GST
12TH COUNCIL MEETING

BY –CA GAURAV AGARWAL

+91-9680308787

The object of the study material is to provide material to various professionals to enable them to obtain knowledge and skill in the subject. In case any clarification or suggestion to make further improvement may write at below mail id- gauravramco@gmail.com

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Contact: - 9680308787

ABOUT THE AUTHOR

Gaurav Agarwal,has vast experience in rendering Taxation & advisory Services. He has handled several assignments relating to Statutory Audits of corporate, Insurance Companies, Automobile,Real estate & Banks.

Mr Gaurav Agarwal has secured **1st position on the merit list all over India** in Tax Management Course of The Institute of Chartered Accountants of India.

He was awarded –**S PARAMASIVAM MEMORIAL AWARD** BY The Institute of Chartered Accountants of India IN PERSENCE OF Indian Rail Minister Shri Suresh S Prabhu on 8th February 2017 in Delhi.

Mr Gaurav Agarwal has also secured 44th position in CA Inter Exam. He is also writing various analytical articles on Goods & Service Tax [GST] & other taxation law.

He did his graduation from Rajasthan University in 2012 with 76 %.

He has rich knowledge of Goods & Service Tax, Service Tax and representing in various awareness Camp & discussion on GST with CBEC, Business Union & professional Group etc.

He also has rich experience to handle assessment and Serach & survey cases of Direct and Indirect Taxes.

ABOUT GST

Goods and Services Tax (GST) is a proposed system of indirect taxation in India merging around 17 existing taxes into single system of taxation. It was introduced as The Constitution (One Hundred and First Amendment) Act 2016. The GST is administered & governed by GST Council and its Chairman is Union Finance Minister of India Arun Jaitley and till March 17,2017 Twelve [12] council meeting was held for proper implementation of GST in India.

GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the central and state governments.

This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be considered as zero-rated supply and imports would be levied the same taxes as domestic goods and services adhering to the destination principle in addition to the Customs Duty which will not be subsumed in the GST.

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent.

What changes there would be if India launches GST- “The tax rate under GST may be nominal or zero rated for the time being. It has been proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products.” The central government has assured states of compensation for any revenue losses incurred by them from the date of introduction of GST for a period of five years under Compensation act.

As India is a federal republic GST would be implemented concurrently by the central government and by state governments

HISTORY

Council Meeting	Date
1st Council Meeting	22-23 Sept 2016
2nd Council Meeting	30 Sept 2016
3rd Council Meeting	18-19 Oct 2016
4th Council Meeting	3-4 Nov 2016
5th Council Meeting	2-3 Dec 2016
6th Council Meeting	11 Dec 2016
7th Council Meeting	22 to 23 Dec 2016
8th Council Meeting	03 to 04 Jan 2017
9th Council Meeting	18-01-2017
10th Council Meeting	16-02-2017
11th Council Meeting	04 to 05 March 2017
12th Council Meeting	16-03-2017
Upcoming 13th Council Meeting	31 March 2017

SUMMARYOF MEETING

The all-powerful Goods & Services Tax (GST) Council in its 12th meeting held at New Delhi, approved the final drafts of UTGST (Union Territory GST) and SGST (State GST) with these, all five enabling draft bills stand approved and paving way for implementing the country's biggest and most ambitious tax reform.

It is expected that the Bills –

1. Central GST (CGST),
2. Union Territory GST (UTGST),
3. Integrated GST (IGST) and
4. Compensation Bills

Will be tabled in the Parliament's ongoing budget session itself.

State GST (SGST) Bills will be taken up by the respective State Cabinets and Assemblies.

MAJOR DECISIONS

1. Cess has been capped at 15%

2. There will be five categories of goods on which a cess will be levied [Pan masala, tobacco and its products, coal and related fuels, mineral waters, aerated waters and drinks, luxury cars etc. However, actual rates will be lower than the said caps.

3. Special Economic Zones – Supplies will be at 'Zero Rate'.

4. The GST Council, in its next meeting, scheduled on 31st March, 2017, will take up the rules on remaining four categories i.e. on composition, valuation, tax collected at source and transitions.

5. Further, the Council will consider changes on approved rules i.e. refunds, invoices, returns, payments and registration, if any.

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“The council has approved all these laws. CGST, Integrated GST and Compensation laws will be taken to the cabinet and then introduced in the Lok Sabha. SGST and UT GST will be taken to state cabinets...States also will be doing it expeditiously,” Jaitley said.

He said progress on the finalisation of crucial elements of the GST seem to be moving in the right direction for the new tax regime’s roll out on July 1.

GST seeks to replace multiple central and state taxes on goods and services with a single levy. Jaitley also said that rules related to registration, payment, returns and in-voice refunds have already been approved and now the GST Council needed to clear rules dealing with composition and valuation. He said marginal corrections are required on regulations approved earlier and the GST Council would meet on March 31to finalise these.

On the crucial issue of fitment of goods and services into various slabs, Jaitley said the official committee will work on it and it would be taken up by the Council in its next meeting.

The council’s approval for the state GST and Union territory GST bills marks an important step in India’s long journey towards creating a unified market, and is critical to meeting the deadline of 1 July for GST implementation.

“One major action required will be on fitment; officials will be working on it. Then we will approve it in the meeting. Then we will be ready to implement GST from July 1,” he said.

The council, in its previous meetings, had given its nod to the central GST law, the integrated GST law (dealing with inter-state trade) and the bill to compensate states for revenue losses arising from the transition to GST.

Four of the proposed laws (except the state GST bill) will now be tabled together in the Lok Sabha after getting the Union cabinet’s approval. The state GST bill will need to be approved by all state legislatures.

The National Democratic Alliance government is expected to table these bills in the ongoing budget session as money bills, ensuring their smooth passage in Parliament. A money bill only requires the approval of the Lok Sabha, where the governing alliance is in a majority. The Rajya Sabha, where it is in a minority, only has powers to make recommendations on a money bill, which the Lok Sabha can choose to accept or reject.

1. Cess has been capped at 15%

The proposed GST cess would be in addition to the imposition of GST at the highest rate of 28%.

15% is maximum Cap rate for CESS which is decided.

"This is for empowerment....We have kept some head room...These caps have been incorporated in the compensation law," finance minister and GST Council chairman Arun Jaitley told reporters after the council's 12th meeting here.

A government official privy to the deliberations said this was just a ceiling and the GST Council will decide how much cess is to be imposed.

Maximum cess is decided so in case, if in future Government decide to increase tax rate for Demerit Luxury goods it can be done by simple process.

The cess on colas and cars has been capped at 15%, which means that the total tax incidence cannot be more than 43% (tax rate of 28%+cess of 15%).

2 Categories of Goods on which cess will be charged

There will be five categories of goods on which a cess will be levied [Pan masala, tobacco and its products, coal and related fuels, mineral waters, aerated waters and drinks, luxury cars etc.

Enabling provision on cess

The GST council agreed to cap the cess on various so-called demerit (or sin and luxury) goods in the legislation

Item	Maximum rate at which GST cess can be collected
Pan masala	**135%**
Sweetened mineral and aerated water	**15%**
Motor cars and vehicles (with the exception of motor vehicles for transportation of 10 or more people)	**15%**
Tobacco products	**Rs4,170** per 1,000 sticks or **290%** or a combination of both

Clean energy cess on coal capped at Rs400 per tonne

Source: GST council

The GST council also agreed to cap the cess on various so-called demerit (or sin and luxury) goods in the legislation. The cess on colas and cars has been capped at 15%, which means that the total tax incidence on sweetened drinks and cars cannot be more than 43% (tax rate of 28%+cess of 15%).

In the case of cigarettes and chewing tobacco, the cess levied could be either 290% or Rs4,170 per thousand sticks or a combination of both.

To be sure, these cess rates are an enabling provision and the actual tax incidence could be lower, depending on the decision of the GST council.

Interestingly, the council has decided to bring in an enabling provision for levy of cess on all cars and not only on luxury cars. This means that the council, at a later date, could decide to levy a cess over and above the 28% tax rate on non-luxury cars as well.

In the case of cigarettes and other tobacco products such as pan masala and gutka, the GST Council has provided three caps –

- if the total cess imposed is specific,
- if it is ad valorem and
- a mix of both.

For cigarettes, if the cess is entirely levied on ad valorem basis, then the cap is pegged at 290%, while for pan masala, it is 135%.

The GST Council will also have the power to include any other luxury item under the cess besides these four.

The environment cess has been capped at Rs 400 per tonne. The actual cess on these items will be decided later but the cap has been provided in the draft legislation.

The actual cess on demerit goods, which will help create a corpus for compensating states for any loss of revenue from GST implementation in the first five years, may be lower than the cap as the Council has kept a “little” headroom for future exigencies, Jaitley said.

3 Special Economic Zone

The council also decided to make the tax treatment of items produced in special economic zones (SEZs) similar to that on exports. Procurement of supplies by SEZs will be zero-rated. In the earlier draft, SEZs would have had to pay the tax and then claim a refund

4 Matters to be discussed on next Council meeting

The GST Council, in its next meeting, scheduled on 31st March, 2017, will take up the rules on remaining four categories:-

1 Composition,

2 Valuation,

3 Tax collected at source and

4 Transitions.

“After these rules are approved, one major action will be required which is with regard to the fitment of various commodities into the tax slabs,” he said.

5 Will Discussion on approved Rules

The Council will consider changes on approved rules i.e. refunds, invoices, returns, payments and registration, if any.

The council now has to formalize nine sets of rules as well as complete the time-consuming task of fitting various goods and services into the different tax slabs.

These rules, including those on registration, payment, refunds, invoices, returns, valuation and input tax credit, will be finalized in the next meeting of the GST council on 31 March. Subsequently, the council will take up the fitment of rates.

Addressing the conference after the 12th GST Council meeting, Jaitley said: "Today the GST Council gave its approval to the State GST and the Union Territories GST laws and cleared the revised drafts of three other crucial bills. Some changes were required in Central GST bill, Interstate GST bill and the Compensation law that were approved earlier, and those were also discussed and the changes were approved by the council."