

GST Bill: Centre set to give in to Congress demands

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The GST Constitution Amendment Bill was passed in the Lok Sabha in May last year. In December last year, a committee headed by chief economic adviser Arvind Subramanian had denounced the idea of a 1% additional tax as well as putting a cap on the tax rate in the Constitution. (Reuters)

The Cabinet is likely to approve a proposal on Wednesday to drop the 1% additional tax on inter-state sales as proposed in the GST Constitutional Amendment Bill, thereby meeting a key demand of the [Congress](#). However, the government will not yield to what it believes is an “unreasonable” demand by the Congress to cap the GST rate at 18% in the Constitution itself, sources said.

To finalise the structure of the tax, finance minister [Arun Jaitley](#) will meet the empowered committee of state finance ministers on Tuesday and subsequently, the Cabinet will likely vet some changes in the Bill before it is put to vote in the Upper House, where the ruling coalition lacks a majority. The government has indicated it would press for the passage of the Bill in the ongoing session.

Even though the Bill should be passed in the Rajya Sabha without Congress support, the recent controversy over the alleged atrocities against Dalits in Gujarat and a tussle over remarks made about BSP leader Mayawati by a BJP leader, has created some political uncertainties. There has also been no definite sign of an end to the parliamentary tussle between the BJP and the Congress over the proposed tax structure. While the Congress indicated its willingness to support the Bill if its demands were met, sources in the government said chances of heeding the suggestion on capping the GST rate in the Constitution itself were slim.

However, the Congress' demand to remove the 1% additional tax on inter-state sales will likely be accepted. This was proposed as manufacturing states like Gujarat and Tamil Nadu were of the opinion that they, having spent money on putting up infrastructure, would lose revenue as GST is a destination-based tax. Analysts were also critical of the 1% additional tax, which is non-VAT-able and against the principle of GST. Levying the additional tax could make imports easier into Tamil Nadu from Bangkok than going from Gujarat to Tamil Nadu, they said. To reassure states, the government has promised to compensate them fully for five years for any revenue loss after the implementation of GST.

At Tuesday's meeting, the state finance ministers would get an opportunity to express their views before the structure of the legislation is finalised, sources said.

The Bill needs the support of 164 members or a two-thirds majority in the 244-strong Rajya Sabha, where BJP and its allies (NDA) have 72 members. With the support of 95 MPs from non-NDA parties such as SP, TMC, JD (U) and BJD, the GST Bill can muster 167 votes. However, the government is keen that the Congress, which has 60 seats and the AIADMK (13), should come on board to make the Bill's passage easier.

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