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## **Study of Goods and Services Tax Council | GST**

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### **A. Abstract**

A single common “Goods and Services Tax (GST)” was proposed and given a go-ahead in 1999 during a meeting between then Prime Minister Atal Bihari Vajpayee and his economic advisory panel. Mr. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model. Later, Finance Minister P Chidambaram in February 2006 continued work on the same. It finally was implemented on July 1st, 2017 to be a comprehensive, destination-based indirect tax that has replaced various indirect taxes that were implemented by the State and Centre such as VAT, excise duty, and others. The government of India also formed a GST Council to govern the rules the Goods and Services Tax.

The intention of introducing the taxation reform was to eliminate the cascading effect that arose earlier, where tax is levied on a product at each stage of production. When a product is levied tax at every step of production, the end-user or the customer of that product is basically paying ‘tax on tax.’

### **B. The study has following objectives:**

- 1) To cognize the concept of GST Council
- 2) To study the GST Council structured
- 3) To evaluate of GST Council recommendations

### **C. Why do we need a GST Council?**

The GST council is the key decision-making body that will take all important decisions regarding the GST. The GST Council dictates tax rate, tax exemption, the due date of forms, tax laws, and tax deadlines, keeping in mind special rates and provisions for some states. The predominant responsibility of the GST Council is to ensure to have one uniform tax rate for goods and services across the nation.

In order to implement GST, Constitutional (122nd Amendment) Bill (CAB for short) was introduced in the Parliament and passed by Rajya Sabha on 03rd August, 2016 and Lok Sabha on 08th August, 2016. The CAB was passed by more than 15 states and thereafter Hon’ble President gave assent to “The Constitution (One Hundred And First Amendment) Act, 2016” on 8th of September, 2016. Since then the GST council and been notified bringing into existence the Constitutional body to decide issues relating to GST.

On September 16, 2016, Government of India issued notifications bringing into effect all the sections of CAB setting firmly into motion the rolling out of GST. This notification sets out an outer limit of time of one year that is till 15-9-2017 for bringing into effect GST.

#### **D. How is the GST Council structured?**

The Goods and Services Tax (GST) is governed by the GST Council. Article 279 (1) of the amended Indian Constitution states that the GST Council has to be constituted by the President within 60 days of the commencement of the Article 279A.

According to the article, GST Council will be a joint forum for the Centre and the States. It consists of the following members:

- The Union Finance Minister, Arun Jaitley will be the Chairperson
- As a member, the Union Minister of State will be in charge of Revenue of Finance
- The Minister in charge of finance or taxation or any other Minister nominated by each State government, as members.

#### **E. GST Council recommendations**

Article 279A (4) specifies that the Council will make recommendations to the Union and the States on the important issues related to GST, such as, the goods and services will be subject or exempted from the Goods and Services Tax.

They lay down GST laws, principles that govern the following:

- Place of Supply
- Threshold limits
- GST rates on goods and services
- Special rates for raising additional resources during a natural calamity or disaster
- Special GST rates for certain States

#### **F. Features of GST Council that you must know:**

- GST Council office is set up in New Delhi
- Revenue Secretary is appointed as the Ex-officio Secretary to the GST Council
- Central Board of Excise and Customs (CBEC) is included as the chairperson as a permanent invitee (non-voting) to all proceedings of the GST Council
- Create a post for Additional Secretary to the GST Council
- Create four posts of commissioner in the GST Council Secretariat (This is at the level of Joint Secretary)
- GST Council Secretariat will have officers taken on deputation from both the Central and State Governments

The cabinet also provides funds for meetings the expenses (recurring and nonrecurring) of the GST Council Secretariat. This cost is completely borne by the Central government.

#### **G. GST Council meetings**

GST Council has met seventeen times since its constitution and some important decisions taken in the GST Council meeting are:-

- Rules for conduct of business in GST Council.
- Timetable for implementation of GST.
- The threshold limit for exemption from levy of GST would be Rs. 20 lakhs for the States except for the Special Category States, as enumerated in Article 279A of the Constitution, for which it will be Rs 10 Lakhs).
- The threshold for availing the Composition scheme would be Rs. 75 lakhs in States other than the North East States, Sikkim and Himachal Pradesh where the threshold for availing the Composition scheme would be Rs. 50 lakhs. The GST Council has also recommended that manufacturers of the following goods shall not be eligible for the Composition Levy; Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes. Service providers would be kept out of the Composition Scheme, except restaurant services.
- To compensate States for 5 years for loss of revenue due to implementation of GST, the base year for the revenue of the State would be 2015-16 and a fixed growth rate of 14% will be applied to it.
- Approval of the Draft GST Rules on registration, payment, return, refund and invoice, valuation, input tax credit, composition and transitional provisions.
- All entities exempted from payment of indirect tax under any existing tax incentive scheme would pay tax in the GST regime and the decision to continue with any incentive scheme shall be with the concerned State or Central government. In case, the State or Central Government decides to continue with any existing exemption/incentive scheme; it will be administered by way of a reimbursement mechanism.
- Adoption of four slabs tax rate structure of 5%, 12%, 18% and 28%. In addition, there would be a category of exempt goods and further a cess would be levied on certain goods such as luxury cars, aerated drinks, pan masala and tobacco products, over and above the rate of 28% for payment of compensation to the states.
- GST rates on 1211 items were approved at the 14th GST Council meeting held at Srinagar on 18th and 19th of May 2017.
- At the 15th GST Council meeting held at New Delhi on 3rd June 2017, tax rates on the remaining goods were approved.
- 28 states, and 2 Union Territories with Legislatures (Delhi and Pondicherry) have already passed their respective State GST Bill in their State Assemblies.
- Issue of cross empowerment and administrative division of taxpayers between the States and Centre has been resolved.

The Council will also set up anti-profiteering screening committees that will make the National Anti-Profiteering Authority stronger under the GST law.

GST Council also looks into drafting GST rules on registration, payment, valuation, input tax credit, composition, return, refund and invoice, and transitional provisions, among other things.

## **H. Conclusion:-**

Implementation of GST will be a significant step towards a comprehensive indirect tax reform in India. The GST council is the key decision-making body that will take all important decisions regarding the GST. GST Council will make recommendations to the Union and the States on the important issues related to GST. GST Council has met seventeen times and Approval of the Draft GST Rules on registration, payment, return, refund and invoice, valuation, input tax credit, composition and transitional provisions some this important decisions taken in the GST Council meeting

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