

BUSINESS

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GST: Two major hurdles cleared

- Special Correspondent



PTI

The Union Cabinet headed by Prime Minister Narendra Modi on Wednesday cleared changes in the GST Constitutional Amendment Bill. File photo

With this, the government is hopeful of passage of the long-pending Bill in the ongoing monsoon session of Parliament.

Paving the way for a possibly smoother passage of the GST Constitutional Amendment Bill in the Rajya Sabha, the Union Cabinet on Wednesday approved two key changes to the Bill that effectively address the concerns of state governments and most of the Opposition.

The Cabinet removed from the Bill the contentious provision for a one per cent additional tax levy by manufacturing States and introduced a guarantee of 100 per cent compensation to States for five years to make good any revenue loss incurred by them due to the introduction of the Goods and Services Tax.

Crucial meeting

This decision follows a crucial meeting of the Empowered Committee of State Finance Ministers with Union Finance Minister Arun Jaitley on Tuesday, where the States agreed that the one per cent additional levy be removed from the Bill, and it was also agreed during the meeting to include in the Bill the 100 per cent compensation formula for the first five years of the implementation of the GST.

However, there was as yet no consensus on whether the GST rate should be included in the Bill, one of the major demands of the Congress, and one of the main reasons why the Bill is still stuck in the Upper House of Parliament.

The Centre had earlier planned to compensate the States for any revenue loss due to the GST that will replace the present indirect tax regime, in a phased manner — 100 per cent compensation in the first three years, 75 per cent in the fourth year, and 50 per cent in the fifth year.

Govt. reaching out to parties

The government has started the process of one-on-one talks with leaders of various political parties on the contentious GST Bill. Finance Minister Arun Jaitley met with NCP leader Praful Patel and has also messaged CPI (M) leader Sitaram Yechury sounding him out for a meeting on Thursday.

