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## States reject GST rate cap in Constitution



• [Puja Mehra](#)

The empowered committee of state finance ministers on the Goods & Services Tax (GST) rejected by consensus two of the three demands raised by the Congress party for supporting the Constitution (122nd Amendment) Bill. The bill is meant to introduce the new tax.

The states agreed, in line with the Congress demand, to recommend that the proposal for 1 per cent additional tax -- introduced to compensate manufacturing states for potential losses from the shift to the new tax to be levied on consumption rather than production -- be dropped.

The opposition party's other demands — a Constitutional provision for capping at 18 per cent the GST rate and an independent dispute resolution mechanism headed by a retired high court judge — did not find favour with the empowered committee. The wording of the Bill it finalised effectively rejects these demands, even as the finance ministers from the Congress-ruled states failed to speak up. The Bill, which was passed in the Lok Sabha, is pending in the Rajya Sabha where the BJP-led ruling coalition does not have a majority.

### 'Congress silent'

"As the resolutions were being passed, the Congress ministers were silent and isolated," said a source present at the meeting.

The GST rate will not be specified in the Constitution, the empowered committee's Chairman and West Bengal Finance Minister Amit Mitra said. "The principle of the GST rate has been decided ...the rate should provide relief to the common man while not resulting in loss of revenue to states," he said.

Explaining the decisions, Kerala Finance Minister Thomas Isaac said that while a call on the revenue neutral rate will be taken later, states agreed that this rate will have to be much lower than the current effective incidence of taxation on the common man.

At the last meeting in Kolkata, states had flagged the issue of the wide variation in the two sets of proposals on these rates — one by a committee headed by Chief Economic Advisor (CEA) Arvind Subramanian and the other from the National Institute of Public Finance and Policy (NIPFP). While the CEA's panel had recommended a revenue-neutral rate of 15-15.5 per cent, the NIPFP had proposed a rate of 27 per cent, leading the Congress to demand the rate be capped at 18 per cent.

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