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## GST Council to decide on revenue-neutral-rate

By: FE Bureau | Updated: July 28, 2016 6:44 AM

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This was, as West Bengal finance minister Amit Mitra told the media on Tuesday, that the tax not be so high as to hit the common man but not so low as to hit state government finances.

With a considerable difference between the revenue-neutral rate (RNR) for the goods and services tax proposed by chief economic adviser Arvind Subramanian and the

actual rate levied today, state finance ministers have decided that the final call on this be taken by the GST Council once a general principle is agreed to. This was, as West Bengal finance minister Amit Mitra told the media on Tuesday, that the tax not be so high as to hit the common man but not so low as to hit state government finances.

This clarification, coming from one of the ministers present in Tuesday's meeting of state finance ministers, is important in the context of media reports that the state finance ministers had rejected the government's RNR proposal and that many GST issues remained unresolved. None of the state finance ministers, the minister said, was in favour of putting the RNR in the Constitutional Amendment Bill that is to be introduced in the Rajya Sabha next week.

Though the [Congress](#) party has not made its stand public on whether it is willing to support a Constitutional Amendment Bill that does not explicitly have a cap on the RNR, the Karnataka finance minister who represented the party in Tuesday's meeting reportedly did not bring up the issue but only spoke of the need to ensure the RNR remained within a band — 'ring-fence' was the term he used.

The Tamil Nadu government, however, continues to hold out and, on Wednesday, a spokesperson enumerated the state's differences with the GST Bill on CNBC-TV18.

This included the veto right for the central government in the proposed GST Council as well as the voting structure in the council.

With Mitra, who heads the empowered group of state finance ministers, ensuring that the wording on the five-year central government compensation for states was tightened to the satisfaction of the states — an amendment is also required to ensure funds from the Consolidated Fund of India can flow to the states — chances are the Constitutional Amendment Bill will pass in the Rajya Sabha since the other issue of the 1% extra tax that producing states had wanted is likely to be dropped; Subramanian had, in any case, argued that this would hurt the Make-in-India programme.

Mitra told the media on Tuesday that the issue of only state government control of units with an annual turnover of less than R1.5 crore had been made clear to finance minister

Arun Jaitley.

Since there are 243 members in the Rajya Sabha following Navjyot Singh Sidhu's resignation, the government needs 163 members to vote in favour of it. The NDA has 71 of its own. If one adds the rest minus the Congress (60) and the AIADMK (13), there are more than enough to ensure that two-thirds of the members are in favour of the Bill. Even if one assumes the BSP decides not to support the Bill due to the recent acrimony with the BJP, the Bill will have 164 members supporting it, still enough to make the Bill go through, but cutting it fine.

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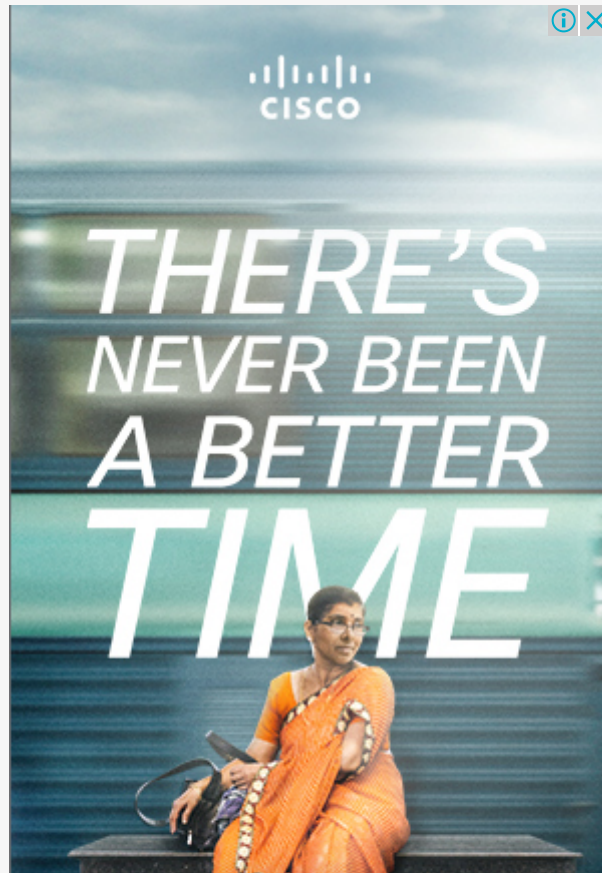
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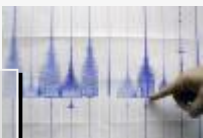
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