

Bangalore Chamber moots centralised body to assess goods, services tax

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Setting up of a centralised assessment authority, staggering the introduction to April 2011 and setting clear road maps for the implementation of the Goods and Services Tax are some of the important suggestions made by the Bangalore Chamber of Industry and Commerce (BCIC) to the Union Government.

ON NEW SCHEDULE

Stressing its point, the new schedule, BCIC said, with the country on the threshold of adopting two other major changes such as International Financial Reporting System and the new Direct Tax Code by 2011, it would only be apt to align the GST also with that schedule for a gra-

ter harmony in the administration of fiscal measures and accounting systems.

CASCADING EFFECT

Highlighting some of the key suggestions made in a note based on its analysis of the discussion paper issued by the Empower Committee of the State Finance Ministers, Mr S. Balakrishnan, Chairman, Indirect Taxes Expert Committee, BCIC, told *Business Line* that no taxing system could completely eliminate the cascading effect.

ONGST

He, however, said that the proposed GST would certainly minimise the effect. Though GST envisages simple structure to levy, collect and administer the taxes

in the country, it should be supported by a single authority for assessment and administration of levy of taxes to eliminate litigation to reduce costs of assessment and collection facilitating smoother compliance.

EXEMPTIONS

He said while minimum threshold rates and least exemptions would help in achieving higher efficiencies, it was also imperative that all the States joined hands while implementing GST to remove the confusion in the existing originating and destination

principles to avoid levy of taxes twice.

INTRODUCTION OF GST CODE
Introduction of the GST code with complete consensus would make it impractical for any change.

A comprehensive GST code with least ambiguities would help the country emerge as an attractive manufacturing base.

ON REVENUE LOSS

Mr S. Venkataramani, State Taxes Expert, BCIC, said the argument that GST would result in huge revenue losses due to the sub-

suming of several existing taxes was not entirely correct as borne out by the buoyancy of tax collection since the reduced rates of Central Sales Tax and value-added tax system had been in practice.

BRIDGING GAP

Revenue loss of laggard states in the North and North East could still be bridged by stronger macro economic policies of more investments in critical sectors of infrastructure and industrialisation, apart from short term devolution of funds.

Treat carbon credit as services under GST Act: Chamber

Our Bureau

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How will carbon credits be taxed under the proposed Goods and Services Tax regime?

The discussion paper has not come out with any specific definition whether it is to be considered as goods or services for the purpose of levying a tax.

According to the Bangalore Chamber of Commerce and Industry (BCIC), carbon credits (Certified Emission Reductions) should be treated as services and taxed as such. In its note for submission to the Union Government, BCIC has argued that CERs are intangible in nature and it is either exported to industrialised countries or are tradable as securities on specified exchanges. Hence CERs should attract only services tax, not goods tax. The taxability of the CERs should depend on the place where they are generated and the place where they are regis-

► *The Government should implement the GST regime with defined sharing arrangement between the State and the Centre, thereby protecting the interest of the State in generating revenue.*

tered, BCIC said. It said in case the place of generation is in India and the place of registration is outside India, they should be regarded as exported.

This is among a number of suggestions that the BCIC has made in a note after analysis of the implications of GST.

Among other things, BCIC favours uniform implementation of GST across States, single Union legislations to avoid duplicity and multiplicity of legislative framework to provide ease in applicability and administration of the levy. To retain the basic framework of GST as envisaged by the discus-

sion paper, the Centre should have the sole power for any amendments, it said. States should not be given the power to amend the basic framework of the GST legislation to avoid the possibility of different interpretations to the legislation or the rule laid down by the Centre.

It recommended that the government implement the GST regime with defined sharing arrangement between the State and the Centre, thereby protecting the interest of the State in generating revenue.

On the point of uniform implementation, BCIC explained that unlike VAT,

which operates on originating principle and could be implemented in a staggered manner, absence of uniform implementation of GST operating on destination-based principle would result in cross-border transactions getting taxed in two States, bringing significant hardships to the trade and industry. This will also restrict free flow of cross-border transactions.

BCIC has also suggested that the legislature should adopt a common threshold for both, goods and services. This will avoid creating a distinction between goods and services.

Treating goods and services on par would also bring administrative ease to the legislation, it said. Accordingly, in case goods and services are treated on par, the trade and industry would not feel the need to take positions in favour of that which suffers lower rate of tax.

Work on GST at retail level to be over by next April

Bangalore: The preparations to introduce a dual Goods and Services Tax (GST) regime at the retail level should be completed by April 2011, M Govind Rao, Member, Economic Advisory Council to the Prime Minister said on Tuesday. He was speaking at a workshop on "In depth analysis of 13th Finance Commission report and the report by the empowered committee of state finance ministers on Goods and Service Tax."

Deliberating on the question whether GST is feasible by April 2010 as announced earlier by the Centre, Rao said that a major tax reform like GST is a challenge and considerable preparation is necessary. "There are legal/ constitutional changes to be made, reforms in central tax system to be made, reforms in state tax systems and other institutional changes to be made." He further said that the country needs a competitive tax environment in a globalised economy. "It would maximise revenues to provide efficient infrastructure and address the need to minimise distortions." "We are in a state of deliberating the estimation and agreement regarding base, revenue neutral rate and compensation mechanism presently. The GST can be reasonably expected between October 2010 - April 2011," M R Sreenivasa Murthy, Additional Chief Secretary Finance Department, Karnataka said.

'GST has to be implemented simultaneously'

BS REPORTER
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A major tax reform like the goods and services tax (GST) is a challenge and considerable preparation is necessary before implementing it. There is a need to bring in legal/constitutional changes, reforms in central tax system and state tax systems, said M Govinda Rao, director, National Institute of Public Finance and Policy (NIPFP).

Making a presentation on 'In depth Analysis on the Discussion Paper on the Goods and Services Tax', organised by the Bangalore Chamber of

Industry and Commerce, here today, he said both the Centre and the states need to carry out certain policy reforms like inter-state appropriation of service tax revenue, individual state revenue implications and work out compensation formula.

All services under the service tax law must be taxable other than a small exemption list, he said. "If we need to have a good GST system, both the Centre and states must agree on a compensation formula immediately. And there must be no truncated GST. The entire country must move on one date," Rao said.