

RESEARCH PAPER
(MCTP PHASE IV GROUP -1)

**INSTITUTIONAL, LEGISLATIVE AND BUSINESS PROCESS RE-
ENGINEERING NEEDED FOR IMPLEMENTATION OF GST
REFORMS- CHALLENGES AND SUGGESTIVE MITIGATION
MECHANISMS**

SRINIWAS RAO
MIHIR RANJAN
NITESH SRIVASTAVA
RAJEEV AGARWAL
DILIP GOYAL
LIMATULA YADEN

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EXECUTIVE SUMMARY

- (i) *A simple GST law is critical for 'Make in India'. It is also an established fact that simple laws lead to increased tax compliance. It is therefore suggested that the GST law should be simple law (Para 6.1)*
- (ii) *Since this is a marked shift from origin based VAT regime for states to destination based tax, it is suggested that the law needs to be clear and simple. (Para 6.1)*
- (iii) *Anyhow, it is clear that there would not be any need for separate Service tax Commissionerates. So far as States are concerned, it also goes without saying that they would probably need to integrate and reinforce their formations handling various taxes such as Sales tax/ VAT, Luxury tax etc to handle the additional workload. Both tax administration would also have to factor in mechanisms to handle legacy issues such as ending adjudications, investigations, refunds, court matters etc. Further, given that alcohol and the four specified petro goods is likely to continue to attract sales tax, the States would have to put in place at least a dedicated cell/formation.(Para 6.2)*
- (iv) *The Large Taxpayers Units (LTUs) in its present form (with centralized registration) may have to be done away with. However, States currently also operate LTUs. Perhaps LTUs could continue based on the concerned State Government agreeing to it. This would at least converge the two tax administration within a State in a one stop shop. (Para 6.2)*
- (v) *It may also be worthwhile to continue with mechanisms like Settlement Commission and Advance Ruling Authority with suitable modifications to facilitate business and contribute towards 'Make in India'.(Para 6.2)*
- (vi) *It is suggested that small dealers should be handled by both tax administrations. (Para 6.3)*
- (vii) *The Netherland model could be adopted by requiring large businesses to file monthly returns, medium size businesses to file quarterly return and small dealers to file an annual return. (Para 6.3)*
- (viii) *While GSTN is envisaged to carry out validation checks, the sheer volume would definitely require decisive shift towards scrutiny of returns based on a robust risk management system. (Para 6.3)*
- (ix) *From a taxpayer's perspective, it is suggested that where tax violations of both CGST and SGST are not involved, the tax disputes may be adjudicated separately. However, where violations of both laws are involved on common facts, a joint mechanism would have to be put in place to avoid inconvenience to the trade. (Para 6.3)*

- (x) *From the tax payers perspective of ease of doing business, there is considerable scope for synchronizing the audit function for Central and State GST. The idea should be to avoid subjecting the taxpayer to two separate audits by the two agencies (Central and State) for the same period of business activity. Very close coordination would be required between the Centre and States in planning and scheduling the audit of business entities. (Para 6.3)*
- (xi) *The way to mitigate the challenge of petro products is to subject the seagoing goods to GST and enable States and Centre to levy additional tax on such goods. Similarly alcohol should also be brought within the ambit of GST with power to states to levy excise over and above GST with similar dispensation. The other alternative suggestion is to make a provision to make GST levy on services applicable to such goods by a deeming provision and allow for some mechanism for set off of input tax credit. If not, then such service tax would not be applicable of such goods.(Para 7.1)*
- (xii) *It is suggested that the definition of service be provided in the CGST/SGST legislations. Since these CGST and SGST legislations would be Acts, amendments would still need to go to the parliament or State legislature but the rigidity of constitutional amendment would not be a constraint. Rather this would be a right mix of flexibility as well as stability. (Para 7.2)*
- (xiii) *If this levy is non-negotiable from the States that have supported such a provision, it is suggested to make enabling provision to levy and collect this tax or levy it as component of IGST restricting credit to the extent of 1% . (Para 7.3)*
- (xiv) *The suggestion is to omit Clause (29A) of Article on grounds of redundancy (Para7.4)*
- (xv) *The suggestion is to keep the RNR at below 20% , otherwise the perceived advantage of GST may be seen as missing both from the viewpoint of trade particularly service providers. (Para 7.5)*
- (xvi) *It is suggested that the threshold may be kept at Rs. 10 lakhs and the threshold should be the same for goods and services. This would substantially increase the base for both the Centre and the States and hence pose a challenge to both administrations. However, the compensating thought is that these thresholds are already operating for goods in most states while the same was operating for services at the centre. (Para 7.6)*
- (xvii) *It is also suggested that the threshold should be calculated including the turnover of exempted goods and services (including non-taxable) and exports. (Para 7.5)*

- (xviii) *It is further suggested that the threshold should be calculated business entity wise and not state wise so that the promise in widening of tax base is not subverted. (Para 7.5)*
- (xix) *Since a compounding/composition scheme is proposed upto Rs. 50/60 lakhs, the threshold should be kept at Rs. 10 lakhs so as to facilitate availability of input credit. However, for small States such as the North East could be allowed to pitch the threshold at a lower level of say Rs.5 lakh. (Para 7.5)*
- (xx) *If the benefits of GST is to accrue as envisaged, it goes without saying that the list of exemptions should be kept at minimum. There is a trade-off between the number and spread of exemptions and the RNR. The larger the list of exemptions, the higher the RNR would have to be. At the same time, there is also another way of looking at exemptions. It could also be seen as adding to revenue in a way through non set off of input taxes. It is suggested that the current negative lists be taken as the base and pruned to remove exemptions that were attributable to state power of taxation (Para 7.7)*
- (xxi) *The suggestion is to keep compounding high but maintain exemption threshold at Rs.10 lakhs instead of Rs. 25 lakhs. It is suggested that compounding can be even kept higher level, say upto 1 crore and its administration be given to states. (Para 7.8)*
- (xxii) *It is suggested that the states currently enjoying the area based exemption should be consulted and the area based excise exemption be converted to exemption of CGST on goods under refund based mechanism with ITC credit facility. This is because, units in these states would procure inputs that have been charged to GST and units outside would procure goods from such areas. Further by this mechanism levy of service component would not be a problem. (para 7.9)*
- (xxiii) *There would be a need to factor in the additional demand (of cess levied by other departments and earmarked for specified purposes) on central funds. (Para 7.10)*
- (xxiv) *It is suggested to subject petro goods to GST and enable States to levy an additional tax over and above GST for a temporary period. The other alternative suggestion is to merge the cesses/surcharge component as central excise duty but alter the sharing pattern to maintain status quo revenue wise. (Para 7.11)*
- (xxv) *It is suggested that an impact assessment study be carried out and transfer of credit be allowed in phases after making provision for legacy proceedings. Another suggestion is to allow transfer of the balance remaining after all outstanding dues of central excise or service tax have been met. (Para 7.12)*

- It is suggested that a Coordination mechanism at each state for handling implementation issues. (Para 7.13)*
- (xxvii) *There is a suggestion to do away with band rate. (Para 7.14)*
- (xxviii) *This reorganization of structure/administration is unavoidable for both Centre and the States. For the Centre, restructuring the excise and service administration from current formations to territorial jurisdiction of the states, would be the foremost exercise that will have to be under taken. While there is a view that such an exercise may not be needed for Centre, it goes without saying that service tax Commissionerates would have to reworked to merge with this new formation. (Para 7.15)*
- (xxix) *The central excise and service tax formations have to be oriented towards handling dealers who are other than manufacturers or service providers. It is most likely that the challenge of administering neighborhood retail stores, retail outlets have not yet dawned on them as yet. (Para 7.15)*
- (xxx) *The challenge of getting IT preparedness for proposed transition to IT based assessment, scrutiny of returns and payment etc looms large. In other words, CBEC IT infrastructure needs to be tuned to integrate with GSTN. (Para 7.15)*
- (xxxi) *It is suggested that the existing infrastructure be mapped and gaps identified. It is also suggested to undertake training the staff well in advance to handle GST as well as transition issues. (Para 7.15)*
- (xxxii) *The suggestion is for a re-think on the need for dispute settlement authority. (Para 7.16)*
- (xxxiii) *It is suggested that customs provisions that are linked to manufacture be reviewed and suitable changes be made. (Para 7.17)*

1. INTRODUCTION

1.1 The announcement in Budget 2006-07 of the intent to introduce GST by 1st April, 2010 signaled movement towards the aspiration of the country for a common national market through a comprehensive Goods and Services Tax (GST). This was viewed as a major indirect tax reform expected to cut transaction costs for business and boost India's economy. While the intent to introduce GST by 1st April, 2010 was reaffirmed in Budget 2009-10, the first concrete step towards this was the introduction in March, 2011 of the Constitution (One Hundred and Fifteenth Amendment) Bill, 2011 which sought to create the enabling legal framework to facilitate introduction of GST. However, the 115th Constitution amendment Bill, introduced by the United Progressive Alliance (UPA) government in March 2011 lapsed and was replaced by the Constitution (One Hundred and twenty Second Amendment) Bill, 2014 in 14 December, 2014.

1.2 The passage of the Constitution (One Hundred and twenty Second Amendment) Bill by the Lok Sabha for the introduction of the Goods and Services Tax (GST) on May 6, 2015 has rekindled hopes of imminent arrival of GST regime in the near future. The Bill was referred to a Select Committee in the Rajya Sabha which led to some gloom expecting that that this may lead to delay of the much awaited GST. The introduction of GST would have been on an irreversible track once the Bill is passed. Given that the bill is unlikely to be passed in the current monsoon session, The country may still miss its planned date of 1st April, 2016 for GST implementation even if the bill is passed in the winter session since even upon its passage by the Rajya Sabha, the legislation will need to be ratified by 50% of state legislative assemblies before it can receive Presidential assent and come into effect. This would be a necessary but not a sufficient condition for the actual implementation of GST for which the CGST, IGST and SGST legislations will then have to be approved by the Parliament and the respective State legislatures. If it were possible to process the two legislative tracts viz the Constitutional Amendment and the enactment of GST laws in a parallel mode, some time saving could have happened and the deadline of April 20-16 perhaps met. However, the required GST laws cannot be framed unless the Constitution empowers the respective legislatures to do so. This makes sequencing inevitable. Thus, the latter process can commence only after the Constitutional Amendment Bill has been enacted and the Central Government has notified the date for its entry into force. Also for the smooth operation of IGST it is critical that all States and the Centre start the implementation of GST from the same date. This adds another layer of complexity as the implementation would have to wait until all the States and the Centre have enacted their respective GST laws.

2. AIMS AND OBJECTIVE OF THE PAPER

The aim of this research paper is to critically assess the need for institutional, legal framework and business process re-engineering for GST implementation and if required, to list them alongwith their attendant challenges and suggest mitigation mechanisms.

This paper is also intended to enable discussions on GST implementation, particularly modalities to be adopted for their implementation. This is possibly a good time so that changes, if any required, can be proposed including changes to the Constitutional amendment Bill through Government amendments. This assessment is also critical because India has to craft a unique model of GST, that is unparalleled and had no reference points along with the sheer enormity of carrying along 36 States/Union Territories.

3. BACKGROUND AND BASIC DESIGN OF GST IN INDIA

3.1 The replacement of the state sales taxes by the Value Added Tax in 2005 marked a significant step forward in the reform of domestic trade taxes in India. Buoyed by the success of the State VAT, the Centre and the States embarked on the design and implementation of a dual Goods and Services Tax (GST), to be levied concurrently by both levels of government¹.

3.2 As mentioned earlier, in the Budget 2006-07, the Finance Minister announced the intent to introduce GST by 1st April, 2010. Pursuant to this, the preparation of roadmap and design was assigned to the Empowered Committee of State Finance Ministers. The Empowered Committee was set up in 2000 with the mandate of facilitating the states to switch from sales tax to the value-added tax (VAT) regime. On April 1, 2005, state-level VAT replaced sales tax in a number of states. The Empowered Committee consisting of Finance Ministers of all State Governments with Dr. Asim K Dasgupta, Finance Minister of West Bengal as the Chairperson, submitted its report to the Central Government in April, 2008. The Central Government represented by Department of Revenue and Central Board of Excise and Customs offered its views/ comments in October /December 2008 and in January, 2009 discussions resumed on the revised report. Three Working Groups were also set up to examine, namely, the List of exemptions & threshold, Modalities for taxation of services and Inter-State movement of goods and services. On 10th November, 2009 the Empowered Committee released its 'First Discussion Paper on Goods and Services Tax in India'. However, owing to lack of consensus on key features, the deadline of 1.4.2010 was missed. However, discussions on GST were revived by the NDA Government last year culminating in the introduction of the 122nd Constitutional Amendment Bill to replace the 115th constitutional amendment.

3.3 In 2013, the Empowered Committee of State Finance Ministers constituted four Committees Committee to deal with the various aspects of work relating to the introduction of GST, namely (i) The Committee on the Problem of Dual Control, Threshold and Exemptions in GST Regime; (ii) The Committee on Revenue Neutral Rates for State GST & Central GST and Place of Supply Rules; (iii) The Committee on IGST & GST on Imports (A Sub- Committee has been set up to examine issues pertaining to IGST model) and (iv) The Committee to draft model GST Law. The Union Finance Ministry also announced the formation on 17 June, 2015 of two committees – a Steering Committee (SC) under the co-chairmanship of the Additional Secretary, Department of Revenue and Member Secretary of the Empowered Committee of State Finance Ministers to monitor the progress on GST IT preparedness, finalisation of reports of subcommittees on aspects relating to drafting of GST legislation, training needs and the progress on consultations with various stakeholders and another committee under the chairmanship of the Chief

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Economic Advisor to recommend possible tax rates under GST and analyse the Sector- wise and State-wise impact of GST on the economy. This Committee is expected to give its report by mid August, 2015.

3.4 The GST levy would be destination based with revenue flowing to the consumption states as opposed to the current origin based taxation and will be charged at each stage of the production and distribution process, subsuming the existing major taxes on goods and services by both Centre and the States. The central taxes to be subsumed within GST are Central Excise duty, Additional duties of excise, Additional duties of customs (CVD & Special CVD) , Service Tax and Cesses & surcharges while the State taxes to be subsumed are State VAT/Sales Tax, Central Sales Tax, M & T. P. excise duty , Octroi and Entry Tax, Purchase tax, Luxury tax, Entry tax not in lieu of octroi, and taxes on lottery, betting & gambling. The major advantage for trade is the overall simplification in the tax structure with reduction in the multiplicity of taxes as well as the number of agencies/ Departments collecting taxes. It would also enable mitigation of tax cascading through seamless credit chain and consequent improvement in exports competitiveness. For the government, this is expected to lead to broadened tax base, a simple tax system that will help in increased compliance and boost tax revenues. For the consumer, it would imply lower prices due to avoidance of double taxation/cascading .

4. STEPS TOWARDS GST IMPLEMENTATION:

4.1 The two most notable steps towards implementation of GST is the passage of the 122nd Constitutional Amendment Bill in the Lok Sabha and setting up of the Goods and Services Tax Network (GSTN) as a SPV. These are briefly discussed below:

(1) *Amendment to the Constitution – rationale and salient features*

The introduction of the 115th Constitutional Amendment Bill was necessitated by the decision to impose a dual GST, namely, Central GST (CGST) by the Union and State GST (SGST) by the State Governments on a common base. The existing constitutional scheme of division of fields of legislation between the Union and the States currently does not provide for such a mechanism. Rather the Centre and the States tax different (and sometimes overlapping) parts of common supply chain without any inter-se set off of taxes paid at the input stage. While the Centre levied and collected Central excise (upto the manufacturing stage of the goods supply chain) and service tax (on the provision and distribution of services) the States levied and collected VAT on the entire supply chain for goods starting from the factory gate sale stage. Moreover, there are disputes between the Centre and the States with regard to their respective competence to tax mixed supplies or bundled supplies (such as works contracts). In addition, the States are empowered to collect several stand-alone indirect taxes such as excise duty on alcoholic liquors, electricity tax, taxes on betting and gambling, entertainment tax, taxes on newspapers etc. The revision of Constitutional provisions to redefine the taxation powers of the Centre and the States would streamline all these issues and provide greater clarity by providing overlapping jurisdiction to both to tax the entire value chain for the supply of goods and services from beginning to end. Another significant change would be with regard to the taxation of inter-State movement of goods and services. Hitherto, the Central Sales Tax was levied by the Centre (and collected by the originating States) on inter-State sale of goods. This is sought to be replaced by the IGST to be levied and collected by the Centre with the revenue accruing to the destination States. While there is agreement between the Centre and the States about these broad changes/ principles, subsumation of individual taxes such as entry tax, purchase tax, excise duty on alcohol petroleum products etc. into the GST continues to be a bone of contention with resistance from States that rely on revenue from those sources. Over and above these discussions, the States have almost unanimously raised deep concerns about the indeterminacy of the revenue implications (for them individually) owing to the switch-over. Other contentious issues have been the balance of power between the Centre and the States in the decision-making process of the GST Council and the need for settlement of disputes when either the Centre or any of the States choose to deviate from the harmonized structure recommended by the GST Council. The revised Constitution Amendment Bill seeks to address some of these concerns and

forge a consensus on the way forward. A comparative table of proposed amendments in the constitution (one hundred and fifteenth amendments) bill, 2011 and the constitution (one hundred and twenty second amendment) bill, 2014 is at *Appendix -1*.

Some of the significant differences between the provisions of the Constitution 122nd Amendment bill, 2014 and the Constitution 115th Amendment bill, 2011 are listed below:

- (i) Definition of 'Service'
- (ii) An additional tax up to 1 per cent to be levied by the Centre on inter-state supply of goods (and not on services) the proceeds of which would be given to state on origin principle for a period of two years which is extendable by GST Council beyond two years.
- (iii) inclusion of petroleum crude, petrol, HSD and Natural gas under GST but made subject to GST levy from a date to be recommended by the GST Council
- (iv) specific provision for compensation to states for loss of revenue arising out of implementation of GST up to five years.
- (v) Empowerment of the GST Council to recommend "floor rates with bands".
- (vi) Empowerment of the GST Council to recommend special rates for States to raise resources to deal with natural calamities.
- (vii) Special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand
- (viii) Decision-making by the GST Council by three-fourth majority as opposed to consensus in the earlier Bill.
- (ix) Doing away with the provision for the Dispute Settlement Authority. A separate authority led by a retired Supreme Court judge was proposed in the 115th amendment Bill.
- (x) Retention of Article 366 (29A)

(2) Setting up of GSTN as a SPV

The Cabinet approved the proposal to set up a Special Purpose Vehicle (SPV) namely Goods and Services Tax Network SPV (GSTN SPV) to create enabling environment for smooth introduction of Goods and Services Tax (GST). The Goods and Services Tax Network (GSTN) incorporated as a Section 25 (not for profit), non-Government, private limited company has been set up primarily to provide IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST). The Government of India holds 24.5% equity in GSTN and all States of the Indian Union, including NCT of Delhi and Puducherry, and the Empowered Committee of State Finance Ministers (EC), together hold another 24.5%. Balance 51% equity is

with non-Government financial institutions. GSTN SPV is to have a self-sustaining revenue model, based on levy of user charges on tax payers and tax authorities availing its services. While the SPV's services are expected to be critical to actual rollout of GST at a future date, it is also expected to render valuable services to the Centre / State tax administrations prior to the GST implementation. GSTN is envisaged to be the only interface between the compliant tax payer and tax administration. It is expected to receive registration application form, carry out preliminary checks and validations and thereafter send the application for registration by the tax department. It will also receive sale, purchase invoices, match credits, population of returns, validation of returns, maintain various ledgers besides provide payment interface, dealer ratings, reconciliation of accounts for IGST. dwell on some of the challenges in meeting such a broad and intensive mandate plus the problem of interacting seamlessly with the IT systems of all States and the Centre. However, while such a system exists in UK for integrated tax, the sheer volume of work added with complexities of dual GST may be a constraint of take off as envisaged. This is because the performance of GSTN is dependent on the IT preparedness of the CBEC and the States/UTs. The biggest challenge would be IGST levy, the effective working of which is almost dependent on the GSTN. Matching each and every invoice is envisaged through the GSTN. Matching each invoice is already being done by China under its Golden Tax project.

5. PRESENT STATUS

The Select Committee of Rajya Sabha submitted its report on the 122nd Constitution Amendment Bill on the 22nd July 2015. Reportedly, the recommendations of the Select Committee was discussed by the Union Cabinet on 29th July, 2015 that would enable moving suitable official amendments. It is most likely that the bill would be taken up in the forthcoming winter session of the parliament and it would be an immense challenge to meet the planned date of 1st April, 2016.

Reportedly, work in being undertaken in earnest in CBEC on the CGST/SGST model laws, business processes etc .However stakeholder consultations are yet to begin at least at the Central level though reportedly, some States like Karnataka and few others have actively initiated consultations. As already mentioned earlier, the two Steering Committees are also expected to submit its report by end of this month. The apprehension of most people is that most of the crucial decisions like RNR, Threshold, exemptions etc are likely to be influenced more by political considerations than economic logic which may take a little sheen off this reform measure. Yet there are others who are optimistic that all stakeholders will eventually come round to accepting the system that is based on the sound economic logic.

6. AREAS OF RE-ENGINEERING

The research paper is to study whether re-engineering is required in three delineated areas, namely, institutional, legislative and business process. However, changes required if any in any of the three areas is largely dependent on decisions taken on key policy issues such as RNR, exemption, threshold etc. Assuming decisions are taken on the key policy issues, the following are the attendant work or re-engineering that would prima facie need to be undertaken:

6.1 Legislative framework

The main task upon passing of the 122nd Constitutional Amendment Bill would be the drafting of a common CGST and SGST Act and Rules including Rules for credit. This is expected to be preceded by circulation of a model legislation which would be adopted by both the Centre and the States. A simple GST law is critical for 'Make in India'. It is also an established fact that simple laws lead to increased tax compliance. It is therefore suggested that the GST law should be simple law.

Drafting of IGST legislation would also be critical as it would regulate and cover the inter-state supply of goods and services while revenue flows to the destination state. Since this is a marked shift from origin based revenue model to destination based revenue model, it is suggested that the law needs to be clear and simple. More pertinently, place of supply rules need to be put in place for supply of goods and for supply of services particularly for inter state supplies.

The introduction of GST would also lead to consequential amendments to Central Excise Act and rules, Cenvat Credit Rules, Central Excise Tariff Act, Customs Act and Customs Tariff Act as also omitting Chapter IV of Finance Act, 1994. Then, to handle legacy issues relating to pending show cause notices, adjudications, refunds, appropriate transitional provisions need to be incorporated.

6.2. Institutional mechanism

An important area where a lot of work would be needed is in the setting up of an administrative system for GST - GST Council Secretariat. It is suggested that this should not only be lean and thin but also, a coordination mechanism with clearly defined protocols for the GSTN to interact with the Central and State GST authorities, coordination mechanisms for planning of anti evasion, audits etc. Ideally, from the viewpoint of reducing compliance cost, a unified administration is desirable. However, it is a given that a unified administration is not likely to happen since each state would like to control the administration of its GST.²

This also implies that the reorganization of structure/administration is unavoidable for both Centre and the States. For the Centre, restructuring the administration from functional jurisdiction to territorial jurisdiction would have to be undertaken as

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currently tax Commissionerates are not so organized. There is however a contrary view that CBEC need not re-organise on territorial basis because since it may not be possible to find a middle ground with states given asymmetrical strength in the number of functionaries between the Centre and the States. However, it is for this reason it is suggested that CBEC formations are organized on state-wise basis given the two tax administrations are going to be working together closely. This may also enable us to finally assess statewise GST revenue. Anyhow, it is clear that there would not be any need for separate Service tax Commissionerates. This will be a real challenge to the Centre as Customs and Central Excise department has been recently restructured in the month of October 2014 in light of cadre restructuring and field formations are still in the process of settling down. So far as States are concerned, it also goes without saying that they would probably need to integrate and reinforce their formations handling various taxes such as Sales tax/ VAT, Luxury tax etc to handle the additional workload.

Both tax administrations would also have to factor in mechanisms to handle legacy issues such as ending adjudications, investigations, refunds, court matters etc. Further, given that alcohol and the four specified petro goods is likely to continue to attract sales tax, the States would have to put in place at least a dedicated cell/formation.

The Present institutional structure of at Central level and State level is given at *Appendix 2*. While at a glance, the almost similar nomenclature of functionaries gives a sense of simplicity of the task of synchronizing between the two tax administrations, a closer look reveals that the two tax administrations have nothing in common except for the similar nomenclature of functionaries. This adds another layer of complexity for synchronizing levels of administration mainly for dispute resolution which is discussed later.

Although what is being envisaged is perhaps a fully automated, state of art, IT-based system to administer GST which would make administration of GST a seamless and painless exercise, it would be simplistic to not expect teething problems. The IT system would take time to take off. Moreover, there are certain business processes that cannot be mechanized e.g. providing rulings/ clarifications, conducting audits, adjudicating disputes etc. As such, both the Centre and the States may need to reorganize and in the case of States reinforce requisite HR, train them to handle the increase in tax base as well as the attendant responsibilities.

The Large Taxpayers Units (LTUs) in its present form (with centralised registration) may have to be done away. However, States currently also operate LTUs. Perhaps LTUs could continue based on the concerned State Government agreeing to it. This would at least converge the two tax administration within a State in a one stop shop.

It may also be worthwhile to continue with mechanisms like Settlement Commission and Advance Ruling Authority with suitable modifications to facilitate business and contribute towards 'Make in India'

6.3. Business Processes

Some of the key business processes identified are briefly discussed below:

Registration - It has been largely agreed upon and decided that there would be a single PAN based registration process for both CGST and SGST which would be filed through a common portal. In this respect, in respect of goods, states may be more comfortably placed as their dealers are registered within the state jurisdiction unlike Central Excise and Service tax which has functional jurisdiction instead of territorial State wise jurisdiction. However, for services, the Service providers would not only have to register with the States afresh but also with the Centre for state wise registration. This would mean that Central Excise and Service Tax Commissionerates/formations would have to be reorganized state wise. However, for small states, the same formation could look after two or more states. A viewpoint seems to suggest that for Centre, state wise registration need not be a necessity. However, there would definitely be a dismantling of the centralized system of registrations. For the trade, this would mean seeking state wise registration for their branches.

However the issue of registration is also critically linked to the exemption threshold and who is required to handle the dealers below the current threshold for the Centre. There has been the insistent demand from States to administer small dealers with turnover of upto say, Rs.1.5 crore even for CGST. This was resisted by CBEC initially though the thinking now seems to veer round accepting this position subject to such units being amenable to audit and anti evasion by the Centre. However, this may not be a simple solution to assuage State's need for more fiscal administration space. This is because even the Centre would like to monitor such dealers for purposes of CGST credit set offs which however may create areas of conflict with states.

It is suggested that small dealers should be handled by both tax administrations.

Returns – There is already a broad agreement on having a common portal for filing a single common return for both CGST and SGST which would then be processed by the Central Government and the States at backend. Currently, the periodicity of filing returns under Central Excise, Service Tax and State VAT are varied ranging from monthly to quarterly to bi annual. A simple return is to be filed on a monthly basis though a detailed return is expected to be filed on an annual basis. This is necessitated for uninterrupted input tax credit set offs and cash flow to the consumption States for squaring up IGST credits. In Netherlands, large business are required to file monthly return, small businesses file annual returns while others file quarterly returns. The Netherland model could be adopted by requiring large businesses to file monthly

returns, medium size businesses to file quarterly return and small dealers to file an annual return provided that such units do not have inter-state transactions. This is because to reconcile IGST accounts, monthly returns would be required.

Anyhow, the challenge through the voluminous increase in the number of returns for scrutiny would be there. Assuming increase in tax payer population by about 60 lakhs, approximately 7.2 crore returns would be filed annually. While GSTN is envisaged to carry out validation checks, the sheer volume would definitely require decisive shift towards scrutiny of returns based on a robust risk management system.

The size of the return is also important. It is still unclear what size of return is being contemplated to be adopted but it is expected that the same would not be lengthy and cumbersome. Netherlands has a one page return, while France has 8 page return and Belgium, a 5 page return.

Payment-The payment is also expected to be combined system through a common challan/document. The payment is also expected to be made through the GSTN. However, as mentioned earlier, the performance of GSTN would depend on the IT preparedness of both Centre and States given that most backend processing would be done by the IT system of the respective tax administrations.

Refunds – In the area of refunds of CGST and SGST including rebates, there may not be any major problem of synchronization as the CGST/SGST legislations are expected to lay down the procedure for refunds.

Dispute Resolution – Adjudication, Appeals- Currently under Central Excise and Service tax, tax disputes are adjudicated at three levels, namely, Assistant/Deputy Commissioner level, Joint /Additional Commissioner level and Principal Commissioner/Commissioner level and there are monetary limits for adjudication. However under State VAT, the mechanism is totally different. There are in most cases only a single Commissioner (officer of HAG grade). The Commissioner under State VAT functions almost like the CBEC Board. All notifications/ Circulars are issued by him. He doesn't exercise quasi-judicial function and exercises. Commissioner exercises revision powers in certain cases – (Stay of recovery of amount etc) and his orders are appealable to the High Court. This can be delegated to Spl. Commisisoner /Addl Commissioner. 1st appeal of against assessing officers (JCST/DCST/ACST/STC) lie with Spl Commissioner/Addl Commissioner/JCST and 2nd Appeal lies to the Sales Tax Tribunal. The Tribunal does not have powers of stay which in exercised by the Commissioner. Assessing officers are Spl Commissioner/Additional Commissioner/Joint Commissioner/ Dy Comm/ Asstt Commissioners whose jurisdiction/work is allocated by the Commissioner (upto Spl Commissioners, officers exercise both executive and quasi-judicial functions). Assessment for LTUs are done by JCST/DCST. The way things operate under State Vat is that there is issue based adjudication and monetary limits are not ascribed for different levels of assessing

officer except for LTUs that are headed by Joint/Deputy Commissioners. Reportedly Maharashtra State has adopted issue based adjudication based on practice under central excise and has found easing in the number of disputes. The learnings of this can be documented and shared with other states to facilitate solution on dispute resolution under GST.

Against this backdrop, the first issue to be decided is whether this tiered system of original adjudication under Central system can be adopted under GST. The second question is whether the tax disputes would be adjudicated jointly by both CGST or SGST authorities and at what level should the joint mechanism kick in. Deciding the case independently may prove to be a nightmare for the assessee/dealer if show cause notices are issued and adjudicated separately on tax dispute arising on a same cause of action as there would be multiplicity of orders with the possibility of divergent decisions on the same issue. There is no clarity as yet of what the architecture of such a mechanism might be. No dialogue seems to have been initiated on this issue so far. Another possibility is that the structure remains segregated (for CGST and SGST) at the primary adjudication stage and is combined only for appeals.

From a taxpayer's perspective, it is suggested that where tax violations of both CGST and SGST are not involved, the tax disputes may be adjudicated separately. However, where violations of both laws are involved on common facts, a joint mechanism would have to be put in place to avoid inconvenience to the trade.

Audit & Anti –evasion/Anti -Avoidance- With broadened tax base and the additional responsibility of IGST , the role of audit and anti evasion/anti avoidance would be critical. The advantage that the Centre would continue to enjoy of not being circumscribed by state boundaries would be the much needed tool since revenue would flow from states where the supply takes place to the consumption states and this would be crisscrossing between various states through multiple transactions. For effective audit and anti-evasion functions for sixty lakh assessee base, the current methods need complete overhaul and one of the suggestion is to move towards sector wise and commodity/service wise analysis to decide whether to take audit or anti evasion activity. From the tax payers perspective of ease of doing business, there is considerable scope for synchronizing the audit function for Central and State GST. The idea should be to avoid subjecting the taxpayer to two separate audits by the two agencies (Central and State) for the same period of business activity. Very close coordination would be required between the Centre and States in planning and scheduling the audit of business entities. Under State VAT, States do not have separate audit/investigation wings. The Commissioner decides which units are to be audited and the list is provided at the beginning of the financial year in Odisha.

7. CHALLENGES AND SUGGESTED MITIGATION MECHANISM

Some of the major challenges and the suggested mitigation mechanisms are briefly discussed below.

7.1 Levy and collection of tax on services in relation to goods not liable to GST/ or liable to GST at a deferred date such as alcohol, the four specified petroleum items

The 122nd Constitution Amendment Bill proposes to subsume service tax in GST. There are some service categories such as goods transportation where Service tax is being collected on reverse charge basis from the service recipient including manufacturing units. The same is the case with services where the service supplier is located abroad. Owing to its appeal on account of administrative ease, the reverse charge mechanism may have to continue even after GST is introduced. There are some service categories such as goods transportation where Service tax is being collected on reverse charge basis from the service recipient including manufacturing units. The same is the case with services where the service supplier is located abroad. Owing to its appeal on account of administrative ease, the reverse charge mechanism may have to continue even after GST is introduced. However the challenge is that Bill does not make provisions for levy and collection of GST on such services on reverse charge basis from supplier of goods not liable to GST/ or liable to GST at a deferred date such as alcohol, the four specified petroleum goods. If the intention is to make GST payable by such entities on supply of services, this is not brought out, more so, because, there is nothing to suggest that exclusion of certain goods out of the purview of GST is for the GST on goods component only. This, if not addressed may lead to indirect exemption from service tax besides leading to increased cost for the manufacturers of these goods as input tax credit would be unavailable. This would be even more complex for the petroleum goods as some goods in the chain would be subject to GST.

The way to mitigate the challenge of petro products is to subject these goods to GST and enable States and Centre to levy additional tax on such goods. Similarly alcohol should also be brought within the ambit of GST with power to states to levy excise over and above GST with similar dispensation. The other alternative suggestion is to make a provision to make GST levy on services applicable to such goods by a deeming provision and allow for some mechanism for set off of input tax credit. If not, then such service tax would not be applicable of such goods.

7.2. Definition of ‘Service’ in Constitutional Amendment Bill

The inclusion of the definition of Service has been lauded by many while some have suggested modifications in the definition itself. The proposed definition of says - “Services” means anything other than goods. Already the proposed definition has attracted criticism and there are suggestions for modifications. There are suggestions that it should be in fact modified to define ‘supply of services’ as anything other than ‘supply of goods’. However, it is felt that it may neither be desirable nor practical to include the definition at all in the Constitution given the more rigorous requirement of obtaining a two-third majority in each House of Parliament and subsequent ratification by half the State Assemblies for amendment of the constitution. One of the reasons is that many emerging business models especially in the area of intangibles are already posing a challenge to tax administrations across the world. For example, whether downloading of digitized products such as e-books would be a supply of service or goods. Other examples are transactions of cloud computing/data storage etc.

It is suggested that the definition of service be provided in the CGST/SGST legislations. Since these CGST and SGST legislations would be Acts, amendments would still need to go to the parliament or State legislature but they could be passed with a simple majority. Rather this would be a right mix of flexibility as well as stability.

7.3 1% additional tax

On the issue of additional tax up to 1 per cent to be levied by the Centre on inter-state supply of goods, it is viewed as a retrograde step in what is widely perceived as a landmark indirect tax reform measure (as this would add costs to business). This proposed levy also goes against the thrust of the Government on “Make in India”. More pertinently, this may be open to legal challenge as the nature of such levy in addition to levy of IGST on interstate supply of goods would be construed as double taxation. It has been reported that the Select Committee has recommended keeping this levy but has suggested that the same should be levied on inter-state supplies for a consideration only and also suggested modalities for levy and collection of the same. The levy is purportedly planned as an ad valorem levy to be levied and collected by the centre and distributed to the origin States. However, it is still not clear under which provision of the proposed Constitutional amendment this is going to be levied. Generally the centre has been levying additional excise duties as surcharge/cess under the provisions of Article 271. Cesses/surcharges are being subsumed under GST and the current provisions that enable their levy are proposed to be deleted. Unless an enabling provision is incorporated in the constitution, another tax on interstate sales would not be legally feasible.

If this levy is non-negotiable from the States that have supported such a provision, it is suggested to make enabling provision to levy and collect this tax or levy it as component of IGST restricting credit to the extent of 1% .

7.4 Clause 29A of Article 366 - 'deemed sale'

The present Constitutional amendment bill has not proposed to omit clause 29A of Article 366. This clause dealt with 'deemed sale' and listed deemed sale transactions such as (a) transfer of property in goods otherwise than in pursuance of contract for cash, deferred payment or other valuable consideration, (b) transfer of property in goods involved in the execution of a works contract, (c) hire purchase, (d) transfer of right to use any goods, (e) supply of goods for deferred payment or other valuable consideration etc., and (f) supply of goods in a catering contract etc. The rationale behind this is not clear. While this cannot be categorized as a challenge, its implication in the GST regime is unknown. More so because those transactions that were deemed to be sales would be subject to GST as supplies of goods or services. The 115th Amendment Bill of 2011 had proposed to omit Clause (29A) of Article 366. The suggestion is to omit the said provision on grounds of redundancy.

7.5 Revenue Neutral Rate (RNR)

There has been wide speculation about the likely GST rate. Newspaper reports suggested first a RNR of around 27%, and later it was reported to be somewhere between 20 and 23%. In most countries, the GST rate normally varies between 16 to 20%, with exceptions like Australia at 10%, New Zealand at 15%, Japan at 8%, Germany at 23% and Malaysia at 6%. France has four rates, the highest 20% and lowest 2.1%, while UK has three rates 0, 6% and 20%.

The combined taxes that is paid today as Central Excise/Service Tax and VAT India's GST rate is 27%. Earlier calculations based on GDP came up with a figure of 18% for GST. There was also a thinking that a GST rate between 16% and 18% would be acceptable as a easier buy- in for all stakeholders and also not contribute to inflation. Keeping the rate at above 20% will evidently not seem as advantageous as the GST is purported to be. The RNR at rate not exceeding 20% seems ideal. Goods today attract both central excise duty and State Vat but services do not. Since consumers today bear the incidence of service tax of 14% on a host of services such as telephone, eating out at a restaurant, parking etc, even the rate of 18% or 20% would be a steep increase. The only expectation is lower taxable value on account of set off of cascading taxes that would work out to lower cost to consumer despite increase in tax rate on services.

The Select Committee has also reportedly suggested keeping it at not above 20%. However, the RNR would depend on the list of exemptions, threshold level and whether petroleum and tobacco sector would continue to provide a bulk of the

revenue. However, it is apprehended that decision on RNR is likely to be more of a political decision than based on economic rationale or even a rate equal to actual revenue neutral rate.

The suggestion is to keep the RNR at below 20% , otherwise the perceived advantage of GST may be seen as missing from the viewpoint of trade particularly service providers.

7.6 Threshold

The issue of threshold for GST has not yet been settled with speculation on figures ranging from Rs 10 lakhs to Rs. 25 lakhs. It is expected that there would be a common threshold for both goods and services to obviate the challenges that may arise in classification of transactions in the event the threshold is kept at different levels. Pegging the common threshold at high levels would lead to shrinking of tax base in case of services and more so in the case of small States who currently have threshold at less than Rs. 10 lakhs. During discussions with States on the IGST model, the broad agreement was that ~~the~~ there would be zero threshold for inter-state supplies. The threshold should be based on the value of all supplies including the turnover of exempted goods and services (including non-taxable) and exports. There was a difference of opinion on whether the threshold was to be worked out states wise or business entity wise

It is suggested that the threshold may be kept at Rs. 10 lakhs and the threshold should be the same for goods and services. This would substantially increase the base for both the Centre and the States and hence pose a challenge to both administrations. However, the compensating thought is that these thresholds are already operating for goods in most states while the same was operating for services at the centre.

It is also suggested that the threshold should be calculated including the turnover of exempted goods and services (including non-taxable) and exports.

It is further suggested that the threshold should be calculated business entity wise and not state wise (for each business entity) so that the promise in widening of tax base is not subverted.

Since a compounding/composition scheme is proposed upto Rs. 50/60 lakhs, the threshold should be kept at Rs. 10 lakhs so as to facilitate availability of input credit. However, for small States such as the North East could be allowed to pitch the threshold at a lower level of say Rs.5 lakh.

7.7 Exemptions

When the idea of GST was mooted, the expectation was for a comprehensive GST with few exemptions. This is because there is a direct trade-off between the number/

scale of exemptions and the revenue-neutral rate. The more the exemptions, the higher would the RNR have to be. On the side of goods exemptions, the exemptions common at both central excise and VAT have been mapped and the broad agreement was to restrict the exemptions with the list of 96 items currently enjoying exemptions under VAT in States. This in a way indicates that there has been discussion on this issue. However, the story is different when it comes to services as States were not taxing services. Hence, active consultation would need to be undertaken with States. Most GST/VAT countries have a list of exemptions. For instance, in UK, some of the exemptions include food, medicines, books, childrens' clothes, financial services. In Netherlands, healthcare products, items of necessities, labour intensives services, social cultural arena, financial are exempt from VAT. What is notable is that financial services are exempted in most GST/VAT jurisdictions while India has successfully subjected it to service tax. While there are a lot of suggestions for exempting health, education, food etc, the challenge is in exempting a sector in its entirety or even certain sectors like the food sector. Most State VAT laws do not exempt food products. Similarly, the current negative list for service tax does not exempt any particular sector in its totality. For example, executive education is charged just as health services such as plastic surgery.

If the benefits of GST is to accrue as envisaged, it goes without saying that the list of exemptions should be kept at minimum. There is a trade-off between the number and spread of exemptions and the RNR. The larger the list of exemptions, the higher the RNR would have to be. At the same time, there is also another way of looking at exemptions. It could also be seen as adding to revenue in a way through non set off of input taxes.

It is suggested that the current negative lists be taken as the base and pruned to remove exemptions that were attributable to state power of taxation

7.8 Composition Scheme/Compounding Scheme

The Empowered Committee had recommended that the Composition/Compounding Scheme for the purpose of State GST should have a upper ceiling of gross annual turnover and a floor tax rate with respect to gross annual turnover. In particular, there should be a compounding cut off at Rs.50 lakh of gross annual turnover and a floor tax rate of 0.5% across the States. The Scheme should also allow option for GST registration for dealers with turnover below the compounding cut off. However, the assesses have the option for CGST and SGST registration in case they voluntarily do not want to avail facility of Composition Scheme/Compounding Scheme and would then be eligible for input tax credit for all the taxes paid.

It is gathered that the Committee tasked to go into this aspect has suggested Rs. 60 lakhs in sync with Income Tax Act under which a dealer with annual turnover of upto Rs.60 lakh is not liable to keep books of accounts. On the floor rate Committee

has concurred with the Empowered Committee recommendations of 0.5%. Technically this issue also cannot be classified as a challenge, but the issue is being flagged as the suggestion is to keep compounding high but maintain exemption threshold at Rs.10 lakhs instead of Rs. 25 lakhs.

It is suggested that compounding can be even kept higher level, say upto 1 crore and its administration be given to states.

7.9 Treatment of Area based excise duty exemptions

The area based exemptions under Central excise currently operate on two models – outright exemption and refund route. Outright exemptions model is operating in Himachal Pradesh, Uttarakhand while the refund based exemption is operating in Northeastern States including Sikkim and J&K. The basic difference between the two routes is in the treatment of input credit. No input tax credit is available under outright exemption while it is available in the refund based exemption and refund is given to the extent of value addition after set off of input tax credit. In other words, some States enjoy a zero-rating kind of scheme. The first and foremost challenge is that these exemptions have in-built periods of validity. The other is that since GST does not link the levy to the concept of manufacture it may be difficult to continue them in their present form without substantially complicating the working of GST. The added complication is that these exempted units do not enjoy service tax exemption. Hence even assuming that by virtue of special clauses the units are allowed to enjoy the exemption in respect of supply of goods till the end date as per the stipulated date, the issue would be the fate of liability on supply of services.

It is suggested that States currently enjoying the area based exemption should be consulted and the area based excise exemption be converted to exemption of CGST on goods under refund based mechanism with ITC credit facility. This is because, units in these states would procure inputs that have been charged to GST and units outside would procure goods from such areas. Plus levy of service component would not be a problem.

7.10 Cesses administered by other departments

Currently there are cesses administered by different departments. These are generally levied for an assigned purpose, like cess on Bidi which is utilized for welfare of bidi workers etc. In the wake of decision to subsume all cesses on goods and services, the challenge would be to allocate adequate resources for which the cesses were being utilized. Since these were all funded by the Centre, this would create an additional demand on the Central funds. A tricky point though is that the GST would tax only supply. However, cesses like coal cess was technically on production and not on manufacture and was not otherwise subject to excise duty. However with the introduction of GST, supply of coal by coal mines would attract GST. It is a

different matter that the proceeds cannot be ear-marked for any particular purpose as is done now.

Hence there would be a need to factor in the additional demand on central funds.

7.11 Cess on petroleum products

Inclusion of petroleum crude, petrol, HSD and Natural gas under GST is a notable step in the right direction even though the operation of GST levy may take some time. However, the pertinent question left unanswered is whether the Cess/surcharge component applicable on petrol and diesel will be converted to excise duty and if so, whether the sharing pattern of revenue from these products would continue to apply or be altered. Currently, the cess revenue is not shared with the states and is generally used for the purposes of the Union and if taxed as excise duty, it may have an impact on revenue for the Centre and major bearing on the RNR. This is important because the quantum of cess/surcharge revenue is substantial – Out of Rs.17.46/litre on Petrol, Rs. 12.46/Litre is attributable to cess/surcharge. Similarly out of Rs. 18.64 /Litre on Diesel, Rs. 12/Litre is the cess/surcharge component. More pertinently, the difficulty is in maintaining the credit chain especially since some goods in the production chain would be subject to GST say ATF, especially when crude would be outside GST. There are other petro goods in the chain which would also face such problem

It is therefore suggested to subject these goods to GST and enable States to levy an additional tax over and above GST for a temporary period. The other alternative suggestion is to merge the cesses/surcharge component as central excise duty but alter the sharing pattern to maintain status quo revenue wise.

7.12 Treatment of cenvat credit

The treatment of cenvat credit lying in balance and particularly the issue of whether to permit its transfer as CGST and IGST credit would be a major challenge for those sectors within the GST levy. Not to allow such transfer would be a major cost to trade. At the same time, the impact on revenue of allowing such transfer may be substantial. In addition legacy issues may require adjustment of credit in some cases. For those goods outside the GST levy while the issue of cenvat credit in balance may not pose to be problem, the issue is how would they be able to take credit on their input goods and services. This would be equally true of units operating under area based exemptions through the refund route.

It is suggested that an impact assessment study be carried out and transfer of credit be allowed in phases after making provision for legacy proceedings. Another suggestion is to allow transfer of the balance remaining after all outstanding dues of central excise or service tax have been met.

7.13 Coordination of CGST and SGST administration

One of the major challenges would be in the achieving a synchronized coordination between the CSGT and SGST administration. The promise of GST is the reduction in the multiplicity of taxes and interface with various authorities for the multiple levies. While these would reduce to two authorities under GST, given the system of dual GST proposed to be adopted, increased coordination would be required at all levels between centre and states to avoid increase in cost of compliance but complexities for the trade.

It is suggested that a Coordination mechanism at each state for handling implementation issues.

7.14 Band Rate and Levy of IGST on imports

Empowering the GST Council to recommend floor rates with bands” was done probably to assuage some of the States clamouring for fiscal space/ freedom. Although it was recognized that the rates of Central and State GST could be different, there was an expectation in the previous Bill that there would be one single rate of GST for all States. However, there is a view that so long as the band is kept at minimal level there may not be any problems. The same may not be true of allowing a wide band as this may lead to rate wars and tax shopping with added complexities of credit set offs.

The current proposal is for levy of IGST on imports as CVD. The 122nd Constitutional amendment Bill (as also the earlier constitutional amendment Bill) deems import of goods or services as supply of goods or services or both, in the course of inter-state trade or commerce and thus it will attract IGST (CGST plus SGST). Thus, import of goods will attract BCD and IGST, while import of services will attract IGST. When this position was broadly agreed, the issue of allowing a band rate to states was not accepted. The challenge of acquiescing to the band rate for SGST complicates the IGST levy. In such a scenario, the IGST on imports would have to be pegged at the lowest of the SGST rates to meet the WTO obligation of national treatment. However when imported goods move to States that levy a higher rate of SGST the difference would have to be paid by the dealer importing into the State in cash. However, in such cases, the destination states may have an objection if their SGST rates are higher.

The Select Committee has reportedly recommended that the band rate would be defined in Central and State laws. However, the suggestion is to do away with band rate.

7.15 Reorganisation/Restructuring of Administration

This reorganization of structure/administration is unavoidable for both Centre and the States. For the Centre, restructuring the excise and service administration from current jurisdiction to territorial jurisdiction of the states would be the foremost exercise that will have to be under taken. While there is a view that such an exercise

may not be needed for Centre, it goes without saying that service tax Commissionerates would have to be reorganized with this new formation.

The central excise and service tax formations have to be oriented towards handling dealers who are other than manufacturers or service providers. It is most likely that the challenge of administering neighborhood retail stores, retail outlets have not yet dawned as yet in the department.

Coupled with this is the challenge of getting IT preparedness for proposed transition to IT based assessment, scrutiny of returns and payment etc. In other words, CBEC IT infrastructure needs to be tuned to integrate with GSTN.

It is suggested that the existing infrastructure be mapped and gaps identified. It is also suggested to undertake training the staff well in advance to handle GST as well as transition issues. There needs to be adequate preparation for handling legacy issues including area based exemptions. Similarly the States would need to integrate and reinforce their formations handling various taxes such as Sales tax/ VAT, Luxury tax etc to handle the additional workload.

7.16 Dispute Settlement Authority

The need for such a body in the 115th constitutional amendment Bill was felt to ensure that deviations by the Centre and the States from the recommendations of the GST Council on the key features of GST, are minimized. Experience with the implementation of VAT had shown that a number of deviations from the agreed rate structure, especially in the form of rate competition on sensitive products such as petroleum, had emerged over time. This gave rise to rate arbitrage opportunities and unhealthy practices like smuggling of such goods across State borders causing loss of revenue to other State Governments. Since every State legislature is legally competent to determine its own VAT rates and exemptions, a deviation from the agreed structure, per se, did not provide cause for an inter-State dispute. In fact, the most recent example is that of the Delhi Government taking enabling powers to enhance tax rates on a wide range of items to deal with rate competition with the neighbouring States. As such, the only course of action available to the suffering State was to raise it in the Empowered Committee and use moral suasion on the deviating State. In this background, the idea of a Dispute Settlement Authority was meant to serve two purposes – (a) to recognize that a deviation from the recommendations of the GST Council would be actionable by others; and (b) to provide a forum for the Centre and the States to seek redressal in such situations. The revised Bill has abandoned the provision for such an authority and instead left the determination of modalities for dispute settlement to the GST Council itself. The issue is that an expeditious judicial mechanism is required to adjudicate or arbitrate such disputes which the GST Council would not be. Moreover, there would be a general aversion to taking decisions that would seemingly be adverse to some (deviating) Member(s). Being such a high-

powered body, it is doubtful whether the GST Council be able to make time for such adjudications.

The suggestion is for a re-think on the need for dispute settlement authority.

7.17 Import of Good at concessional rate Rules/similar provisions linked to manufacture

There are many provisions in customs that are linked to manufacture such as goods imported under Import of Goods at concessional rat rules or even exemptions that are available if used in the manufacture of a particular product.

It is suggested that customs provisions that are linked to manufacture be reviewed and make suitable changes.

8. CONCLUSION

To conclude, it is a given that a lot needs to be done especially because the country is embarking on a lone journey of crafting a system that is unique and unparalleled, which is a dual GST. Other countries have so far experimented or implemented only a national GST or a sub-national GST. Thus the experience of other GST/VAT countries can at best help us to build upon them and contextualize it to suit our peculiar needs. The department must realize that this is an opportunity for reinventing and rebirth.

115 Constitutional Amendment Bill	122 Constitutional Amendment Bill
<p>1. (1) This Act may be called the Constitution (One Hundred and Fifteenth Amendment) Act, 2011.</p> <p>(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the commencement of that provision.</p> <p>2. After article 246 of the Constitution, the following article shall be inserted, namely:— ‘246A. Notwithstanding anything contained in articles 246 and 254, Parliament and the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by that State respectively: Provided that Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce. Explanation.— For the purpose of this article, “State” includes a Union territory with Legislature.’</p> <p>3. In article 248 of the Constitution, in clause (1), for the word “Parliament”, the words, figures and letter “Subject to article 246A, Parliament” shall be substituted.</p> <p>4. In article 249 of the Constitution, in clause (1), after the words “with respect to”, the words “goods and services tax or” shall be inserted.</p> <p>5. In article 250 of the Constitution, in clause (1), after the words “with respect to”, the words “goods and services tax or” shall be inserted.</p> <p>6. In article 268 of the Constitution, in clause (1), the words “and such duties of excise on medicinal and toilet preparations” shall be omitted.</p> <p>7. Article 268A of the Constitution [as inserted by section 2 of the Constitution (Eighty-eighth Amendment) Act, 2003] shall be omitted.</p> <p>8. In article 269 of the Constitution, in clause (1), after the words “consignment of goods”, the words, figures and letter “except as provided in article 269A” shall be</p>	<p>1. (1) This Act may be called the Constitution (One Hundredth Amendment) Act, 2015.</p> <p>(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the commencement of that provision.</p> <p>2. After article 246 of the Constitution, the following article shall be inserted, namely:— "246A. (1) Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such state. (2) Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce. <i>Explanation.</i>—The provisions of this article, shall, in respect of goods and services tax referred to in clause (5) of article 279A, take effect from the date recommended by the Goods and Services Tax Council.”</p> <p>3. In article 248 of the Constitution, in clause (1), for the word "Parliament", the words, figures and letter "Subject to article 246A, Parliament" shall be substituted.</p> <p>4. In article 249 of the Constitution, in clause (1), after the words "with respect to", the words, figures and letter" goods and services tax provided under article 246A or" shall be inserted.</p> <p>5. In article 250 of the Constitution, in clause (1), after the words "with respect to", the words, figures and letter "goods and services tax provided under article 246A or" shall be inserted.</p> <p>6. In article 268 of the Constitution, in clause (1), the words "and such duties of excise on medicinal and toilet preparations" shall be omitted.</p> <p>7. Article 268A of the Constitution, as inserted by section 2 of the Constitution (Eighty-eighth Amendment) Act, 2003 shall be omitted</p> <p>8. In article 269 of the Constitution, in clause (1), after the words "consignment of goods", the words, figures and letter "except as provided in article 269A" shall be</p>

<p>inserted.</p> <p>9. After article 269 of the Constitution, the following article shall be inserted, namely:—</p> <p>‘269A. (1) Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be prescribed by Parliament by law.</p> <p><i>Explanation I.</i> — For the purposes of this clause, supply of goods or of services or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.</p> <p>Explanation II. — For the purpose of this article, “State” includes a Union territory with Legislature.</p> <p>(2) Parliament may, by law, formulate the principles for determining when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.’</p> <p>10. In article 270 of the Constitution,—</p> <p>(i) in clause (1), for the words, figures and letter “articles 268, 268A and 269”, the words, figures and letter “articles 268, 269 and 269A” shall be substituted;</p> <p>(ii) after clause (1), the following clause shall be inserted, namely:—</p> <p>“(1A) Goods and services tax levied and collected by the Government of India shall also be distributed between the Union and the States in the manner provided in clause (2).”</p> <p>11. In article 271 of the Constitution, after the words “in those articles”, the words “except the goods and services tax” shall be inserted.</p> <p>12. After article 279 of the Constitution, the following articles shall be inserted, namely:—</p> <p>‘279A. (1) The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and Fifteenth Amendment) Act, 2011, by order, constitute a Council to be called the Goods and Services Tax Council.</p> <p>(2) The Goods and Services Tax Council shall consist of the following members, namely:—</p> <p>(a) the Union Finance MinisterChairperson;</p> <p>(b) the Union Minister of State in charge of Revenue ... Member;</p> <p>(c) the Minister in charge of Finance or Taxation or any</p>	<p>inserted.</p> <p>9. After article 269 of the Constitution, the following article shall be inserted, namely:—</p> <p>“269A. (1) Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.</p> <p><i>Explanation.</i>—For the purposes of this clause, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.</p> <p>(2) Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce</p> <p>10. In article 270 of the Constitution,—</p> <p>(i) in clause (1), for the words, figures and letter "articles 268, 268A and 269", the words, figures and letter "articles 268, 269 and 269A" shall be substituted;</p> <p>(ii) after clause (1), the following clause shall be inserted, namely:—</p> <p>“(1A) The goods and services tax levied and collected by the Government of India, except the tax apportioned with the States under clause (1) of article 269A, shall also be distributed between the Union and the States in the manner provided in clause (2).”.</p> <p>11. In article 271 of the Constitution, after the words “in those articles”, the words, figures and letter “except the goods and services tax under article 246A,” shall be inserted.</p> <p>12. After article 279 of the Constitution, the following article shall be inserted, namely:—</p> <p>“279A. (1) The President shall, within sixty days from the date of commencement of the Constitution (One Hundredth Amendment) Act, 2015, by order, constitute a Council to be called the Goods and Services Tax Council.</p> <p>(2) The Goods and Services Tax Council shall consist of the following members, namely:—</p> <p>(a) the Union Finance Minister..... Chairperson;</p> <p>(b) the Union Minister of State in charge of Revenue or Finance..... Member;</p> <p>(c) the Minister in charge of Finance or Taxation or any</p>
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<p>other Minister nominated by each State Government..... Members</p> <p>(3) The Members of the Goods and Services Tax Council referred to in sub-clause (c) of clause (2) shall, as soon as may be, choose one amongst themselves to be the Vice-Chairperson of the Council for such period as they may decide.</p> <p>(4) The Goods and Services Tax Council shall make recommendations to the Union and the States on—</p> <p>(a) the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the goods and services tax;</p> <p>(b) the goods and services that may be subjected to or exempted from the goods and services tax;</p> <p>(c) the threshold limit of turnover below which goods and services tax may be exempted;</p> <p>(d) the rates of goods and services tax; and</p> <p>(e) any other matter relating to the goods and services tax, as the Council may decide.</p> <p>(5) While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonised structure of goods and services tax and for the development of a harmonised national market for goods and services.</p> <p>(6) One-third of the total number of members of the Goods and Services Tax Council shall constitute the quorum at its meetings.</p> <p>(7) The Goods and Services Tax Council shall determine the procedure in the performance of its functions.</p> <p>(8) Every decision of the Goods and Services Tax Council taken at a meeting shall be with the consensus of all the members present at the meeting.</p> <p>(9) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—</p> <p>(a) any vacancy in, or any defect in, the constitution of the Council; or</p> <p>(b) any defect in the appointment of a person as a Member of the Council; or</p> <p>(c) any irregularity in the procedure of the Council not affecting the merits of the case.</p>	<p>other Minister nominated by each State Government.....Members.</p> <p>(3) The Members of the Goods and Services Tax Council referred to in sub-clause (c) of clause (2) shall, as soon as may be, choose one amongst themselves to be the Vice-Chairperson of the Council for such period as they may decide.</p> <p>(4) The Goods and Services Tax Council shall make recommendations to the Union and the States on—</p> <p>(a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;</p> <p>(b) the goods and services that may be subjected to, or exempted from the goods and services tax;</p> <p>(c) model Goods and Services Tax Laws, principles of levy, apportionment of Integrated Goods and Services Tax and the principles that govern the place of supply;</p> <p>(d) the threshold limit of turnover below which goods and services may be exempted from goods and services tax;</p> <p>(e) the rates including floor rates with bands of goods and services tax;</p> <p>(f) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;</p> <p>(g) special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and</p> <p>(h) any other matter relating to the goods and services tax, as the Council may decide.</p> <p>(5) The Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.</p> <p>(6) While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonised structure of goods and services tax and for the development of a harmonised national market for goods and services.</p> <p>(7) One half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings</p> <p>(8) The Goods and Services Tax Council shall determine the procedure in the performance of its functions.</p> <p>(9) Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting, in accordance with the following principles, namely:—</p> <p>(a) the vote of the Central Government shall have a weightage of one third of the total votes cast, and</p>
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Explanation.—For the purposes of this article, “State” includes a Union territory with Legislature.

279B. (1) Parliament may, by law, provide for the establishment of a Goods and Services Tax Dispute Settlement Authority to adjudicate any dispute or complaint referred to it by a State Government or the Government of India arising out of a deviation from any of the recommendations of the Goods and Services Tax Council constituted under article 279A that results in a loss of revenue to a State Government or the Government of India or affects the harmonised structure of the goods and services tax.

(2) The Goods and Services Tax Dispute Settlement Authority shall consist of a Chairperson and two other members.

(3) The Chairperson of the Goods and Services Tax Dispute Settlement Authority shall be a person who has been a Judge of the Supreme Court or Chief Justice of a High Court to be appointed by the President on the recommendation of the Chief Justice of India.

(4) The two other members of the Goods and Services Tax Dispute Settlement Authority shall be persons of proven capacity and expertise in the field of law, economics or public affairs to be appointed by the President on the recommendation of the Goods and Services Tax Council.

(5) The Goods and Services Tax Dispute Settlement Authority shall pass suitable orders including interim orders.

(6) A law made under clause (1) may specify the powers which may be exercised by the Goods and Services Tax Dispute Settlement Authority and provide for the procedure to be followed by it.

(7) Notwithstanding anything in this Constitution, Parliament may by law provide that no Court other than the Supreme Court shall exercise jurisdiction in respect of any such adjudication or dispute or complaint as is referred to in clause (1).

Explanation.— For the purpose of this article, “State” includes a Union territory with Legislature.’

13. In article 286 of the Constitution,—

(i) in clause (1),—

(A) for the words “the sale or purchase of goods where such sale or purchase takes place”, the words “the supply of goods or of services or both, where such supply takes place” shall be substituted;

(B) in sub-clause (b), for the word “goods”, at both the places where it occurs, the words “goods or services or both” shall be substituted;

(ii) in clause (2), for the words “sale or purchase of goods takes place”, the words “supply of goods or of

(b) the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.

(10) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—

(a) any vacancy in, or any defect in, the constitution of the Council; or

(b) any defect in the appointment of a person as a Member of the Council; or

(c) any procedural irregularity of the Council not affecting the merits of the case.

(11) The Goods and Services Tax Council may decide about the modalities to resolve disputes arising out of its recommendations.”.

13. In article 286 of the Constitution,—

(i) in clause (1),—

(A) for the words “the sale or purchase of goods where such sale or purchase takes place”, the words “the supply of goods or of services or both, where such supply takes place” shall be substituted;

(B) in sub-clause (b), for the word “goods”, at both the places where it occurs the words “goods or services or both” shall be substituted;

(ii) in clause (2), for the words “sale or purchase of goods takes place”, the words “supply of goods or of

<p>services or both” shall be substituted; (iii) for clause (3), the following clauses shall be substituted, namely:— “(3) Any law of a State shall, in so far as it imposes, or authorises the imposition of a tax on the sale or purchase of goods declared by Parliament by law to be of special importance in inter-State trade or commerce be subject to such restrictions and conditions in regard to the system of levy, rates and other incidents of tax as Parliament may by law specify. (4) Nothing in clause (3) shall apply to a law of a State insofar as it imposes or authorises the imposition of goods and services tax.”.</p> <p>14. In article 366 of the Constitution,— (i) after clause (12), the following clause shall be inserted, namely:— ‘(12A) “goods and services tax” means any tax on supply of goods or services or both except taxes on the supply of the following goods, namely:— (i) petroleum crude; (ii) high speed diesel; (iii) motor spirit (commonly known as petrol); (iv) natural gas; (v) aviation turbine fuel; and (vi) alcoholic liquor for human consumption.’; (ii) clause (29A) shall be omitted.</p> <p>15. In article 368 of the Constitution, in clause (2), in the proviso, in clause (a), for the words and figures “article 162 or article 241”, the words, figures and letters “article 162, article 241, article 279A or article 279B” shall be substituted.</p> <p>16. In the Sixth Schedule to the Constitution, in paragraph 8, in sub-paragraph (3),— (i) in clause (c), the word “and” occurring at the end shall be omitted; (ii) in clause (d) , the word “and” shall be inserted at the end; (iii) after clause (d), the following clause shall be inserted, namely:— “(e) taxes on entertainment and amusements.”.</p> <p>17. In the Seventh Schedule to the Constitution,— (a) in List I — Union List,— (i) for entry 84, the following entry shall be substituted, namely:— “84. Duties of excise on the following goods manufactured or produced in India, namely:— (a) petroleum crude; (b) high speed diesel; (c) motor spirit (commonly known as petrol); (d) natural gas;</p>	<p>services or both” shall be substituted; (iii) clause (3) shall be omitted.</p> <p>14. In article 366 of the Constitution,— (i) after clause (12), the following clause shall be inserted, namely:— ‘(12A) “goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption;’; (ii) after clause (26), the following clauses shall be inserted, namely:— ‘(26A) “Services” means anything other than goods; (26B) “State” with reference to articles 246A, 268, 269, 269A and 279A includes a Union territory with Legislature;’.</p> <p>15. In article 368 of the Constitution, in clause (2), in the proviso, in clause (a), for the words and figures “article 162 or article 241”, the words, figures and letter “article 162, article 241 or article 279A” shall be substituted.</p> <p>16. In the Sixth Schedule to the Constitution, in paragraph 8, in sub-paragraph (3),— (i) in clause (c), the word “and” occurring at the end shall be omitted; (ii) in clause (d), the word “and” shall be inserted at the end; (iii) after clause (d), the following clause shall be inserted, namely:— “(e) taxes on entertainment and amusements.”.</p> <p>17. In the Seventh Schedule to the Constitution,— (a) in List I — Union List,— (i) for entry 84, the following entry shall be substituted, namely:— “84. Duties of excise on the following goods manufactured or produced in India, namely:— (a) petroleum crude; (b) high speed diesel; (c) motor spirit (commonly known as petrol);</p>
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<p>(e) aviation turbine fuel; and (f) tobacco and tobacco products.”; (ii) entries 92 and 92C shall be omitted; (b) in List II — State List,— (i) for entry 52, the following entry shall be substituted, namely:— “52. Taxes on the entry of goods into a local area for consumption, use or sale therein to the extent levied and collected by a Panchayat or a Municipality.”;</p> <p>(ii) for entry 54, the following entry shall be substituted, namely:— “54. Taxes on the sale, other than sale in the course of inter-State trade or commerce or sale in the course of international trade and commerce of, petroleum crude, high speed diesel, natural gas, motor spirit (commonly known as petrol), aviation turbine fuel and alcoholic liquor for human consumption.”; (iii) entry 55 shall be omitted; (iv) for entry 62, the following entry shall be substituted, namely:— “62. Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council.”.</p> <p>18. Notwithstanding anything in this Act, any provision of any law relating to tax on goods or services or on both in force in any State immediately before the commencement of this Act, which is inconsistent with the provisions of the Constitution as amended by this Act shall continue to be in force until amended or repealed by a competent Legislature or other competent authority or until expiration of one year from such commencement, whichever is earlier.</p> <p>19. (1) If any difficulty arises in giving effect to the provisions of the Constitution as amended by this Act (including any difficulty in relation to the transition from the provisions of the Constitution as they stood immediately before the date of assent of the President to</p>	<p>(d) natural gas; (e) aviation turbine fuel; and (f) tobacco and tobacco products.”; (ii) entries 92 and 92C shall be omitted; (b) in List II — State List,— (i) entry 52 shall be omitted;</p> <p>(ii) for entry 54, the following entry shall be substituted, namely: "54. Taxes on the sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods."; (iii) entry 55 shall be omitted; (iv) for entry 62, the following entry shall be substituted, namely:— "62. Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council.".</p> <p>18. (1) An additional tax on supply of goods, not exceeding one per cent, in the course of inter-State trade or commerce shall, notwithstanding anything contained in clause (1) of article 269A, be levied and collected by the Government of India for a period of two years or such other period as the Goods and Services Tax Council may recommend, and such tax shall be assigned to the States in the manner provided in sub-section (2). (2) The net proceeds of additional tax on supply of goods in any financial year, except the proceeds attributable to the Union territories, shall not form part of the Consolidated Fund of India and be deemed to have been assigned to the States from where the supply originates. (3) The Government of India may, where it considers necessary in the public interest, exempt such goods from the levy of tax under sub-section (1). (4) Parliament may, by law, formulate the principles for determining the place of origin from where supply of goods take place in the course of inter-State trade or commerce. (5) For the purposes of this section, “State” shall have the meaning assigned to it in clause (26B) of article 366 of the Constitution</p> <p>19. Parliament may, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for such period which may extend to five</p>
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<p>this Act to the provisions of the Constitution as amended by this Act), the President may, by order, make such provisions, including any adaptation or modification of any provision of the Constitution or law, as appear to the President to be necessary or expedient for the purpose of removing the difficulty: Provided that no such order shall be made after the expiry of three years from the date of such assent.</p> <p>(2) Every order made under sub-section (1) shall, as soon as may be after it is made, be laid before each House of Parliament.</p>	<p>years.</p> <p>20. Notwithstanding anything in this Act, any provision of any law relating to tax on goods or services or on both in force in any State immediately before the commencement of this Act, which is inconsistent with the provisions of the Constitution as amended by this Act shall continue to be in force until amended or repealed by a competent Legislature or other competent authority or until expiration of one year from such commencement, whichever is earlier.</p> <p>21. (1) If any difficulty arises in giving effect to the provisions of the Constitution as amended by this Act (including any difficulty in relation to the transition from the provisions of the Constitution as they stood immediately before the date of assent of the President to this Act to the provisions of the Constitution as amended by this Act), the President may, by order, make such provisions, including any adaptation or modification of any provision of the Constitution as amended by this Act or law, as appear to the President to be necessary or expedient for the purpose of removing the difficulty: Provided that no such order shall be made after the expiry of three years from the date of such assent.</p> <p>(2) Every order made under sub-section (1) shall, as soon as may be after it is made, be laid before each House of Parliament</p>
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PRESENT INSTITUTIONAL STRUCTURE

At Central Level:- The Central Board of Excise and Customs under Department of Revenue, Ministry of Finance, administers the levy and collection of Central Excise Duty, Service tax and various cesses levied by the department or other departments. The administrative structure is as below:

Ministry of Finance (GoI)

Department of Revenue

Central Board of Excise and Customs headed by Chairman and consisting of Members
(Budget,P&V,Excise,Customs, L &J)

Zonal offices of Central Excise and Service Tax headed by Principal Chief Commissioners/Chief Commissioners
&
(Directorates of inspection, Audit, Intelligence, Stats, Vigilance etc. headed by Director General)

Commissionerates of Central Excise and Service Tax headed by Principal Commissioners/Commissioners.

Divisions of Central Excise/ Service Tax headed by Dy Comm/ Asstt Commissioners

Ranges of Central Excise/ Service Tax headed by Superintendent

At State Level:- At the State level, the administrative structure is as below:

Ministry/Department of Finance of State

Department of Commercial Taxes (in some States)

Commissioner of state VAT/Sales Tax/Commercial Tax

Spl. Commissioner/Additional Commissioner/Joint Commissioner of Sales Tax/Deputy Commissioner/Asstt Commissioner of Sales Tax

Sales Tax Officer/ Asstt Sales Tax Officer

