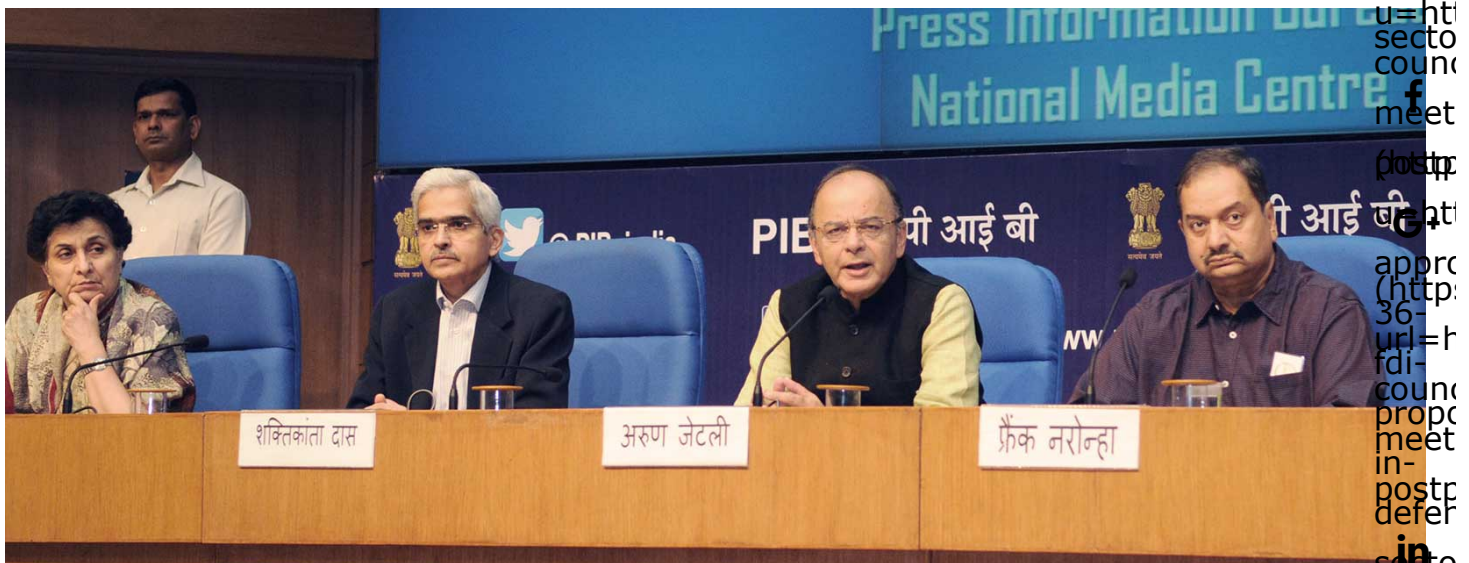
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GST Council meeting postponed

A thorny issue now is the provision for admin controls over inter-state supplies

Ranjeet Mahtani & Stella Joseph

The highlight of the week just ended with the postponement of the meeting of the GST Council (GSTC) from November 25 to December 2-3, 2016. The GSTC was to primarily finalise the draft GST legislations, which were circulated by the Centre to the States last week for their comments. It appears that the States are yet to finalise their comments but require further time for deliberations; the demonetisation drive diverting both time and energies away from GST.

A thorny issue that is said to have emerged and delayed the process, by causing the States to raise concerns, is the provision for administrative control over inter-state supplies. The draft IGST legislation circulated to the States is reported to have had the Centre take exclusive jurisdiction to administer inter-state supplies. Administrative control has, in any, case been a contentious issue, with no consensus yet obtained at the forum of the GSTC (though ideas of 'horizontal' and 'vertical' division for administration are afloat, there is no agreement yet). Considering this inconclusiveness over administrative powers, the draft CSGT Act, SGST Act circulated to the States, it is learnt, has a generic provision empowering both the Centre and the States to administer under these legislations. The exclusivity of the Centre to administer inter-state transactions under the IGST draft appears to have irked the States.

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Another noteworthy aspect especially for trade and industry, reported in relation to the GST legislations circulated to the States, is the reported inclusion of an anti-profiteering clause in the revised drafts. An authority is proposed to be constituted to examine and monitor whether any benefit arising out of input tax credit or out of reduced taxes on inputs are rightly passed on by the supplier to the consumer, i.e. has resulted in a commensurate reduction in prices. Further, it is also envisaged that a penal consequence will visit the supplier in case he / she fails to pass on such benefit. This provision is said to have been inspired from the Malaysian GST law, which was introduced *inter alia* with the objective to curtail inflation. Whether this provision ultimately finds its way into the statute-book or not, there are a few noteworthy aspects. It will have to be seen as the modalities

through which such an authority would ensure that the price has reduced commensurately. It may be so that the suppliers, at each stage of the transaction, would be required to open their books of accounts for inspection by the Tax Department, which may result in harassment to the assessee. Besides this, whether the provision will survive a Constitutional challenge, especially in context of the fundamental rights enshrined under Article 14 (right to equality) and Article 19(1)(g) (right to freedom of trade and commerce), is something time will tell.

Some of the other recent developments are:

Money Bill?

Another development is the decision of the Centre to put up the GST legislations before the Parliament as a Money Bill, contrary to what Congress party had demanded (during Parliamentary debate on the Constitution Amendment Bill). In case of a Money Bill, the legislations will only be deliberated and put to vote in the Lok Sabha, where the Government enjoys a majority. This is seemingly done with the mindset of avoiding further derailment of the passage of the GST legislations by the Opposition and to introduce GST by 01st April, 2017.

Classification of goods

It is indicated that in a meeting of the relevant officials of the Centre and State chaired by the Revenue Secretary, about 80 commodities are in contemplation to enjoy exemption from GST. These are learnt to include grain, poha, non-mineral water, etc. For services, the exemption list is said to only include health and education. The exact classification of goods and services under the slab rates is still being deliberated upon.

GSP

On the IT front, 48 firms, including the big four accounting firms and certain IT companies like TCS are being considered as GST Suvidha Providers (GSP), who will be the interface between the GSTN and the tax payers and *inter alia* prepare applications which will assist the tax payers to upload data onto the GSTN.



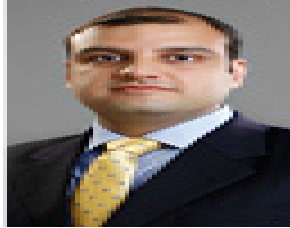
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Sheela Mamidenna - Nov 26, 2016 12:00 IST

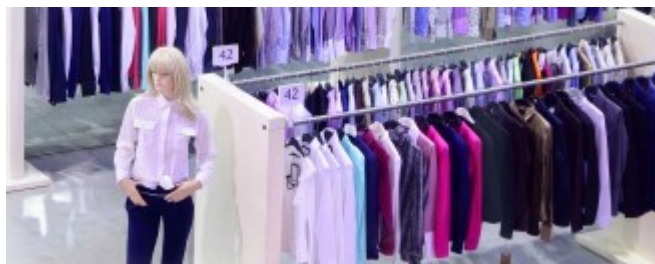
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India's economic growth rate is estimated at 6.5% in the current fiscal.

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Govt approves 36 FDI proposals in defence sector

Karnataka and Maharashtra got the maximum number of proposals approved.

The Dollar Business Bureau

The government has so far approved 36 proposals for foreign direct investment (FDI) and joint ventures (JV) in the defence sector for manufacturing of defence equipment. Karnataka and Maharashtra got the maximum number of proposals approved.

“So far, 36 FDI/Joint Ventures proposals have been approved in defence sector for manufacture of various defence equipment, both with Indian public and private companies,” Dr. Subhash Bhamre, Minister of State for Defence, said in a reply to the Lok Sabha on Friday.

The states of Karnataka and Maharashtra got the share of maximum FDI proposals with 12 and 9 proposals, respectively.

From New Delhi 5, Tamil Nadu 3 and Telangana 4 proposals have been approved.

One FDI/JV proposal each from Haryana, Himachal Pradesh and Uttar Pradesh got the clearance from the government.

Earlier, this year, the government has opened the defence sector for 100% FDI permitting the foreign companies to own up to 100% equity in the domestic defence sector only after the approval of the government especially in cases where there is an access to modern technology.

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India is among the few nations with which the trade deficit of the US has dropped.

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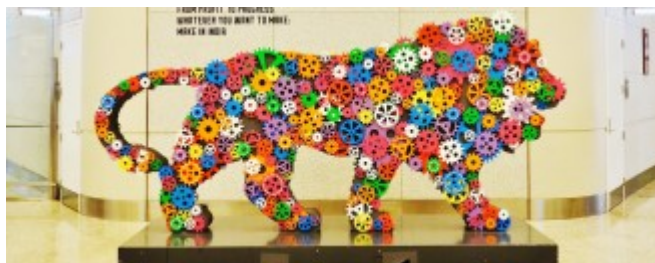
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'Make-in India' led to a record \$60 bn FDI inflow in FY'17: Comm Min (<https://www.thedollarbusiness.com/news/makein-india-led-to-a-record-60-bn-fdi-inflow-in-fy17-comm-min/>)

The Government is also increasing the focus to new emerging sectors under Make in India.

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